

Chapter 11

Matching and In-Kind Contributions

INTRODUCTION

This chapter contains a discussion of the matching requirements of the WtW and provides guidance on the acquisition, calculation, expenditure, and reporting of matching funds. It contains the following sections:

- Match Rules
- Match Exclusions
- Cash vs. In-Kind Contributions
- Expenditure and Reporting
- Additional Guidance.

What the Regulations Require

Match requirements are found at 20 CFR 645.300. This section sets the requirements for match on formula grants; provides definitions, inclusions, and exclusions; and defines valuation of third-party match. In addition, Part 645.300(b) applies the match or cost-sharing requirements of 29 CFR 97.24 to States, with the exception of the paragraphs related to real property, because the construction or purchase of real property is prohibited by WtW to be an eligible match. [645.300(b)(1)(I) and (ii)]

20 CFR 645.310 requires the assurance of the State in the plan that the required match will be provided. With the passage of the technical amendment in the 1998 appropriations bill, neither 645.315 nor 645.320 will apply to the WtW program.

MATCH RULES

The entire amount of formula grant WtW funds awarded to a State must be matched. The match amount may include matching funds provided by both the State and sub-State level and is comprised of both cash and in-kind contributions. The rules applying to the WtW match are as follows:

- # Formula grants to States require a 50% match, or one dollar of match for every two dollars of allotment. The allotment is reduced accordingly if the proposed State match

is less than 50%; i.e., the allotment is reduced by two dollars for every dollar the match amount is less than required. [20 CFR 645.300(a)]

- # The match is a State requirement. However, matching funds developed by sub-State entities may be counted by the State as part of the State's match to help the State meet the matching requirements. Match is comprised of cash or a maximum of 50% in-kind contributions. [645.300(b)(2) and (3)]
- # Third-party contributions may be either cash or in-kind contributions. A third party is defined as a non-WtW funded agency, program, or other entity.
- # Match must be spent on allowable WtW activities. [645.300(b)(1)]
- # There is no administrative or 70%/30% expenditure requirement for the expenditure of matching funds.
- # Federal funds and non-Federal funds already used to match other federal programs cannot be counted as a WtW match.
- # WtW matching expenditures must be in accordance with the applicable cost principles, i.e., allocable and adequately documented.
- # There are no requirements for matching funds for competitive grantees.

With the passage of the technical amendment in the 1998 appropriations bill, match may be expended over the same three-year period as the formula appropriation.

MATCH EXCLUSIONS

Match expenditures must meet the criteria for allowable costs under WtW. In addition, there are certain costs or in-kind contributions that may be allowable under 29 CFR 97.24(b) or 95.25(a), but do not meet the criteria for use as WtW match. These are specified in 20 CFR 645.300(b-c) as follows:

- # Costs of construction or purchase of facilities may not be used as match. This also includes the donation of such facilities to the program. These costs are not allowable under WtW. [645.300(b)(1)]
- # The employer's share of any wages paid to WtW participants does not count toward satisfying the match requirement. [645.300(c)(1)]

Example. A local area grantee enters into contract with an employer to provide on-the-job training (OJT) for three participants. The contract provides for 50% of the wages to be paid by WtW and 50% by the employer. The 50% paid by the employer is not allowable match.

Costs paid for by other Federally-financed grants may not be counted toward the match requirement. [645.300(c)(2)]

Example. The local area grantee has a grant to provide transportation services funded by the Department of Transportation. Those costs applicable to WtW participants would not be allowable match expenditures.

No costs or third-party contributions may be used to satisfy the match requirement of the WtW program if they have been counted toward satisfying the match requirement of another Federal program. [645.300(c)(4)]

Example. The subgrantee has a grant from the Department of Education (DOE) to provide adult basic education services with a match requirement of 25%. Those expenditures paid for by the organization and reported as matching expenditures under the DOE grant could not also be counted as WtW matching expenditures.

Costs paid through program income earned by grantees or subgrantees in accordance with 29 CFR 97.25 may not be used as match. [645.300(c)(5)]

Example. A subgrantee earns a fee through provision of testing services to non-WtW eligible participants at the area One-Stop Center. The fee earned is considered program income and must be expended for WtW services.

