

## Memorandum

**Date:** February 27, 2017

**To:** California Cities  
California Counties

**From:** State Controller's Office 

**Subject:** 2 CFR 200 – UNIFORM GRANTS GUIDANCE

As you know, local governments in general, and nonprofit organizations specifically, receive billions of federal pass-through dollars each year to provide essential services in health care, education, transportation, and more. The federal Office of Management and Budget recently published new rules in 2 CFR 200 (known as the Uniform Grants Guidance) to simplify and improve relations between government and nonprofit organizations.

As the state's chief fiscal officer, I am asking all local agencies that pass through federal funds to review the updates to the Uniform Grants Guidance to ensure compliance with the key requirements. The guidance clarifies allowable practices for the reimbursement of the administrative, direct, and shared (indirect) costs incurred by nonprofit organizations in the delivery of services funded with federal dollars, including those provided through sub-recipient agreements with pass-through entities that include federal funds. There are four permissible methods for nonprofits to charge their costs to sub-recipient awardees from pass-through entities:

1. Use of a current federally negotiated indirect cost rate;
2. Use of a de minimis indirect cost rate of 10 percent of modified total direct costs (as defined in the Uniform Grants Guidance);
3. Negotiation of an indirect cost rate with a pass-through entity if the pass-through entity agrees to serve as cognizant agency for such negotiation and comply with the provisions of the Uniform Grants Guidance when negotiating such rates; and
4. Direct charging of certain administrative and shared costs using allocation methods permitted within the Uniform Grants Guidance.

The Uniform Grants Guidance permits, but does not require, nonprofit organizations to use the de minimis rate without negotiation or special permission. The guidance also permits, but does not require, pass-through entities to serve as cognizant agencies and

negotiate indirect cost rates with nonprofit organizations in accordance with guidance requirements.

Visit [www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl) for the full text of the guidance. Frequently asked questions and other resources are at [www.cofar.org](http://www.cofar.org).

Thank you for your attention to this important guidance, given the critical role nonprofit organizations provide in delivering much needed services to our fellow Californians.