



Finding a Unicorn!

Small Wastewater System Funding Series

Session 10: Negotiating Indirect Rate Agreements
April 7, 2026

Today's Presenters:



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Series Overview:

Designed to address the needs of small wastewater systems serving < 10,000, which typically have limited capability to pursue funding without assistance.

12-part series

- learn where to look for nationally available funding,
- how to craft a high-quality proposal, and
- comply with federal requirements through project completion

Every other Tuesday Jan 13 through May 5, 2026

all sessions will be recorded and available for download

Series Overview:



Following the project process from pre-development to closeout

Session 1: The Funding Landscape

Session 2: Compelling Applications Pt 1

Session 3: Compelling Applications Pt 2

Session 4: SRF Pt 1 - Basics

Session 5: SRF Pt 2 - CWSRF Options

Session 6: Grants & SRF Office Hours

Session 7: Federal Award Management

Session 8: Federal Procurement Standards

Session 9: Awards & Procurement Office Hours

Session 10: Negotiating Indirect Rates

Session 11: Award Closeout & Single Audits

Session 12: Indirect Rates & Closeout Office Hrs

Session Purpose:



Session 10: Indirect Rates

- Understand the different ways to allocate direct and indirect costs internally, following federal guidelines
- Understand the process for applying for a Negotiated Indirect Cost Rate Agreement (NICRA)
- Understand applying an indirect rate to grants and contracts
- Be able to weigh the relative benefits of having a NICRA

