



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. Note, however, that the recovery of indirect costs associated with Broadband Infrastructure projects (Middle Mile and Last Mile projects in BTOP Round 1 and Comprehensive Community Infrastructure (CCI) projects in Round 2) 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
<p>Common examples of indirect costs include:</p> <ul style="list-style-type: none">■ 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).
<p>Indirect costs for Comprehensive Community Infrastructure (CCI) projects are limited to:</p> <ul style="list-style-type: none">■ Costs associated with the construction, deployment or installation of facilities and equipment used to provide broadband services as described in Section V.D.2 of the Round 1 Notice of Funds Availability (NOFA) and Section V.E.2 of the Round 2 NOFA.
<p>Indirect costs for Public Computer Centers (PCC) and Sustainable Broadband Adoption (SBA) projects:</p> <ul style="list-style-type: none">■ Costs associated with eligible project activities as detailed in Section D.3 of the Round 1 NOFA and Sections V.E.3 and V.E.4 of the Round 2 NOFA.





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 an award 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 an award recipient does not have a current approved NICRA, and seeks to include indirect costs in its project budget, it will be required to submit an indirect cost rate proposal, no later than 90 days after its BTOP award date, to the Department of Commerce (DOC) Office of Acquisition Management (OAM). This proposal 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 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**

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.

For additional information on indirect costs, please refer to the following resources:

- Round 2 NOFA: www.ntia.doc.gov/frnotices/2010/FR_BTOPNOFA_100115.pdf.
- General Indirect Cost Rate Program Guidelines for Grantee Organizations, Department of Commerce: <http://oam.eas.commerce.gov/docs/Indirect%20Cost%20Rate%20Proposal%20Instructions%20-%20Sept%202009.pdf>.

