

How to Negotiate an Indirect Cost Rate Agreement with the National Endowment for the Arts

This FAQ is for organizations interested in getting an indirect cost rate agreement with the National Endowment for the Arts (NEA). For general questions about what indirect costs are, see the Guidelines downloadable instructions at <https://www.arts.gov/grants/apply-grant/grants-organizations>.

1. My organization wants to negotiate an indirect cost rate agreement with the NEA. What is the first step?

First check to see if your organization has an indirect cost rate with another Federal Agency. If so, you do not need to negotiate another one with the NEA. In most cases, the current rate on a federally negotiated indirect cost rate agreement may be used for NEA awards. There are a few exceptions, for example a “research” rate can only be used in Research: Artworks, but in most cases the negotiated rates are accepted by all Federal awarding agencies.

2. This will our first time to negotiate an indirect cost rate with the Federal government. What is the next step?

The next step is to determine if the NEA is your **cognizant agency** for indirect costs. A cognizant agency is generally the Federal agency that provides the greatest amount of federal dollars to your organization. You should look at your past 3 year history of Federal funding and any future expected funding to determine which Federal Agency will be your cognizant agency. If the NEA is not the agency that supplies the most funding it’s unlikely to negotiate indirect costs with you.

3. It looks like the NEA is my cognizant agency. Now what?

If the NEA appears to be your cognizant agency then contact Diane Biddle, Lead Grants Management Specialist in the Grants & Contracts Office at biddled@arts.gov to discuss the process for an indirect cost rate agreement. *Only organizations that have been vetted by the Grants & Contracts Office will be moved to the following steps in the process.*

The NEA does not negotiate rates directly with your organization. Instead, the [Interior Business Center's Indirect Cost Services \(IBC\)](#) negotiates indirect cost rate agreements on our behalf.

If approved to move forward with negotiations, see the link in #4 for the contact information for IBC.

4. What sort of documentation, or other information, is needed to negotiate an indirect cost rate?

Your organization will prepare an indirect cost rate proposal. IBC requires specific documents for their review, including:

- a) Most recent audited financial statements
- b) Past 3 years’ Schedule of Expenditure of Federal AWARDS
- c) For the current period, the federal agency that provides the most direct funding
- d) Most recent indirect cost rate agreement (if applicable), and
- e) Period(s) an indirect cost rate is needed.

Additional items may be requested once you have submitted your proposal. See the IBC’s website <https://www.doi.gov/ibc/services/finance/indirect-cost-services> for additional information. It has FAQs, checklists, and guidance on submitting an indirect cost rate proposal.

5. Do I really need an indirect cost rate?

Most NEA grantees do not need an indirect cost rate and one is not required. Most organizations include administrative or overhead as a direct cost line item in their budget.

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), your overhead costs may be more difficult to assign 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.