Contractors may earn income in excess of costs under the WtW grant. The expenditures paid from this income, whether for services or property, may not be used to satisfy the match requirement, unless specifically authorized. [645.300(c)(6)]

Example. A nonprofit subgrantee has a fixed-price contract to provide post-employment services to WtW participants. The subgrantee's actual costs are less than the fixed price income earned under the contract. In this example, the nonprofit agency cannot use the difference between costs and earnings as match, but must report and expend the funds as program income.

CASH VS. IN-KIND CONTRIBUTIONS

Approved match may be a combination of both cash and in-kind contributions although the use of in-kind contributions is limited to a maximum of 50%. A discussion of both types follows.

Cash

Cash match may be in the form of funds provided or services paid by a non-Federal governmental agency, cash donations from a third party (this is a cash donation to the WtW organization, not the third-party expenditures on behalf of WtW), or allowable costs paid by a non-Federal grant

or funding source. No costs paid by a Federal grant or from WtW program income will count toward the required cash match requirement. [645.300 (c)(2)]

Example. The WtW subgrantee is a nonprofit organization providing WtW services under a subgrant from the local area grantee along with a number of other community services. The organization receives funding from a variety of Federal, State, local, and private sources. One of the services provided under a grant from the State is transportation to and from subsidized employment. Those costs, paid from a non-Federal source of funds not used for other matching and allowable under supportive services payments, would be considered a cash match to the WtW program.

Example. The WtW subgrantee provides space in a rented building free of charge to the WtW program. The rent is paid by the subgrantee from non-Federal revenue. The rental rate per square foot paid by the subgrantee determines the match. As these are expenditures incurred by the WtW entity, the cost of the space is considered a cash match.

Example. The WtW subgrantee receives a cash gift from a foundation. The funds are used to provide additional services to WtW participants. The cash gift would be considered a third-party cash match.

In-Kind Contributions

In-kind contributions consist of donations of services, equipment, or supplies that are not paid for either by the WtW grant or by the grantee, subgrantee, or contractor. Each of these types and the method for determining their value is described in 29 CFR 97.24, 29 CFR 95.23, and 20 CFR 645.300(8).

Donated services may take the form of donated time (volunteers or third-party staff paid from a non-WtW source) or additional services provided at no cost to the WtW program (additional slots in a training program). The value of the contribution is determined by the type of service provided. Unpaid volunteer services are valued at the rate paid for the same or similar work in the WtW organization or, if there are no such employees, a rate consistent with that paid in the local labor market. A reasonable amount for fringe benefits may be included. If the donated services are paid for by a third-party organization, the contribution is valued at the employee's regular rate of pay exclusive of fringe benefits and overhead costs.

Example. Five local school teachers teach literacy skills to WtW participants at a community-based organization that operates the WtW program, as the contractor has no teachers on staff. The teachers meet with the participants for two hours per week after work or on weekends. As the teachers are not paid by the school district and the community-based organization has no similar employees, the value of the contribution is determined by the number of volunteer hours times the teachers' wage rates. Fringe benefits would be added to determine the total contribution.

Example. As part of a job readiness program financed by WtW funds, local employers provide human resource personnel to work with participants in developing interviewing skills. The contribution would be valued at the private employer's rate of pay times the hours donated. No fringe benefits or overhead costs could be added to the contribution.

Example. A local training organization provides five free slots to the WtW program. These slots are in addition to those paid for by the WtW program or by other attendees. The value of the contribution is determined by the cost per training slot paid by non-WtW attendees times the number of slots.

Supplies, equipment, or space donated by non-WtW entities are also considered to be third-party in-kind contributions. The value of the donated supplies and equipment is determined by the fair market value of the donated items at the time of donation. The value of donated space is determined by the rental rate for the same or similar space at the time of donation. Title to the equipment or facility in which space is provided remains with the non-WtW entity. In other words, if the donor retains ownership, then the value of the match is for the rental value use of the property.

Example. The local school district donates books and other instructional materials to the WtW program. The value of the materials at the time of the donation determines the amount of the contribution.

