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**MEMORANDUM**

**TO:** Early Learning Coalitions  
**FROM:** Matt Mears, Chancellor of Early Learning  
Florida Department of Education  
**DATE:** April 14, 2022  
**RE:** **Application of the federal Uniform Grant Guidance to indirect costs of an Early Learning Coalition**

The Florida Department of Education, Division of Early Learning (DEL), in consultation with outside counsel Brustein & Manasevit, PLLC (the Firm), offers guidance on the application of the federal Uniform Grant Guidance to indirect costs of an Early Learning Coalition.

**Question: Do the Uniform Grant Guidance (UGG) contracting requirements at 45 CFR 75.326 – 75.335 apply to the indirect costs of an Early Learning Coalition (ELCs)?**

No, the procurement contracting requirements at 45 CFR 75.326 – 75.335 do not apply to indirect costs. In its Frequently Asked Questions document published in May 2021, the Office of Management and Budget (OMB) clarified that “[t]he Uniform Guidance procurement standards apply only to procurements for goods and services that are directly charged to a Federal award.” See OMB FAQs, Q-93 available at [https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions\\_2021050321.pdf](https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions_2021050321.pdf).

While there is no universal rule for classifying certain costs as either direct or indirect, indirect costs are typically “costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.” 45 CFR 75.2 & 75.412. Examples of indirect costs include the cost of payroll, human resources, executive officers, operating facilities, or utility costs.

In Florida, ELCs charge indirect costs to Federal awards using the direct allocation method. *See* 45 CFR Part 75, Appendix IV, B.5. In the direct allocation method, indirect costs (such as payroll) are prorated using a base that accurately measures the benefits provided to each activity. Each Federal award is then charged the prorated amount of the indirect cost. *Id.* Thus, for the indirect costs included in an ELC’s direct allocation plan, the ELC does not need to follow the procurement contracting requirements in 45 CFR Part 75.326 – 75.335. *See* OMB FAQs, Q-93. Note that any contract requirements imposed by state law continue to apply.

This guidance supersedes any prior guidance from DEL on the application of the federal Uniform Grant Guidance to the indirect costs of an early learning coalition. If you questions about this guidance, please submit them in writing to [oel.questions@oel.myflorida.com](mailto:oel.questions@oel.myflorida.com).

**MATTHEW H. MEARS**

CHANCELLOR, DIVISION OF EARLY LEARNING

