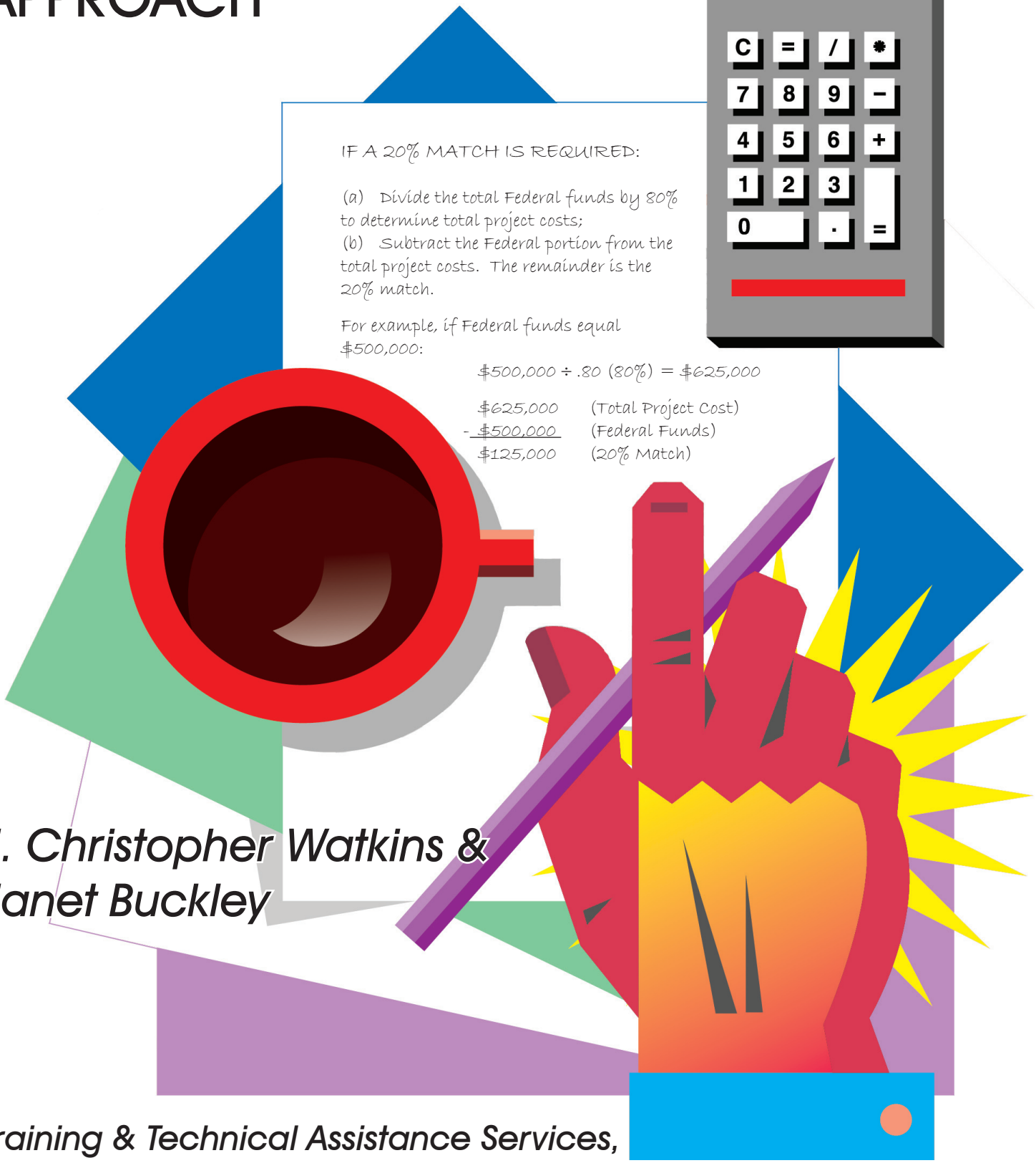
NON-FEDERAL SHARE:
A PROGRAMMATIC & FISCAL APPROACH



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GENERAL DISCUSSION

Most grant programs require that Federal grant funds be matched proportionately with non-Federal funds or that the grantee participate to some extent in the cost of the project.

"Matching" requirements are frequently prescribed by Congress in the authorizing legislation for the grant program and the requirements establish a limit on the amount of Federal financial participation in a project.

