

# Archived Information

## INVESTING IN INNOVATION FUND (i3)

### *Understanding the i3 Matching Requirement* *A resource for applicants and philanthropic organizations*

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Philanthropic organizations can play an important role in the i3 competition, specifically with respect to the requirement that i3 applicants obtain a 20 percent match in private funds or in-kind donations. Following is information regarding the i3 matching requirement, including the specific language of the requirement, relevant FAQs, and links to additional resources that you may find useful. Please note that all of the information provided in this document has been previously provided in other publicly available documents.

#### **I. Details of the i3 Matching Requirement<sup>1</sup>**

An eligible applicant must obtain matching funds or in-kind donations equal to **at least 20 percent of its grant award**. Selected eligible applicants must submit evidence of the full 20 percent private-sector matching funds **following the peer review of applications**.

- Only contributions from **non-governmental (private) sources** count towards the 20 percent matching requirement
- Contributions may be **cash or in-kind**
- Eligible applicants may count **existing private sector support** towards the required match so long as these funds are **reallocated in support of the proposed project**, and the applicant submits appropriate evidence of this commitment

#### **Pre-submission**

- Applicants may begin to secure matching funds
- Applicants may indicate in their application whether they have already secured matching funds
- A pre-secured match will have **no competitive impact**

#### **Post-submission**

- Eligible applicants will be notified if they are “highest-rated”
- Highest-rated applicants will have several weeks to secure the 20 percent match and provide evidence of that match
- If applicant cannot secure its match, ED may award to a highly-rated applicant that can secure a match

#### **II. FAQs on the i3 Matching Requirement<sup>2</sup>**

##### **E-1. Are i3 applicants required to secure matching funds?**

Yes. The NFP states that an eligible applicant must obtain matching funds or in-kind donations from the private sector equal to at least 20 percent of its grant award.

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<sup>1</sup> Excerpted from the i3 pre-application workshop overview slides which can be found at <http://www2.ed.gov/programs/innovation/resources.html>.

<sup>2</sup> Excerpted from the i3 FAQs (April 30, 2010) which can be found at <http://www2.ed.gov/programs/innovation/faq.html>. Please continue to check the FAQs as the Department will continue to develop and post additional questions as needed.

**E-2. What funds or in-kind contributions may count towards the 20 percent matching requirement?**

Only contributions from non-government sources count towards the 20 percent matching requirement. Contributions may be cash or in-kind. Furthermore, eligible applicants may count existing private sector support towards the required match so long as these funds are reallocated in support of the project for which the eligible applicant seeks funding and the eligible applicant can provide appropriate evidence of this commitment.

Applicants may refer to the Department's regulations on matching funds<sup>3</sup>, including in-kind contributions, which are set forth in 34 CFR 74.23 and 80.24, for clarification on requirements pertaining to in-kind donations.

Although matching funds or in-kind donations provided by LEAs or schools in support of a proposed project are allowed and encouraged, these funds or donations cannot be used to meet the 20 percent matching requirement.

**E-3. When must an applicant secure the required match?**

Applicants are required to submit evidence of the full 20 percent private-sector match following the peer review of applications. Eligible applicants that score at the top of the rank-order list for the respective types of grant will be contacted and given a limited period of time, approximately four to six weeks, to provide evidence of the private-sector match. An award will not be made unless the applicant provides adequate evidence that the full 20 percent private-sector match has been committed or the Secretary approves the eligible applicant's request to reduce the matching-level requirement (see E-6). The Department will provide more detailed instructions to applicants following the peer review of applications.

**E-4. Must an applicant have matching funds or in-kind contributions in hand or simply committed?**

Applicants must provide evidence that funds or in-kind contributions have been committed. These funds and in-kind contributions need not be in hand. As evidence that funds or in-kind contributions have been committed, applicants may provide funding agreements with the private sector or other signed documents indicating the source, amount, purpose, and date of receipt of funds or in-kind contributions.

