

**Maine Recovery Council**  
**INDIRECT COSTS POLICY**  
as of October 10, 2024

The Maine Recovery Council (MRC) has established the following policy guideline for grant applicants and funded grant awards related to indirect costs. This policy applies to applicants and awarded grant contracts after the date of this policy.

MRC offers funding for both “direct” and “indirect costs” associated with all project grants. This policy does not apply to unrestricted grants providing general operating support, which may be used for any purpose at the grantee’s sole discretion – however, such a grant must be explicitly exempted from this policy, and otherwise the policy will apply to the grant.

“Direct costs” are those costs *directly related to the design, planning and implementation of a particular project*. MRC allows the following costs directly related to the project, if applicable under the Deliverables of a particular grant Contract:

- Salaries and benefits of project and administrative personnel who assist or manage;
- Subcontractors, consultants, or professional services;
- Equipment: Purchase or Maintenance
- Equipment or Facilities: Rental
- Office Supplies
- Program Materials
- Postage & Courier
- Printing & Copying
- Rent
- Stipends and Honoraria
- Telephone & Internet
- Travel: Local
- Travel: Other
- Utilities
- Other costs directly related to the project (with MRC approval; must be included on budget form)

In some cases, the calculation of direct costs is straightforward: for example, the portion of staff FTE, expressed as a percentage of salaries and benefits, devoted to a funded project, or materials, such as pamphlets, used exclusively for a funded project. In other cases, such as telephone costs, a reasonable formula may need to be developed. For example, if an agency has five projects with roughly equal telephone usage, it would be reasonable to allocate 20% (one fifth) of telephone expenses to each project. Direct costs should be presented on the MRC budget form and any financial reporting, and their rationale and method of calculation should be **explained** in the proposal in the budget narrative or in reporting.

“Indirect costs” has the same meaning as the definition in federal regulations found at 2 C.F.R. 200.1: “Indirect (facilities & administrative (F&A)) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily

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assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools must be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”

For clarity, indirect costs related to MRC grants are those costs which are incurred by an organization in the execution of its activities but which cannot be readily identified with a particular activity. Indirect costs include general overhead costs, such as bank, payroll processing and audit fees; liability insurance; office equipment purchase or maintenance not directly related to the project; and salaries and benefits of executive or administrative personnel who are not directly engaged in the project.

MRC will allow indirect rates charged to its grants to be the same as the rate allowed to the Provider by the Maine Department of Health and Human Services in a current contract with DHHS, as verified by DHHS or by a federal approval letter. A Provider which does not have a contract with DHHS may determine an indirect rate in the following order:

- **First** – Providers with a federally-approved indirect rate may use that rate as verified by a federal approval letter; providers must disclose that rate in application materials, including budgets, and in financial reporting;
- **Second** – Providers without a federally-approved indirect rate, but which wish to charge an indirect rate, may use up to the federal de minimus indirect rate in effect as of the date of this policy<sup>1</sup>; providers must disclose the use of the de minimus rate in application budgets and in financial reporting; or
- **Third** – Providers which do not need to charge an indirect rate may instead allocate their costs directly to the programs applied for or funded, as disclosed in any application budget or financial reporting.

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<sup>1</sup> As of the date of this policy the federal de minimis indirect rate is 15%. See the Code of Federal Regulations: 2 C.F.R. § 200.414(f): <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance#sectno-reference-200.414>