

GREAT GRANT PROGRAM (FEDERALLY FUNDED)

Eligible and Ineligible Costs Reference Document

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QUICK REFERENCE

Purpose.....	2
Scope.....	2
1. Description of Eligible Costs.	2
2. Description of Ineligible Costs.....	8
3. Quantifying the Costs of Equipment Used for Construction.....	9
4. Labor Costs:.....	11
5. Allowable Costs.....	12

Purpose: This document describes the guidelines for evaluating eligible and ineligible costs relative to the Growing Rural Economies with Access to Technology (GREAT) grant program.

Scope: This document describes the eligible and ineligible costs associated with the GREAT grant program and should be referenced when preparing and/or reviewing reimbursement requests (also known as claims requests or payment requests) for eligible and ineligible costs. This document applies to program participants/grantees (internet service providers), staff within the division, and to all others that are responsible for submitting, reviewing, or approving reimbursement requests.

Introduction: The GREAT grant program was initially developed and launched in 2018, to facilitate the deployment of broadband to unserved areas of the state. The N.C. General Statute § 143B-1373, state that GREAT funds shall be used by the recipient to pay for infrastructure costs associated with an eligible project. Executed grant agreements state that grant and match funds must be used for eligible activities. The grant amount and required match can only be used for expenditures related to eligible activities. Upon the submittal of a reimbursement request, the office reserves the right to determine the eligibility of any costs submitted for reimbursement and must provide a timely written response to the grantee if a proposed cost is not eligible for the program.

The program's authorizing legislation (N.C. General Statute § 143B-1373) provides the following definitions:

Infrastructure – Existing facilities, equipment, materials, and structures that an entity has installed either for its core business or public enterprise purposes. Examples include, but are not limited to, copper wire, coaxial cable, optical cable, loose tube cable, communications huts, conduits, vaults, patch panels, mounting hardware, poles, generators, battery and cabinet, network nodes, network routers, network switches, microwave relay, microwave receivers, site routers, outdoor cabinets, towers, easements, rights-of-way, and buildings or structures owned by the entity that are made available for location or collocations purposes. Source: S.L. 2019-230

Infrastructure costs - Costs directly related to the construction of broadband infrastructure for the extension of broadband service for an eligible project, including installation, acquiring or updating easements, backhaul infrastructure, and testing costs. The term also includes engineering and any other costs associated with securing a lease to locate or collocate infrastructure on public or private property or structures, but not including the actual monthly lease payment. The term does not include overhead or administrative costs.

In deploying infrastructure for these eligible projects, a large part of the actual cost of deployment consists of labor for (1) engineering to include make-ready work such as but not limited to planning work related to routing of the infrastructure, pole assessments, and acquiring permits or easements, (2) construction, and (3) installation. The intent of the program is to pay for one-time, direct costs that are essential, and directly related, to the construction and deployment of infrastructure to provide broadband service. A table of eligible and ineligible costs is provided in Exhibit 1.

1. Description of Eligible Costs. The grant agreement signed between the grantee internet service providers and the NCDIT Broadband Infrastructure Office states that eligible costs include Infrastructure and Infrastructure Costs as defined above. In addition, all costs must

be allowable, allocable, and reasonable per 2 CFR 200. Please refer to 5.0 “Allowable Costs” for further detail.

1.1 Engineering costs: Expenses associated with the design, planning, and engineering of a broadband network. This can include but not be limited to the following:

- 1.1.1 Network Design: Costs of determining optimal design of the infrastructure and broadband network.
- 1.1.2 Site Surveys and Assessments: Evaluates the feasibility of the proposed construction and installation of broadband infrastructure and equipment. May include evaluation of existing infrastructure, environmental assessments, and potential challenges that could prevent the deployment of broadband infrastructure.
- 1.1.3 Permitting and Regulatory Compliance: Expenses related to obtaining permits and complying with applicable local (county or municipal), state, or federal rules such as but not limited to right-of-way requirements, environmental rules, and zoning laws.
- 1.1.4 Network Planning and Optimization: Costs associated with network planning to ensure efficient and effective data transmission, coverage, and performance. This can include but not be limited to engineering analysis for network capacity, redundancy, and reliability.
- 1.1.5 Evaluating Proposed Equipment: Assessing the type of equipment to be used in the proposed broadband equipment to include but not limited to technical specifications, vendors, and compatibility with the proposed network.
- 1.1.6 Project Management and Oversight: Costs associated with project management such as but not limited to coordinating and overseeing the construction and managing the schedule. Project management and oversight does not include preparation and submission of progress reports, reimbursement requests or other documentation to meet the requirements of the program’s grant agreement.

