

## Chapter 6 Cost Sharing/Matching

### **Cost-Sharing, or Matching is not “funny money”!**

Cost sharing: That portion of total program or project cost related to a sponsored agreement that is contributed by a party other than the primary sponsor. The term "cost sharing" is the most general of the terms used here, in that it comprises both required and voluntary sharing of project costs from any source. (Please note that the term "matching", defined below, has a more specialized meaning and is a form of cost sharing.) Cost sharing in all forms is proposed and approved during proposal preparation, and must be identifiable, verifiable and auditable during and after the project or program period.

Note: The federal government has determined that any reference, including time and effort, in a proposal budget or budget justification to resources that are committed must be verifiable and auditable within the University records and must be treated as cost sharing. Cost sharing of time and effort can have a negative impact on future F&A rates.

**Cost sharing should not be offered where the sponsor does not require it. When cost sharing is necessary and approved as part of the proposal submission process, a Principal Investigator should promise only what the Principal Investigator, department and school can and will deliver.**

**Avoid voluntary cost sharing when at all possible!** There is no point in having to document two programs – the direct costs and the cost share – when it is not required.

Typically, the University proposes cost sharing only to the extent required by the sponsor. Cumulatively, cost sharing commitments have the effect of reducing the University's F&A cost rate. Cost sharing of direct expenses is considered a part of the research base when calculating the F&A rate and is excluded from the indirect pool of expenses. This distribution lowers the amount of indirect expenses that can be allocated to sponsored projects and reduces the University's recovery of F&A costs. Thus, the institution is tapped three times: first, institutional resources are redistributed to make the cost share available to the project; second, the sponsor does not pay F&A costs on the cost-shared items; and third, the institution's F&A rate is lowered in the next negotiation.

Two general restrictions apply to costs proposed for cost sharing: a) if the costs are used as cost sharing on a federal program, they may not be paid or used as cost sharing on another federal program unless expressly permitted by the sponsor; b) costs otherwise classified as F&A costs may not be represented as direct cost sharing.

### **6.1 Definitions**

The terms "cost sharing," "matching," and "in-kind" generally refer to the portion of the total project cost not borne by the sponsor. Although these terms are often used interchangeably, administrators and prospective applicants must pay special attention to a sponsor's particular definitions of these terms.

## **NEH Guidelines on Cost Sharing**

[http://www.neh.gov/manage/matching\\_fund.html](http://www.neh.gov/manage/matching_fund.html)

### **Cost Sharing**

Cost sharing, sometimes called "matching," refers generally to the salary or cash portion of the total project cost not paid by the sponsor. The University is making a cost sharing promise to a sponsor when the proposal or budget includes a statement that leads a reader to believe that nonsponsor funds will be available or devoted to a project. In the case of cost shared effort, cost sharing is promised or committed when the proposal or budget includes a statement that quantifies the amount of time to be devoted to the work (see Voluntary committed cost sharing and Voluntary uncommitted cost sharing, below, for examples).

### **In-kind**

"In-kind" contributions generally refer to non-cash contributions to a project (e.g., goods, commodities, or services provided by a third party). At SUU, in-kind contributions are normally accounted as gifts.

### **Mandatory Cost Sharing**

Mandatory cost sharing is cost sharing that the sponsor requires as a condition of the award. Mandatory cost sharing is stated on the Notice of Grant/Contract Award, must be documented, and must be reported to the sponsor.

### **Voluntary Cost Sharing**

Voluntary cost sharing is cost sharing not required by the sponsor. There are two types of voluntary cost sharing: voluntary committed cost sharing and voluntary uncommitted cost sharing.

### **Voluntary Committed Cost Sharing**

Voluntary committed cost sharing is cost sharing, often in the form of effort that is not required by a sponsor but is nevertheless specifically pledged in the proposal or budget. Because sponsors incorporate the proposal (and its budget) by reference when making an award, voluntary committed cost sharing becomes a condition of the award. Voluntary committed cost shared expenditures must be accounted and reported in the same way that all other project expenditures are accounted and reported to the sponsor.

Example: A sponsor does not require cost sharing, but the principal investigator believes that an explicit commitment of effort is needed to make the proposal competitive. Moreover, the principal investigator believes that the University can not recover the corresponding salary and fringes from the sponsor without reducing the chances of an award. The proposal or the budget therefore includes a statement to the effect that the principal investigator will devote 25% of his or her time to the project, and the project budget does not request salary and fringes corresponding to that amount from the sponsor. Because a promise of effort has been made to the sponsor, salary and fringe benefits corresponding to .25 FTE effort must be allocated to the project and documented for cost accounting purposes (i.e., by completing a salary authorization, using a companion cost-share account, and reflecting the work in the effort report).

### **Cost Sharing Example**

If a PI proposes a donation of 10% time to the project and the PI earns 100,000 per year, the value of the donated salary is \$10,000. But the actual value is greater. If the

full-time benefits are 27.4%, there is another \$2740 donated to the program. If the allowable F &A rate is 54.5% of salary, there will be another \$5450 donated to the project. The total cost share in this case is \$18, 190. Voluntary, committed cost share of this sort has the impact of eventually lowering the University F&A rate.

