



FACT SHEET
Broadband Technology Opportunities Program
Indirect Costs

Overview

Indirect costs are those recipient costs that are not directly associated with the recipient's execution of its BTOP project, but that are necessary to the operation of the organization and the performance of its programs. Indirect costs associated with all BTOP project categories generally are allowable if included as a line item in the approved budget and if the award recipient has (or obtains) an approved indirect cost rate.

The recovery of indirect costs associated with broadband infrastructure projects (middle mile and last mile projects in BTOP Round One and Comprehensive Community Infrastructure (CCI) projects in Round Two) is limited. Because operating expenses are not an eligible cost for broadband infrastructure projects, indirect costs incurred in implementing these projects must generally be associated with the construction, deployment, or installation of facilities and equipment used to provide broadband service to be considered eligible for recovery with BTOP grant funds. As a result, an indirect cost rate that incorporates items that are typically considered to be operating expenses (e.g., office supplies, executive salaries, office rentals) will not be fully allowable for broadband infrastructure projects.

Indirect costs are usually expressed as percentage applied to a base. For example, indirect costs may be 10 percent of total direct costs.

Indirect Costs of BTOP Project

Common examples of indirect costs include:

- Salaries/expenses of executive officers.
- Personnel administration.
- Accounting.
- Fringe benefits.
- Office rent (the cost of renting facilities).
- Maintenance (the cost of maintaining facilities).
- Library expenses.
- Office supplies (e.g., office equipment, computers, printers, and copiers).

Indirect Cost Rate

An indirect cost rate is a ratio expressed as a percentage of an organization's total indirect costs (numerator) to its direct costs (denominator). If a recipient has an existing approved negotiated indirect cost rate (NICRA), it may use that rate in its BTOP project. Note, however, that a broadband infrastructure award recipient may not apply its full NICRA if it reflects the organization's operating expenses. Instead, it must use only that portion that it can demonstrate it incurs in connection with the construction, deployment, or installation of facilities and equipment used to provision broadband services.

If a NICRA was not submitted and approved as a part of the application process, recipients must submit a cost allocation plan and an indirect cost rate proposal:





- Within 90 days of the award start date to the Office of Acquisition Management (OAM).
- Within 30 days for any recipient proposing to forego recovery of any portion of its indirect costs to satisfy any portion of its cost sharing or matching requirement.

The cost allocation plan should be based on actual costs for the most recently completed and audited fiscal year (for example, Fiscal Year 2009 audited financial statements could produce a Fiscal Year 2010 rate proposal).

The cost allocation plan and the indirect cost rate proposal should be submitted to:

Office of Acquisition Management
U.S. Department Of Commerce
14th Street and Constitution Avenue, N.W., Room 6412
Washington, DC 20230

The Department of Commerce (DOC) will negotiate and approve the NICRA, allowing the recipient to include indirect costs as allowable project expenses. Recipients can use the fixed rate proposed in the indirect cost plan until DOC provides a response to the submitted plan. Actual indirect cost rates must be calculated and submitted annually.

Frequently Asked Questions

[What is the difference between direct and indirect costs?](#)

Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. In the case of BTOP, direct costs are those specifically identified with the recipient's execution of its BTOP project.

Indirect costs are the costs incurred by an organization that are not readily identifiable with a particular project or program but are necessary to the operation of the organization and the performance of its programs.

[How is the indirect cost rate negotiated?](#)

DOC will review the indirect cost proposals submitted by the recipient organization and, based on those reviews, will negotiate appropriate indirect cost rates with the organization.

If additional information or an audit is deemed necessary, DOC or an auditor working for the DOC will notify the organization of the specific requirements necessary to complete the indirect cost rates proposal.

Additional Resources

For additional information and guidance on indirect costs, please refer to the following sources:

- FY 2010 Recipient Handbook.
- Round 1 NOFA (July 2009) and Round 2 NOFA (January 2010).

