



## Galveston County Consolidated Drainage District

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### GCCDD Indirect Costs Policy

The Galveston County Consolidated Drainage District, (“GCCDD”) allows applicants to use an indirect cost rate of up to 20% in proposal budgets.

GCCDD calculates indirect costs as a percentage of direct project costs, excluding amounts for sub-grants and contractual services which the grant recipient is passing through to a third party. In such cases, the third-party recipient is allowed the same maximum indirect rate of 20%.

An applicant with an actual indirect cost rate lower than 15% should not increase their funding request to the maximum allowed. The intent is to sufficiently fund actual costs, not to generate financial surpluses for grantees.

**Direct costs** are those for activities or services that benefit specific projects (e.g., salaries for project staff, supplies and equipment specific to a project, travel needed to conduct a project, consultant fees and sub-grants, project venue rental, etc.). These should be easy to detail in a line-item budget, as they are the actual costs envisioned as necessary for the successful implementation of the project being proposed.

**Indirect costs** are those for activities or services that would be incurred by the applicant regardless of whether the grant is funded. These generally benefit the entire organization or multiple projects. Their precise allocation or benefits to a specific project are often difficult or impossible to determine (e.g., human resources, accounting, IT, legal, rent, utilities, standard office supplies, etc.). If an administrator or executive-level staff person is not directly involved in the delivery of a project, their salary and benefits should most likely be considered as part of indirect costs.

The definitions above serve as general guidance for all proposals; however, applicants should consider the specific goals and activities of their projects when determining the proper allocation of direct and indirect costs. GCCDD staff will review budgets and cost categorizations on a individual basis, and treatment of specific costs in one proposal should not be considered precedent-setting for other proposal.

Sample Calculation:

To explain how our indirect costs policy works, here’s a sample calculation.

Let's say you want to request \$120, and your indirect costs are \$20. This would fit exactly within our policy, since the direct costs (direct costs = total – indirect costs) are \$100, and the indirect costs are  $20/100=20\%$ .

However, if the total grant amount was \$100 including indirect costs of \$30, then that would be too high, since the direct costs would be \$70, and  $30/70\approx 42\%$ .