**Guidance on Merits and Uncertainties of Cost Sharing Components**

**Cost Sharing**

As stated in 2 C.F.R §200.29: Cost sharing or matching means the portion of project costs not paid by Federal funds. It includes all contributions of cash and in-kind that a recipient or third party makes towards the project.

* **Cash contributions:** The recipient’s cash outlay, including the outlay of money contributed to the project by the recipient or third parties. (Please note: Cash contributions are those wherein an actual cash contribution transaction occurs and can be documented in the accounting system.)
* **In-kind contributions:** Non-cash contributions in the form of real property, equipment, supplies and other expendable property, and the value of goods and services benefiting and specifically identifiable to the project or program. (Please note: In-kind contributions are those wherein a value of the contribution can be readily determined, verified and justified but where no actual cash is transacted in securing the good or service comprising the contribution. The value of third party in-kind contributions applicable is within the period which the cost sharing or matching requirements applies.)

When applied to a federally sponsored awards, the following points about cost sharing arise:

* Cost sharing requirements must comply with §200.306.and DOC regulations.
* Unrestricted cash is easiest to track and its value is unambiguous.
* Any non-cash committed contribution is subject to uncertainty of its valuation within the time period applicable, within the period that the cost sharing applies, and can be difficult to determine.

The ability of an Institute to accomplish its approved work plan will depend on the mix of the various types of approved, committed cost sharing that is assembled by the Institute. Thus, each type of cost sharing source carries with it both merits and uncertainties for enabling the performance of an Institute, as proposed. **Table 1** illustrates some of the relative merits and uncertainties for various examples of cost sharing types.

**Table 1: Examples of Types of Cost Sharing and Their Relative Merits and Uncertainties Relative to the Performance of the Institute as Proposed**

| **Type of Cost Sharing**  **What is being Contributed\*** | **Description** | **Merits** | **Uncertainties** |
| --- | --- | --- | --- |
| **Explicit commitments of cash** | Cash may be contribute by any nonfederal source, including but not limited to recipients, state and local gov’ts, companies and non-profits, except contractors. | Unrestricted cash allows greatest flexibility by the recipient to manage and its value is un-ambiguous. | None |
| **Third party commitments of salaries and related employee benefits.** | 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 (“See 200.306 (f) for full definition.”) | Straightforward tracking and valuation. | Relationship may be complicated. The recipient or sub-awardee has limited control over the quality, accomplishments, or commitment of the cost sharing third party. |
| **Tuition subsidy** | Institutional subsidies for students. | Facilitates the involvement of students without cash. | Student technical qualifications may not be well matched to technical requirements and may require strong oversight. |
| **Contributed services** | The monetized value of services furnished by third party that is an integral and necessary part of the approved project. (“See 200.306 (e) for full definition.”) | Leverages the attention and investment of other stakeholders. Can be necessary to accomplish project goals | May create risks to maintaining project timelines |
| **Donated in-kind from third party** | The monetized value of third party in-kind contributions made by any nonfederal source, except contractors working on the project, e.g., equipment, research tools, software, supplies, services, and etc.) | Leverages the attention and investment of other stakeholders. | Valuation may be tricky. The value assessed to donated property included in the cost sharing must not exceed the fair market value of the property at the time of the donation. (“See 200.306 (g) for full definition.”)  Alignment to the technical objectives may not be obvious or best suited to the project. |
| **Equipment depreciation** | The Depreciated value of an item donated by a non-Federal entity may be claimed as cost share if the item has not already been claimed as cost share. Such item may be claimed as depreciation or as cost share but not both. (“See 200.436 (c) for full definition.”). | Leverages the attention and investment of other stakeholders | Valuation is tricky. |
| **Non-federally sponsored research** | Costs under a non-federally sponsored agreement that has a statement of work substantially the same as the federally sponsored cost shared project. The non-federal sponsor must approve use of its award as cost sharing and include terms that permit Government rights to research results. | Leverages the attention and involvement of other stakeholders. | May not fully align to the scope of the work to be performed within the federally sponsored award. |
| **Program Income** | Program Income is income earned by the non-Federal entity that is directly generated by a supported activity as a result of the Federal Award  With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. | Unrestricted cash allows greatest flexibility by the recipient to manage and its value is un-ambiguous. | None |

\* May be provided by either the recipient or sub-awardee. Cost sharing criteria and requirements apply to sub-recipients who have made cost sharing commitments. Contractors cannot contribute cost sharing.