

APPENDIX 3 COST SHARE GUIDELINES

Cost Share is an evaluation criterion for OFRN projects because it demonstrates that the Primary Applicant and its partners are fully committed to the success of the proposed projects and increases the total resources available to support the execution of a project. For example, if the Primary Applicant is awarded \$1M in funding by the OFRN and the Primary Applicant has been able to arrange for \$1.5M in committed cost share, then the total effective budget to perform the work is \$2.5M. Accordingly, each proposal must clearly describe how the identified cost share will be used to support execution of the project.

If awarded a contract, Primary Applicant and the entire project team will adhere to the following Cost Share requirements governing its identification and use for project expenditures. Ideally OFRN leadership would expect Industry cost share to pay for its expenses related to the project research.

The cost share can be split among the project team as deemed appropriate. There is no minimum level of cost share from each team member, rather, the project is evaluated based on the total cost share provided by the project team as a whole.

Generally, OFRN follows OMB 2 CFR 200.306 and generally accepted accounting principles (GAAP) for recognizing and accounting of Cost Share.

Types of Cost Share

Cash Cost Share is defined as reasonable monetary expenses of allowable costs:

- 1) incurred by the Primary Applicant or its subcontractor as an integral part of the activities described in the proposal, as amended, during the term of the project(s) (Project);
- 2) charged to accounts of the Primary Applicant or its subcontractor other than accounts funded from State of Ohio General Revenue Funds (GRF); and
- 3) documented within the financial books of the Primary Applicant or its subcontractor. This would include monetary resources contributed directly to the Primary Applicant or its subcontractor or to a parent organization by a third party for support of the Primary Applicant or its subcontractor and used in furtherance of the project(s).

In-Kind Cost Share is defined as the value of contributions, goods, or services: (1) donated to the project during the term of the project; (2) received by the Primary Applicant or its subcontractor in the period to which the cost share applies and used in furtherance of the project(s); and (3) cannot be traced through the financial books of the Primary Applicant or its subcontractor. The following are types of services and donations that count as In-Kind Cost Share:

- 1) Volunteer services are unpaid contributions provided to a Primary Applicant or its subcontractor by individuals or entities and will be valued at rates consistent with those ordinarily paid for similar services in the Primary Applicant or its subcontractor's organization. If the Primary Applicant or its subcontractor does not have employees performing similar work, the rates will be consistent with those ordinarily paid by other employers for similar work in the same labor market. A reasonable amount for fringe benefits may be included in the valuation.
- 2) Donated services occur when an employer other than the Primary Applicant or its subcontractor furnishes the services of an employee in the employee's normal line of work free of charge for Project activities. The services will be valued at the employee's regular rate of pay including fringe benefits up to 30 percent of salaries.
- 3) Donated supplies or materials are supplies or materials donated to the Project by a third party. The contribution will be valued at the market value of the supplies or materials at the time of donation.
- 4) Donated use of equipment or space occurs when a third party donates the use of equipment or space in furtherance of the Project. The contribution will be valued at the fair rental rate of the equipment or space.

- 5) Donated equipment, buildings, and/or land are real and personal property donated by a third party in furtherance of the Project, where title passes to the Primary Applicant or its subcontractor. The contribution will be valued using the fair market value of the property at the time of donation.

Committed Cost Share must clearly explain how its use supports the execution of the project and must be documented in a letter from an authorized representative of the provider stipulating the nature and valuation of the cost share.

Contingent Cost Share can be either Cash or In-Kind Cost Share that is dependent upon another event, such as the receipt of a contract, to be realized. While these circumstances are outside of a proposer's control, Contingent Cost Share may be included in a proposal, but it must be shown separately from the Committed Cost Share. The documentation of this type of cost share must still show how it supports the execution of the project; must have a supporting letter of commitment; and must also explain what effect the loss of the Contingent Cost Share will have on the project's timeline and deliverables in the event that it is not realized.

If there are other types of support that a Contractor deems to be Cost Share, then this must be reviewed and approved by the OFRN-Parallax in writing to be able to be included in the Project(s) as Cost Share.

Other State and Federal Contracts as Cost Share

Funding from other state and federal awards may be included as Cost Share provided, they meet specific criteria, namely, that the funding has a direct and specific relation to the proposed project and is required in order for the project to be successful. If the Primary Applicant intends to use this sort of cost share, please contact the OFRN team with details of the Cost Share request before final submission of a proposal. Failure to do so may result in Cost Share being deemed ineligible.

Documenting Cost Share

The documentation of both Cash and In-Kind Cost Share must include the company or institution name and address, the nature and value of the Cost Share, and the method of valuation. For example, documentation for Cost Share based on the value of a membership must also include the term of membership. The Primary Applicant or its subcontractor is to retain letters of commitment or a membership form or agreement signed by an authorized official of the contributing member and by the Contractor. Further, the Primary Applicant or its subcontractor must also maintain documentation sufficient to verify all reported Cost Share, including the nature and value of the contributions and how these were calculated.

Reporting Cost Share

- The method and frequency of reporting Cash and/or In-Kind Cost Share will be specified in the Agreement.
- An itemized listing of eligible Cost Share attributed to the Project(s) during the Project's Period is to be included in the Cost Proposal

Additional Cost Share Examples

The below examples are for informational purposes. Please contact the OFRN staff with any questions specific to Primary Applicant or its subcontractor's cost share examples and calculations.

Purchase of Equipment

A high-performance infrared camera is required to successfully complete the project. The camera costs \$10,000 and will be purchased during execution of the project. The cost share is \$10,000.

Use of Equipment

A UAS will be used or purchased for the execution of the Project as well as other projects. The asset costs \$100,000 plus 10% annual maintenance and has a useful life of 10,000 hours. The project plan includes 2,000 hours of flight time over 12 months. The cost share for use of this asset is $\$100,000/10,000 \text{ hours} * 2,000 \text{ hours} + \$100,000 * 10\% \text{ maintenance} = \$30,000 \text{ Cost Share}$.

Modification / Integration of Equipment

The Project requires a \$10,000 modification to a flight platform. This is allowable Cost Share if the expenditures would not have otherwise occurred, take place during the execution of this Project, and are directly required for successful execution of the Project.

Discounted use of a Facility

A test facility has a normal rate of \$1,000 per hour but is offering a 20% discount from the normal rate for execution of this Project. \$200 per hour can be used as Cost Share

Donated Services

An organization other than the Project Team donates the services of an employee earning \$25 per hour for 100 hours. The cost share is $\$25 * 1.3 \text{ fringe benefits} * 1,000 = \$3,250$ in cost share

Internal Research and Development (IRAD)

A member of the Project Team is conducting IRAD during the execution of the Project that is directly related to the success of the Project. This includes 3 team members working 50% of their time for 1 year, with each team member earning \$100,000 per year. The cost share is $\$100,000 * 1.3 \text{ fringe benefits} * 50\% \text{-time allocation} * 3 \text{ team members} = \$195,000$ in Cost Share.

Miscellaneous Items

Other examples of cost share include:

- Cost of retrofit and operation of an existing aircraft for the duration of the project
- Integration of an existing product or existing technology that is specific and integral to the project needs
- Personnel and research expenditures specific for this project that would not have otherwise occurred
- Already purchased, onsite characterization equipment specifically needed during technology creation

Cost Share Worksheet

A Cost Share worksheet can be found in Appendix 4: Excel Cost Worksheet which can be downloaded at <https://www.ohiofrn.org/ofrn-current-solicitation>