

# Emergency Solutions Grants (ESG) Program Office Hours – Indirect Costs

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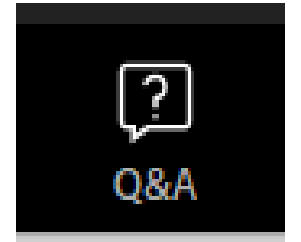
Anthony Zepeda, ESG Representative

January 29, 2025





# How to ask a question...



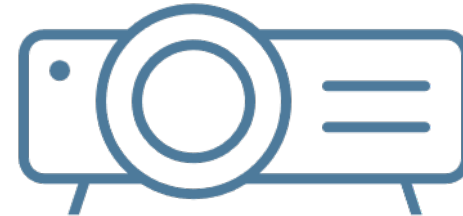
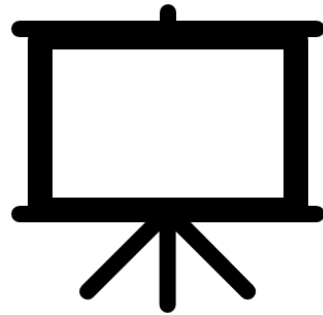
## Question Format

- ❖ All Questions must be submitted in the Question & Answer (Q&A) Box:
  - Please type your organization name and question.
- ❖ The team will read questions out loud at the end of the presentation and will also provide answers (if possible) throughout the presentation.
- ❖ All questions and answers entered into the Q&A box will be recorded as part of the public record.



# Slides and Recording

Both the slides and recording will be sent to all participants within two weeks of this event.





# Agenda

- ❖ Welcome and Introductions
- ❖ ESG Updates
- ❖ Spotlight Series: **Indirect Costs**
- ❖ Q&A





# ESG Team Representatives

❖ Sam Lieu

[Sam.Lieu@hcd.ca.gov](mailto:Sam.Lieu@hcd.ca.gov)

❖ Giovanni Martinez

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❖ Anthony Zepeda

[Anthony.Zepeda@hcd.ca.gov](mailto:Anthony.Zepeda@hcd.ca.gov)

Please reach out to your ESG Representative listed above or contact us at:

[\*\*ESGNOFA@hcd.ca.gov\*\*](mailto:ESGNOFA@hcd.ca.gov)



# ESG Updates

## **Upcoming Office Hours Schedule\*:**

- ❖ February 12<sup>th</sup>, 2025 – 2024 eCivis Application Live Demo
- ❖ February 26<sup>th</sup>, 2025 – Office Hours – TBD
- ❖ March 12<sup>th</sup>, 2025 – Office Hours – TBD

*\*Dates are tentative and subject to change*



# ESG Updates

## **2024 ESG NOFA Schedule\*:**

- ❖ January 31<sup>st</sup>, 2025 – Application Portal Opens
- ❖ March 28<sup>th</sup>, 2025 – Applications Due in eCivis by 5:00pm (PDT)
- ❖ July 2025 – Award Announcements

*\*Dates are tentative and subject to change*



# ESG - 2023 Grant Updates

## ❖ Performance Milestones Reminders:

- ❖ Expenditure deadline for 2023 contracts is August 17, 2025.
- ❖ 80% of contract must be expended by June 17, 2025.
- ❖ Grantees are required to submit at least one Request for Funds (RFF) per quarter (we highly recommend monthly).



# ESG – 2023 Grant Updates

## ❖ Request For Funding Requirements

### ❖ First RFF:

- Full Back-up Documentation Required for all DER Line Items
- RRH & HP must have approved Policies & Procedures
- Redact all Personally Identifying Information (PII)



# ESG – 2023 Grant Updates

## ❖ Request For Funding (RFF) Requirements

### ❖ Second (and subsequent) RFFs:

- Supporting documentation for two line-items per component
- Grantee to select the line-items to document\*
- Include full client files for RRH and HP
- Redact all Personally Identifying Information (PII)

*\*HCD reserves the right to request additional documentation (as applicable)*



Questions?

# ESG Office Hours – Spotlight Series

## 2024 ESG NOFA: Indirect Costs

January 22, 2025



A large blue pyramid is positioned on the left side of the slide. To its right, four white rectangular boxes with rounded corners and blue borders are stacked vertically. Each box contains a text item from the agenda. The pyramid's right edge overlaps the left side of the boxes.