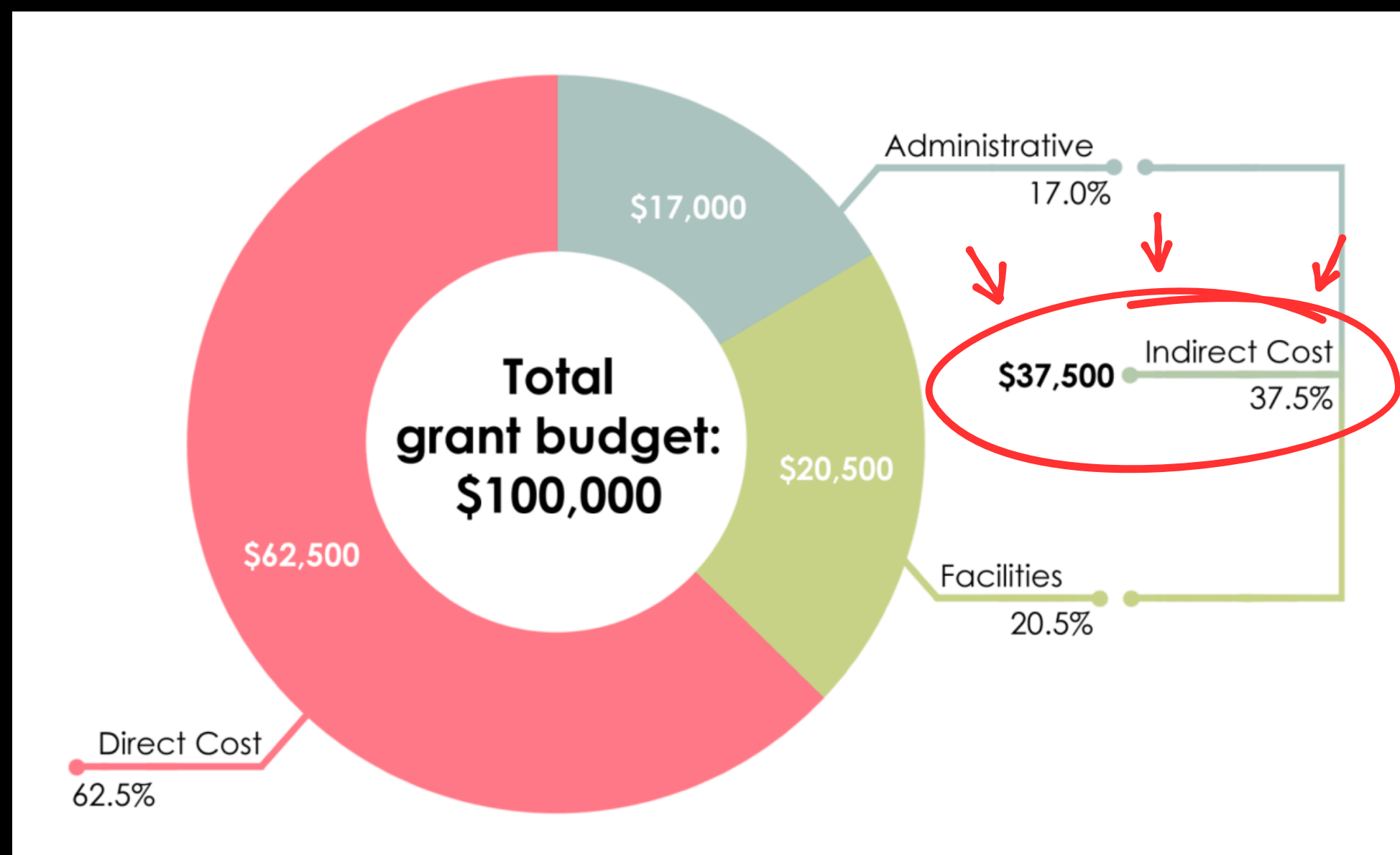
Session 8 Agenda



- Direct vs Indirect Costs
- Who Needs a NICRA + What to Expect
- Allocation Methods
- Setting Up Cost Pools
- Applying Indirect to Grants
- Submitting a NICRA proposal
- Frequently Asked Questions
- Maintaining an Indirect Cost Agreement
- Cost - Benefit of NICRA
- Resources

What is an Indirect Cost?

- Benefit more than one cost objective
- Not identifiable with one particular grant or contract
- Necessary to the overall operation of the organization
- Be consistently applied



Organizational Direct vs. Indirect

2 CFR Part 200, Subpart F, Direct & Indirect Costs

Modified Total Direct Costs (MDTC):

- Personnel
- Fringe
- Travel
- Cost of Services
- Materials & Supplies
- \$50,000 of each subaward

Indirect Costs:

- Operating and maintaining facilities
- Rental Costs
- Depreciation on buildings and equipment
- Minor Items*
- General Administration**

Excluded vs. Unallowable Costs



Excluded from cost allocation:

- Capital Expenditures & Equipment
- Portion of Subawards in excess of \$50,000
- Participant support costs, rental costs, tuition remission, scholarships and fellowships

Costs which cannot be charged to Federal Grants:

- Alcohol & Entertainment
- Lobbying & Fundraising Activities
- Fines & Penalties; Debt & Interest
- Membership Fees
- Federal Income Taxes
- Travel in excess of per diems



Who needs a NICRA ?

- Must have at least one direct federal grant
- You want an "audit-safe" number for funding
- Greater than \$10M or \$35M (governments) in direct federal funding
- Indirect costs exceed de minimus of 15%

What to Expect

- Must follow cognizant agency guidelines
- NICRA accepted by all federal agencies
- Passthrough entities must accept federally negotiated rates of subrecipients
- Must be renewed annually

F&A for “Major” Organizations



Required F&A Class

- Major nonprofit organizations: receive > \$10 million in direct Federal funding
- State & Local Gov. with >\$35M in Direct

Facilities

- Depreciation & Debt
- Equipment & Capital Improvements
- Operations & Manintance

Administration

- General Expenses:
 - Accountitng
 - Personnel
 - Directors

2 CFR 200.414 -- Indirect costs.

Allocation Methods



2 CFR 200 Appendix IV

1. **Simplified Allocation Method**- org has one single function
2. **Multiple Rate Allocation Method**- programs do not benefit equally from shared costs
3. **Direct Allocation Method**- all costs charged directly except admin.

