



MEMORANDUM

TO: AMC Subaward Recipients

Date: 8/8/2023

FROM: Juliana Leggitt, AMC Project Manager

Contact: juliana@seconference.org

Subject: Federal Cost Principles; Build Back Better Regional Challenge Grant Q&A

Q: Are holiday and leave time accrual allocations eligible costs to be included in the fringe rate calculation?

A: Holiday and leave time accrual allocations are eligible to be included in the fringe rate calculation for BBB reimbursements as long the percentage of those hours included is distributed in a manner of actual hours worked/ time earned. For example, 20% of the Executive Directors hours worked in a pay period are charged to BBB, therefore 20% of their fringe benefits can be included in the reimbursement to the BBB AMC grant. Below is language from [§ 200.431 Compensation—fringe benefits](#):

(a) General. Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity (NFE).

(b) Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

- (1) They are provided under established written leave policies;*
- (2) The costs are equitably allocated to all related activities, including Federal awards; and,*
- (3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.*

(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment.

Q: What is the difference between a direct and indirect cost?

A: Direct costs are costs that can be easily identified specifically with a Federal award or another activity of the NFE. Typical examples of direct costs that can be charged to a Federal award include personnel, related fringe benefit costs, supplies, travel and equipment.

Indirect costs are those costs that are less easy to identify and are generally categorized as either “facilities” or “administration” costs, or F&A costs. Facility costs include depreciation of buildings; equipment and capital improvement costs; interest on debt for buildings, and operations and maintenance expenses. Administrative costs include general expenses associated with day-to-day functions of the organization, accounting, personnel, and salaries. “Overhead costs” is another term used for indirect costs. For more information see [§ 200.414 Indirect \(F&A\) costs](#).

Q: How do I capture indirect costs for my organization with this Federal award?

A: Indirect costs should be allocated relative to the benefit of the award. There are two types of indirect cost rates that a NFE can charge to a Federal award:

- Negotiated Rates – an NFE can negotiate an indirect cost rate with the Federal entity; the negotiated indirect rate must be accepted by all Federal awarding agencies. ****Of the NFEs participating in this Federal award, only the University of Alaska system and the State of Alaska system currently have a negotiated indirect cost rate*
- De minimis rate – an NFE without a negotiated indirect cost rate or qualified under exceptions in Appendix VIII to Part 200 can charge a de minimis rate of 10% of modified total direct costs (MTDC). A de minimis rate is similar to the standard deduction on a tax return. ****most NFEs participating in this Federal award are using the de minimis rate.*

Costs must be consistently charged as direct or indirect – costs cannot be charged as both types of costs (direct and indirect) as that would result in double-charging the Federal award. Ex: charging a loaded rate for personnel as a direct cost AND charging a 10% de minimis on eligible cost categories, including personnel, is not allowed.

Q: What is included in a modified total direct (MTDC) cost?

A: MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC **excludes** equipment (including shipping-related costs), capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward and subcontract in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Q: Are rent/lease costs allowable expenses to be charged to this grant?

A: Yes, however, the cost must be chargeable in accordance with the relative benefits received. The three criteria to consider:

1. The cost must be incurred specifically for the Federal award.

2. The cost benefits the award and other work of the non-federal entity (NFE). If the use of this space supports the performance of the work for an award or for multiple awards, the cost is allocable to those awards.
3. The cost is necessary to the overall operations of the NFE and can be assigned in part to the Federal award according to cost principles.

Please note there is a specific process required for calculating the appropriate costs of rental/ leasing expenses. To charge rental/ lease costs as a separate line item, see here [2 CFR 200.465](#) for more information. As an alternative, the indirect rate can be used to cover the appropriate portion rental /lease costs.

Q: Why do I need to provide a payroll summary and pay stubs?

A: Southeast Conference, as primary recipient of the BBBRC grant, is responsible to meet the requirements under 2CFR 200.430 for this Federal award and is authorized to request subrecipients to provide necessary documentation to ensure compliance: <https://www.ecfr.gov/current/title-2/section-200.332>. Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated and support the distribution of the employee's salary or wages among specific award activities or cost objectives if the employee works on more than one Federal award or a Federal award and a non-Federal award. Additional standards for records for personnel expenses can be found here: <https://www.ecfr.gov/current/title-2/section-200.430>

SEC's authority for requesting additional documentation can be found in [2CFR 200.208 Specific Conditions](#) where it states that the Federal awarding agency or pass-through entity (SEC) may adjust specific Federal award conditions, as needed, including but not limited to requiring additional, more detailed financial reports; requiring additional project monitoring; requiring the non-Federal entity to obtain technical or management assistance; and establishing additional prior approvals.

Q: How do I request a budget revision?

A: Please refer to the [Budget Revision Request form](#) located on the AMC website for instruction on requesting a budgeted revision.

Q: Are there specific requirements around equipment purchases using BBBRC funds?

A: Yes, please refer to the [Equipment Purchase Checklist](#) located on the AMC website for instructions on how to follow federal regulations throughout the procurement process.

Q: Can I charge my raise/ sign on bonus to BBB?

A: In order for a sign on bonus to be an eligible cost, you will need to provide the standing written employee compensation plan that shows this bonus and it must be a standard organizational policy that

was adopted before the start of the grant cycle. See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.463> for more information. Raises are allowable as long as it is correctly allocated amongst all funding sources, is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment. See <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E/subject-group-ECFRed1f39f9b3d4e72/section-200.430> for more information.

For questions that are not answered here, please refer to the [“Subawardee Resources” page](#) on the AMC website for additional guidance or contact Juliana Leggitt at juliana@seconference.org with questions or concerns.