Cost Principles

Classifying Costs

Allocating Indirect  
Costs

Charging Indirect  
Costs

1

Federal Uniform Guidance  
(2 CFR 200)

2

HUD ESG Program Regulations  
(24 CFR 576)

3

HCD ESG Standard Agreement

- All costs paid for with federal funds must be:



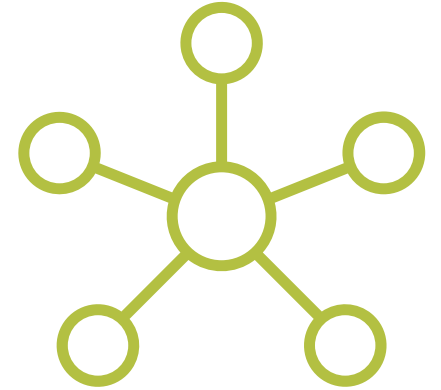
- All costs paid for with ESG grant funds must be:
  - Included within eligible activities in the ESG regulations
  - Incurred for the benefit of an eligible ESG beneficiary
  - Adequately documented
  - Consistent with your agency's policies and procedures
  - Treated consistently as either direct or indirect

- All costs reimbursed with HCD ESG must be:
  - Eligible ESG costs
  - Included within approved activity component budget
  - Incurred during the approved grant budget period

# Classifying Costs | Direct vs. Indirect

## Direct Costs

Costs that can be specifically assigned to a particular award or activity relatively easily and with a high degree of certainty



## Indirect Costs

Costs incurred for shared or joint objectives that cannot be readily assignable to a particular award or activity



# Classifying Costs | Examples of Direct Costs

Type of Direct Cost	Example	Documentation
Direct Personnel Costs:	Staff costs incurred to provide necessary case management services to specific beneficiaries that are enrolled in an ESG funded program.	<p>Signed <b>timesheets</b> accounting for all hours worked during the week, specifically identifying the number of hours worked on each activity by funding source.</p> <p><b>Payroll records</b> summarizing the number of hours worked on ESG activities by employee, multiplied by their respective hourly rate, totaling the amount charged to the ESG award.</p> <p><b>Proof of payment</b> such as copy of cancelled check or bank statements</p>
Direct Non-Personnel Costs:	Vehicle purchased and used exclusively by the street outreach team to serve and transport eligible ESG beneficiaries.	<p><b>Procurement records</b> demonstrating the cost of the goods and/or services were determined to be reasonable before completing the purchase.</p> <p>Copy of <b>invoice or receipt</b> that clearly shows the costs incurred for the ESG activity.</p> <p><b>Proof of payment</b> such as copy of cancelled check or bank statements</p>
Direct Participant Support Costs:	Rental assistance payments made on behalf of an eligible ESG beneficiary.	<p>Copy of <b>lease / rental agreement</b> that verifies the rent amount and compliance with cost reasonableness requirements.</p> <p><b>Proof of payment</b> such as copy of cancelled check or bank statements</p>

# Classifying Costs | Examples of Indirect Costs

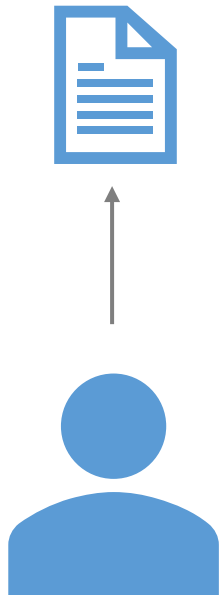
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Type of Indirect Cost	Example
Indirect Facilities Costs:	<p>Office equipment and supplies that are purchased for general use at facility that supports multiple programs and/or projects.</p> <p>Rent and utility costs of facility that supports multiple programs and/or projects.</p>
Indirect Administrative Costs:	<p>Staff costs incurred by payroll division, human resources department, executive office overseeing agency finances and audit responses.</p> <p>General legal, accounting, and audit services paid for by the agency.</p>

# Classifying Costs | Direct vs. Indirect

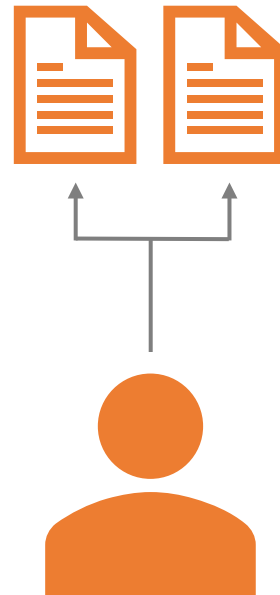
## Direct Costs

Staff Member A is fully dedicated to ESG (100%)



