



Management Matters: Non-Federal Match, Part 1 – Text Version

The Why, What, and How of Non-Federal Match

Introduction

Hi, my name is John Williams. I am IST Manager of the National Center on Program Management and Fiscal Operations, more commonly known as PMFO. On behalf of the Office of Head Start and PMFO, welcome to this session on non-federal match in Head Start and Early Head Start programs. In this session, we will share with you:

- The purpose of the non-federal match
- Which regulations guide non-federal match costs
- A review of which costs are allowable

Let's get started.

The Partnership

When Head Start was launched by Congress in 1965, it was considered a federal partnership with local communities to deliver services to low-income children and their families. Community-based programs received 80 percent of the program costs from the federal government and were required to demonstrate the community's partnership by providing the remaining 20 percent. For example, for every \$10 spent to operate a Head Start program, the federal government would provide \$8 and the program would contribute the remaining \$2 through non-federal resources. These could be either a cash match or donations of goods or services that cover legitimate program operating costs. Over 50 years later, this partnership between the federal government and local communities remains a foundational element of Head Start and is still demonstrated by an 80 to 20 percent split of costs.

Non-Federal Match

There are two ways to calculate your minimum required match. One way is to multiply the total program costs, including federal and non-federal resources, by 20 percent. Another way is to multiply the amount of federal share identified in your Head Start or Early Head Start Notice of Award by 25 percent. Both methods will calculate to the same amount. Be aware that you are obligated to meet the non-federal match amount you propose in your budget. Sometimes programs believe they'll exceed the minimum required match, so they include a larger amount in their Head Start or Early Head Start budget submission. You may want to propose only the minimum amount required. You can always report any actual match in excess of the minimum in your final federal financial report.

Non-Federal Match v. In-Kind

People often use the terms "non-federal match" and "in-kind" interchangeably. Do you know the difference?

Non-Federal Match v. In-Kind: Scenario 1

A librarian donates \$500 to your program and asks that you use the funds to buy children's books for the classroom. Do you consider this an in-kind donation or non-federal match?

Answer: A cash donation is not considered an in-kind donation. An in-kind donation is a gift of goods or services. If books, rather than cash to buy the books, had been donated, they would have been considered an in-kind donation that would also be allowed as a non-federal match. In this example, the donation of money to your program can only be considered a non-federal match after it has been spent on allowable program expenses, such as books.

Non-Federal Match v. In-Kind: Scenario 2

A local craft supply store donates art supplies to your program, which you place in writing activity centers throughout your classrooms. What best describes this donation?

Answer: The art supplies are a donation of goods. Because they support the curriculum, they are considered an in-kind donation as well as non-federal match to your program.

Non-Federal Match v. In-Kind: Scenario 3

A bike shop donates one bike to your program. You don't need the bike because you have plenty of bikes for enrolled children and have limited storage. You know a family whose child is enrolled in your center and recently lost everything in a fire. You give the bike to the enrolled child. Can this donated bike be counted as non-federal match?

Answer: Even though the bike is a donation of goods, because you don't plan to use it for your program and it is given to an individual child, it cannot be used as non-federal match to your grant.

As you see from these few examples, not all in-kind donations can be considered non-federal match. Donations of cash are not classified as an "in-kind" and can only be considered non-federal match at the time the cash is spent on allowable program costs.

Regulations

The regulations that guide the use of federal funds also apply to non-federal match resources that are used toward the match. These regulations are known as the cost principles, and they outline which costs are and are not allowable. These cost principles are now incorporated into the Uniform Guidance regulations developed by the Office of Management and Budget and adopted by the U.S. Department of Health and Human Services in the Code of Federal Regulations at 45 CFR Part 75. The Uniform Guidance replaces all previous federal fiscal regulations and combines them in one unified regulatory document. You can find the cost principles within the Uniform Guidance at [Subpart E. 45 CFR Part 75.400](#). Select the blue button to view the cost principles.

Allowable Costs

To be allowable, all costs, including those covered by non-federal match resources, must be reasonable, allocable, and adequately documented. Select each box to learn more about these terms, along with a few additional cost principles.

Reasonable

- Recognized as ordinary and necessary
- Comparable to market prices
- Meets sound business practices and arm's length bargaining
- Prudent in light of circumstances
- Meets established cost practices and are consistently applied

Allocable

- Chargeable and assignable
- Beneficial and distributed using reasonable methods
- Necessary to the award

Adequately Documented

- Verifiable from the non-federal match entity's records

In Addition

- Conform to limitations and exclusions
- Consistent with policies and procedures and applied uniformly
- Accorded consistent treatment
- Meets generally accepted accounting principles (GAAP) (special considerations applying to local and tribal governments are described in Part 75.409)
- Not used to match other federal awards

Is This Allowable?

Apply these cost principles as you consider whether each of the following examples might be allowable as a match to a Head Start or Early Head Start program.

Is This Allowable? Scenario 1

One of your governing body members is a certified public accountant (CPA). You claim his time attending board meetings at his CPA salary, a rate much higher than you claim for other board members' time. You think this is justified because he meets the requirement of having a fiscal expert on your board.

Answer: You cannot claim his time attending board meetings at his CPA rate because he is performing the duties of a governing body member, not that of a CPA.

Furthermore, you should be aware of potential conflicts of interest regarding services that fall outside of the scope of governing body responsibilities as they may not be allowable as non-federal match. You would need to determine that on a case-by-case basis.

