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OMB Uniform Guidance

Governments at all levels – local, state, and federal – that hire nonprofits to deliver services are required to reimburse nonprofits for the reasonable indirect costs (sometimes called “overhead” or “administrative” costs) they incur on behalf of governments when federal dollars are part of the funding stream. The mandate is embedded in grantmaking rules that the federal Office of Management and Budget (OMB) updated in 2024 and effective Oct. 1, 2024.

The [OMB Uniform Guidance](#) is the common set of rules governing most federal grantmaking to charitable nonprofits, state, local, and Tribal governments, and others..

Why It Matters

The newly revised OMB Uniform Guidance, effective Oct. 1, 2024, corrects longstanding challenges in the government grants process that have limited nonprofit effectiveness, discouraged qualified organizations from seeking and performing under federal grants, and wasted billions of dollars and countless hours in needlessly complex reporting requirements.

Where We Stand

“The revisions to the OMB Uniform Guidance, which becomes effective Oct. 1, 2024, address longstanding problems in recovering actual costs, advance equity by removing bureaucratic barriers, and make other significant reforms that will reduce burdens and costs of seeking, performing, and reporting on federal grants.”

[OMB Uniform Guidance Final Rule: Significant Improvements to Federal Grants Rules for Charitable Nonprofits](#), National Council of Nonprofits, Apr. 4, 2024.

Updated Indirect Cost Rates and Protections

Reimbursement for Indirect Costs. The Uniform Guidance expressly requires pass-through entities using any federal funds (typically states and local governments, as well as some larger nonprofits) and all federal departments/agencies to reimburse a nonprofit for the reasonable indirect costs it incurs in performing services on behalf of governments.

15% *de minimis* rate: The new version of the OMB Uniform Guidance raises the guaranteed *de minimis* rate for indirect costs from 10% to 15% of modified total direct costs. OMB states, “This change would allow for a more reasonable and realistic recovery of indirect costs, particularly for new or inexperienced organizations that may not have the capacity to undergo a formal rate negotiation, but still deserve to be fully compensated for their overhead costs.”

- **No Browbeating Allowed:** Federal agencies may not compel recipients and subrecipients to use an indirect rate lower than the 15% *de minimis* rate, unless required by statute. Organizations may choose not to utilize the 15% minimum, but they can’t be forced to.
- **Notice of Indirect Cost Disputes:** Recipients and subrecipients may notify OMB of any disputes with regards to a federal agency’s application or acceptance of a federally negotiated indirect cost rates (NICRAs). This major change means nonprofits can turn to OMB for help when agencies are not following the law.
- **Stronger Mandate:** Pass-through entities – typically state and local governments – must accept all federally negotiated indirect cost rates (NICRAs) for subrecipients. This means that nonprofits with negotiated rates with one federal

agency would have to be paid that same rate by other agencies.

Advancing Equity and Overcoming Barriers

Reforms to the Uniform Guidance are designed to advance equity and overcome barriers that many organizations have faced in accessing federal funding opportunities. These new provisions include:

- The exclusive use of **English language** in notices, applications, and reporting will no longer be required.
- The revised rules encourage agencies to urge recipients to **engage members of the community** that will benefit from or be impacted by a federal financial assistance program.
- Reforms to simplify and clarify **Notices of Funding Opportunities**, discussed below, are designed, according to OMB, “in consideration of applicants with less experience applying for federal financial assistance, such as applicants from underserved communities.”
- OMB clarifies in the Uniform Guidance that a federal agency should **consider diversity when developing policies** and procedures for merit review panels. OMB also encourages federal agencies to develop programs in **consultation with the communities** that will benefit from or be impacted by a program.

Additional Significant Reforms and Clarifications

- **Notices of Funding Opportunities** (NOFOs) must include basic information at the top of a grant announcement so that applicants can more easily make decisions about whether or not to apply. NOFOs, also called “requests for proposals” in some settings, will have to include an Executive Summary and use plain language (as opposed to jargon) that communicates program requirements specifically and clearly, as well as limit the length of program announcements.
- **Up-Front Payments:** The recipient or subrecipient must be paid in advance provided financial and written procedures are met, and that reimbursement is preferred when the requirements cannot be met. This means governments can be urged to make advanced payments to nonprofits and not assume that reimbursable grants are their only alternative or default.
- **Audit Threshold** is set at \$1 million.

- **Reporting Requirements:** Federal agencies are required to eliminate reports **that are not necessary for the effective monitoring of the grant.** In short, OMB is adopting the approach of only measuring things that matter.

More About OMB Uniform Guidance

- [OMB Uniform Guidance Final Rule: Significant Improvements to Federal Grants Rules for Charitable Nonprofits](#), National Council of Nonprofits, Apr. 4, 2024.
- [Guidance for Federal Financial Assistance \(OMB Uniform Guidance Final Rule\)](#), Office of Management and Budget, Apr. 22, 2024.
- [Comments to OMB re Proposed Revisions to the Federal Guidance for Grants and Agreements](#), National Council of Nonprofits, Nov. 30, 2023.
- [Significant Improvements to Federal Grants Rules Proposed: Longstanding Nonprofit Concerns Addressed](#), National Council of Nonprofits, updated Oct. 5, 2023.
- [Analysis of the Proposed Revisions of the OMB Uniform Guidance](#), National Council of Nonprofits, updated Feb. 18, 2020.
- [Testimony for the Public Hearing on the Non-Profit Reimbursement Fairness Act of 2019](#), National Council of Nonprofits, Jan. 28, 2020.
- [New OMB Uniform Guidance on Indirect Costs: What It Does and Why It Matters](#), National Council of Nonprofits, Updated May 20, 2016.
- [Nonprofits and the New OMB Uniform Guidance: Know Your Rights ... and How to Protect Them](#), National Council of Nonprofits, Updated May 16, 2016.
- [Resolution in Support of Full Implementation of OMB Uniform Guidance Through Collaboration Among Governments, Foundations, and Nonprofit Organizations](#), National Council of Nonprofits, 2015.

Background and Analysis

- [OMB Uniform Guidance Final Rule: Significant Improvements to Federal Grants Rules Proposed](#), National Council of Nonprofits, updated Nov. 20, 2023.
- [Pending federal grants reforms could make life easier for nonprofits](#), *Nonprofit Essentials*, National Council of Nonprofits, Oct. 11, 2023.

- **Webinar:** [The Urgency of Government Grants Reform for Your Nonprofit](#) (1:16:53) and [Presentation Slides](#).
- [Written Statement: Improving Access to Federal Grants for Underserved Communities](#), National Council of Nonprofits, May 2, 2023.
- [Selected Public Comments](#)

Additional Resources

- [Opening Statement for the Public Hearing on the Non-Profit Reimbursement Fairness Act of 2019](#), Chair White, Jan. 28, 2020.
- [Proposed Revisions to the OMB Uniform Guidance](#), U.S. Office of Management and Budget, Jan. 22, 2020.
- [OMB Uniform Guidance Technical Corrections](#), U.S. Office of Management and Budget, Sept. 10, 2015.