1.2 Lease/Collocation fees (one-time fees): Costs associated with securing a lease to locate or collocate infrastructure on public or private property or structures, but not including the actual monthly lease payment. Recurring costs are ineligible costs. This include but not limited to the following:

- 1.2.1 Pole attachment fees. Appropriate documentation for pole attachment fees is the agreement between the pole owner and the internet service provider (ISP). The ISP should also be prepared to submit the agreement along with multiple invoices and proof of payment, if necessary.
- 1.2.2 Tower placement fees. Appropriate documentation for tower placement fees is the agreement between the pole owner and the internet service provider (ISP). The ISP should also be prepared to submit the agreement along with multiple invoices and proof of payment, if necessary.

1.3 Installation and Construction: Expenses directly incurred from the physical building and installation of infrastructure related to deploying a broadband network to provide broadband access to a prospective broadband recipient (see definition) in the grant agreement. These activities can include but not limited to the following:

1.3.1 Labor associated with construction: Costs of using skilled labor or construction personnel to perform the physical tasks associated with construction and installation of a broadband network. Activities can include but are not limited to trenching, boring, aerial cabling, placing conduit, or plowing fiber.

1.4 Fiber, Materials and Equipment: Multiple tangible items or components used to facilitate the deployment of broadband infrastructure and ensure effective and efficient connectivity. One-time purchases that are part of the physical infrastructure being deployed for the project.

1.4.1 Fiber (Fiber Optic Cable): Cable used for transmitting data and telecommunications signals using light pulses.

1.4.2 Materials: Tangible items or components installed as part of the deployment of broadband infrastructure such as but not limited to copper wire, coaxial cable, optical cable, loose tube cable, communications huts, conduits, vaults, patch panels, mounting hardware, poles, generators, battery and cabinet, network nodes, network routers, network switches, microwave relay, microwave receivers, site routers, outdoor cabinets, towers, and other necessary appurtenances needed to deploy broadband infrastructure. This does not include supplies like ladders, computers, tablets, software, and tools. Typically, these are consumable or expendable items that may be replaced as necessary. The office reserves the right to disallow items deemed as supplies.

1.4.2.1 Storage costs: Expenses for storing inventory of materials are allowable costs limited to only the inventory relevant to the project described in the grant agreement and for the duration of the Deployment Project Period ("Construction Period") as defined in the grant agreement. Determining or calculating storage costs can include but not limited to:

1.4.2.1.1 Providing proof of a lease for the storage space and eligible invoices that are dated during the duration of the Construction Period.

1.4.2.1.2 Using an inventory management system. If an inventory management system is used, the grantee is required to provide an explanation and methodology for how the inventory management system calculated the storage costs during the Construction Period.

1.4.2.2 Existing materials: Grantees may use existing materials inventory towards the project. This practice is allowable due to the supply

chain shortages in materials, or timelines involved in obtaining materials. This process would allow a grantee to begin a build using existing fiber on-hand, while waiting for a new shipment of fiber to be fulfilled. See Date in Grant Agreement. The inventory used must be billed using the normal inventory management costing process or at actual costs.

1.4.2.3 Extended warranty costs: Allowable costs proportionate to the Construction Period.

1.4.2.4 Shipping: Under 2 CFR 200.474, costs associated with shipping materials are eligible; however, transportation costs must be identifiable for the items involved and grantee must provide a detailed methodology of how shipping costs were allocated towards the project. The full shipping costs of bulk purchases cannot be attributed or allocated for one project.

1.4.2.5 Sales Tax: Costs associated with the sales tax on materials are eligible; however, the full sales tax of bulk purchases cannot be attributed or allocated for one project. Sales tax must be charged proportional to the materials purchased for a specific project. In addition, the grantee must provide a detailed methodology of how sales tax was allocated towards the project.

