



Cost Sharing Guidance

This guidance provides information about cost sharing, including what cost sharing means, the types of cost share that can be proposed, how cost share is calculated, and general rules on topics such as allowability and verification.

What is cost share?

Cost Share, also known as “match” and “non-Federal share,” is the portion of the costs of a federally assisted project or program not borne by the Federal government. Cost sharing augments Federal funding to increase the project’s impact. It also ensures that recipients have a financial stake in the project’s success.

The terms “cost sharing” and “cost matching” are often used synonymously. The U.S. Department of Energy (DOE) specific regulations almost always use the term “cost sharing,” and DOE Office of Clean Energy Demonstrations (OCED) generally uses the terms “cost share” and “cost sharing.” See [2 CFR § 910.130](#).

What are the types of cost share?

OCED projects use two kinds of cost share:

- ▶ **Cash Cost Share**, which encompasses all contributions to the project made by the recipient or subrecipient(s), for costs incurred and paid for during the project. Cash contributions include, but are not limited to, personnel costs, fringe costs, supply and equipment costs, indirect costs, and other direct costs.
- ▶ **In-Kind Cost Share**, which encompasses all contributions to the project made by the recipient or subrecipient(s) that do not involve a payment or reimbursement and represent donated items or services. In-Kind cost share items may include volunteer time (of non-salaried employees), donated existing equipment, or donated existing supplies. The cash value and calculations thereof for all In-Kind cost share items must be justified and explained in the Cost Share section of the project Budget Justification.

All cost share items must be reasonable, allowable, allocable, and necessary to the performance of the project.

What cost share percentage applies to an OCED project?

Generally, OCED demonstration projects require a minimum of 50% cost share; however, this requirement may vary depending on the specific Notice of Funding Opportunity (NOFO). Check the “Cost Sharing” section of the OCED NOFO of interest for cost share requirements specific to that NOFO. OCED NOFOs are available online at the [OCED eXCHANGE](#).

This guidance document does not supersede Federal laws and regulations. This OCED guidance document is for informational purposes only and is not a requirements document. If there are inconsistencies between this OCED guidance document and any specific program or project document, the specific OCED program or project document should be relied upon as it is the controlling document.

What is allowable cost share?

Every cost share contribution must be allowable under the applicable Federal regulations on cost principles. 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. Regulations addressing the allowability of cost share, commonly referred to as the cost principles, include:

- [2 CFR Part 200 Subpart E - Cost Principles](#)
- [2 CFR § 200.306](#)
- [2 CFR § 910.130\(d\)](#)
- [FAR Part 31 for For-Profit entities \(48 CFR Part 31\)](#)

In addition to the regulations referenced above, other factors may be relevant, such as timing of donations and length of the project period. For example, the value of ten years of donated maintenance on a project that has a project period of five years would not be fully allowable as cost share. If otherwise allowable, only the value for the five years of donated maintenance that corresponds to the project period may be counted as cost share.

Cost share contributions must be specified in the project budget, verifiable from the recipient's records, and necessary and reasonable for proper and efficient accomplishment of the project. As all sources of cost share are considered part of total project cost, the cost share dollars will be scrutinized under the same Federal regulations as the project's Federal dollars. Every cost share contribution must be reviewed and approved in advance by the Grants and Agreements Officer and incorporated into the project budget before the expenditures are incurred.

Can I include indirect costs in my cost share contribution?

Yes, you can include indirect costs as part of your cost share contribution using your approved negotiated indirect cost rate or de minimis rate. Refer to the question, "What is allowable cost share?"

What are unrecovered indirect costs and can I include these costs in my cost share contribution?

Unrecovered indirect costs are the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the recipient's approved negotiated indirect cost rate.

If you use an approved negotiated indirect cost rate, unrecovered costs may be used as cost share with prior approval from the Grants and Agreements Officer.

If you use the de minimis indirect cost rate, there are no "unrecovered indirect costs," and therefore, you cannot use "unrecovered indirect costs" as part of your cost share contribution.

