

Cost Sharing Policy

Background, Scope and Purpose

This policy and procedure was developed to: (1) provide guidance on the circumstances in which the University may approve cost sharing commitments and the kinds of services, expenditures, or assets that may be cost shared; (2) provide information on the contractual, financial, and administrative implications that result from cost sharing commitments; (3) establish procedures that enable the University to document that it has fulfilled cost sharing commitments; and (4) establish procedures to record cost-shared expenditures in the University's financial system in order to identify cost sharing for inclusion in the research base for calculation of the University's indirect cost rate.

When the University submits a funding proposal in which a cost sharing commitment is made, it assumes an obligation to provide the committed resources. There are resource and administrative responsibilities inherent in the cost sharing commitment, and the Principal Investigator ("PI"), department head, and dean should weigh the cost effectiveness and expected benefits of each cost sharing commitment.

Policy

Cost sharing must be proposed, approved, administered, and accounted for in a consistent and prudent manner. This includes understanding workload implications of the cost sharing commitment; determining when cost sharing is appropriate; and accurately recording and reporting cost sharing expenses.

In the case of both voluntary committed and mandatory cost sharing, the cost sharing becomes a binding commitment which the University must fulfill during project performance. The University discourages including voluntary committed cost sharing in proposals.

The PI is responsible for locating funds to support cost sharing commitments, obtaining the appropriate university approvals for use of the identified funds, monitoring expenditure activity associated with the cost sharing commitment, and fulfilling the cost sharing commitment.

Federal Guidance on Cost Sharing

The tracking, reporting, and certifying of direct cost sharing and matching are subject to audit to the same extent as other direct project costs. Requirements for acceptance of direct cost sharing and matching contributions under federal awards is documented in the [Uniform Guidance](#).

Contributions shall be accepted as the recipient's cost sharing, match or in-kind contribution when such contributions meet all of the following criteria:

1. The contribution is verifiable from recipient records.

2. The contribution has not been included as a contribution for any other federally funded project.
3. The contribution is necessary and reasonable for proper, efficient accomplishment of project objectives.
4. The contribution is an allowable cost under applicable cost principles.
5. The contribution has not been paid by another federal award (except as authorized by statute, which is rare).
6. The contribution is provided for in the approved budget when required by the federal awarding agency.
7. The contribution conforms to other provisions in the Uniform Guidance as applicable.

Allowable Cost Sharing Expenditures

Direct Costs

- **Faculty and Staff Effort:** A proposal to contribute faculty or staff effort binds the University to contribute the effort and record the associated salary cost and employee benefits in distinct cost sharing accounts.
- **Tuition:** Tuition cost sharing is allowable *only when* it is part of compensation for work that is necessary to carry out the sponsored project. The student must also be receiving salary from the project.
- **Equipment:** Unless it is a condition of the award, equipment purchase or modification should not be proposed as cost sharing. The University's best interests are served if equipment remains generally available to all qualified researchers. Equipment purchases or donations that are offered to a project sponsor as cost sharing become inextricably tied to that project and are therefore not eligible for general use or for inclusion in equipment core facilities during the life of the sponsored project. Although PIs may not commit University or government-owned equipment as cost sharing, equipment may be proposed as "*available for the performance of the sponsored agreement*".
- **Other Direct Costs:** Other allowable direct costs such as minor equipment that is not capitalized (i.e. purchase price less than \$5,000) and supplies.

Indirect Costs (Facilities and Administrative Costs)

Indirect costs represent real costs incurred in the project performance. When direct costs are cost shared, the indirect costs associated with the direct costs are also cost shared. PIs may include waived or reduced indirect costs as University cost sharing in proposals in accordance with the sponsor's guidance.

Expenses That May Not Be Proposed for Cost Sharing or Matching on Federal Projects

- Administrative salaries, office supplies, and other administrative costs. Except under exceptional circumstances (reference [Costing Policy](#), *Direct Charging Normal Indirect Costs*), these types of expenses are treated as indirect costs.

- Unallowable costs as defined in the Uniform Guidance and in sponsor regulations.
- Salary dollars above a legislative or regulatory salary cap.
- University facilities, including laboratory space. Facilities should be proposed as "*available for the performance of the sponsored project*".
- Expenditures from one federally funded project may not be cost shared on another federally funded project.
- Equipment as explained above.