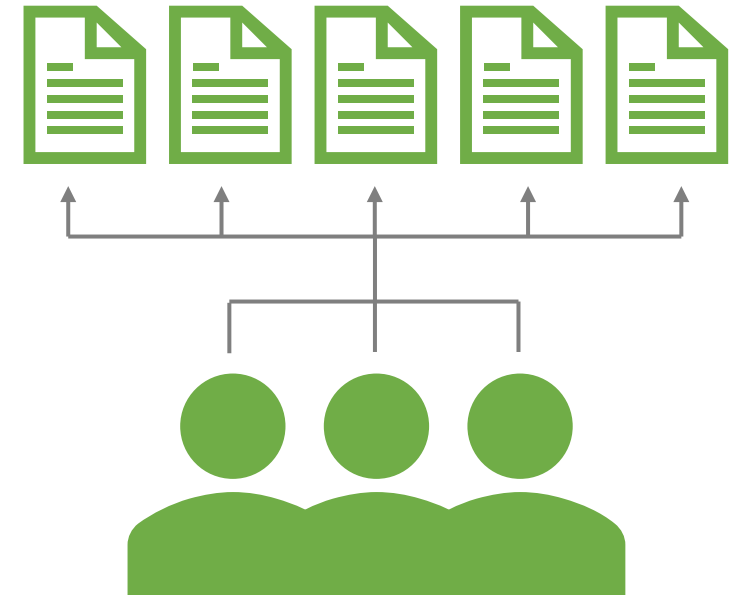
## Direct Costs

Staff Member B works on ESG and another federal grant, and documents their hours spent per grant on timesheets



## Indirect Costs

The Payroll and Human Resources departments process payroll for all of the grantee or subrecipient



# Allocating Indirect Costs | Methods

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1

De Minimis Indirect Cost Rate

2

Negotiated Indirect Cost Rate

3

Cost Allocation Plan

## De Minimis Method

Agencies may elect to charge a de minimis rate of 15% of Modified Total Direct Costs (MTDC) which may be used indefinitely.

- Agencies receiving over \$35 million in direct Federal funding may not use the 15% De Minimis Rate
- Agencies that have a current negotiated indirect cost rate may not use the 15% De Minimis Rate
- If chosen, this method must be utilized consistently for all federal awards until the agency chooses to negotiate for an indirect cost rate
- No documentation is required to justify the 15% De Minimis rate

## Negotiated Indirect Cost Rate Agreement

A Negotiated Indirect Cost Rate Agreement (NICRA) formalizes the negotiation process and contains the established indirect cost rate, effective period of the rate, the location to which the rate is applicable, and the program(s) to which the rates apply.

- States, local governments, and Indian Tribes receiving \$35 million or more in direct federal funding must submit an indirect cost rate proposal to their cognizant federal agency
- The indirect cost rate proposal is a document used to calculate and establish the indirect cost rate (expressed as a percentage) that can be applied to a grant to determine the amount that can be charged.
- Approved NICRA will expire, agencies must develop and submit updated proposal for review and approval to continue utilizing a negotiated indirect cost rate.



# Allocating Indirect Costs | Cost Allocation Plan

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## Cost Allocation Plan

A Cost Allocation Plan is a document that identifies and explains the distribution of allowable direct and indirect costs and declares the allocation methods used for distribution. There are three (3) acceptable approaches to calculate the indirect cost rate in a cost allocation plan: simplified allocation method, multiple rate allocation method, and direct allocation method.

