

Texas Access to Justice Foundation
Grant Budgets | Direct vs. Indirect Cost Definitions

Direct costs (also known as “program costs”) are those costs that can be identified specifically with a particular cost objective. These may be charged directly to cost objectives without further decision making. Examples include: salaries, wages and related fringe benefits; materials consumed or expended specifically for the purpose of the grant; equipment and other approved capital expenditures necessary to accomplish the purpose of the grant; travel expenses incurred specifically to carry out the award and services furnished specifically for the cost objective.

Indirect costs (typically “administrative costs”) are costs incurred for common or joint purposes benefiting more than one cost objective. They cannot be readily directly assignable to the cost objective specifically benefited. In other words, those costs remaining after all direct costs have been identified. Examples of indirect costs are: costs of operating and maintaining facilities; general and administrative expenses, such as salaries and expenses of executive officers, accounting staff, occupancy, utilities, telephone, office supplies, incurred for the benefit of the project as a whole, as well as other activities of the grantee.