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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) put into effect at the end of 2014.

The [OMB Uniform Guidance](#) streamlines and clarifies cost allocation and other rules related to government grants and contracts, removing some areas of confusion and inconsistency while treating more of a nonprofit’s expenses as direct (reimbursable) costs.

Why It Matters

The OMB Uniform Guidance establishes important rights for nonprofits:

- [Reimbursement for More of Your Direct Costs](#). The OMB Uniform Guidance clarifies numerous cost allocation rules and specifies more costs that are reimbursable as *direct costs*. For instance, in certain circumstances, program administration (e.g., secretarial staff dedicated to a specific program) can be reported as direct, rather than as indirect, costs, and therefore are fully recoverable.

- [Reimbursement for Your Nonprofit's 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. Nonprofits that have never had a federally approved indirect cost rate can elect either the *de minimis* rate of 10 percent of their modified total direct costs (MTDC) or negotiate a higher rate in accordance with the federal cost principles. Nonprofits that have already negotiated a federal indirect cost rate must be paid that amount. Generally, the mandate to pay indirect costs applies to federal discretionary funds and certain entitlement funds. The mandate does not apply in cases where a *federal* statute expressly caps the rate at which indirect costs can be reimbursed.

Other reforms in the Uniform Guidance directly affecting nonprofits include the following:

- [Audit Threshold](#): The Uniform Guidance raises the threshold for single audits to \$750,000, reducing the administrative costs for approximately 5,000 nonprofits, as well as governments.
- [Procurement](#): The Uniform Guidance requires that government and non-governmental organizations alike use consistent documented procurement processes when purchases are made using federal funds.

Where We Stand

Reforms to the OMB Uniform Guidance are urgently needed, both for the proper administration of grants programs and to empower more charitable organizations to fulfill the policy goals of grants programs to benefit communities and residents throughout the country.

[Comments on Proposed Revisions to the Uniform Guidance](#), National Council of Nonprofits, Nov. 30, 2023.

Status

The OMB Uniform Guidance only provides a *promise* of better treatment of nonprofits providing services under programs funded in whole or in part by the federal government. Turning that promise into reality requires actions on the part of every nonprofit earning federal funds, either directly or from pass-through entities.

By understanding what the cost allocation rules allow, and managing costs accordingly, nonprofits can secure reimbursement for more of their costs than formerly allowed. Likewise, nonprofits that understand the new rules and accurately allocate costs will be in a better position to negotiate an indirect cost rate higher than the 10% minimum.

To help nonprofits get started, the National Council of Nonprofits has prepared a overview paper, "[Know Your Rights ... and How to Protect Them](#)." This analysis summarizes nonprofit rights and highlights potential compliance challenges and how the Uniform Guidance should be properly interpreted.

Background

OMB launched the process for establishing the Uniform Guidance (sometimes misidentified as the "Super Circular") to overhaul the decades-old federal grantmaking process. The Uniform Guidance merges eight separate yet overlapping OMB circulars into the Code of Federal Regulations, eliminating the circulars. The resulting consistency across governments and the entities with which they contract to provide services are intended to ease administrative burdens, increase efficiency and effectiveness of federal awards, and strengthen the oversight of federal funds to reduce the risks of waste, fraud, and abuse.

Proposed Revisions to the OMB Uniform Guidance

The Biden Administration is proposing significant changes to the rules governing federal grantmaking that would correct longstanding challenges 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. In [announcing the reforms](#), the Administration asserted that the "proposal will materially decrease the burden on recipients of federal financial assistance, advance equity and job growth across the country, and meaningfully improve the administration of federal financial

assistance.”

The [comprehensive reform proposal](#) seeks to amend the OMB Uniform Guidance that provides common rules that govern most federal grantmaking to charitable nonprofits, state, local, and tribal governments, and others. The period of public comment closed on Dec. 4, 2023. OMB is expected to issue final guidance early in 2024. See the [National Council of Nonprofits Comments](#).

Background and Analysis

- [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](#)

More About OMB Uniform Guidance

- [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.

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.