**E-5. Is the 20 percent match a percentage of the total amount of Federal grant funds awarded?**

Yes. The required match is 20 percent of the total amount of the i3 grant award made by the Department. For example, if an eligible applicant receives a Development grant from the Department of \$1,000,000, it would need to obtain a commitment for a private sector match of \$200,000, which is 20 percent of the amount of the Federal grant award.

**E-6. May an applicant request that the Secretary reduce the matching-level requirement?**

Yes. The Secretary may consider decreasing the 20 percent matching requirement in the most exceptional circumstances, on a case-by-case basis. An eligible applicant that anticipates being unable to meet the 20 percent matching requirement must include in the application a request to the Secretary to reduce the matching level requirement, along with a statement of the basis for the request.

**E-7. May a public IHE provide the private-sector match for an i3 applicant?**

As stated in E-2, only contributions from non-government sources count toward the 20 percent matching requirement. Contributions from a public IHE may not count toward the private sector match if the source of the funds is governmental. However, if a public IHE can demonstrate that the source of the funds is private, such as funds from a private foundation associated with the public IHE, then the funds may count toward the private-sector match.

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<sup>3</sup> The Department's regulations on matching funds can be found at [http://edocket.access.gpo.gov/cfr\\_2008/julqtr/34cfr74.23.htm](http://edocket.access.gpo.gov/cfr_2008/julqtr/34cfr74.23.htm) and [http://edocket.access.gpo.gov/cfr\\_2008/julqtr/34cfr80.24.htm](http://edocket.access.gpo.gov/cfr_2008/julqtr/34cfr80.24.htm).

- E-8. May a grantee use unrecovered indirect costs, i.e., indirect costs that a grantee could have claimed but did not claim under its i3 grant, to meet the matching requirement?**  
No. The Department will not approve the use of unrecovered indirect costs to meet the matching requirement under the i3 program. 34 CFR 74.23(b).
- E-9. May more than one entity contribute toward the 20 percent private-sector match?**  
Yes. Matching funds may come from either a single entity or multiple entities.
- E-10. Must official partners contribute towards the 20 percent private-sector match?**  
No. Under this program, it is not a requirement that any or all official partners in a partnership under section 14007(a)(1)(B) of the ARRA provide contributions, cash or in-kind, toward the 20 percent private sector match. However, an official partner such as a nonprofit organization may contribute toward the private sector match, provided the source of the contribution is from the private sector.
- E-11. May a private citizen's contribution count towards the 20 percent private-sector match?**  
Yes. A private citizen is a private source and, as noted in E-2, only contributions from private (i.e., non-governmental) sources count towards the 20 percent matching requirement. A private citizen's contribution may be in cash or in-kind, including volunteer services (see E-12).
- E-12. May volunteer services count towards the 20 percent private-sector match?**  
Yes. Volunteer services may count as an in-kind contribution under EDGAR.

For LEAs and consortia of schools, 34 CFR 80.24(c) provides the following:

(c)(1) Volunteer Services. Unpaid services provided to a grantee or subgrantee by individuals will be valued at rates consistent with those ordinarily paid for similar work in the grantee's or subgrantee's organization. If the grantee or subgrantee 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. In either case, a reasonable amount for fringe benefits may be included in the valuation.

(2) Employees of other organizations. When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in a different line of work, paragraph (c)(1) [immediately above] of this section applies.

For nonprofit organizations, including IHEs as defined in section 101(a) of the HEA, 34 CFR 74.23 (d) and (e) provide the following:

(d) 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 those instances in which the required skills are not found in the recipient organization, rates must be consistent with those paid for similar work in the labor market in which 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.

(e) When an employer other than the recipient furnishes the services of an employee, these services shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.

**E-13. May an entity provide private-sector matching funds to an i3 grantee throughout the project's grant period?**

Yes. Although applicants must provide evidence that the matching funds or in-kind contributions have been committed prior to the grant award, applicants are not required to have the full 20 percent private-sector match in hand at the time of the award (see E-4). An i3 grantee may arrange for the private-sector match to be provided throughout the project period of the grant. However, to meet the matching requirement, an i3 grantee must obtain matching funds or in-kind donations from the private sector equal to at least 20 percent of its grant award and use these funds or in-kind donations for carrying out the objectives of its i3 project during the project period.

