

Cost sharing

What is cost sharing?

Cost sharing is the portion of total project costs related to sponsored projects that is not provided by the sponsor.

Cost sharing can be required by the sponsor. Some federal agencies have a long-standing expectation that the cost of the research they sponsor will be shared by universities because the benefit is shared. In this case it is referred to as “mandatory” cost sharing. With mandatory cost sharing the requirement is addressed in the proposal guidelines. This cost share is normally a fixed percentage of the project but it can also be a fixed dollar amount, negotiated at the proposal stage. This cost sharing must be tracked in a separate project fund.

Other times cost sharing is not required by the sponsor but is offered by the recipient anyway. In this case it is referred to as “voluntary committed” cost sharing. This type of cost sharing places an unnecessary risk on the University because, although it is voluntary, it must be fulfilled. The University of Colorado discourages voluntary committed cost sharing. This cost sharing must be tracked.

The third type of cost sharing is referred to as “voluntary uncommitted”. In this case the cost sharing is over and above the amount of cost share agreed upon. For example: 25% rather than 20%. Any cost sharing over the committed amount is not tracked.

Mandatory and voluntary cost sharing is binding and must be fulfilled. Beware of inadvertent cost share. Review the budget, the budget justification, resources and facilities to ensure that no reference is made that can be construed as cost share, *i.e.* “I will work an extra month during the academic year without funding from the sponsor.”

Note: UCB commits to cost sharing only when it is required by the sponsor.

What can be considered sources of cost sharing?

- Cash or cash equivalent
 - Cash or a budget transfer between allowable speedtypes.
 - Cannot use Federal dollars to cost share on another federally funded project—unless authorized.
- Cost sharing effort
 - Cost sharing of effort is allowed if the institution has the salary to cover the effort.

- *i.e.*, teaching faculty are on contract through the academic year. Their summer months are normally paid from grants and cannot be used to cost share.
 - Salary on NIH grants over the salary cap may be used as cost share.
- Sponsored Award
 - May not cost share from one federal grant to another without prior approval.
- Subcontractors
 - May use to cost share if quantified in sub-award agreement.
- In-kind donations
 - Provision of goods and/or services whose value can be established by the open marketplace.
 - Must be documented via letter from source.
 - Need to provide accurate/valid dollar equivalent.
- Unrecovered indirect costs
 - Allowable per A-110, Section C.23 (b).
 - Unrecovered indirect costs may be used to satisfy cost sharing as long as there has been prior approval from the awarding agency.

What cannot be considered sources for cost sharing?

- Space
- Administrative salaries

The Proposal:

- The budget
 - Budget should show amount requested from the sponsor and the amount to be cost shared.
- The Cost-Share Addendum Form:
 - http://abs.colorado.edu/ABS_WEB/Forms/cs_addendum.pdf

 - Defines type and amount of cost share
 - Effort will be documented in the university's electronic Personnel Effort Reporting System (ePERS).
 - Equipment
 - Salary/fringe
 - Identifies the source for the cost share
 - University
 - Department/Institute
 - College
 - Vice Chancellor

- Third Party
- In-Kind (non-cash)
 - University
 - Third-Party
 - The Principal Investigator is responsible for obtaining documentation from the donor that the cost sharing commitment has been completed. Documentation can be:
 - A signed and dated letter describing the donation, purpose and value.
 - A statement and signature on the commitment letter certifying that the commitment has been fulfilled.
 - A completed *Certification of In-Kind Cost Sharing Contributions* form.
- Ensures the cost share has been properly approved via signature of all responsible parties
 - Signature of Deans/Director/Chairs
 - Letters of Commitment by Third-Party participant

The Award:

When a proposal is funded review the budget and award document for indications of cost sharing.

- Contract/Grant Accountant will notify Sponsored Projects of the cost-sharing commitment.
As required by Sections C.20 and 21 of OMB Circular A-110, Cost sharing must be tracked to the related award
- CU is required to set up a separate “companion account” dedicated to track all cost share revenue and expenses.
This account could be a fund 10, 34, 2x depending on the source of the funds. Accounting, Budgeting and Support will create the account with the description: “Costsharing for project 154xxxx.”
 - Department arranges any transfer of funds to the companion account.
 - Department must monitor and track cost share revenue and expenses separately.
 - Reports by SPA to the sponsor may be required on a monthly, quarterly or end of project basis.
 - Records for all cost sharing commitments are to be retained for the same period as the record for its related sponsored agreement (6 years)

- Failure to provide the appropriate level of cost sharing could result in:
 - Termination of the award
 - Disallowance of award costs
 - Return of award funds

Cost Sharing Requirements:

- Committed costs sharing, from all sources, must meet all the criteria expressed in OMB Circular A-110:
 - Are verifiable in the University's Finance System and substantiated by departmental records.
 - Are not used as cost sharing for any other sponsored project
 - Are necessary and reasonable for proper and efficient accomplishment of project objectives.
 - Comply with applicable federal cost principles as expressed in A-21 including reasonable, consistent, allocable, allowable and incurred during the award period.
 - Are not paid by the federal government under another award, except when approved prior in writing.
 - Are provided for in the approved budget when required by the awarding agency.

When is it appropriate to cost share?

- To meet OMB requirements for minimum commitment of PI effort on sponsored projects.
- To support an investigator on an award which the total direct costs are a smaller amount.
- To indicate a level of effort for a PI with a 0% appointment
- To respond to a clear indication from the sponsor that cost sharing will increase the competitiveness of the proposal.

When is it appropriate to voluntary cost share?

- To provide institutional support for a project that is significant in scope and vital to the campus mission.
- To support an institutional investment in a pioneering project with potential significant future sponsored funding.
- To secure sponsored funding—individual or departmental—in a research discipline in which funding is inherently limited.