Is This Allowable? Scenario 2

You receive a cash donation of \$5,000 at the end of your grant year and claim it as a non-federal match. You plan to buy books for all of your classrooms in a couple of months.

Answer: The donation can be used as a match only after it is spent on an allowable cost for the program. If the program will not be able to spend the \$5,000 within the grant year that is ending, the cost isn't allocable as a match to that grant. Therefore, it's unallowable. However, it would be an allowable match to a subsequent grant when the money is spent. Remember, cash donations can only be claimed in the period you expend the funds, not during the period you receive the cash donation.

Is This Allowable? Scenario 3

A local community action agency has agreed to send some staff who work in their Low Income Home Energy Assistance Program (LIHEAP) to evaluate the energy efficiencies of all your Head Start facilities. They fill out an in-kind volunteer form for time they spend at your program, sharing their rates of pay, including fringe benefits.

Answer: This is not allowable. Although this is a wonderful service to your program, it isn't allowable as a match since the staff salaries and fringe are covered by LIHEAP, a federal program. Federal funds cannot match your federal grant.

Is This Allowable? Scenario 4

A national chain department store has agreed to donate three cases of diapers each month to three of your Early Head Start centers. You claim the retail value of the diapers as an in-kind donation.

Answer: As long as you are using the diapers in your program for Early Head Start-enrolled children, and the donation is adequately documented, the retail value of the diapers is an allowable match to the program.



Is This Allowable? Scenario 5

Your organization partners with a local pre-kindergarten program to jointly deliver Head Start-compliant services during the part-day/part-year program. The public school covers the salary of one of the classroom teachers with a combination of state and local funds. You claim the value of a proportional share (based on the number of Head Start-enrolled children) of the teacher's salary and fringe benefits at the actual rate of a Head Start teacher as non-federal match.

Answer: As long as the public school teacher's time and fringe benefits are based on the salary and fringe benefits that you typically pay for Head Start teaching services, they are allowable.

Is This Allowable? Scenario 6

You recently entered into a partnership with several family child care providers to provide all of the classroom services for a new Early Head Start-Child Care Partnership grant you received. Since you are paying the partner through a contract, you realize the provider can't offer much in the way of non-federal match. However, the providers have started tracking the in-home supports tied to the curriculum that parents are providing to children.

Answer: While this may be allowable, the Office of Head Start and Office of Child Care have been discouraging programs from placing the burden of capturing non-federal match on child care partners. It is asking a lot of family child care providers, let alone parents, to track and document this time. It may not only be a burden, but it could turn off your partner as you build this new relationship. Consider whether you can collect more non-federal match through your own efforts rather than by burdening parents or your new partner. Also, remember that your program can apply for a waiver from the non-federal match requirement. For more about waivers, see the [Non-Federal Match Narrative](#).

Summary

In this session, you've learned:

- The purpose of non-federal match
- How to calculate your required non-federal match
- What regulations guide non-federal match requirements
- How to determine allowable and unallowable non-federal match costs

Correctly identifying donations for your program's non-federal match helps to strengthen the partnership between your organization and your community.

Non-Federal Match, Part 1: Quiz

Test Yourself

1. Non-federal match is based on an 80 to 20 percent split of costs.

- True
 False

Answer: True

The federal government assumes 80 percent of program costs and the community-based program assumes the remaining 20 percent of costs.



2. All in-kind donations are considered non-federal match.

- True
- False

Answer: False

Not all in-kind donations can be considered non-federal match if they don't adhere to specific guidelines.

3. A cash donation is considered an "in-kind" donation.

- True
- False

Answer: False

An in-kind donation is a gift of goods or services.

Multiple Choice: Choose the most accurate answer.

4. To be allowable, all costs, including those covered by non-federal match resources, must be:

- (A) Reasonable
- (B) Allocable
- (C) Adequately documented
- (D) All of the above

Answer: D

Multiple Choice: Select all that apply.

5. Reasonable costs are:

- (A) Recognized as ordinary and necessary
- (B) Comparable to market prices
- (C) Meets sound business practices and arm's length bargaining
- (D) Prudent in light of circumstances
- (E) Meets established cost practices and are consistently applied

Answer: A, B, C, D, and E

Multiple Choice: Select all that apply.

6. Allocable costs are:

- (A) Recognized as ordinary and necessary
- (B) Chargeable and assignable
- (C) Verifiable from the non-federal match entity's records
- (D) Necessary to the award

Answer (B and D)

Multiple Choice: Select all that apply.

7. Adequately documented costs are:

- (A) Recognized as ordinary and necessary
- (B) Comparable to market prices
- (C) Verifiable from the non-federal match entity's records
- (D) Beneficial and distributed using reasonable methods
- (E) Necessary to the award

Answer: C

8. Cash donations can only be claimed a non-federal match in the period you expend the funds, not during the period you receive the cash donation.

- True
- False

Answer: True

9. Volunteer services provided by staff from another federal program can be claimed as non-federal match.

- True
- False

Answer: False

Federal funds cannot be used to match your Head Start grant.

10. If a public school covers the salary of a classroom teacher with a combination of only state and local funds, can a program claim the value as non-federal match?

- Yes
- No

Answer: Yes

A proportional share (based on the number of Head Start-enrolled children) can be claimed as non-federal match as long as the public school teacher's time and fringe benefits are based on the salary and fringe benefits that you typically pay for Head Start teaching services.



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