1.4.3 Equipment: 2 CFR 200.1 defines equipment as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes, or \$5,000. In terms of broadband deployment, this can include but is not limited to equipment used to facilitate the construction and installation of broadband infrastructure and equipment to support the functioning of the broadband network. There is typically a longer lifespan than materials and subject to maintenance, upgrades, and replacement over time.

1.4.3.1 Equipment and/or vehicles used for construction: Equipment used for construction or installation may be obtained as a lease or rental for a specific work order, as necessary.

1.4.3.1.1 Rental costs during the Construction Period are allowable. See Section Quantifying Costs of Equipment Used for Construction.

1.4.3.1.2 ISP owned purchased equipment and/or vehicles for the deployment of broadband service are not eligible expenses as the useful life of construction equipment and vehicles will extend past the Deployment Project Period (Construction Period). The costs of operating owned construction equipment may be eligible. See Section Quantifying Costs of Equipment Used for Construction.

1.4.3.1.3 Grantees must keep detailed records in a usage log of the location, dates, and the number of hours of when the equipment or vehicle is used for the project.

1.4.3.1.4 Regular scheduled maintenance for the operation of the equipment as described in the owner's manual, fuel, and electricity are not eligible costs.

1.4.3.2 Equipment to support the functioning of the broadband network.
(Note: equipment with less than one year of useful life)

1.4.3.2.1 The purchase of equipment to support the function of the broadband network is eligible.

1.4.3.2.2 Maintenance Costs: Allowable only as a repair to any existing broadband infrastructure or existing materials or equipment used to deploy the broadband infrastructure.

1.4.3.2.3 An invoice and proof of payment is required when submitting a claim for reimbursement for this type of equipment.

1.4.3.2.4 Customer premise equipment (CPE) and in-home routers are not considered equipment and are not eligible expenses.

1.5 Backhaul infrastructure (middle mile) directed at broadband service to the end user:
This type of infrastructure is required to provide broadband service to the end user or prospective broadband recipient at the speeds of the base speed multiplier as defined in the grant agreement. See ineligible costs below regarding infrastructure that does not serve an end user.

1.6 Fee and Easement Acquisition: Use of funds for purchasing land in fee or for obtaining easement rights are eligible costs in the GREAT grant program that can be counted towards reimbursement from the grant or attributed to the local match requirement. A grantee must provide evidence that either type of acquisition will facilitate last-mile service towards specific end-users.

1.6.1 Land Acquisition in Fee: A fee simple purchase where an owner of real property conveys all rights, title, and interest in the real property to a buyer. Also referred to herein as "purchase of land in fee" or "purchase in fee."

1.6.1.1 The following items must be submitted to seek reimbursement from the grant or to attribute the costs to meet the local match requirement:

1.6.1.1.1 Address of the property.

- 1.6.1.1.2 Appraisal of the property or the property tax value assessment from the county in which the property is located.
 - 1.6.1.1.3 Evidence of closing or sale of the property such as proof of payment (copy of the cleared check).
 - 1.6.1.1.4 Explanation of how this property will facilitate last-mile service towards specific end-users.
 - 1.6.2 Easement: Legal right to enter upon, access, or utilize real property owned, leased, or operated by another entity for a specified and limited purpose.
 - 1.6.2.1 Easement The following items must be submitted to seek reimbursement from the grant or attribute the costs to meet the local match requirement:
 - 1.6.2.1.1 Copy of the deed or agreement of easement from the office of register of deeds from the county in which the property is located.
 - 1.6.2.1.2 Appraisal of the property subject to the easement.
 - 1.6.2.1.3 Evidence of payment to the holder rights, title or interest in the property.
 - 1.6.2.1.4 Explanation of how this easement will facilitate last-mile service towards specific end-users.
 - 1.6.3 Ineligible costs related to Land in Fee and Easement Acquisition include by not limited to the following:
 - 1.6.3.1.1 Recurring fees such as a multi-year lease that extend beyond the Construction Period defined in the grant agreement.
 - 1.6.3.1.2 Operating costs.
 - 1.6.3.1.3 Any costs not directed at broadband service to end-users.
 - 1.6.3.1.4 Property tax.
 - 1.6.3.1.5 Property insurance.
- 1.7 Other eligible costs: A grantee may submit a list of activities and/or costs for a determination by the office. The grantee may submit these requests prior to the submittal of a reimbursement request to avoid potential activities or costs from being disallowed during the review of the reimbursement request.

