

Matching and Cost Sharing

NOTE: Grants Management Advisories (GMAs) provide guidance for ONC grantees in selected areas based on ONC's receipt of recurring questions or other factors. Their purpose is to provide a common interpretation for all ONC grantees of how ONC will apply existing policy as reflected in award terms and conditions. They do not replace or modify award terms and conditions.

ISSUES:

Is there a difference between matching and cost sharing?

How do I know whether matching or cost sharing is required under my award, in what amount, and for what period?

Are there any limits on the sources of funds or contributions that may be used for matching or cost sharing?

Can adjustments be made in the amount of required matching or cost sharing?

Can program income be used for matching or cost sharing?

What kind of documentation must be maintained for review by auditors or authorized Federal officials to support my reported matching or cost-sharing amount?

KEY POINTS:

- In practice, matching and cost sharing are treated similarly except that the matching amount is based on a percentage of either the Federal funding or total approved budget, adjusted as necessary based on actual allowable costs, and cost sharing is a negotiated amount that may or may not be adjusted after the fact.
- Matching or cost-sharing requirements are established in statute or regulation. The funding opportunity announcement indicates whether there is such a requirement and how it is to be implemented, e.g., whether it may include in-kind contributions (sometimes referred to as "soft match") in addition to cash contributions (sometimes referred to as "hard match"). In addition to any limitations in 45 CFR part 74 or 92, as applicable, costs or contributions used to meet a matching or cost-sharing requirement must meet the same tests of allowability as costs charged to Federal funds.
- If a grantee voluntarily proposes cost sharing that is accepted by ONC as shown in the Notice of Grant Award (NGA), it becomes an award requirement and the costs are subject to the Federal cost principles and other Federal requirements.
- If a grant or cooperative agreement recipient (recipient) (1) undertakes activities using non-federal funds or contributions that are not part of the approved project and budget, or (2) incurs costs or receives third-party in-kind contributions that exceed the required matching or cost-sharing amount, those activities/costs/contributions should not be reported to ONC to ensure that they are not made subject to Federal requirements (e.g., the Federal cost principles).

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- A matching or cost-sharing requirement generally is established for the duration of a budget period; however, under the State Health Information Exchange (HIE) program, the required matching is being adjusted on a Federal fiscal year basis. As a result, the matching requirement under that program will change during the budget period. The increased percentage applies as of the date a recipient obligates (encumbers) the funds **not** the date that they are drawn down. For example, if a recipient obligates \$100,000 in Federal funds in September 2011, the recipient must contribute \$10,000 (\$1 for every 10 ONC dollars spent) regardless of when the funds are drawn down; however, if a recipient obligates \$100,000 in Federal funds in October 2011, the grantee must contribute \$14,286 (\$1 for every 7 ONC dollars spent) regardless of when the funds are drawn down.
- Matching or cost sharing requirements must be met by the end of the budget period. Recipients (or subrecipients, as applicable) are not required to incur costs/provide contributions for matching or cost sharing in exactly the same proportion as the Federal/non-federal ratio (e.g., 1 to 7 or 1 to 9). Rather, a recipient's rate of expenditure/provision of contributions should be consistent with the nature of the contribution. If salaries are contributed (by the recipient or a third party), they generally should be credited on a continuing basis in contrast to a one-time expenditure, such as an equipment purchase.
- When a matching or cost-sharing requirement is based on a fixed percentage of the total approved budget or of the Federal award, upward or downward adjustments in the amount of Federal funding or required matching or cost sharing may be necessary, depending on total Federal funding, expenditures under the award, and actual allowable costs as follows:
 - If a recipient does not provide all of the required **matching or cost sharing** as allowable costs, Federal funding will be adjusted downward; however, if a recipient **matches or cost shares** more than the required amount, those costs are not allocable to a future period.
 - If ONC awards additional funds under a supplemental award, the amount of required **matching or cost sharing** will be adjusted upward.
 - If a recipient does not spend all of the authorized Federal funding, the amount of required matching or cost sharing will be adjusted downward.
- Program income may be used for matching or cost sharing **only if** specifically indicated in the NGA. When allowed to be used for matching or cost sharing, program income must be applied to the matching or cost-sharing requirement in the budget period earned. If the program income exceeds the matching or cost-sharing requirement, it cannot be "carried over" to fund the next budget period's matching or cost-sharing requirement; rather, it must be used in accordance with the requirements shown in the NGA.

RECIPIENT RESPONSIBILITIES:

- Currently, two programs—the Regional Extension Centers program and the State HIE program—have matching or cost-sharing requirements. If you are a recipient under one of those programs, review your NGA (specifically Item 17: Award Computation, Line A: Non-Federal Share) to determine the part of the total approved budget that is considered the non-federal share.

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- Ensure that you flow down matching or cost-sharing requirements to subrecipients if the terms of the ONC award require that they provide matching or cost sharing; otherwise, you may require their cost participation as a matter of discretion, as long as you meet the requirements of your award.
- Appropriately value third-party in-kind contributions, especially donated services. For example, if a lawyer is providing grant-related services at no charge to the grantee, these services can be counted as an in-kind contribution.
 - If the services are ones that someone with a lawyer's qualifications ordinarily would perform, then the amount counted as a contribution can be the lawyer's normal rate of compensation for similar services, as long as it is reasonable. The determination of reasonableness will be based on such factors as the geographic area in which the services are performed and charges by other lawyers for similar services.
 - Alternatively, if the lawyer is answering telephones, his or her contribution to the project can be valued only at the rate that would apply to the services of a receptionist.

Regardless, you must document the basis for the amount being claimed as an in-kind contribution, whether for donated services or for property. This may include published price lists, internet-based salary scale or market survey searches, or book values.

- Maintain records of the source and amount of costs and contributions that you are using to meet a matching or cost-sharing requirement. The records you maintain to support your matching or cost sharing must be in the same level of detail as those you use to support the expenditure of Federal funds and must cover both costs incurred by you, your subrecipients, and/or your contractors, as applicable, as well as third-party in-kind contributions.

REFERENCES:

45 CFR 74.23, 74.34(g), and 74.35(a)
45 CFR 92.24, 92.32(e)(2), and 92.33(b)
HHS Grants Policy Statement
Funding opportunity announcements