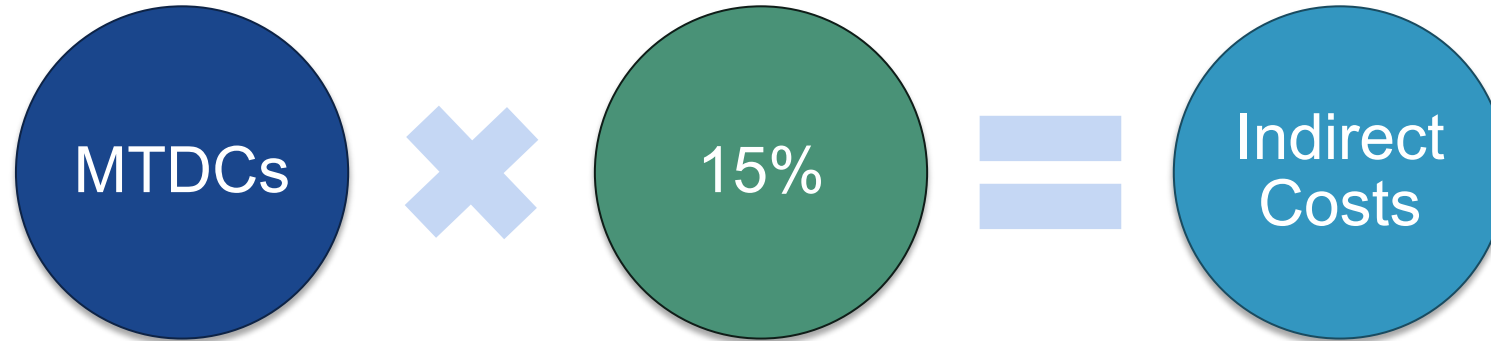
- States, local governments, and Indian Tribes receiving \$100 million or more in direct federal funding are required to submit a cost allocation plan to their cognizant agency for indirect costs
- All costs and data used to distribute costs should be supported by formal accounting and other records

# Charging for Indirect Costs | Formula

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# Charging for Indirect Costs | De Minimis



## MTDCs:

- Direct salaries, wages and fringe benefits
- Supplies and Materials
- Services
- Travel
- Up to first \$50,000 of each subaward

## Not MTDCs:

- Equipment
- Capital expenditures
- Participant support costs
- Grantee rental costs
- Portion of each sub-award >\$50,000

# Budgeting for Indirect Costs | De Minimis

Sample ESG Emergency Shelter Budget   Phase 1			
Budget Line Item	Direct Cost Amount	Included in MTDC	Excluded from MTDC
Case Manager Salaries	\$500,000	\$500,000	\$0
Case Manager Benefits	\$75,000	\$75,000	\$0
Food	\$50,000	\$50,000	\$0
Subaward – Subrecipient #1	\$85,000	\$25,000	(\$60,000)
Subaward – Subrecipient #2	\$20,000	\$20,000	\$0
Furniture	\$48,000	\$0	(\$48,000)
Hotel/Motel Vouchers	\$155,000	\$0	(\$155,000)
<b>Total Costs:</b>	<b>\$933,000</b>	<b>\$670,000</b>	<b>\$235,000</b>

Calculating Indirect Cost Amount   Phase 2		
MTDC Base Amount	Indirect Cost Rate (%)	Total Indirect Cost Amount
\$670,000	10%	\$67,000

Sample ESG Emergency Shelter Budget   Phase 3		
Total Direct Cost Amount	Total Indirect Cost Amount	Total Overall Grant Amount
\$933,000	\$67,000	\$1,000,000

# Charging for Indirect Costs | De Minimis

Sample ESG Emergency Shelter RFF #1   Phase 1			
Budget Line Item	Direct Cost Amount	Included in MTDC	Excluded from MTDC
Case Manager Salaries	\$125,000	\$125,000	\$0
Case Manager Benefits	\$18,750	\$18,750	\$0
Food	\$12,500	\$12,500	\$0
Subaward – Subrecipient #1	\$21,250	\$21,250	\$0
Subaward – Subrecipient #2	\$5,000	\$5,000	\$0
Furniture	\$12,000	\$0	(\$12,000)
Hotel/Motel Vouchers	\$38,750	\$0	(\$38,750)
<b>Total Costs:</b>	<b>\$233,250</b>	<b>\$182,500</b>	<b>\$50,750</b>

Calculating Indirect Cost Amount   Phase 2		
MTDC Base Amount	Indirect Cost Rate (%)	Total Indirect Cost Amount
\$182,500	10%	\$18,250

Sample ESG Emergency Shelter RFF #1   Phase 3		
Total Direct Cost Amount	Total Indirect Cost Amount	Total Overall RFF Amount
\$233,250	\$18,250	\$251,500



# Charging for Indirect Costs | NICRA & CAP

## NEGOTIATED INDIRECT COST RATE AGREEMENT

### NON-FEDERAL ENTITY:

EIN [REDACTED]

DATE: 3/24/2022

FILE REFERENCE: This replaces the agreement dated 6/7/2021

### ACCEPTANCE

The indirect cost rate(s) contained in this Agreement are for use on grants, contracts, and other agreements with the Federal Government. This Agreement was negotiated by [REDACTED] (non-Federal entity) and the U.S. Department of Labor in accordance with the authority contained in the Federal Acquisition Regulation (FAR) for commercial entities, or Title 2 of the Code of Federal Regulations, Part 200 for nonprofit and state/local entities. This Agreement is subject to the limitations in Section II, A, below.