2. Description of Ineligible Costs. Ineligible costs cannot be used towards the grant or the match for the project. Some ineligible costs are explicitly stated in the authorizing legislation for the program. As the administering agency, it is the office's responsibility to ensure compliance with applicable state law and administrative code. Upon the submittal of a reimbursement request, the office reserves the right to determine the eligibility of any costs submitted for reimbursement and must provide a timely written response to the grantee if a proposed cost is not eligible for the program. Ineligible costs may include but not be limited to:

2.1 Under 2 CFR 200, pre-award costs are costs incurred prior to the effective date of the award in anticipation of the federal award. Any such costs incurred prior to the effective date of the grant agreement are ineligible for reimbursement, unless such costs are necessary for the efficient and timely performance of the scope of work and would otherwise be allowable if incurred after the date of the award. Pursuant to the SLFRF Final Rule and Supplementary Broadband Guidance, costs incurred since March 3, 2021, are reimbursable to the extent they are eligible costs as described in Section 1 above and in accordance with Section 2.2.e. of the grant agreement.

2.2 Middle mile, backhaul, and other similar projects not directed at broadband service for the end users.

2.3 Expenditures related to areas where the Grantee has been designated to receive funds through other state or federally funded programs designed specifically for broadband deployment, if such funding is intended to result in construction of broadband in the area with 18 months or for the duration of the federal funding program for that area, or if the grantee is otherwise in good standing with the funding agency's regulations governing the funding program.

2.4 Overhead costs are typically an organization's costs to support the overall operation and management of a project but not directly tied to a particular project or activity. This may include but not be limited to the following:

2.4.1 Facilities: Operation and maintenance of office spaces, warehouses, or other facilities needed for the project. These costs may include rent, utilities, maintenance, and security.

2.4.2 Personnel and HR: Costs for salaries, benefits, training, and other human resource related expenses for staff who provide general support services but not necessarily involved in the activities described Section 1.

2.4.3 General Insurance

2.4.4 General office-related expenses to include printing, mail carrier services, general office supplies and more.

2.5 Administrative expenses or costs: Expenses that are not directly tied to a specific core function such as manufacturing, production, or sales. These are the regular costs of running a business. Most administrative costs include things a company must pay for to conduct business, regardless of how many products a company sells. These costs are generally separate from expenses that relate to more specific departments like research, development, or production. These expenses are also

called “overhead expenses”, defined as “...ongoing business expenses that cannot be directly attributed to a specific activity.” Examples of administrative expenses or costs include:

- 2.5.1 Accounting, budgeting, financial or cash management functions
- 2.5.2 Property management functions
- 2.5.3 Personnel management functions
- 2.5.4 Payroll functions
- 2.5.5 Coordinating the resolution of findings arising from audits, reviews, investigations, and incident reports
- 2.5.6 Audit functions
- 2.5.7 General legal services functions
- 2.5.8 Developing systems and procedures, including information systems required for these administrative functions
- 2.5.9 Tracking and monitoring of participant and performance information
- 2.5.10 Sales and marketing of services
- 2.5.11 Costs associated with training or certification courses
- 2.5.12 Costs associated with attendance at conferences, conventions, etc.
- 2.5.13 Meals and travel not related to the direct project costs
- 2.5.14 Grant application preparation
- 2.5.15 Grant administrative activities such as filing progress reports or preparing reimbursement requests.

2.6 Any other identified ineligible costs that are referenced in this document.

- 3. Quantifying the Costs of Equipment Used for Construction.** This section clarifies and offers additional guidance to Section 1.4.3. The office recognizes that an ISP may use their own construction equipment or vehicles during the construction of broadband infrastructure. The use of construction equipment and vehicles are eligible costs if they are used towards the construction and deployment of the contracted broadband infrastructure project as scoped in the grant agreement.

3.1 Rent or lease equipment or vehicles: Equipment used for construction or installation may be obtained as a lease or rental for a specific work order, as necessary. Rental costs during the Construction Period are eligible. Per 2 CFR 200, rental costs are allowable to the extent that they are reasonable with respect to market pricing for rental of comparable property, geographic market conditions, and available alternatives.

