



COLORADO

**Colorado Water
Conservation Board**

Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Cole Bedford P.E., Chief Operating Officer

DATE: July 17-18, 2024

AGENDA ITEM 7: New CWCB Policy - Allowable Indirect Rates on Grants

Staff Recommendation

Staff recommends the Board approve *Policy 26 - Allowable Indirect Rates On Grants* which sets the maximum indirect rate allowable to be reimbursed by CWCB grants at 15% of direct costs. This policy will take immediate effect and will be applicable to all CWCB grant programs.

Indirect Costs

The budgets submitted in support of applications for CWCB's various grant programs take many different forms depending on the applicants' organization type, the project type, and the grant program. In reviewing these budgets, CWCB Staff ensure that the description of costs is adequately detailed and transparent to assess the project proposal and make a recommendation to the Board. As long as the detail and transparency are adequate, many different budget formats are accommodated.

Some budgets include an indirect rate, which is a fixed percentage applied as a final adjustment after all direct costs have been described. The indirect rate is included to account for costs which are not easily demonstrable with receipts or other documentation but are nonetheless necessary for an organization's general operations. Examples of the kinds of costs that might be covered by an indirect rate are fixed costs like rent and utility bills.

Current Policy

Currently the CWCB does not have a formal policy on indirect rates; however, in 2012 the Board negotiated an indirect rate not to exceed 15% for contracts executed with Colorado State University and the Colorado Water Center.

Non-governmental organizations and institutions of higher education often have costs that are not directly attributable to specific project tasks but are necessary for the operation of the organization and are included as an indirect rate in the project budget. When an indirect rate is included, CWCB Staff consider it within the context of the overall budget and the project. Generally, CWCB Staff engage with applicants to understand the need for the indirect rate and keep it as low as possible before making a recommendation to the Board.



After approval by the CWCB Board, the Office of the State Controller (OSC) reviews grant contract documents. The OSC's review is guided by the Colorado Fiscal Rules, which "implements statutory provisions, sets forth principles concerning internal controls, accounting policies, and financial reporting for the State of Colorado." Recent guidance from the OSC on indirect rates as related to Sections 2-1.3.4 and 3-1.8.4 of the Colorado Fiscal Rules clarified that indirect rates must be 15% or less in all but exceptional cases for the State to enter into a grant contract.

Policy 26 - Allowable Indirect Rates on Grants

Policy 26 - Allowable Indirect Rates on Grants seeks to align CWCB policy with the Colorado Fiscal Rules, so that messaging is clear and consistent for applicants of CWCB grant funding. Applicants for grant funds may include an indirect rate in their budget of up to 15% with assurance that it is in accord with Colorado Fiscal Rules. However, all budgets are still subject to CWCB Staff review and Board approval. Depending on the applicants' organization type, the project type, and the grant program, a lower rate may be required to be competitive or acceptable. In some cases, no indirect rate will be competitive or acceptable.

Attachments:

Policy 26 - Allowable Indirect Rates on Grants



POLICY NUMBER: 26

SUBJECT: ALLOWABLE INDIRECT RATES ON GRANTS

EFFECTIVE DATE: July 17, 2024 [If approved]

REVISED DATE: N/A

POLICY: The maximum indirect rate allowable to be reimbursed by grants is 15% of direct costs.

PURPOSE: To ensure efficient operations by grantees and that expenditures reimbursed by CWCB grants are fair and reasonable as required by Colorado Fiscal Rules 2-1.3.4 and 3-1.8.4.

APPLICABILITY: This policy and procedure applies to all CWCB grant programs, including, but not limited to, Water Plan Grants, Water Supply Reserve Fund Grants, Watershed Restoration Grants, Wild and Scenic Rivers Grants, and Technical Assistance for Federal Cost Share Grants.

PROCEDURE: An Indirect Rate as defined by this policy is a fixed percentage applied as a final adjustment to a budget, invoice, or summary of expenses to cover costs necessary to the operation of an organization but are not associated with a specific project task. This differs from direct costs that are accounted for or built into individual line items and are evaluated as part of the standard review process for the various grant programs.

The maximum indirect rate allowable to be reimbursed by a grant awarded by the CWCB is 15%.

While the maximum allowable indirect rate is applicable to all CWCB grants, the various grant programs have additional program-specific guidance that affects grant award decisions. A grant application whose budget incorporates the maximum allowable indirect rate may not be competitive for all CWCB grant programs. Applicants for grant funding are encouraged to contact the CWCB staff representatives of the various grant programs before applying to understand whether an indirect rate is appropriate, and, if so, what rate.