When applicable, the rates presented in this Agreement may only be applied to: (1) cost-reimbursement contracts and (2) actual costs for materials in time-and-materials (T&M) contracts. Any indirect rates for labor costs in T&M, labor-hour and fixed-price contracts must be negotiated with the Contracting Officer during pre-award in accordance with FAR Part 15.404-1(c).

### SECTION I: RATES

TYPE	APPROVAL	FROM	TO	RATE	BASE	LOCATION	APPLICABLE TO
Indirect	Final	07/01/2020	06/30/2021	17.50%	SW-1	Loc-1	AP-1
Indirect	Provisional	07/01/2021	06/30/2022	17.51%	SW-1	Loc-1	AP-1
Indirect	Provisional	07/01/2022	06/30/2023	17.50%	SW-1	Loc-1	AP-1

### (SEE SPECIAL REMARKS)

### BASE:

SW-1: Total direct salaries and wages including vacation, holiday, sick pay, other paid absences, and all applicable fringe benefits.

### LOCATION:

Loc-1: All Locations

### APPLICABLE TO:

AP-1: All Programs

### BY THE NON-FEDERAL ENTITY:

[REDACTED]  
(Non-Federal Entity)

[REDACTED]  
(Signature)

[REDACTED]  
(Name)

[REDACTED]  
(Title)

[REDACTED]  
(Date)

### BY THE COGNIZANT AGENCY FOR INDIRECT COSTS, ON BEHALF OF THE U.S. FEDERAL GOVERNMENT:

U.S. Department of Labor  
Cost & Price Determination Division  
200 Constitution Ave., N.W., S-1510  
Washington, DC 20210

(U.S. Federal Government Agency)

[REDACTED]  
(Signature)

for  
Victor M. López  
(Name)

Chief, Cost & Price Determination Division  
(Title)

3/24/2022  
(Date)

Negotiated By: Phat Châu  
Office Phone: (202) 693-4103  
Email: chau.phat@dol.gov

# Budgeting for Indirect Costs | NICRA & CAP

Sample ESG Emergency Shelter Budget   Phase 1			
Budget Line Item	Direct Cost Amount	Included in Base	Excluded from Base
Case Manager Salaries	\$500,000	\$500,000	\$0
Case Manager Benefits	\$75,000	\$75,000	\$0
Food	\$50,000	\$0	\$50,000
Subaward – Subrecipient #1	\$85,000	\$0	\$85,000
Subaward – Subrecipient #2	\$20,000	\$0	\$20,000
Furniture	\$48,000	\$0	\$48,000
Hotel/Motel Voucher	\$155,000	\$0	\$155,000
<b>Total Costs:</b>	<b>\$933,000</b>	<b>\$575,000</b>	<b>\$358,000</b>

Calculating Indirect Cost Amount   Phase 2		
Direct Cost Base	Indirect Cost Rate	Total Indirect Cost Amount
\$575,000	17.5%	\$100,625

Sample ESG Emergency Shelter Budget   Phase 3		
Total Direct Amount	Total Indirect Cost Amount	Total Overall Grant Amount
\$933,000	\$100,625	\$1,033,625

# Charging for Indirect Costs | NICRA & CAP

Sample ESG Emergency Shelter RFF #1   Phase 1			
Budget Line Item	Direct Cost Amount	Included in Base	Excluded from Base
Case Manager Salaries	\$125,000	\$125,000	\$0
Case Manager Benefits	\$18,750	\$18,750	\$0
Food	\$12,500	\$0	\$12,500
Subaward – Subrecipient #1	\$21,250	\$0	\$21,250
Subaward – Subrecipient #2	\$5,000	\$0	\$5,000
Furniture	\$12,000	\$0	\$12,000
Hotel/Motel Voucher	\$38,750	\$0	\$38,750
<b>Total Costs:</b>	<b>\$233,250</b>	<b>\$143,750</b>	<b>\$89,500</b>