Are funds from other Federal sources allowed as cost share?

Funds from other Federal sources are generally not eligible to be used as cost share. Questions about the eligibility of specific funds for use as cost share for an award should be submitted to the Grants and Agreements Officer for a determination. Cost sharing commitment letters from subrecipients and third-parties must be provided either with the original application or upon request.

Is Program Income allowed as cost share?

Entities are encouraged to review the specific NOFO of interest and the regulations regarding [Program Income](#) and be aware of the ways in which Program Income can be treated during the award. Generally, Program Income should not be included as cost share in the applicant's budget. With prior approval from the Grants and Agreements Officer, Program Income may be used to meet the cost sharing or matching requirement of the Federal award. In that instance, however, the overall amount of the Federal award remains the same.

Are fee or profit allowable cost share?

Fee or profit earned on a private or commercial transaction may be allowable as cost share when it is characterized as cash. Entities should review the specific NOFO of interest for specific details on cost share allowability.

As a reminder, the recipient may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award per [2 CFR § 200.400\(g\)](#). The entity may only incur those costs that are allowable and allocable to the project (including cost share) as determined in accordance with the applicable cost principles prescribed in [FAR Part 31.2](#) for For-Profit entities and [2 CFR Part 200 Subpart E – Cost Principles](#) for all other non-Federal entities.

What are considered acceptable contributions?

The rules for what is allowable cost share are generally the same for all types of organizations. The particulars are contained in the regulations and cost principles in [2 CFR § 200.306](#) and [2 CFR § 910.130](#). Acceptable contributions including cash contributions and third-party in-kind contributions, must be accepted as part of the prime recipient's cost sharing if the contributions meet all 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:
 - A. For-profit organizations. Allowability of costs incurred by for-profit organizations and those nonprofit organizations listed in [2 CFR 200 Appendix VIII to Part 200](#) is determined in accordance with the for-profit cost principles in [48 CFR Part 31.2](#) in the FAR, except that patent prosecution costs are not allowable unless specifically authorized in the award document; and
 - B. 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.

Who can provide cost share for a proposed project?

Cost share may be provided by the prime recipient, subrecipients, or third parties but the prime recipient is ultimately responsible for all cost share. Entities that do not have a role in performing the scope of work, such as vendors and contractors from whom the recipient or Subrecipient procures goods and services, may not provide cost share. Discounts may not be used as cost share.

Although the cost share requirement applies to the project as a whole, including work performed by members of the project team other than the prime recipient, the prime recipient is legally responsible for paying the entire cost share. If the funding agreement is terminated prior to the end of the project period, the prime recipient is required to contribute at least the cost share percentage of total expenditures incurred through the date of termination.

The prime recipient is solely responsible for managing cost share contributions by the project team and enforcing cost share obligations assumed by project team members in subawards or related agreements.

Applicants may use funding or property received from state or local governments to meet the cost share requirement, so long as the funding was not provided to the state or local government by the Federal government.

Cost share may also come from project participants, state or local governments or other third-party financing. Federal financing, such as DOE Loan Guarantees, cannot be leveraged by recipients to provide the required cost share or to otherwise support the same scope that is proposed under the project.

What costs may not be used as cost share?

The following is a non-exhaustive list of sources that may not be used to meet cost share obligations:

- ▶ Revenues or royalties from the prospective operation of an activity beyond the project period;
- ▶ Proceeds from the prospective sale of an asset of an activity;
- ▶ Federal funding or property (e.g., Federal grants, equipment owned by the Federal government); or
- ▶ Expenditures that were reimbursed under a separate Federal program.

Project teams may not use the same cash or in-kind contributions to meet cost share requirements for more than one project or program.

Refer to [42 USC § 16352 \(c\)](#) (Section 988 of the Energy Policy Act of 2005) and [2 CFR § 910.130\(d\)\(2\)\(v\)](#) for additional cost share requirements.

Are FFRDCs required to provide cost share?