- 3.1.1 The office reserves the right to review and approve the type of equipment or vehicles being rented to facilitate the deployment of the contracted broadband infrastructure project as scoped in the grant agreement.
- 3.1.2 The office may reimburse on an hourly basis or percentage of the rental costs of the equipment. It is the grantee's responsibility to provide the methodology of how the costs are calculated. Fuel, electricity, and/or general maintenance and repairs, or related fees, for rental construction equipment and vehicles are not eligible costs.
- 3.1.3 Grantee must keep detailed records in a usage log stating the location, dates, and the number of operating hours used during the project.
- 3.1.4 Invoice and proof of payment are required as part of the reimbursement process. The grantee must submit the following:
 - 3.1.4.1 supporting documentation between the ISP and the rental/leasing company that identifies the specific terms and conditions to include but not limited to the specific equipment being used on the project,
 - 3.1.4.2 rental cost/contract price, and
 - 3.1.4.3 effective start and end date of the rental period and/or contract.

3.2 ISP owned equipment or vehicles: Equipment used for construction or installation of broadband infrastructure.

- 3.2.1 The purchase of capitalized equipment or vehicles for the construction or installation may not be purchased using grant funds as the useful life of the equipment will exceed the Deployment Project Period ("Construction Period") as defined in the grant agreement.
- 3.2.2 Costs of operating owned construction equipment may be eligible; however, it is the grantee's responsibility to provide the methodology and documentation of how the costs are calculated. The office reserves the right to reject the methodology and may offer an alternative calculation. Fuel, electricity, and/or general maintenance and repair are not eligible costs.
- 3.2.3 The use of owned vehicles for construction may be eligible expenditures and are calculated based on the type of vehicle used and mileage.
- 3.2.4 Actual mileage is eligible, provided that the travel is consistent with travel normally allowed in like circumstances and in accordance with the grantee's written travel reimbursement policies.
 - 3.2.4.1 Actual mileage must be supported with proof of mileage.

3.2.4.2 Proof of mileage is required by providing a map source such as MapQuest or Google Maps showing the total driving distance to and from a destination.

3.2.4.3 Mileage is measured from the point of the vehicle's departure from a work destination and its return.

3.2.4.4 The rate used will be the business standard mileage rate set by the Internal Revenue Service.

3.2.4.5 The office will notify the grantee periodically of the standard mileage rate set by the IRS.

3.2.4.6 Actual mileage will be considered an ineligible cost when a grantee seeks reimbursement for "In-House" employees that receive travel and mileage reimbursement as part of their total compensation package.

3.2.5 Grantee must keep detailed records in a usage log stating the location, dates, and the number of operating hours used during the project.

3.2.6 Regular scheduled maintenance for the operation of the equipment as described in the owner's manual are not eligible costs.

4. Labor Costs: These costs encompass labor costs for personnel working directly on these eligible activities are allowable and include but not limited to staff working directly on engineering (or design), physical construction and installation activities, or project administration and oversight of the construction activities. Labor costs should be defined/described/separated into two distinct categories as contractors and in-house employees.

4.1 Contractors and consultants: Contractors and consultants are generally third-party entities in which ISPs have established and agreed upon terms and conditions based on competitive market rates at the time of the execution of the contract. These entities typically charge negotiated and set fixed rates that may include overhead and indirect costs that cannot be separated from the executed contract.

4.1.1 When submitting a claim for reimbursement the grantee must submit the following:

4.1.1.4 Evidence of terms and conditions and agreement of services.
This may include but not limited to the following:

4.1.1.4.1 Effective period

4.1.1.4.2 Execution date of the contract

4.1.1.4.3 Contract amount

4.1.1.4.4 Scope of Work

4.1.1.4.5 Position description of each contract employee

4.1.1.4.6 Labor rates of the contractors and staff

4.1.1.5 Copy of the invoice

4.1.1.5.1 Name of the contractor or consultant

4.1.1.5.2 Date of Invoice

4.1.1.5.3 Itemized description of services billed to the ISP

4.1.1.5.3.1 Per Diems are eligible if they are directly related to the construction of the project. For additional detail, please refer to Section 1.0.1.2 in the "Labor Costs – In-House" Policy.