Calculating Indirect Cost Amount   Phase 2		
Direct Cost Base	Indirect Cost Rate	Total Indirect Cost Amount
\$143,750	17.5%	\$25,156.25

Sample ESG Emergency Shelter RFF #1   Phase 3		
Total Direct Amount	Total Indirect Cost Amount	Total Overall RFF Amount
\$233,250	\$25,156.25	\$258,406.25



- Grantees able to allocate and charge 100% of their costs directly may do so
- Claiming reimbursement for indirect costs is never mandatory
- CA HCD cannot require grantees to use one method over another or prohibit the reimbursement of indirect costs



### ESG Proposed Budget

Grantee Name:	ESG Grantee
Indirect Cost Method:	De Minimis
Indirect Cost Rate:	15%

### ESG Amount Requested

Activity Component	Direct Amount	Indirect Amount	Total Amount
Street Outreach	\$0.00	\$0.00	\$0.00
Emergency Shelter	\$0.00	\$0.00	\$0.00
Homelessness Prevention	\$0.00	\$0.00	\$0.00
Rapid Re-Housing	\$195,000.00	\$11,250.00	\$206,250.00
HMIS	\$0.00	\$0.00	\$0.00
Administration	\$67,500.00	\$7,500.00	\$75,000.00
Total	\$262,500.00	\$18,750.00	\$281,250.00

### Budget Cap Compliance

Activity Component	Max Allowed	Proposed	Compliant
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ESG Rapid Re-Housing Budget Detail			
Essential Services			
Activity	Direct Amount	Indirect Amount	Total Amount
Housing Search and Placement	\$50,000.00	\$7,500.00	\$57,500.00
Housing Stability Case Management	\$25,000.00	\$3,750.00	\$28,750.00
Legal Services		\$0.00	\$0.00
Mediation		\$0.00	\$0.00
Credit Repair (i.e. Credit Counseling)		\$0.00	\$0.00
Supplies		\$0.00	\$0.00
Equipment		\$0.00	\$0.00
Financial Assistance			
Rental Application Fees	\$100,000.00	\$0.00	\$100,000.00
Security Deposits	\$20,000.00	\$0.00	\$20,000.00
Utility Deposits		\$0.00	\$0.00
Moving Costs		\$0.00	\$0.00
Rental Assistance (Short- & Medium-Term)		\$0.00	\$0.00
Rental Arrears		\$0.00	\$0.00
Utility Payments		\$0.00	\$0.00
<b>Total</b>	<b>\$195,000.00</b>	<b>\$11,250.00</b>	<b>\$206,250.00</b>

ESG Administration Budget Detail			
Activity	Direct Cost Amount	Indirect Cost Amount	Total Amount
Staffing	\$50,000.00	\$7,500.00	\$57,500.00
Office Rent	\$10,000.00	\$0.00	\$10,000.00
Office Utilities	\$5,000.00	\$0.00	\$5,000.00
Office Equipment	\$2,500.00	\$0.00	\$2,500.00
<b>Total</b>	<b>\$67,500.00</b>	<b>\$7,500.00</b>	<b>\$75,000.00</b>

## ■ Federal Requirements

- [2 CFR 200 Subpart E: Cost Principles](#)
- [2 CFR 200 Appendices IV, V, IV and VII](#)
- [24 CFR 576](#)

## ■ HUD Resources

- [CoC and ESG Financial Management Virtual Binder](#)
- [CoC and ESG Indirect Cost Toolkit](#)



Questions?



# ESG Guidelines Resources

## ❖ ESG Webpage:

[Emergency Solutions Grants Program \(ESG\) | California Department of Housing and Community Development](#)

## ❖ ESG Guidelines:

[esg-final-guidelines.pdf](#)

## ❖ ESG Program Team Contact:

[ESGNOFA@hcd.ca.gov](mailto:ESGNOFA@hcd.ca.gov)



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HCD values diversity at all levels of the Department and is committed to fostering an environment in which employees from a variety of backgrounds, cultures, and personal experiences are welcomed and can thrive. We believe the diversity of our employees and their unique ideas inspire innovative solutions to complex housing challenges.

**Join us and help improve the lives of all Californians.**

## **To find jobs at HCD:**

Visit: [jobs.ca.gov](https://jobs.ca.gov) and click “Advanced Job Search.”

- Search for California Department of Housing and Community Development

## **New to state service? Don't worry.**

You can view the step-by-step process on [jobs.ca.gov](https://jobs.ca.gov).