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National Council of Nonprofits Statement on OMB Uniform Guidance Interim Final Rules

Tim Delaney, President and CEO of the National Council of Nonprofits, issues the following comments in response to the federal government publishing the [interim final regulations on the Office of Management and Budget \(OMB\) Uniform Guidance](#).

“The interim final rules published today implementing the [OMB Uniform Guidance](#) represent the federal government’s official recognition that all governments entering into written agreements with nonprofits to deliver services to the public have an affirmative duty to pay their fair share of the costs that those nonprofits incur. The changes promised by the new rules are a major victory for people who depend on nonprofits every day.

“If properly implemented, the new rules will finally end the harmful practice of governments, including those at the state and local levels, imposing artificially low limits on the reimbursement of indirect costs that nonprofits must incur when delivering services on behalf of governments. Those arbitrary caps have essentially forced charitable nonprofits to subsidize government. This updating of antiquated policies reflects the reality that, for the federal government to successfully deliver its programs through contracts and grants, its nonprofit partners – just like for-profit

contractors and governments themselves – must pay for the internal controls and organizational infrastructure required to efficiently and effectively deliver those services.

"To **our partners in government**, the National Council of Nonprofits pledges to work collaboratively to promote consistent interpretations and application of the Uniform Guidance and ensure full and fair implementation of the cost principles and other federal grants reform. As processes are adjusted to implement these new rules, it is the best opportunity for governments and nonprofits, working together, to reduce the costly burdens and streamline the entire contacting and grants process, from application to final reporting, and save countless hours and taxpayer dollars.

"To **nonprofit leaders**, we stress that the Uniform Guidance provides only the promise of improved treatment, and that it is incumbent upon each organization to (1) take action to own its own costs, (2) learn its rights under the new rules, and (3) protect those rights through advocacy, both on its own behalf with each grant and contract, as well as by engaging in efforts with the broader nonprofit community.

"To **foundation leaders and program officers**, we ask for your help in alerting your nonprofit grantees to the promise of the Uniform Guidance and of their need to utilize and protect their rights. If funding is needed to establish stronger cost allocation systems in individual grantees, to provide professional development for grantees and/or the sector in your region, and to help the sector to engage in broader advocacy efforts so state and local governments fully comply, we hope you will see these as mission-based investments that will strengthen the organizations you support and a welcome step toward reducing the need for your foundation to constantly fill gaps in government funding.

"The National Council of Nonprofits and its nationwide network of state associations of nonprofits will be actively monitoring implementation of the Uniform Guidance, equipping nonprofits with the tools they need to properly allocate and manage their costs and stand up for their rights to be reimbursed, and collaborating with government officials to fix broken systems to increase efficiency and save taxpayer dollars. At the end of the day, this is a win-win-win for nonprofits, governments, and most importantly, people in communities across America. Let's get to work, together."

Background

The process for establishing the Uniform Guidance (sometimes misidentified as a “Super Circular”) was undertaken by the Office of Management and Budget (OMB) 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. The OMB Uniform Guidance merges eight separate, yet overlapping, OMB circulars. It presents a comprehensive overhaul of the federal grantmaking process that should lead to consistency across governments and the entities with which they contract to provide services.

To charitable nonprofits providing services in communities on behalf of governments, the Uniform Guidance incorporates significant reforms, including the following three. First, the Uniform Guidance explicitly requires pass-through entities (typically states and local governments receiving federal funding) and all federal agencies to reimburse a nonprofit’s indirect costs by applying the nonprofit’s federally negotiated indirect cost rate, if one already exists. If a negotiated rate does not yet exist, then nonprofits are empowered either to negotiate a rate based on federal guidelines, or to elect the default rate of 10 percent of their modified total direct costs (MTDC). Second, the Uniform Guidance specifies more costs that are directly reimbursable, and clarifies numerous definitions and cost allocation rules. Third, it raises the threshold for single audits to \$750,000, reducing the administrative costs for approximately 5,000 nonprofits, as well as governments, while also focusing efforts to reduce risk of waste, fraud, and abuse.

For more information, see our [webpage on the OMB Uniform Guidance](#).

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The National Council of Nonprofits is a trusted resource and advocate for America’s charitable nonprofits. Through our powerful network of State Associations and 25,000-plus members – the nation’s largest network of nonprofits – we serve as a central coordinator and mobilizer to help nonprofits achieve greater collective impact in local communities across the country. We identify emerging trends, share proven practices, and promote solutions that benefit charitable nonprofits and the communities they serve. Learn more at www.councilofnonprofits.org.