Setting Up Cost Pools

Indirect Cost Pool		Direct Cost Pool	
HR, IT, Directors Salaries	\$250,000	Salaries & Fringe	\$885,500
Maintenance	\$160,000	Contract Labor	\$455,000
Utilities, Rent	\$55,000	Materials & Supplies	\$82,000
Payroll Services	\$10,000	Travel	\$5,000
Insurance	\$12,500		
Depreciation	\$5,000		
Audit & Legal Fees	\$14,000		
Outside Services	\$30,000		
Supplies	\$15,000		
Interest on Debt	\$17,500		
TOTAL	\$569,000	TOTAL	\$1,427,500
	Indirect	\$569,000	
	Base	\$1,427,500	
	Rate	39.86%	

Applying NICRA to a Grant Budget

Grant Budget A			
Expenses	Direct Cost	Indirect @ 39.86%	Indirect @ 15%
Salaries	\$250,000.00	\$99,650.00	\$37,500.00
Fringe	\$75,000.00	\$29,895.00	\$11,250.00
Equipment	\$5,500.00	\$2,192.30	\$825.00
Materials	\$34,000.00	\$13,552.40	\$5,100.00
Travel	\$4,000.00	\$1,594.40	\$600.00
Other:			
Permits	\$8,000.00	\$3,188.80	\$1,200.00
Contractor	\$250,000.00	\$19,930.00	\$7,500.00
Participant Support Costs	\$10,000.00	n/a	n/a
TOTAL	\$636,500.00	\$170,002.90	\$63,975.00
TOTAL Grant	\$806,502.90		
Indirect/Total	21.08%		

Submitting a NICRA proposal:

- Identify Your Cognizant Agency
- Prepare Financial Documents
- Develop the Indirect Cost Rate Proposal (ICRP)
- Submission Package
 - Cover Letter
 - Org Information
 - ICRP
 - Audited Financials or Profit & Loss Statements
- Submit to Agency

Common Federal Rate Types

- **Provisional:** Temporary rate used for initial funding until actual costs are known.
- **Final:** Permanent rate based on actual costs for a specific past period.
- **Predetermined:** Fixed rate for future periods, not subject to adjustment.
- **Fixed Carry-Forward:** Similar to predetermined, but differences between estimated and actual costs are carried forward to future rates.

