USDA 2018 Farm Bill
Indirect Cost Limitation Guidance

Rev. May 2020

Background

Historically, United States Department of Agriculture (USDA) National Institute of Food and Agriculture (NIFA) has had indirect cost limitations as part of their statutory language. Limitations vary by program, and a full listing of NIFA indirect cost guidance is available here.

The guidance that follows is for when 7 U.S.C. 3310 a. and c. are applicable. For decades, the statute was implemented to limit indirect costs to the lesser of:

- The rate in an institution's negotiated indirect cost rate agreement (NICRA) or
- A percentage of total federal funds awarded (TFFA).

Indirect costs were limited to 19% TFFA in the original 1977 legislation but have increased over the years to 30% TFFA. In the past, when an award included a pass-through entity and subrecipients, this limitation was applied to the pass-through entity and each subrecipient on an individual basis. This enabled the indirect cost limitation to be managed by each institution independently.

With the passage of the 2018 Farm Bill, a new requirement was introduced. The indirect costs for the entire award are limited to 30% TFFA, which means the pass-through entity and each subrecipient may recover no more than the lesser of their NICRA or 30% TFFA for their portion of the budget. This new statutory language forces the pass-through entity and subrecipient to share one pool of indirect costs across all institutions participating in the project. Prior to the 2018 Farm Bill, each institution participating in a collaborative project recovered indirect costs independent of one another; with the 2018 Farm Bill, all institutions are expected to recover a portion of indirect costs from one pool, creating limitations that previously did not exist.

The University of Rhode Island (URI) has established a process to comply with the USDA NIFA requirements which minimizes administrative burden. The guidance below describes how URI will manage requirements at each stage of the award life cycle.

Implementation

The guidance below applies when URI is the pass-through entity and its application will involve subrecipients. If URI is included in a proposal as a subrecipient entity, URI will prepare its budget using the lesser of the NICRA or 30% TFFA or using an IDC rate as directed by the pass-through entity.

Proposal Preparation

URI will handle USDA NIFA proposal budgets according to the following principles:

- We will ask each subrecipient to create a budget based on a predetermined total amount that includes both direct and indirect costs.
- We will ask each subrecipient to submit their budgets to us well in advance of the proposal deadline, to allow adequate time to perform budgetary analysis across collaborators.
- We will allow each subrecipient to budget the lesser of their NICRA or 30% TFFA for indirect costs.

- We will prepare our portion of the budget using the lesser of URI's negotiated indirect cost rate or a 42.8% rate named "NIFA". The NIFA base is the total direct costs minus all subaward costs. This rate is different from the MTDC[i] base, because an MTDC base allows F&A recovery on the first $25,000 of the subaward budget.

This approach enables URI to:

- Comply with USDA NIFA requirements
- Create clear parameters for subaward budgets, facilitating both collaborator and URI planning
- Use one F&A rate for its portion of the budget for any given project, simplifying budget preparation, as well as award management and campus reporting
- A template is available to ensure that the budget conforms to the approach described above.

Award Setup

If a proposal is awarded, URI will:

- Set up one project using the new NIFA base and a 42.8% rate
- Issue any outgoing subawards according to existing processes

Post-Award Management

Per guidance from USDA NIFA representatives, compliance with indirect cost caps will be monitored on an annual basis. As such, RSP Post-Award will monitor compliance on an annual basis and make adjustments to ensure that the award adheres to the 30% TFFA limitation.

Award Closeout

At the time of award closeout, OSP Post-Award will correspond with the department and Dean's office as needed to ensure that the expenditures comply with award terms.

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[i] MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of $25,000.