Source of Funds for Cost-Shared Expenditures

It is the PI's responsibility to identify potential cost sharing resources. Cost sharing funds are typically identified from discretionary, gift, endowment income, operating budget, and designated funds. The PI may not utilize funds from a federal award as cost sharing on another federal award, except as authorized by statute, which is rare. Costs charged to non-federal awards may be used for cost sharing on a federal award if they support activities that are within the scope of the federal project.

Spending Ratio for Sponsored and Cost Sharing Funds

Expenditures charged to sponsor and cost sharing project funds should be recorded at approximately the same rate for the budget period or in accordance with the approved sponsor budget. For example, if the cost sharing budget for the period is 80% spent out, the sponsored budget should also be approximately 80% spent out. ORA will monitor spending ratios in order to ensure that spending on a cost sharing fund is not occurring at a faster rate than spending on the sponsor's funds and may transfer costs between cost sharing and sponsored funds to maintain an equitable ratio. Transfers must be in accordance with the university [Cost Transfer Policy](#).

In addition, internal voluntary cost sharing commitments (i.e. not proposed to the sponsor), such as tuition match, will not be honored in cases where the PI is not able to spend the sponsored funding on other allowable project costs. In this situation, ORA will transfer tuition costs to the sponsored project in order to spend down the project at a sufficient rate to satisfy the sponsor.

Subrecipient Cost Sharing

The University has an obligation to document subrecipient mandatory and voluntary committed cost sharing. At a minimum, documentation shall consist of an invoice that provides a cost itemization of both sponsored and cost shared expenditures, states the period of time expenditures were incurred and a signed certification that the costs conform to federal guidance for cost sharing expenditures. It is the PI's responsibility to monitor subrecipient cost sharing obligations.

Project Cost Overruns

If unanticipated project expenses result in more charges to a sponsored project than will be funded by the sponsor (“overrun”), the amount of the overrun must be accounted for in the same manner as cost sharing. The overrun may be charged as direct costs or cost sharing on that particular project. The overrun may not be charged to another project or used to meet a cost sharing commitment on another project unless the cost transfer meets all conditions of the [University Cost Transfer Policy](#).

When overruns occur, the PI is responsible for notifying ORA and initiating an expense transfer to move the overrun. The PI will obtain written authorization for the transfer from the financial manager of the funding source identified to fund the overrun amount.

Roles and Responsibilities

- The PI is responsible for locating cost sharing funds prior to proposal submission and for obtaining the approval of the financial manager for each funding source on the internal transmittal (eRA proposal record).
- The PI must provide notification of a proposed cost sharing commitment at the time the proposal is submitted to OR via the internal transmittal, which should indicate whether the cost sharing is mandatory or voluntary, identify the source of funding (i.e. WebFinance fund), and contain the approvals of the financial manager(s) of the identified funding source(s), and the approvals of the dean, department head and the PI prior to review and final approval by OR.
- At the time of award, the PI is responsible for ensuring that the appropriate journal entries and/or personnel action forms are forwarded to Research Accounting Services to record the committed cost sharing during the appropriate fiscal year. Academic units must fund all fiscal year commitments prior to the end of the university’s fiscal year.
- Research Accounting Services will establish separate funds to account for the award and the cost sharing expenditure activity. The funds collectively account for the project activity.
- The PI is responsible for ensuring that the appropriate expenditures are posted in a timely and accurate manner to both sponsored and cost sharing funds, and for ensuring that charges are allowable, allocable, reasonable and necessary.
- The PI is responsible for ensuring that subrecipient cost sharing obligations are met and documented.
- The PI is responsible for monitoring the fulfillment of the cost sharing commitment. Research Accounting Services will monitor the cost sharing expenditure activity to ensure the commitment is being met. If the programmatic needs change, possibly reducing total project cost, the PI should contact the ORA to determine the impact of the change on the cost sharing commitment.
- Research Accounting Services is responsible for the inclusion of cost sharing information on invoices and financial reports when required by the sponsor.
- Research Accounting Services and the PI are each responsible for retaining cost sharing documentation in the same manner as the documentation for costs charged to the sponsored agreement.

Implications of Cost Sharing for the Indirect Cost Rate

The indirect cost rate is a percent ratio of the allowable indirect costs, such as space and administration (the numerator), divided by the organized research expenditures, including cost sharing (the denominator). Thus, cost sharing contributes directly and substantially, to the denominator in the indirect cost ratio. More cost sharing drives the indirect cost rate down which is not in the University's best interest. Therefore, the University will discourage voluntary cost sharing, except in cases where this cost sharing promotes a major University objective.