



Environmental and Climate  
Justice (ECJ) Community  
Change Grants Program

Informational Webinar  
Indirect Costs  
Limitation

Assistance Listing 66.616  
Office of Environmental Justice  
and External Civil Rights  
October 19, 2023

# Webinar Agenda

- A. Zoom Housekeeping
- B. Goals / Purpose / Eligibility of ECJ Community Change Grants Program
- C. What are Indirect Costs?
- D. Allowability of Indirect Costs Limitation
- E. Language of Indirect Costs Limitation
- F. Background / History of Indirect Costs Limitation
- G. De Minimus Rate
- H. Tribal Exemption to Indirect Costs Limitation
- I. Short Q & A

# WARNINGS & PRECAUTIONS

This informational webinar is intended to provide potential applicants and interested parties with information regarding an upcoming funding competition for the ECJ Community Change Grants Program (Assistance Listing 66.616)

**EPA does not intend for the webinar to be used by individual consultants, consulting firms or other for-profit vendors to market their services to potential applicants as partners or otherwise.**

All procurement contracts must comply with the competitive requirements in the Procurement Standards of 2 CFR Parts 200 and 1500 and 40 CFR Part 33 as interpreted in EPA's Best Practice Guide for Procuring Services, Supplies, and Equipment Under EPA Assistance Agreements and the EPA Subaward Policy. EPA staff facilitating the webinar will intervene as necessary to ensure that there are no misunderstandings of the Agency's position on the importance of full and open competition for procurement contracts.

# Zoom Housekeeping

- A. This is an informational webinar RE: the Indirect Costs (IDC) limitation for the ECJ Community Change Grants competition (Autumn 2023)
- B. We will take a limited number of questions RE: the IDC limitation at the end
- C. Remember to keep your line muted if you're not asking a question
- D. To ask Questions, please:
  - Raise your Hand using the Zoom Controls, then unmute when called on
  - Those with raised hands will be called on first before we go to the Chat
  - Option to type your question into the Chat

# Goals / Purpose of ECJ Community Change Grants Program and IDC Limitation

- I. EPA's Environmental and Climate Justice Community Change Grants program ([Community Change Grants](#)) will invest approximately \$2 billion dollars in Inflation Reduction Act (IRA) funds in environmental and climate justice activities to benefit disadvantaged communities through projects that reduce pollution, increase community climate resilience, and build community capacity to respond to environmental and climate justice challenges. These place-based investments will be focused on community-driven initiatives to be responsive to community and stakeholder input. They are designed to deliver on the transformative potential of the IRA for communities most adversely and disproportionately impacted by climate change, legacy pollution, and historical disinvestments.
- II. **Limiting indirect costs** under the Community Change Grants program will promote the transformative goals of the overall program by maximizing the amount of funding allocated to project implementation and place-based programming.
- III. In addition to the explicit limitation of indirect costs, the NOFO will include language and evaluation criteria that do the following: 1) encourage applicants to minimize the indirect costs on the grant award, 2) evaluate the cost effectiveness of the budget/project in terms of maximizing to the greatest extent practicable the delivery of funding and assistance to disadvantaged and underserved communities, and 3) promote equitable distribution of any indirect costs charged to direct recipients and subrecipients who are the most capacity constrained within a project partnership.

# Eligible Entities for the ECJ Community Change Grants Program

Eligible Entities Under the Community Change Grants program are as follows:

- A partnership between at least two community-based non-profit organizations (CBOs).
- A partnership between a CBO and one or any combination of the following:
  - a Federally Recognized Tribe
  - a local government
  - an institution of higher education.

NOTE - Other organizations and entities may be able to participate and be involved in the Community Change Grants projects as collaborating subrecipients and/or procurement contractors selected in compliance with competition requirements.

# What are Indirect Costs?

- I. EPA (definition) - Indirect costs are those that are incurred for a common or joint purpose benefiting more than one cost objective. They are allowable, allocable, and reasonable costs that benefit EPA assistance agreements as well as other activities your organization carries out that may or may not be Federally funded.
- II. Department of Education (definition) - Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs.

# Allowability of IDC Limitation

- I. **As authorized by** the allowable indirect costs deviation process detailed in [2 CFR 200.414\(c\)](#), the Environmental Protection Agency (EPA) will limit the amount of indirect costs charged against any grant and/or cooperative agreement under the new Environmental and Climate Justice Community Change Grants program (Assistance Listing [66.616](#)) to 20% of the Federal award.
- II. This is allowable through the publicly available waiver provisions in section 9.0.a. of EPA's Indirect Cost Rate Policy consistent with 2 CFR 200.414(c)(3). Under section 9.0 a. EPA may grant waivers to the requirements in the EPA Indirect Cost Rate Policy where “[A]ll waivers must be based on circumstances of compelling urgency, unique programmatic considerations, extraordinary compliance burdens on recipients or where a waiver would otherwise be in the public interest.”
- III. EPA believes that the 20% limit on indirect costs is justified by unique programmatic considerations and is in the public interest.



