

APPENDIX E

INFORMATIONAL DOCUMENT: UNDERSTANDING COST SHARING (applicable to *Demos*, *Risk Reduction* and *ARC-20*)

The purpose of this informational document is to provide information to help the applicant better understand Cost Sharing.

The Demos, Risk Reduction, and ARC-20 all have cost sharing requirements, although at different percentages. The terms “cost sharing” and “cost matching” are often used synonymously. Even the DOE Financial Assistance Regulations, 2 CFR § 200.306, use both of the terms in the titles specific to regulations applicable to cost sharing. DOE almost always uses the term “cost sharing,” as it conveys the concept that non-federal share is calculated as a percentage of the Total Project Cost.

How Cost Sharing Is Calculated

As stated above, cost sharing is calculated as a percentage of the Total Project Cost. Federally Funded Research and Development Centers (FFRDCs) costs must be included in Total Project Costs. Following is an example of how to calculate cost sharing amounts for a project with \$1,000,000 in federal funds with a minimum 20% non-federal cost sharing requirement:

- Formula: Federal share (\$) divided by Federal share (%) = Total Project Cost Example:
\$1,000,000 divided by 80% = \$1,250,000
- Formula: Total Project Cost (\$) minus Federal share (\$) = Non-federal share (\$) Example:
\$1,250,000 minus \$1,000,000 = \$250,000
- Formula: Non-federal share (\$) divided by Total Project Cost (\$) = Non-federal share (%)
Example: \$250,000 divided by \$1,250,000 = 20%

What Qualifies For Cost Sharing?

While it is not possible to explain what specifically qualifies for cost sharing in one or even a couple of sentences, in general, if a cost is allowable under the cost principles applicable to the organization incurring the cost and is eligible for reimbursement under a DOE grant or cooperative agreement, then it is allowable as cost share. Conversely, if the cost is not allowable under the cost principles and not eligible for reimbursement, then it is not allowable as cost share. In addition, costs may not be counted as cost share if they are paid by the Federal Government under another award unless authorized by Federal statute to be used for cost sharing.

The rules associated with what is allowable as cost share are specific to the type of organization that is receiving funds under the grant or cooperative agreement, though are generally the same for all types of entities. The specific rules applicable to:

- FAR Part 31 for For-Profit entities, (48 CFR Part 31); and
- 2 CFR Part 200 Subpart E - Cost Principles for all other non-federal entities.

In addition to the regulations referenced above, other factors may also come into play such as timing of when the service, other resource, or third party in-kind contribution was provided and length of the project period. For example, the value of ten years of services contributed as cost share on a project that has a project period of five years would not be fully allowable as cost share. Only the value for the five years of services contributed as cost share that corresponds to the project period is allowable and may be counted as cost share.

Additionally, DOE generally does not allow pre-award costs for either cost share or reimbursement when these costs precede the signing of the appropriation bill that funds the award. In the case of a competitive award, DOE generally does not allow pre-award costs prior to the signing of the Selection Statement by the DOE Selection Official.

DOE Financial Assistance Rules 2 CFR Part 200 as amended by 2 CFR Part 910

As stated above, the rules associated with what is allowable cost share are generally the same for all types of organizations. Following are the rules found to be common, but again, the specifics are contained in the regulations and cost principles specific to the type of entity:

a. Acceptable contributions. All contributions, including cash contributions and third-party in-kind contributions, must be accepted as part of the Prime Recipient's cost sharing if such contributions meet all of the following criteria:

- 1) They are verifiable from the recipient's records.
- 2) They are not included as contributions for any other federally-assisted project or program.
- 3) They are necessary and reasonable for the proper and efficient accomplishment of project or program objectives.
- 4) They are allowable under the cost principles applicable to the type of entity incurring the cost as follows:
 - i. For-profit organizations. Allowability of costs incurred by for-profit organizations, and those non-profit organizations listed in Attachment C to OMB Circular A-122, is determined in accordance with the for-profit cost principles in the Federal Acquisition Regulations, 48 CFR Part 31.2, except that patent prosecution costs are not allowable unless specifically authorized in the award document.
 - ii. Other types of organizations. For all other non-federal entities, allowability of costs is determined in accordance with 2 CFR Part 200 Subpart E.
- 5) They are not paid by the Federal Government under another award unless authorized by Federal statute to be used for cost sharing or matching.
- 6) They are provided for in the approved budget.

b. Valuing and documenting contributions

- 1) Valuing recipient's property or services of recipient's employees. Values are established in accordance with the applicable cost principles, which means that amounts chargeable

to the project are determined on the basis of costs incurred. For real property or equipment used on the project, the cost principles authorize depreciation or use charges. The full value of the item may be applied when the item will be consumed in the performance of the award or fully depreciated by the end of the award. In cases where the full value of the contributed capital asset is to be applied as cost sharing or matching, that full value must be the lesser or the following:

- i. The certified value of the remaining life of the property recorded in the recipient's accounting records at the time this property contribution was provided; or
 - ii. The current fair market value. If there is sufficient justification, the Contracting Officer may approve the use of the current fair market value of the contributed property, even if it exceeds the certified value at the time this property contribution was provided to the project. The Contracting Officer may accept the use of any reasonable basis for determining the fair market value of the property.
- 2) Valuing services of others' employees. If an employer, other than the recipient, furnishes the services of an employee, those services are valued at the employee's regular rate of pay, provided these services are for the same skill level for which the employee is normally paid.
- 3) Valuing volunteer services. Volunteer services furnished by 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 volunteer services must be consistent with those paid for similar work in the recipient's organization. In those markets in which the required skills are not found in the recipient organization, rates must be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- 4) Valuing property contributed by third parties
 - i. Contributed supplies may include such items as office supplies or laboratory supplies. Value assessed to contributed supplies included in the cost sharing or matching share must be reasonable and must not exceed the fair market value of the property at the time of the donation.
 - ii. Normally only depreciation or use charges for equipment and buildings may be applied. However, the fair rental charges for land and the full value of equipment or other capital assets may be allowed, when they will be consumed in the performance of the award or fully depreciated by the end of the award, provided that the Contracting Officer has approved the charges. When use charges are applied, values must be determined in accordance with the usual accounting policies of the recipient, with the following qualifications:
 - The value of contributed 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.

- The value of loaned equipment must not exceed its fair rental value.
- 5) Documentation. The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties:
- a) Volunteer services must be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees.
 - b) The basis for determining the valuation for personal services and property must be documented.