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## Part 3 Post-Award

### Section 02 Matching and Cost Sharing

#### A. Principles

Purpose. This Grants Policy Directive (GPD) specifies HHS policies related to the use and administration of matching and costsharing under HHS grants. This GPD supplements the regulatory coverage of 45 CFR 74.23 and 92.24.

Scope. The policies contained in this GPD apply to all discretionary and mandatory grant programs and awards.

#### B. Use of Terms

Although the individual terms "matching" and "cost sharing" have somewhat different historical derivations as indicated below, for purposes of this GPD and the Department's regulations at 45 CFR 74.23 and 92.24, the terms will be used as a single term, i.e., "matching or cost sharing."

"Matching" is generally used to refer to a statutorily specified percentage of program or project costs that must be contributed by a grantee in order to be eligible for Federal funding. This requirement may either be stated as a specified or minimum non-Federal percentage of total allowable costs or a maximum Federal percentage of participation in such costs.

"Cost sharing," prior to FY 1986, generally meant the statutory requirement for HHS grantees to share in the costs of grant-supported research. "Cost sharing" is now used to refer to any situation in which the grantee shares in the costs of a project other than as statutorily required "matching."

Use of the single term "matching or cost sharing" is intended to simplify the content and clarity of this GPD. The context of the GPD provision will provide any distinguishing features that are pertinent to application of a policy, e.g., if a maximum Federal matching or cost sharing percentage is specified in statute, HHS discretion is more limited than if a matching or cost sharing amount has been established through negotiation.

For purposes of this GPD and 45 CFR Parts 74 and 92, the term "recipient contributions" refers to costs borne by the grantee, either through cash outlay or the provision of services. "In-kind contributions" means the value of goods and/or services donated by third parties. Grantees are not considered as providing "in-kind contributions."

### **C. Policy**

A requirement for a grantee to provide matching funds or share in the costs of a project, the percentage or amount of matching or cost sharing, and any limitations or exclusions will be based on the program's authorizing statute, program regulations, or a fully documented administrative rationale. HHS does not have a general policy requiring matching or cost sharing or specifying a minimum percentage or amount.

OPDIVs will ensure that any requirement for matching or cost sharing is fully implemented and administered in accordance with the requirements of the authorizing statute, program regulations, 45 CFR Part 74 or 92, and this GPD.

The costs borne by the matching or cost sharing and in-kind contributions are subject to the rules governing allowability in 45 CFR 74.23 or 92.24, including allowability under the applicable cost principles and conformance with other terms and conditions of the award that govern the expenditure of Federal funds.

#### **Pre-award Considerations.**

For non-statutory matching or cost sharing requirements under discretionary grants, OPDIVs must comply with the following:

(1) The requirement must be specified in a publicly available document, e.g., program regulations or program announcement, available to all potential applicants. (See GPD 2.03)

(2) The description of the requirement must indicate whether: (a) it is a fixed percentage or a minimum percentage, whether it applies to each budget period or to the project period as a whole (see C.5.a. below), and the extent to which it is negotiable; (b) the form or extent of matching or cost sharing proposed will be used as an evaluation criterion; (c) there are any restrictions or limitations on the applicant/grantee meeting the required share through cash and/or in-kind contributions; and (d) there is a need for any pre-award documentation to establish the applicant's ability to provide the matching or cost sharing proposed.

(3) For awards under a new program or program initiative reflected in a program announcement or other solicitation, the head of the program office must document the programmatic rationale for requiring matching or cost sharing. Matching or cost sharing may not be required through administrative action solely as a means of offsetting budget reductions. Programmatic justifications may include:

(a) Grantees are expected to develop a resource or capability as a result of the grant-supported activity that may result in financial benefits after the completion of the grant. This would include the construction of a facility or development of a process with commercial value. This would not generally be the case for basic research.

(b) Grant support is only one of a number of known potential sources for the funding of an activity.

(c) The project or activity will have a greater likelihood of success if the grantee contributes to the costs of the project.:

(4) If matching or cost sharing may be required under some, but not all projects; e.g., investigator-initiated research, that possibility must be specified in application material. The explanation must address when in the review process the potential requirement will be communicated and how the applicant's willingness or ability to provide matching or cost sharing will be factored into an award decision.

(5) If matching or cost sharing is not required but is encouraged, this encouragement must also be stated in a publicly available document, which indicates the potential effect, if any, of proposing/not proposing to match or cost share.

(6) If matching or cost sharing is required in a competing continuation award, consistent with the criteria in paragraph C.4.a.(3) above, but was not previously required under that award, the program official should document, for inclusion in the official grant file, the reason for applying the requirement.

(7) Applicants must be required to fully document, in the grant application, the specific costs or contributions proposed to meet a matching or cost sharing requirement, the source of the funding or contribution, and how the valuation was determined. Matching or cost sharing may be provided as either direct or indirect costs, consistent with the applicant's accounting system and any restrictions or limitations in the applicable cost principles (see GPD 3.01).

