

# Recreational Trails Program

## Direct and Indirect Costs Guidelines

As part of the normal routine of completing a trail project, grant sponsors incur “direct costs.” These costs are eligible for reimbursement under the Recreational Trails Program. A grant sponsor should understand the difference between direct and indirect costs. The following examples and definitions are provided as guidance.

**Direct costs** are clearly identifiable costs related to a specific project. General categories of direct costs include but are not limited to salaries and wages, fringe benefits, meals, gas for travel, per diem, construction, printing costs for brochures and displays, signs, etc.

**Indirect costs** represent the expenses of doing business that are not readily identified with a particular activity, but are necessary for the general operation of an organization. Indirect costs may be either fixed or variable. Indirect costs include taxes, administration, personnel and security costs, and are also known as overhead or administrative costs. These costs are incurred for common or joint objectives and therefore can not be identified readily and specifically with a particular project. These kinds of costs would be incurred regardless of whether the grant sponsor had been awarded a grant.

Indirect costs include but are not limited to such things as building insurance, rent, electricity, accounting, budgeting, payroll, purchasing, grant writing, advertising, depreciation, insurance, interest, legal fees, repairs, supplies, taxes, telephone bills, and utility bills.

According to 2 CFR 200, direct costs allocated to a particular Federal award will be reimbursed by the Federal government if they are allowable and reasonable under the applicable cost principles.

- Reimbursement of indirect costs under Federal awards is determined by the organization's indirect cost rate, which recipients negotiated with the cognizant agency.
- The **indirect cost rate** is a ratio or percentage of an organization's total indirect costs to its direct cost base.

Before you can receive an indirect cost rate, recipients must develop an indirect cost rate proposal and submit it for negotiation and approval by their cognizant agency. Recipients are reimbursed for indirect costs based on this rate, and they are entitled to charge indirect costs unless prohibited by the program's authorizing legislation, or State or local laws.

### De Minimis Rate of 10% of Modified Total Direct Costs

If your organization does not have a federally negotiated indirect cost rate and receives less than \$35 million in direct federal funding, you may indefinitely use a de minimis rate of 10% of modified total direct costs (MTDC). Additional information regarding what is included and use of this option can be found at 2 CFR 200.414

(<https://www.gpo.gov/fdsys/granule/CFR-2014-title2-vol1/CFR-2014-title2-vol1-sec200-414>). If this option is elected, it must be used consistently across all federal awards.