

INDIRECT COSTS INFORMATION

The total cost of a grant project is comprised of the allowable direct costs related to its performance and indirect costs. The terms "direct costs" and "indirect costs" are defined below:

Direct Costs - A direct cost is any cost that can be identified with a particular program or cost objective. Direct costs can be identified specifically with particular cost objectives such as a grant, contract, project, function or activity. Direct costs generally include:

1. Salaries - Salaries are wages (including vacations, holidays, sick leave, and other excused absences of employees working specifically on objectives of a grant or contract – i.e, direct labor costs).
2. Other employee fringe benefits allocable on direct labor employees.
3. Consultant services contracted to accomplish specific grant/contract objectives.
4. Travel of (direct labor) employees.
5. Materials, supplies and equipment purchased directly for use on a specific grant or contract.

Indirect Costs - Indirect costs are those costs that are incurred by a grantee that are not readily chargeable to a particular program or function, but benefit all programs and functions operated by the grantee. Indirect costs are necessary to the overall operation of the grantee, but a direct relationship to a specific program cannot be shown. An example of an indirect cost might be the salary and related fringe benefits paid to the grantee's accounting staff and/or the executive director. Generally, these kinds of costs are identified, pooled, and charged against individual programs or funding sources using a rate designed to recover the costs.

Other common indirect costs listed in 2 CFR 200.414 include:

- Depreciation on buildings and equipment
- Costs of operating and maintaining facilities
- General administration and general expenses
- Personnel and accounting administration

Applicants have three options for claiming indirect costs: (1) utilize an existing Indirect Cost Rate Agreement (ICRA) with the Federal Government; (2) negotiate with PHMSA to receive an ICRA; or (3) claim the 10 percent de minimis rate.

Indirect costs are allowable under the NGDISM Grant Program. When submitting a NGDISM application, if a budget includes indirect charges, the applicant must include an indirect cost rate agreement or statement claiming the 10 percent de minimis rate. The rate must be applied to the appropriate base in the approved agreement. If the rate will

not be approved by the application due date, attach the letter of renewal or letter of request sent to the cognizant agency for your application. If the applicant has never received or has an expired indirect cost rate agreement, the applicant may be eligible for the 10 percent de minimis rate provided by 2 CFR § 200.414. A nonprofit entity that has never received a negotiated indirect cost rate may elect to charge a de minimis rate of 10 percent of modified total direct costs, per 2 CFR § 200.414, which may be used indefinitely.

For a more detailed discussion of Indirect Costs, please refer to 2 CFR 200.414.