(8) All matching or cost sharing, whether required by the HHS awarding office or voluntarily proposed by an applicant, must be included as part of the total approved budget both as a percentage and an amount. The Notice of Grant Award (NGA) should stipulate that the amount is subject to adjustment based on total allowable costs incurred and the value of allowable in-kind contributions (see paragraphs C.5.d. and E.5.b. below concerning adjustments resulting from not meeting a matching or cost sharing requirement). Matching or cost sharing through unrecovered indirect costs should also be noted in the NGA.

(9) Grantees may not use program income as a source of matching or cost sharing unless explicitly authorized in the NGA.

### **Post-award Considerations.**

Consistent with other aspects of post-award administration, awarding offices should administer matching or cost sharing on the same basis as the HHS funding provided, i.e., on a budget period-by-budget period basis for those awards made under the project period system. If administered in this way, the calculation of the amount of matching or cost sharing required and the assessment of grantee compliance will be based on the approved budget and actual allowable costs and in-kind contributions for each budget period.

Although, in accordance with good business practices, a grantee should provide required matching or cost sharing in proportion to its expenditure of the Federal dollars awarded, grantees are not required to provide their matching or cost sharing prior to drawing down HHS funds. At a minimum, the rate of expenditure/in-kind contribution should be consistent with the nature of the contribution; e.g., if salaries or volunteer services are contributed, they may be credited throughout the period as opposed to a one-time expenditure, such as the purchase of a piece of equipment.

In determining whether a grantee has met the required matching or cost sharing, the percentage will be applied to the overall amount of allowable project costs and in-kind contributions regardless of the individual category(ies) in which costs/contributions occur. If a grantee is not providing matching or cost sharing at an acceptable rate or is unable to provide required matching or cost sharing, the awarding office will assess the reasons, review statements and assurances contained in the application, and determine the flexibility it has, if any, in modifying the requirement and the extent to which special conditions or sanctions should be applied.

If a grantee fails to provide some or all of required matching or cost sharing, the Grants Management Officer will make a downward adjustment in the Federal award, which could potentially reduce the Federal share to zero. In addition, the Grants Management Officer may take other enforcement actions affecting the current and/or future awards.

If a grantee provides matching or cost sharing that exceeds that required by the NGA, the excess amount is not subject to the requirements of 45 CFR Part 74 or 92 or this GPD unless used to offset otherwise unallowable matching or cost sharing amounts.

#### **D. Special Authorities**

Certain statutes allow waivers of matching requirements or allow Federal funds to serve as a source of matching or cost sharing. The Grants Management Officer is responsible for determining whether the entity meets the conditions for waiver and exercising any applicable waiver by including an appropriate term or condition in the award.

Pursuant to 48 USC 1469a (d), under grants to the governments of American Samoa, Guam, the Virgin Islands, or the Northern Mariana Islands (other than those consolidated under other provisions of 48 USC 1469 and 45 CFR 97.16), any required matching (including in-kind contributions) of less than \$200,000 is waived. This waiver applies regardless of whether the matching requirements under the grant equal or exceed \$200,000. For "open-ended" entitlement grants that are funded on a quarterly basis, the matching waiver will be applied on an annual as opposed to a quarterly basis.

As Federal funds may not generally be used to match other Federal funds, the GMO is responsible for determining and responding to questions of whether (1) another program's/agency's funds or assets acquired with Federal funds may be used to match or cost share funds under the program(s) under his or her jurisdiction, and (2) the funds or assets acquired with Federal funds under his or her program(s) may be used to match or cost share under other Federal programs. The GMO should consult with the Office of the General Counsel, as appropriate, to determine current authorities and applicability.

### **E. Responsibilities**

OPDIV grants management staff are responsible for reviewing proposed program regulations and/or program announcements to determine compliance with the policy stated in paragraph C.4. above.

Grants management staff, as participants in the review of applications and the negotiation of grant budgets, must ensure that matching or cost sharing is not introduced at that point in the process as a means of reducing the potential Federal funding for individual awards.

Grants management staff are responsible for reviewing costs and contributions that applicants propose to meet a matching or cost sharing requirement and for obtaining any necessary documentation from the applicant to ensure that the costs/contributions are appropriate and available to the applicant. These proposed costs/in-kind contributions must receive the same level of review and scrutiny as costs to be borne by Federal funds.

Grants management staff are responsible for preparing NGAs that conform to the requirements of this GPD and sections 74.23 and 92.24.

Grants management staff are responsible for performing the types of post-award administration activities specified in paragraph C.5. above to ensure compliance with a matching or cost sharing requirement, including:

Monitoring the Financial Status Report (SF-269), Federal Cash Transactions Report (SF-272) and other documentation, as appropriate, to determine whether matching or cost sharing is being provided and the rate of expenditure is appropriate.

Adjusting award amounts, as necessary, if grantees fail to meet matching or cost sharing requirements. Adjustments will be based on actual allowable costs chargeable to the HHS award and the value of allowable in-kind contributions, if any.