4.1.1.6 Proof of payment for each invoice by the ISP

4.2 **"In-House" Employees:** The use of employees' time spent on a project is an eligible expense. Please refer to the separate policy statement titled "Labor Cost – In-House Employees" for more detailed guidance.

4.3 Grant application preparation and grant administration such as preparing progress reports and payment requests, and costs associated with training or certification courses are not eligible activities.

5. Allowable Costs. As noted in Section 1, federal rules require all costs to be allowable, allocable, and reasonable. This section establishes the criteria for determining allowable and unallowable costs, implementing reviews and controls over incurred costs to align with federal requirements and grant objectives, and maintaining accurate and transparent cost documentation for grant transactions under 2 CFR 200, the Uniform Administrative Requirements.

5.1 Allowable Costs. A cost is allowable only when it complies with all the following requirements:

5.1.1 Reasonableness.

5.1.2 Allocability.

5.1.3 Standards promulgated by the CAS Board (if applicable), otherwise, generally accepted accounting principles and practices appropriate to the circumstances.

5.1.4 Terms of the contract.

5.1.5 Any limitations set forth in the Uniform Administrative Requirements, Cost Principles, or in Audit Requirements.

Excess costs that are a direct result of accounting practices inconsistent with government cost principles are unallowable and cannot be included within requests for reimbursement. Grantees are responsible for accounting for costs appropriately and maintaining supporting documentation that is adequate to show costs claimed under their grant have been incurred, are allocable, and comply with the applicable cost principles.

5.2 Reasonable Costs. Costs are reasonable if, in their nature and amount, they do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Grantees are responsible for demonstrating that all costs are reasonable as necessary, when requested by the office. Cost principal guidance outlines several considerations for determining reasonableness of a given cost:

- 5.2.1 Whether or not the cost is a type that is generally recognized as ordinary and necessary for the conduct of the grantee's business or the contract performance.
- 5.2.2 The restraints or requirements imposed by such various factors including, but not limited to:
 - 5.2.2.1 sound business practices;
 - 5.2.2.2 arm's-length bargaining; and
 - 5.2.2.3 federal, state, local, and other laws and regulations.
- 5.2.3 The grantee's responsibilities to the office, government, other customers, the owners of the business, employees, and the public at large.
- 5.2.4 Whether the grantee significantly deviated from its established practices and policies regarding the incurrence of costs

5.3 Allocable Costs. A cost is allocable to a federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with the relative benefits received. Under the Cost Principles, this standard is met if the cost:

- 5.3.1 Is incurred specifically for the contract;
- 5.3.2 Benefits both the contract and other work and can be distributed in reasonable proportion to the benefits received; or
- 5.3.3 Is necessary to the overall operation of the contractor, although a direct relationship to any particular cost objective cannot be shown.

Exhibit 1 - Table of Eligible Expenditures and Ineligible Expenditures for Purposes of Reimbursement

Type of Expenditure	Eligibility Status	
Installation	✓	Eligible
Acquiring or updating easements (one-time fees)	✓	Eligible
Equipment	✓	Eligible
Fiber	✓	Eligible
Construction	✓	Eligible
Backhaul infrastructure directed at broadband service to the end users	✓	Eligible
Testing costs	✓	Eligible
Engineering costs	✓	Eligible
Costs associated with securing a lease to locate or collocate infrastructure on public or private property or structures (one-time fees)	✓	Eligible
Middle mile, backhaul, and other similar projects not directed at broadband service for end users	✗	Ineligible
Overhead expenses	✗	Ineligible
Administrative costs	✗	Ineligible
Recurring lease payments	✗	Ineligible
Expenditures related to areas where the grantee has been designated to receive funds through other state or federally funded programs designed specifically for broadband deployment, if such funding is intended to result in construction of broadband in the area with 18 months or for the duration of the federal funding program for that area, or if the grantee is otherwise in good standing with the funding agency's regulations governing the funding program	✗	Ineligible
Recurring fees	✗	Ineligible
Operating costs	✗	Ineligible
Any costs not directed at broadband service to end users	✗	Ineligible