

In-kind Contribution Guidance

Relative to in-kind contributions, the following guidance is meant to assist applicants, internet service providers and co-ops, and partnering municipal governing authorities through the Granting Unserved Municipalities Broadband Opportunities grant program application period. The Emergency Rule governing the program can be found [here](#). Should any portion of this guidance be in conflict with the Emergency Rule, the Emergency Rule will take precedent.

OVERVIEW

In-kind contributions may count as a percentage of the total project cost. If a parish, municipality or school board contributes in-kind contributions, the application may receive additional points. The definition of “in-kind” is in the Emergency Rule, and such contributions must be directly related to the proposed project. ConnectLA has the discretion to determine whether an in-kind contribution is acceptable.

Acceptable in-kind contributions must satisfy all of these conditions:

- Verifiable from the applicant’s and municipal governing authority’s records;
- Contained within a formalized agreement and submitted with the application;
- Necessary and reasonable for proper and efficient accomplishment of the project;
- Allowable under the Emergency Rule definition of “in-kind”;
- Provided for in the application budget.

FORMS OF IN-KIND CONTRIBUTIONS AND REQUIREMENTS

In-kind contributions must be in the form of real property, equipment, supplies, fees and other items as listed in the Emergency Rule definition.

All contributions should directly benefit the proposed project. Contributions must be reasonable, allocable and necessary and shall not exceed the current fair market value of the property at the time of the donation to the project. In determining how reasonable a value attached to a donation is, it is useful to ask, “What would the donated item or fee have cost if the applicant had paid for the item or fee itself?” For example, a reasonable value for donated equipment may be less than the off-the-shelf retail value once available volume or other discounts are considered. The reasonableness of attributed value may be determined on a case-by-case basis, in consideration of all relevant circumstances of the donation.

DOCUMENTATION TO SUPPORT IN-KIND CONTRIBUTION VALUATION METHODOLOGY

In addition to the formalized agreement, the applicant must maintain documentation to verify the costs assigned to property and fees contributed. The records must show how the value placed on the contribution was derived. Documentation should support the amount claimed within the formalized agreement and the project budget, including a description of the contributed item, the valuation method and the terms of the donation.

The applicant must also provide documentation that the contribution is related to and necessary for the proposed project. The applicant should provide the methodology and supporting documentation to value the property or fees donated to the project. In doing so, the applicant should use the market conditions under which the applicant operates.

It should not base the contribution valuation on another, similar type of asset, or use market conditions from another geographic region that do not accurately reflect the conditions that the applicant faces in its own market. For example, in assessing the value to be placed on certain item, the applicant must examine the fair market value available in the same locality where the item is located, not on items available in a distant region that bears no relation to the item in the applicant’s market.

ACCEPTABLE IN-KIND CONTRIBUTIONS	EXAMPLES	BASIS OF VALUATION
Equipment	Site routers, network nodes, microwave receivers, etc.	Actual cost of purchase or the lowest cost available for retail purchase
Real Property	Land, including land with improvements, structures and buildings (rights-of-way, towers and poles, etc.)	Current fair market value of the property, even if it exceeds the certified value at the time of the donation to the project, as long as recipients provide sufficient justification
Materials	Fiber optic cables, conduits, cabinets, strand, lashing wire, etc.	Actual cost of purchase or the lowest cost available for retail purchase

- The eligible in-kind contribution of equipment and materials, while not required to be new, must have an established monetary value.
- The valuation of the equipment and materials must be supported and justified with adequate documentation.

- The Internal Revenue Service defines fair market value as the price for which the given property would sell on the open market. The willing buyer and willing seller will agree on this price, with neither being required to act and both having reasonable knowledge of the relevant facts.

FREQUENTLY ASKED QUESTIONS:

What is acceptable as an in-kind contribution?

A definition of “in-kind” is provided for within the Emergency Rule and can be located [here](#). In-kind contribution costs must be directly attributable to a budget item that the applicant has identified for executing the project and must be necessary for the success of the project. If the proposed contribution of an item is unallowable per the requirements stated above, then applicants are required to revise their budgets accordingly.

How should broadband infrastructure assets, such as towers or fiber, be valued?

Applicants must determine the value or cost associated with these assets in accordance with applicable cost principles. In some cases, applicants may use current fair market value to establish the value to be assigned to such assets, provided it is sufficiently documented and a reasonable and financially sound methodology is used. For example, the value of leasing space on towers may be established by using the current rental rates associated with the asset or through an estimate of fair market value by an independent appraisal, tax records or a letter from the lessor that contains sufficient information to estimate fair market value.

May a right-of-way be claimed as an in-kind contribution?

Yes, if there is a cost or value associated with the right-of-way. A right-of-way may be public or private. A public right-of way is typically dedicated by federal, state or local governments and is used by many providers, based on government-issued permits. An applicant would not generally be able to count the full value of a public or private right-of way as an in-kind contribution to its project but could claim that portion that is dedicated for the installation of the facilities it intends to use in its proposed project, such as fiber optic cable, regenerators/amplifiers or switches. Additionally, waived or reduced permit costs for the use a public right-of-way may be included as an in-kind contribution.