Federally funded research and development centers (FFRDC) are public-private partnerships that conduct research and development for the United States Government. Costs incurred by FFRDCs are generally not allowable to meet the cost share requirement. FFRDCs may contribute cost share only if the contributions are paid directly from the contractor's Management Fee or another non-Federal source.

OCED will provide funding to an FFRDC through the prime recipient. OCED will not fund any FFRDCs participating as a subrecipient through the DOE field work authorization process. The prime recipient and FFRDC are responsible for entering into an appropriate subagreement that will govern, among other things, the funding of the FFRDC portion of the work from the prime recipient under its OCED award. Such an agreement must be entered into before any project work begins.

The recipient's cost share requirement will be based on the total cost of the project, including any subrecipient, and FFRDC portions of the project.

How do I value and document contributions?

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 a donated capital asset is to be applied as cost sharing or matching, that full value must be the lesser of the following:

- A. The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation; or
- B. The current fair market value. If there is sufficient justification, the Grants and Agreements Officer may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project. The Grants and Agreements Officer may accept the use of any reasonable basis for determining the fair market value of the property.

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.

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 markets where the recipient organization does not have staff with the required skills, rates must be consistent with those paid for similar work when 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. Volunteer services of the recipient's salaried employees is not allowable.

Valuing property donated by third parties

Donated supplies may include office supplies or laboratory supplies. Value assessed to donated 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.

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 Grants and Agreements 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:

- C. 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.
- D. The value of loaned equipment must not exceed its fair rental value.

Documentation

Volunteer services must be documented and, to the extent feasible, supported by the same methods used by the recipient for its own employees. The basis for determining the valuation for personal services and property must be documented.

How will cost share be verified?

Cost share contributions must be specified in the project budget, verifiable from the prime recipient's records, and necessary and reasonable for proper and efficient execution of the project. As all sources of cost share are considered part of total project cost, the cost share dollars will be scrutinized under the same Federal regulations as Federal dollars to the project.

Every cost share contribution must be reviewed and approved in advance by the Grants and Agreements Officer and incorporated into the project budget before the expenditures are incurred.

The cash value calculations and amounts for all in-kind cost share items must be justified and explained in the Cost Share section of the project Budget Justification. All cost share items must be necessary to the performance of the project. If there are questions about in-kind cost share, consult the relevant OCED contact before filling out the in-kind cost share section of the Budget Justification.

When will the required cost share need to be provided?

DOE requires prime recipients to contribute the cost share amount incrementally over the life of the award. The frequency will be determined by the Grants and Agreements Officer during award negotiations. At a minimum, the prime recipient must meet the cost share requirement on a Budget Period basis. The Grants and Agreements Officer may require a shorter basis.

How is cost share calculated?

Cost share is calculated as a percentage of the Total Project Cost. If applicable, FFRDC costs must be included in Total Project Costs.

The following is an example of how to calculate cost sharing amounts for a project with \$1,000,000 in Federal funds with a minimum 50% non-Federal cost sharing requirement:

- **Formula:** Federal share (\$) divided by Federal share (%) = Total Project Cost
Example: \$1,000,000 divided by 50% = \$2,000,000
- **Formula:** Total Project Cost (\$) minus Federal share (\$) = Non-Federal share (\$)
Example: \$2,000,000 minus \$1,000,000 = \$1,000,000
- **Formula:** Non-Federal share (\$) divided by Total Project Cost (\$) = Non-Federal share (%)
Example: \$1,000,000 divided by \$2,000,000 = 50%

Generally, Federal Share and Non-Federal Cost share are calculated with the following formulas:

- **Federal Share** = Total Project Cost x Federal Cost Share in decimal form
- **Non-Federal Cost Share** = Total Project x Non-Federal Cost Share in decimal form

The following is an example of calculating Federal and Non-Federal Cost Share for a project with a Total Project Cost of \$2,000,000 and 50% Federal and 50% Non-Federal Cost Share.

- **Federal Share** = \$2,000,000 x .5 = \$1,000,000
- **Non-Federal Cost Share** = \$2,000,000 x .5 = \$1,000,000