

FY16 EMPG Match Guidance

Introduction

Determining match for the purposes of submitting grant applications to any agency should be a coordinated process at the local level. It is highly recommended that programmatic staff at the local level consult with their financial staff prior to submitting any grant applications, especially those that identify cash or third-party in-kind match.

Types of Match

1. **Cash Match.** Cash (hard) match includes non-federal cash spent for project related costs, according to the grant program guidance. Allowable cash match must only include those costs which are both identified as allowable in the program guidance, i.e., The DHS FY 2016 Emergency Management Performance Grant (EMPG) Program Notice of Funding Opportunity (NOFO) and are in compliance with the program regulations, i.e., 2 (Code of Federal Regulations) C.F.R. Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
2. **In-kind Match.** In-kind (soft) match includes, but is not limited to, the valuation of in-kind services. “In-kind” is the value of something received or provided by a third-party that does not have a cost associated with it. For example, if in-kind match (other than cash payments) is permitted, then the value of donated services could be used to comply with the match requirement. Also, in-kind contributions may count toward satisfying match requirements provided the subrecipient receiving the contributions expends them as allowable costs in compliance with the DHS FY 2016 EMPG Program NOFO and the 2 C.F.R. Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Definitions

- **Cost sharing or matching.** This means the value of the third party in-kind contributions and the portion of the costs of a federally-assisted project or program not borne by the Federal Government, see 2 C.F.R. § 200.29. All cost sharing or matching funds claimed against a FEMA grant by state, local, or tribal governments must meet the requirements of the grant program guidance and program regulations 2 C.F.R. § 200.306.
- **Cash Match (hard).** This includes cash spent for project-related costs under a subaward. Allowable cash match must include only those costs which are allowable, with federal funds, in compliance with the grant program guidance and program regulations and 2 C.F.R. § 200.306.
- **In-kind Match (soft).** This means third-party contributions of the reasonable value of property or services in lieu of cash which benefit a federally-assisted project or program. This type of match may only be used if not restricted or prohibited by program statute, regulation, or guidance and must be supported with source documentation. Only property or services that are in compliance with grant program guidance and program regulations and 2 C.F.R. § 200.306 are allowable.

Basic Guidelines

- For costs to be eligible to meet matching requirements, the costs must first be allowable under the grant program.
- The costs must also be in compliance with all Federal requirements and regulations (see 2 C.F.R. § 200.306); the costs must be verifiable, reasonable, allowable, allocable, and necessary under the grant program.
- Records for all expenditures relating to cost sharing or matching must be kept in the same manner as those for the grant funds.
- The following documentation is required for third-party cash and in-kind contributions: record of donor; dates of donation; rates for staffing, equipment or usage, supplies, etc.; amounts of donation; and deposit slips for cash contributions; this documentation is to be held at the Applicant and/or sub-applicant level. See 2 C.F.R. 200.302 Financial Management, 2 C.F.R 200.333 Retention Requirements for Records, and 200.403(a-g) Factors affecting allowability of costs.
- Except as provided by federal statute, a cost sharing or matching requirement may not be met by costs borne by another federal grant.
- The source of the match funds must be identified in the grant application.
- Every item must be verifiable, i.e., tracked and documented.
- Any claimed cost share expense can only be counted once.

Examples (For additional examples of match, please contact your county finance office)

- The Emergency Management Director has 50 percent of his/her salary paid from local funds and 50 percent paid from federal grant funds, but he/she provides 100 percent effort in the federal grant program that only pays 50 percent salary. The additional 50 percent of effort/time toward the federal grant program can be claimed as hard (Cash) match. All record keeping requirements to prove the 100 percent time allocation apply.
- Non-federally funded equipment or facilities used during exercises can be claimed as soft match, but only at the time of third-party donation. For example, only the fair market price for the use of the facility for the period of the exercise can be claimed as match.
- Third party in-kind contributions of salary, travel, equipment, supplies and other budget areas that are from third party sources must be in compliance with 2 C.F.R. §200.306, Cost sharing or matching. These types of contributions include voluntary contributions, such as emergency personnel, lawyers, etc., who donate their time to a federal grant program. The normal per hour rate for these professionals (acting in their professional capacity) can be used to meet the matching requirement. The value of the services provided is taken into consideration when determining the value of the contribution - not who is providing the service. For example, if a lawyer is volunteering his services to assist flood victims in filing legal paper work, the lawyer's normal hourly rate is allowable. If the lawyer is volunteering his services and is working in a soup kitchen, the lawyer's hourly rate would not be applicable; it would be the hourly rate for a soup kitchen worker.

