

Emergency Solutions Grant Program

INDIRECT COST INSTRUCTIONS

New for 2017:

Approximately \$3.3 million in State funds for the California Emergency Solutions Grant (ESG) Program (CA ESG) have been made available for eligible Continuum of Care (CoC) Service Areas. To help support grantee administrative and facilities costs, indirect costs may be charged to the ESG Program. Grantees are responsible for ensuring all costs charged to the ESG Program are in compliance with Title 2, Subtitle A, Chapter II, Part 200 of the Code for Federal Regulations (CFR).

Authority:

Pursuant to CFR Section 200.402, the total cost of a Federal award is the sum of the allowable direct and allocable indirect costs. Direct costs are allowable and must be reasonable as defined in CFR §200.404. Only allowable direct costs will be reimbursed.

Grantees may claim a 10% De Minimus Indirect Cost Rate. Pursuant to CFR §200.68, calculation of the Modified Total Direct Cost (MTDC) will be used as the basis for determining the allowable indirect costs that may be charged to the program.

To claim an indirect cost rate higher than the 10% De Minimus rate, Grantees must provide a copy of their approval letter from a federal cognizant agency, as defined in CFR §200.19. The approval letter must show approval of the higher rate based on their approved Indirect Cost Rate Proposal.

Grantees are not required to charge indirect costs to the ESG Program. Grantees will only be reimbursed for allowable cost, as defined below.

Pursuant to CFR §200.333, grantees must retain all financial records, supporting documents, statistical records, and all records pertinent to the ESG Program for a period of three years from the date of submission of the final Request for Funds. The Grantee's final Request for Funds must be clearly marked as final.

Definition:

CFR §200.56 – Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

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ALLOWABLE DIRECT ADMINISTRATIVE COSTS:

- A. Salaries** – All allowable expenses paid or currently accrued by the organization for employees working on the program during the grant period is allowable, as follows:
- 1) The compensation to individual employees is reasonable for the work performed directly on the award charged.
 - 2) Is consistently applied to both Federal ESG and CA ESG Allocations, and
 - 3) The charges for work performed are document in an auditable format easily distinguishable from other unrelated wages.
- B. Benefits** – Allowable as a direct cost in proportion to the salary charged to the award, to the extent that such payments are made under formally established and consistently applied organizational policies.

If the organization does not have a fixed fringe benefit rate, then actual charges for the following should be used in estimating these costs to the extent possible, including:

- 1) Employee retirement contributions
 - 2) Employer paid taxes (e.g., local, state, federal, Medicare, social security, unemployment contributions)
 - 3) Employee paid health benefits
- C. General Expenses** – General Expenses include materials, supplies, and tangible property (including computing devices/minor equipment) costing less than \$5,000 per unit, or other lower equipment threshold, as well as consumable materials and supplies, are allowable if costs can be documented as allocable and essential to the grant. Examples of general expenses include:
- Miscellaneous Office Supplies
 - Freight and Drayage
 - Advertising
 - Meetings, Conferences, Exhibits and Shows
 - Photography
 - Photocopy Paper
 - Printed Forms and Stationery
 - Office Copier Supplies
 - Postage (e.g., Stamps, Stamped Envelopes, Post Cards, Postage Due Charges, Registered and Certified Mail Charges)
- D. Subawards/Subcontracts** – Costs for subawards/subcontracts are allowable and must comply with the General Procurement Standards for non-Federal entities, pursuant to CFR Sections 200.318 through 200.326.

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For the purposes of determining allowable indirect costs, only costs for the first \$25,000 of each of the subawards/subcontracts will be used in the Total Cost Used to Calculate Indirect Cost. Costs above \$25,000 are excluded from the Total Cost Used to Calculate Indirect Cost.

ALLOWABLE DIRECT FACILITY COSTS:

- A. Rent** – Rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased.
- B. Utility Costs** – Including: electricity, gas, heating, and water.
- C. Facility Operation Costs** – Including: building security, janitorial services, waste removal, and costs related to the upkeep of the facility are allowable.

DETERMINING INDIRECT COSTS:

Pursuant to CFR §200.68, the Modified Total Direct Cost (MTDC) methodology will be used to calculate allowable indirect costs for grant awards. Please use Section 3 – Indirect Cost Computation to enter your Excluded Costs. This will determine the Total Cost Used to Calculate Indirect Cost and the indirect cost amounts that may be charged to the program.

INDIRECT COST RESTRICTIONS:

Excluded Costs

Excluded Costs are those expenses the government will not reimburse as part of a federal award. Excluded costs cannot be charged to grant awards and should be excluded from your proposed grant budget and requests for funds.

- A. Equipment** – Defined as an item of property that has an acquisition cost of \$5,000 or more and has an expected lifespan of more than one year. Since equipment is excluded from the Indirect Cost calculation, if you have an item with a short service life of less than one year, even if it costs more than \$5,000, it is unallowable and will not be approved in your grant budget.
- B. Capital Expenditure** – Buildings, land, office equipment and furnishings, alterations and renovations, telephone networks, and motor vehicles.

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C. Other Excluded Costs – Examples of excluded costs include the following:

- Advisory Councils
- Alcoholic Beverages
- Bad Debts
- Contributions and Donations
- Entertainment Costs
- Fines, Penalties, damages, and other settlements
- Fundraising and Investment Management Costs
- Interest
- Lobbying
- Losses on awards or contracts
- Organizational Costs
- Selling and Marketing Costs
- Rental Costs
- Scholarships and Fellowships
- Participant Support Costs