

Nebraska Capital Projects Fund (NCPF)

Allowed and Disallowed Costs

The Nebraska Capital Project Fund Grant Program is funded through the Coronavirus Capital Projects Fund (CPF) administered by the United States Department of the Treasury. More information can be found at: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/capital-projects-fund>. The Nebraska Public Service Commission in partnership with the United States Department of Treasury will make final determinations of eligible costs for the Nebraska Capital Projects Fund Grant Program. This document provides a broad overview of the allowed and disallowed costs and is not meant to be an exhaustive list of all the requirements and regulations that subrecipients will be subject to.

Capital Project Fund Financial Management Requirements:

The cost principles for financial management of approved Capital Projects Fund grants are defined by the federal cost principles set out in 2 CFR 200, Subpart E. These cost principles provide that costs should be allowable, reasonable, allocable and necessary to the project to be charged to the grant. Costs charged to the grants must also comply with any related state statutes as well as state agency requirements for allowability of costs to be charged under the Nebraska Capital Projects Fund program.

Allowable Costs

To meet the standards of allowability, costs charged to an award must be:

- Allocable to the award under the provisions of the federal cost principles.
- Necessary and reasonable.
- Treated consistently as a direct cost or indirect cost (where indirect costs are allowed).
- Determined in accordance with the Generally Accepted Accounting principles, except as otherwise specified in applicable program cost principles.
- Not included as costs or used to meet cost sharing or matching requirements of any other federally financed program in either the current or prior period.
- Be adequately documented.
- Costs must be incurred during the approved budget period. For purposes of the CPF program, the budget period begins after the grant award is announced. Eligible program costs are those that are incurred after the grant award is announced and end at the conclusion of deployment, or at the established deadline for deployment for the CPF grant project, based on whichever is earlier.
- Net of all applicable credits.
- Consistent with the policies, regulations and procedures that apply to the award based on the federal nature of the award and Nebraska Capital Projects Fund program requirements.

Unallowable Costs

Costs categorized as unallowable by the applicable sections of 2 CFR 200, Subpart E or by the Nebraska Capital Projects Fund program requirements will not be reimbursed. Costs that cannot meet the criteria of allowable, reasonable, allocable, and necessary to the project are considered unallowable to be charged to the grant and will not be reimbursed. Mere inclusion of a cost in a budget provided in an application for award does not guarantee a final determination of allowability upon final review of adequate documentation of the cost. Any costs considered as inappropriate or not reimbursable by the Commission, as the non-federal awarding agency, fall within the category of disallowed costs as defined in 2 CFR 200.1.

For additional information regarding specific factors that affect whether costs are allowable under federal guidelines, refer to 2 CFR 200, Subpart E – with specific items of costs listed in sections 2 CFR 200.420 through 2 CFR 200.475.

For Nebraska Capital Project Fund Grants, allowed expenses refer to the **direct costs** associated with the installation of infrastructure that can support broadband service scalable to speeds of at least 100 Mbps download and 100 Mbps upload. Specific allowable or unallowable costs that may be of particular relevance to broadband infrastructure projects are included in the tables below – this table is not intended to be an all-inclusive list of allowable or unallowable costs under the Nebraska Capital Projects Fund program and is not intended to replace federal guidelines for use of support.

Categories of Allowed Expenses:

Electronics, network equipment, fiber, parts, other <u>direct</u> material costs, freight	✓
Customer Premises Equipment (CPE) costs	✓
Permits, zonings, right of way, obtaining titles, easements, Environmental Protection Agency (EPA) reviews, State Historical Preservation Office (SHPO) expenses, etc. Note: these expenses are only eligible if the item was obtained after the date the grant was awarded.	✓
Direct labor costs related to the project design or build (except for some benefits, see Direct Labor cost table below)	✓
Contract labor for construction of the network	✓
Engineering costs, site surveys, site inspections, tests	✓
Building, foundation, tanks, generators, road, fence	✓
Regulatory and compliance costs	✓

Categories of Disallowed Expenses:

Legal Expense	X
Lease Initiation Costs	X
Interest or principal on outstanding debt instruments, other debt service costs incurred, financing expenses, interest during construction, fees or issuance costs associated with the issuance of new debt, etc.	X
Operating Costs, including repairs and maintenance of equipment	X
Contractor Milestone Payments	X
Liability Costs	X
Repair of lawns, sidewalks, utilities	X
System Maintenance Agreements	X
General and administrative costs, including overhead, labor expenses not directly related to the project design or build such as labor expenses for accounting, directors/managers/CFOs/CEOs, etc.	X
Customer Service Labor Expenses	X
Collocation Fees	X
Company Employee Meal Reimbursement	X
Potentially refundable costs, such as deposits	X
Taxes	X
Acquisition of spectrum licenses	X
Satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring plan in a judicial, administrative, or regulatory proceeding; or to support of oppose collective bargaining.	X

Direct Labor Costs (Any internal labor costs require a further breakdown by category)

Reimbursement of reasonable direct labor costs may be considered to the extent that they satisfy the requirements in 2 C.F.R. 200.430 and 2 C.F.R. 200.431, and are directly attributable to the approved project design or build, except for some fringe benefits as shown in the table below.

Allowed	
FUTA/SUTA/SUI (Unemployment tax)	✓
Workers' Compensation	✓
FICA (Federal Insurance Contribution)	✓
Disallowed	
Retirement	X
Health Insurance	X
Life Insurance	X
LT Disability	X

If requesting reimbursement for internal direct labor costs, an explanation regarding cost allocation should accompany the request. In the event the subrecipient uses a loaded labor rate in its normal accounting process, the reimbursement request documentation must also include a breakdown of costs for each category so that Commission staff can review for allowed and disallowed costs.

Matching Funds Documentation: The subrecipient must provide documentation for total project costs, including the cost not covered by the grant as a match. Any eligible project expense can be counted as part of the total costs in determining whether the match commitment has been met prior to processing reimbursement. In the event of in-kind contributions, the subrecipient must provide documentation to support the value of the in-kind contribution along with evidence that the in-kind contributions are directly related to the deployment of eligible broadband service to the approved project area.

Final Payment and Closeout: Subrecipient will submit invoices and proof of payment to the Commission for review and consideration. The final payment will be provided on a reimbursement-only basis for eligible expenditures documented and paid. Following all applicable administrative actions and all required work for the award have been completed, the award closeout process will commence pursuant to 2 C.F.R. 200.344(d). Additional details regarding the Closeout report can be found within the Subaward Attestation and Agreement and the Close-out Report Form available on our website.

Best Practices: Entities Receiving awards through the Nebraska Capital Projects Fund program should have the following best practices in place:

- Have proper internal controls in place to provide reasonable assurance that costs are appropriately charged to projects.
- Develop formal written policies and procedures that are used to determine cost allowability for use of awarded funds under the Nebraska Capital Projects Fund program. Test, review and revise these written policies and procedures periodically to ensure proper utilization.
- Implement an accounting system to track allowable and unallowable costs as they are entered into the entity's accounting system.