For example, under the Head Start program administered by the U.S. Department of Health and Human Services, Federal participation is limited to 80 percent of the allowable costs in the approved project budget; the grantee is expected to contribute 20 percent of the project's budget. (45 CFR 1301.20).

Costs used to satisfy a grantee's matching share or cost participation requirement may be met by using either or both of the following:

- Allowable costs incurred by the grantee (cash); and

- The value of third-party in-kind contributions (non-cash).

The Federal participation level may be altered if a waiver has been granted (Head Start Act 640[b]). Waivers are granted on a one-time basis and require yearly approval by Regional Office. (See page 28 for more information.)

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DEFINITIONS

NON-FEDERAL SHARE. The amount that must be generated or obtained from local sources in order to match the Federal grant funds. Also known as Matching Share.

TOTAL COSTS. All allowable Head Start costs incurred by the grantee in accomplishing the objective of the project during the budget period (usually 12 months), including allowable in-kind contributions made by third parties. Total costs do not include costs which are paid from sources that are not part of the approved budget (e.g., USDA costs for Head Start programs).

MATCHING SHARE. That portion of allowable costs not borne by the Federal Government. For Head Start, the matching share may be cash or in-kind contributions. Match must be expended during the budget period along with the Federal funds.

CASH CONTRIBUTIONS. The grantee's cash outlay, including the outlay of money contributed to the grantee by third parties (e.g., public agencies and institutions) and by private organizations and individuals. Cash match is counted only when it is spent on an allowable program cost, not when the cash is donated to the grantee.

IN-KIND CONTRIBUTIONS. The value of non-cash contributions provided by the grantee, by other public agencies and institutions, and by private organizations and individuals. In-kind contributions may consist of the value of real property and equipment and the value of goods and services directly benefitting the grant program and specifically identifiable to it. In-kind match is counted for the period when the services are provided or when the donated goods are received and used.

ALLOWABLE. Donations must be necessary and reasonable for proper and efficient performance and administration of Federal awards. To be authorized or not prohibited under State or local laws or regulations. To be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit, and conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

ALLOCABLE. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

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REASONABLE. A cost is reasonable if, in its nature and amount, it does 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. Consideration shall be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award; and

- The requirements imposed by such factors as: sound business practices; arms-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.

USE ALLOWANCE. Use allowance for buildings and improvements will be computed at an annual rate not exceeding two percent (2%) of acquisition cost. The use allowance for equipment will be computed at an annual rate not exceeding six and two-thirds percent (6.66%) of acquisition cost of usable equipment in those cases where the institution maintains current records with respect to such equipment on hand. Where the institution's records reflect only the cost (actual or estimated) of the original complement of equipment, the use allowance will be computed at an annual rate not exceeding ten percent (10%) of such cost.

DEPRECIATION METHOD. Where depreciation method is followed, the period of *useful service* (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, technological developments in the particular program area, and the renewal and replacement policies followed for the individual items or classes of assets involved.

The method of depreciation used to assign the cost of an *asset* (or group of assets) to accounting periods shall reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater or lesser in the early portions of its useful life than in the later portions, the straight-line method shall be presumed to be the appropriate method.

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COST SHARING OR MATCHING REFERENCES

LAW:

- The Head Start Act, as amended, contained in 42 U.S.C. 9801 et seq.; amended by the Improving Head Start for School Readiness Act of 2007.

REGULATIONS:

- 45 CFR Part 74 Administration of Grants (Non-Profit Grantees)
- 45 CFR Part 92 Administrative Requirements for Grants to State and Local Governments
- 45 CFR Part 1301 through 1310 Head Start Program Regulations

REGULATIONS WHICH PRESCRIBE ALLOWABLE COSTS:

- 2 CFR 230 Cost Principles for Non-Profit Organizations - replaces OMB Circular A-122
- 2 CFR 225 Cost Principles for State, Local and Tribal Governments (including school systems) - replaces OMB Circular A-87
- 2 CFR 220 Cost Principles for Educational Institutions (Institutions of Higher Education) - replaces OMB Circular A-21

REGULATIONS WHICH PRESCRIBE ADMINISTRATIVE REQUIREMENTS:

- 2 CFR 215 for Non-Profits (replaces OMB Circular A-110)
- OMB Circular A-102 for State & Local Governments

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