# Language of IDC Limitation

**Limitation on indirect costs for grants and cooperative agreements awarded under the Environmental and Climate Justice Community Change Grants program.**

**(a) In general**

Except as otherwise provided by statute, indirect costs charged against any grant and/or cooperative agreement awarded under the Environmental and Climate Justice Community Change Grants program shall not exceed 20 percent of the total amount of the Federal award, as determined by the Administrator.

**(b) Exception**

Subsections (a) and (c) shall not apply to Indian tribes as defined in section 302(r) of the Clean Air Act who serve in the role of direct recipient and/or subrecipient under the program or to Intertribal consortia that meet the requirements of 40 CFR 35.504(a) and (c) even if the Intertribal consortia is eligible for funding as a Community Based Nonprofit Organization.

**(c) Treatment of subawards**

In the case of a grant and/or cooperative agreement described in subsection (a), the limitation on indirect costs specified in such subsection shall be applied to both the initial direct assistance award amount and any subaward of the Federal funds provided under the initial assistance award so that the total of all indirect costs charged to each of the Federal awards (i.e., both the initial direct assistance award amount and any subawards) funded under the initial assistance award does not exceed such limitation. As provided in 2 CFR 200.332(a)(2) pass-through entities are responsible for ensuring compliance with the indirect cost limitation by their subrecipients.

NOTE: This limit does not extend to indirect costs on procurement contracts.

# Language of IDC limitation (further explained)

- I. This limitation will extend to **direct recipients / applicants** of grants and cooperative agreements under the program, as well as to **subrecipients** as defined in 2 CFR 200.1.
  - a. Therefore, both direct recipients and subrecipients under the program will have a maximum of 20% of their “relevant transaction” that they may charge to indirect costs (i.e., 20% of the direct grant [if they are the Pass-through entity] or 20% of the total subaward [if they are a subrecipient]).
  
- II. Direct applicants and subrecipients **may utilize their current indirect cost rate agreement** to charge indirect costs against their award **until** they reach the 20% maximum for indirect costs on their relevant transaction.
  - a. Once the 20% maximum is reached, recipients may **not** apply their indirect cost rate to the applicable distribution base.
  - b. Further, as provided in 2 CFR 200.403(d) recipients must not circumvent the limitation by characterizing costs that are normally recovered in their indirect cost rate as direct costs.

# Background/History of IDC Limitation

- In 2022 -23, EPA consulted with the [National Environmental Justice Advisory Council](#) (NEJAC) in the design of the Community Change Grants program.
  - A recurring concern echoed by NEJAC members, as well as by other community champions, were the high indirect cost rates that certain organizations utilize for federal grant funding.
  - NEJAC urged EPA to research ways that indirect costs could be minimized to ensure a maximal level of funding could reach disadvantaged and underserved communities through the program.
  - Additionally, EPA opened a Request for Information (RFI) on February 9, 2023, to receive input from the public on the design and implementation of the Community Change Grants program. Multiple comments received were related to allowable indirect costs and/or the percentage of the grant that can be charged towards indirect costs. The RFI closed on April 10, 2023.
- EPA will address the feedback from the NEJAC and the public by implementing program structures that ensure grant funds are allocated for program assistance and services and that a reasonable percentage be used for indirect costs. The allowable indirect costs deviation process detailed in 2 CFR 200.414(c) is a viable avenue to address the indirect cost concerns voiced by the NEJAC and the public.

# De Minimus Rate (how to apply it)

- Entities without a current negotiated indirect cost rate (e.g., community-based nonprofit organizations) who want to charge for indirect costs either as a direct recipient or a subrecipient, are eligible to utilize the **existing 10% de minimus rate** in accordance with [2 CFR 200.414\(f\)](#). Note that on October 5<sup>th</sup> OMB proposed a revision to the regulation increasing the de minimus rate to 15%. OMB has not advised EPA of when the revision is expected to become effective.
- Those utilizing the de minimus rate must charge for indirect costs using the 10% de minimus rate applied to their modified total direct costs.
- This IDC Limitation policy waiver **does not** increase the de minimus rate.

# Tribal Exemption

- Due to the sovereign status of Indian tribes that meet the Federal recognition requirement in section 302(r) of the Clean Air Act, and the unique burdens placed on these entities due to the composition of their tax base where chargeable indirect costs can be an essential financing component for the Tribe, EPA is exempting Indian tribes and Intertribal consortia comprised of eligible Indian tribes from this 20% indirect costs limitation provided the Intertribal consortia meets the requirements of 40 CFR 33.504(a) and (c).
- Federally Recognized Tribal governments and Intertribal consortia serving in the role of a prime recipient may charge for the full amount of their indirect costs as determined by their current negotiated indirect cost rate agreement or the 10% de minimis rate as applicable.
- Similarly, Federally Recognized Tribal governments and Intertribal consortia serving as subrecipients may charge for the full amount of their indirect costs as determined by their current negotiated indirect cost rate agreement or the 10% de minimis rate as applicable.

Feel free to raise virtual hand, unmute, and ask a question related to the IDC limitation.

## Short Question & Answer



# Contact Information

- Questions and comments about the IDC limitation and the ECJ Community Change Grants Program can be transmitted to:  
[CCGP@epa.gov](mailto:CCGP@epa.gov)