A grantee under the i3 program that fails to obtain the required private-sector match will be required to repay grant funds to the Department. The Department will monitor, throughout an i3 project period, the amount of private-sector funds i3 grantees are expending to ensure they are on track to meet the matching requirement.

**E-14. What information must an eligible applicant include in its request to reduce the matching requirement? Must the request include a specific percentage or amount of reduction in the match?**

As discussed in E-6, an eligible applicant that believes it will be unable to obtain the full 20 percent private-sector match may include in Appendix E of its application a request to the Secretary to decrease the amount of the private-sector match. The Secretary may consider decreasing the matching requirement in the most exceptional circumstances, on a case-by-case basis.

The NFP explains that:

As the Secretary's decision to decrease the private-sector match amount will depend on the individual facts presented in an eligible applicant's request, we decline to describe what situations might or might not be considered "the most exceptional circumstances" warranting the grant of a waiver.

Because the Department is not prescribing what information an eligible applicant should provide when requesting a reduction of the matching requirement, an eligible applicant may request the requirement be reduced by a specific percentage or amount. However, because the statute requires a private sector match, the Secretary may only reduce, and not eliminate, the matching requirement.

**E-15. If the Secretary does not approve an eligible applicant's request to reduce the matching requirement, will the eligible applicant still be considered for a grant award?**

Yes. An eligible applicant whose request to reduce the matching requirement is not approved may still be considered for a grant award. Any such eligible applicant whose application scores in the funding range will be contacted and given a limited period of time to provide evidence that it has secured the full private-sector match (see E-3).

**E-16. What is meant by "private sector?"**

Under this program, "private sector" refers to non-governmental entities. The NFP states that the ARRA:

[D]oes not set any limits on the types of private-sector partnerships that an eligible applicant may establish, except that they must be non-governmental and that, through one or more of these partnerships, the eligible applicant must obtain matching funds from the private sector in order to help bring results to scale.

**E-17. Is there a limit on the amount of in-kind donations an eligible applicant may count towards the 20 percent matching requirement?**

No. An eligible applicant may meet the 20 percent matching requirement using funds or in-kind donations from the private sector and is not limited in the amount of in-kind donations it may count towards the 20 percent matching requirement.

**E-18. May an i3 grantee procure goods or services from a private-sector entity that also provides funds or in-kind donations to meet the i3 grantee's 20 percent private-sector match?**

A private-sector entity that provides funds or in-kind donations to an i3 grantee is not prohibited from also providing goods or services through a procurement relationship with the grantee. However, as discussed in section N, i3 grantees obtaining goods or services that are necessary to carry out their projects must follow the applicable procurement rules in EDGAR.

**E-19. May an eligible applicant count toward the 20 percent matching requirement private-sector funds or in-kind donations expended prior to receipt of an i3 grant?**

No. In order to count toward the 20 percent matching requirement, funds or in-kind donations from the private sector must be expended during the i3 project period. However, an eligible applicant may count existing private-sector support towards the required match so long as these funds are reallocated in support of the i3 project, the eligible applicant can provide appropriate evidence of this commitment, and this support is expended during the i3 project period (see E-2).

**E-20. Which funds should an applicant list when completing Section B of ED Standard Form 524?**

An applicant for an i3 grant must complete ED Standard Form 524, including Section B (Budget Summary Non-Federal Funds). In Section B, an applicant should show the funds or in-kind donations it proposes to use to meet the 20 percent matching requirement as well as any other non-Federal funds or in-kind donations that it proposes to use to support its i3 project. An applicant need not have secured matching funds or in-kind donations in order to show those funds or donations in Section B. If an applicant is submitting with its application a request for a reduction of the private-sector matching requirement, the applicant may show in Section B the amount of non-Federal funds or in-kind donations it intends to use to support its i3 project consistent with that request

Please address any additional questions you may have about i3 to [i3@ed.gov](mailto:i3@ed.gov) so we can continue to update the FAQs as needed.