### **Voluntary Uncommitted Cost Sharing**

Voluntary uncommitted cost sharing is cost sharing, usually in the form of effort, devoted to the project but not pledged or quantified in the proposal, budget, or award notice. The January 5, 2001 OMB memorandum, "Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs" discusses voluntary uncommitted cost sharing effort as "faculty-donated additional time above that agreed to as part of an award."

Pursuant to the OMB clarification, voluntary uncommitted cost sharing is treated differently from committed effort and is not included in the organized research base for computing the F&A rate or reflected in any allocation of F&A costs.

### **6.2 Cost sharing Expenses Must Be Allowable, Allocable, and Reasonable**

To be allowed as cost sharing expenses, costs must be a) allowable and allocable under federal cost principles (OMB Circulars A-21 and A-110) and the terms of the sponsor agreement; b) certifiable in the effort distribution and certification process (for cost shared effort); c) necessary and directly related to the project objectives (except for cost sharing involving F&A costs); d) capable of being quantified and documented.

Mandatory and voluntary committed cost sharing must conform to University and federal policies regarding allowability, allocability, and reasonableness. The same is true for cost sharing involving gifts, donated services, or volunteer services. The primary federal requirements for cost sharing are to be found in OMB A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, section .23, "Cost Sharing or matching." Guidelines for specific agencies or grant programs may also provide guidance on cost sharing. These requirements must be passed on to any subrecipients performing substantive work under grants and agreements that are passed through or awarded by the primary recipient, if such subrecipients are institutions of higher education, hospitals, and other non-profit organizations.

### **6.3 Cost Sharing Facilities and Administrative Costs**

OMB A-110 Subpart C .23 (b) states that unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the federal awarding agency. Where allowed by the sponsor, unrecovered Facilities and Administrative Costs will be imputed as cost share in the proposal budget.

### **6.4 Cost Sharing from Third Parties**

Cost sharing may come from arrangements with non-University sources. These arrangements must be clearly documented before the proposal is submitted. Documentation ordinarily consists of a Letter of Intent from the entity making the commitment. The letter must be included in the proposal file at OSRG, regardless of whether the sponsor requires the letter to be submitted along with the proposal. Cost

sharing from third parties will comply with all other parts of this section as deemed relevant. Cost sharing that involves soliciting contributions from private entities or individuals ordinarily requires the approval of the dean and the Vice President of University Advancement.

An "In-kind Voucher" to be signed by the third party can be found at:  
<http://www.suu.edu/academics/provost/grants/Forms/WEB-in-kind-voucher.pdf>

## **6.5 Is cost sharing the same thing as "institutional commitment?" - NO!**

In some cases, U.S. Department of Education Trio grants for example, cost sharing is not required but the Department will ask the Project Director to describe "institutional commitment" to the project.

The proposal writer might discuss the commitment of institutional resources to the project, including facilities, office space, equipment, and computer services and other administrative resources such as payroll, accounting, library and Office of Sponsored Research and Grants. The writer might show that the institutional resources that will be made available to the project represent a sound commitment and that, when combined with the support requested from the funder, these resources will be adequate to carry out proposed project activities.

All facilities which are available for use or assignment to the project during the requested period of support should be reported and described briefly. All items of major equipment or instrumentation available for use or assignment to the proposed project should be itemized.

Reviewers may evaluate the level of "institutional commitment" to the project but when cost share or matching is not a required element, that factor will not be on the reviewers guidelines.

## **6.6 Roles and Responsibilities, Cost Sharing**

### **Principal Investigator**

- If required, the PI requests cost-sharing and in-kind contributions from the chair or unit director. Commitments are documented and attached to the External Funding Routing Form or Cost Share form.
- The PI may propose cost sharing through contributed effort if approval by the chair and dean on the External Funding Routing Form.

### **Department Chair or Unit Director**

The chair is the first level of approval for proposed cost sharing. In cases where the cost sharing involves resources not under the chair's authority, the chair approves and forwards the request to the appropriate administrator, usually the Dean. If the chair does not approve the cost-sharing request, he or she must return the application to the PI for resolution.

### **Dean**

The Dean is the second level of approval for proposed cost sharing. In cases where the cost sharing involves resources not under the Dean's authority, the dean approves and forwards the request to the Provost or other person authorized to make the commitment. If the Dean does not approve the cost-sharing request, he or she must return the application to the PI for resolution.

The Dean must approve any request for cost sharing or matching that involves fundraising. The dean may not approve such requests without the concurrence of University Advancement.

### **OSRG**

OSRG interprets sponsor guidelines regarding cost-sharing requirements, consults the sponsor for clarification where necessary, and advises University personnel accordingly. OSRG provides institutional oversight and final approval for cost sharing proposed by PIs and endorsed by chairs and deans.

At the time the grant account with cost sharing is established, OSRG notifies the Accounting Office and the department to which the cost sharing will be charged.