



## Indirect Costs: New Guidance on Federal Grants from the Office of Management and Budget (OMB)

Many of our early childhood programs receive federal funds through state and local entities and have encountered “indirect costs” in preparing those grant agreements. Indirect costs (administrative or overhead costs) have either been sparsely reimbursed or not reimbursed at all.

The Office of Management and Budget has changed the playing field to require that all “pass through” agencies (state and local governments) and all federal agencies reimburse a nonprofit’s indirect costs by:

- Applying the nonprofit’s federally negotiated indirect cost rate, or
- Allowing nonprofits to either negotiate an indirect cost rate or elect the default rate of 10% of their modified total direct costs.

This will ensure that nonprofits are not having to scramble to cover administrative/overhead costs associated with these federal programs and will perhaps have the effect of freeing up community resources (previously sought to fill the gaps left by the federal funding) for nonprofits that do not work with federal money.

For more information on how this will work in your state, contact your state Council of Nonprofits or their allies. *NOTE: No center or ally was listed for Georgia or Virginia.*



Alabama Association of Nonprofits

Phone: 205-879-4712

[www.alabamanonprofits.org](http://www.alabamanonprofits.org)



Arkansas Nonprofit Alliance

Phone: 501-375-1223

[www.arkansasnonprofits.org](http://www.arkansasnonprofits.org)



**NonprofitCenter**  
of Northeast Florida

*Uplifting nonprofits. Enhancing lives.*

Nonprofit Center of Northeast Florida

Phone: 904-390-3222

[www.nonprofitctr.org](http://www.nonprofitctr.org)



Kentucky Nonprofit Network

Phone 859-963-3203

[www.kynonprofits.org](http://www.kynonprofits.org)



Louisiana Association of Nonprofit Organizations

Phone: 225-929-5266

[www.lano.org](http://www.lano.org)



Mississippi Center for Nonprofits

Phone: 601-968-0061

[www.msnonprofits.org](http://www.msnonprofits.org)



Oklahoma Center for Nonprofits

Phone: 405-463-6886

[www.oklahomacenterfornonprofits.org](http://www.oklahomacenterfornonprofits.org)



South Carolina Association of Nonprofit Organizations

Phone: 803-929-0399

[www.scanpo.org](http://www.scanpo.org)



Tennessee Alliance for Nonprofit Excellence

Phone: 901-684-6605

[www.npexcellence.org](http://www.npexcellence.org)



Texas Association of Nonprofit Organizations

Phone: 512-381-1490

[www.tano.org](http://www.tano.org)



West Virginia Nonprofit Association

Phone: 304-667-2248

[www.wvnpa.org](http://www.wvnpa.org)

Sources: National Council of Nonprofits, <http://www.councilofnonprofits.org/public-policy/omb-guidance-indirect-costs>, 7/14/2014

Office of Management and Budget, <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>, 12/26/13



This document was prepared by Glenda Bean, Executive Director, Southern Early Childhood Association, as a service to SECA members and is intended for informational purposes only. SECA members are encouraged to contact their state associations to get definitive information for their locale. (7/14/14)