Governing Provisions

- Program Regulations - 2 C.F.R. § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- Reference 2 C.F.R. § 200.306, Cost sharing or matching
- Program Guidance - DHS FY 2016 EMPG Program NOFO

2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 C.F.R. § 200.306, Cost sharing or matching

Cost sharing or matching

- (a) Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity. See also §§200.414 Indirect (F&A) costs, 200.203 Notices of funding opportunities, and Appendix I to Part 200—Full Text of Notice of Funding Opportunity.
- (b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:
 - (1) Are verifiable from the non-Federal entity's records;
 - (2) Are not included as contributions for any other Federal award;
 - (3) Are necessary and reasonable for accomplishment of project or program objectives;
 - (4) Are allowable under Subpart E—Cost Principles of this part;
 - (5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to Cost sharing or matching requirements of other Federal programs;
 - (6) Are provided for in the approved budget when required by the Federal awarding agency; and
 - (7) Conform to other provisions of this part, as applicable.
- (c) Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate.
- (d) Values for non-Federal entity contributions of services and property must be established in accordance with the cost principles in Subpart E—Cost Principles. If a Federal awarding agency authorizes the non-Federal entity to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching must be the lesser of paragraphs (d)(1) or (2) of this section.

- (1) The value of the remaining life of the property recorded in the non-Federal entity's accounting records at the time of donation.
 - (2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the value described in (1) above at the time of donation.
- (e) Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.
 - (f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with §200.414 Indirect (F&A) costs, paragraph (d), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.
 - (g) Donated property from third parties may include such items as equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost sharing or matching share must not exceed the fair market value of the property at the time of the donation.
 - (h) The method used for determining cost sharing or matching for third-party-donated equipment, buildings and land for which title passes to the non-Federal entity may differ according to the purpose of the Federal award, if paragraph (h)(1) or (2) of this section applies.
 - (1) If the purpose of the Federal award is to assist the non-Federal entity in the acquisition of equipment, buildings or land, the aggregate value of the donated property may be claimed as cost sharing or matching.
 - (2) If the purpose of the Federal award is to support activities that require the use of equipment, buildings or land, normally only depreciation charges for equipment and buildings may be made. However, the fair market value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges. See also §200.420 Considerations for selected items of cost.
 - (i) The value of donated property must be determined in accordance with the usual accounting policies of the non-Federal entity, with the following qualifications:

- (1) The value of donated land and buildings must not exceed its fair market value at the time of donation to the non-Federal entity as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the non-Federal entity as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601-4655) (Uniform Act) except as provided in the implementing regulations at 49 C.F.R. part 24.
- (2) The value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation.
- (3) The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- (4) The value of loaned equipment must not exceed its fair rental value.
- (j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.
- (k) For IHEs, see also OMB memorandum M-01-06, dated January 5, 2001, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs.

2 C.F.R. Part 200, Subpart E – Cost Principles, General Provisions, Basic Considerations

§200.402 Composition of costs. *Total cost.* The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

§200.403 Factors affecting allowability of costs. Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

§200.404 Reasonable costs. 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. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government.
- (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

§200.405 Allocable costs.

- (a) A cost is allocable to a particular 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 relative benefits received. This standard is met if the cost:
 - (1) Is incurred specifically for the Federal award;
 - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
 - (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.
- (b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.
- (c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the

Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

- (d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.
- (e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

§200.406 Applicable credits.

- (a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.
- (b) In some instances, the amounts received from the Federal Government to finance activities or service operations of the non-Federal entity should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) must be recognized in determining the rates or amounts to be charged to the Federal award. (See §§200.436 Depreciation and 200.468 Specialized service facilities, for areas of potential application in the matter of Federal financing of activities.)