

Indirect Cost Guide For NEA Grantees

NOTE: The following questions and answers are simplified and intended for the majority of National Endowment for the Arts (NEA) grantees that receive their primary Federal funding from NEA each year. The situation becomes more complex for grantees that receive multiple grant awards from various Federal agencies.

What are direct costs?

Direct costs are those costs which can be identified and assigned to a specific project or grant activity. These include:

- Salaries and wages of employees
- Employee benefits
- Consulting services and artist fees
- Travel costs
- Materials, supplies, printing and reproduction, shipping and postage, telephone and messenger services

What are indirect costs?

Indirect costs are overhead or administrative costs (facilities and administration, rent, electricity, depreciation, telephone, etc.) that *cannot* be readily identified to a specific project or function. However, these are actual costs that are incurred by an organization.

What is an indirect cost rate?

An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Does our entity need an indirect cost rate?

Most NEA grantees **do not** need an indirect cost rate. Whether or not your organization qualifies for an indirect cost rate **will not increase or decrease the**

amount of your grant award. If your organization is single function entity (e.g., a small theater company), an indirect cost rate is probably not necessary. All costs should be assignable directly to a project or production. However, if your organization is one such as a multidisciplinary arts center with a variety of activities (e.g. a gallery, a media screening space, and a black box theater), costs may not be assignable directly. The indirect cost rate is a method to allocate those unassignable costs and is not to be misconstrued as an additional payment benefit. Some expenses such as production supplies might be readily identifiable to a particular project, while other expenses might not. An indirect cost rate is generally advantageous if your expenditures cover a broad range of activities and functions.

Does our entity need an indirect cost rate from NEA if we already have an indirect cost rate from another federal agency?

No, if your entity already has an indirect cost rate negotiated by another Federal agency, that rate can be used for NEA grants. (The exception is a non-negotiated flat indirect cost rate used by some Federal agencies for their specific grants.) Typically, the Federal agency providing the most Federal funds to the entity has the responsibility for negotiating the indirect cost rate. Please note that rate negotiations must be kept current and are usually re-negotiated annually.

Where can I find out more about indirect costs and negotiating an indirect cost rate agreement?

The **Interior Business Center's Indirect Cost Services** negotiates Indirect Cost Rate Agreements on behalf of the National Endowment for the Arts. Their website provides FAQs and guidance on submitting an indirect cost rate proposal. Access their website at www.doi.gov/ibc/services/Indirect_Cost_Services/index.cfm.

If your organization decides to submit a indirect cost proposal you must first contact the NEA's Grants & Contracts Office prior to submission. *Only organizations that have been vetted by the Grants & Contracts Office will be reviewed by NBC.*