

ALABAMA WORKFORCE INVESTMENT SYSTEM

Department of Commerce
Workforce Development Division
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May 28, 2020

GOVERNOR'S WORKFORCE INNOVATION DIRECTIVE NO. PY2019-07

SUBJECT: Indirect (F&A) Costs Charged to Subrecipient Grant Agreements

1. Purpose. To transmit the State's policy for the maximum rate allowed for indirect (Facilities & Administration (F&A)) costs charged to subrecipient grant agreements and contracts.

2. Discussion. For Program Year (PY) 2020, the State of Alabama has received approximately seven percent (7%) less in its overall Workforce Innovation and Opportunity Act (WIOA) allocation from the U.S. Department of Labor than the previous year. In order to continue providing a high level of services directly to participants through programs such as Individual Training Accounts (ITAs), On-the-Job Training (OJT), Work Based Learning, etc., the State is capping the rate allowed for indirect (F&A) costs at fifteen percent (15%) of the salaries and staff fringe benefits of subrecipient grant agreements and contracts.

Indirect costs are those incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objective benefited. Cost allocation plans, including indirect cost rate proposals, are developed and approved in accordance with applicable cost principles as set forth in 2 CFR200, Subpart E by a cognizant (or lead) Federal Agency. Alternatively, any non-Federal entity that has never received a negotiated indirect cost rate, except States and local governments, and Indian Tribe Indirect Cost Proposals may elect to charge a "de minimis" rate of not more than ten percent (10%) of modified total direct costs (MTDC) (2 CFR200.414(f)).

For the Alabama Department of Commerce (Commerce), Workforce Development Division (WDD), this policy will apply to all subrecipient awards and contracts including those funded by sources other than WIOA.

The cap will go into effect starting on July 1, 2020, the first day of PY2020, and will continue indefinitely unless further guidance is issued.

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- 3. Action.** Local Workforce Development Areas must revise their policies as necessary to limit indirect (F&A) costs for subrecipient agreements and contracts funded through WIOA to no more than fifteen percent (15%) beginning PY2020.

Organizations applying for funds or negotiating budgets should include no more than fifteen percent (15%) of the salaries and staff fringe benefits for indirect (F&A) costs in their budgets. No more than fifteen (15%) of indirect (F&A) costs will be funded even if the organization's approved rate is higher. Organizations must continue to provide a copy of their approved Cost Allocation Plan and Negotiated Indirect Cost Rate Agreement with applications for funds.

- 4. Contact.** Questions regarding this Directive should be referred to Kivondra Rivers, State Programs and Divisional Budget Management Unit, Workforce Development Division at (334) 242-5428 or Kivondra.Rivers@commerce.alabama.gov.

Tammy Wilkinson

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