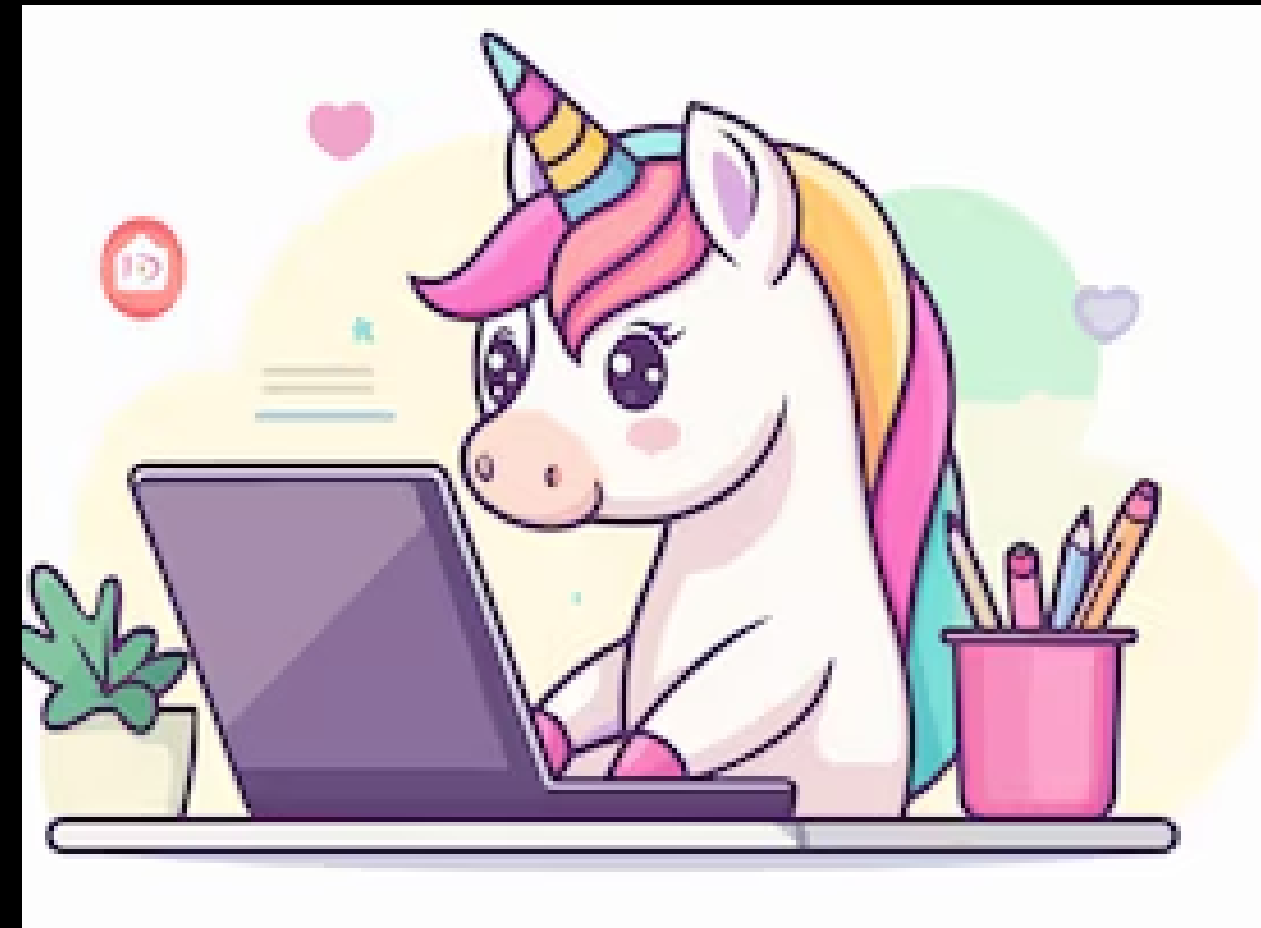
NICRA FAQs



1. How long does the negotiation process take?
2. What documentation is required to verify that my entity has a valid NICRA?
3. Can unrecovered indirect costs be treated as match/cost share?
4. Can we use our NICRA for everything?
5. Can we revert to using the *de minimus* instead of our NICRA?
6. Can we request a rate extension for another year?
7. Can we use a NICRA while waiting for it to be approved?
8. Do Tribes and Local Government need to apply for NICRA?

Managing Your NICRA

- **Annual Review**
 - Notify Funders & Rebudget if necessary
- **Record Keeping!**
- **Retiring a Rate**

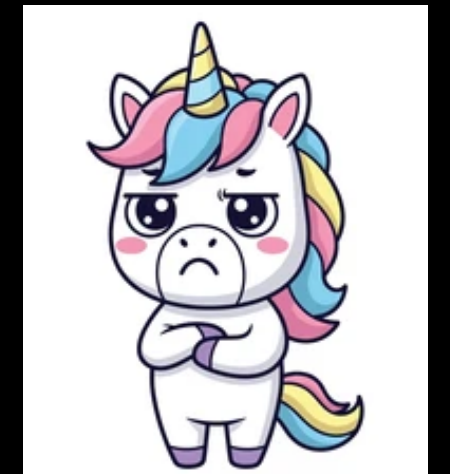


Cost/Benefit of NICRA



- Full Cost Recovery
- Budget
- Predictability
- Credibility & Transparency
- Consistency
- Competitive Advantage

- Resource Intensive Process
- Ongoing Compliance Burden
- Potential Lower Than Expected Rates
- Audit Scrutiny





TA Resources for NICRA:

- Go to the source! Uniform Administrative Guidelines:
 - [Appendix IV to Part 200—Indirect \(F&A\) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations](#)
 - [Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals](#)
- [Dept of Interior IDC Checklist](#)
- [Environmental Protection Network \(EPN\)](#)
- [National Council of Nonprofits](#)
- [Environmental Finance Center Network \(EFCN\)](#) ←

[Sign up for Office Hours! Tues May 5, 10-11am PT / 1-2pm ET](#)

Thank You!



The Capacity Collaborative

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