Example. A local car dealership donates a space in which the WtW contractor operates a work experience program. The rental rate for similar space is used to determine the amount of the in-kind contribution.

Example. The WtW subgrantee owns the building housing the WtW program and donates the space used by the WtW program. The value of the match is determined by calculating a use allowance plus operating costs. The resultant dollar amount would be considered an in-kind contribution by the subgrantee.

Additional requirements for in-kind contributions (20 CFR 645.300(c)(8)) are as follows:

- # If the third-party contributions are goods or services that would have been indirect costs had the WtW entity paid for them, then the value of the contribution may only be counted toward satisfying the match requirements if the WtW entity has established a special rate for allocating the value to all programs. [645.300(c)(8)(ii)]
- # Third-party in-kind contributions to a fixed rate contract must result in either an increase in the services or property provided to the program or a cost savings to the contractor. [645.300(c)(8)(iii)]

- # If the contribution is neither donated time, supplies, or loaned equipment and space, then the value placed upon it must meet the criterion of a fair and reasonable cost. [645.300(c)(iv)]

EXPENDITURE AND REPORTING

In order to satisfy the cost-sharing or matching requirements of the WtW program, all costs must be verifiable and traceable to the records of the grantee, subgrantee, or cost-type contractor. The records must also detail how the value of third-party in-kind contributions was derived. The value of volunteer services should be allocated in the same manner as the organization's regular personnel costs to the extent feasible. [20 CFR 645.300(c)(7)] This means that any costs must be supported in the same manner as any other WtW cost, accounted for in the organization's books of accounts, traceable to source documentation, and available for review by the awarding agency or for audit. If the match is a third-party contribution such as costs paid by a non-WtW subgrantee or contractor, then the entity claiming the costs as match would be responsible for obtaining and maintaining the records to support the costs.

Matching expenditures are rolled up at the State level and reported on the formula grant cumulative QFSR. The State and local area grantees must include a similar reporting requirement in subgrantee and cost-type contractor agreements if the expenditures will be used to satisfy the match requirement. The State is responsible for determining the manner in which both cash and in-kind contributions will be reported by the local area grantees.

ADDITIONAL GUIDANCE

Through the Question and Answer system, ETA has provided additional clarification and guidance on the match requirements. That guidance has been either incorporated into the body of this chapter or is discussed below.

- # If a local governmental entity were a WtW subgrantee or subcontractor of the local area grantee, the non-Federal funds it expends on WtW eligible individuals would be considered to be a cash match to the WtW program. If the local entity were not a subgrantee or subcontractor, then the funds it expends on WtW eligible individuals would be considered as a third-party contribution if there were a link between the local entity and the WtW program. Third-party contributions are only allowable as match if they would have been allowable costs if paid by the WtW program.
- # If a third party makes a contribution to the WtW program that does NOT include cash, then the contribution is considered to be an "in-kind contribution". This includes such costs as supplies, equipment, time, or free slots in training programs.
- # In order to receive the full formula grant amount, the State must assure that the required minimum match will be provided over the life of the grant (up to three years). If it does

not provide such a commitment, the grant amount is reduced by two dollars for each one dollar of match that cannot be raised.

- # Activities supported by non-Federal matching funds that exceed the minimum required by another Federal program might be used to meet the WtW match requirements. In order to be considered, the matching expenditures would need to be for costs allowable under both programs, used to serve individuals eligible under both programs, and paid from non-Federal revenue. For example, the Adult Education Act requires a match of 25%. Non-Federal costs in excess of the 25% minimum could be used for WtW match if they were for activities allowable under both grants such as job readiness or high school completion.
- # Both employee benefits and supportive services such as child care may only be counted as matching expenditures if they are in addition to the benefits or services customarily provided to employees. The entity claiming the costs as matching expenditures would be required to document that the benefits/services were not provided to employees.
- # ETA plans to review expenditure reports submitted by the States to assess the rate of match expenditures as compared to formula grant expenditures. Should it appear that a State is experiencing difficulty in meeting its commitment for match, ETA will provide appropriate guidance and technical assistance.
- # Neither the administrative cost limitation nor the requirement that 70% of the funds be expended on required beneficiaries applies to the expenditure of matching funds.