
Subject: Cost Sharing on Sponsored Programs

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1. Purpose

The purpose of this policy statement is to set forth the university's policy with regard to sharing in the cost of sponsored projects.

Cost sharing refers to that portion of the total costs of a sponsored project borne by the university. To qualify as cost sharing, a cost must be: (1) verifiable from the university's records; (2) necessary and reasonable for proper and efficient accomplishment of the project or program objective; and (3) allowable under Federal cost principles and administrative regulations (OMB Circulars A-21 and A-110). All committed (mandatory as well as committed voluntary) cost sharing must be adequately documented in the university's records.

2. Policy

The university will make a cost-sharing commitment only when required by the sponsor or by the competitive nature of the award and then only to the extent necessary to meet the specific requirements of the sponsored project. Cost-sharing commitments, to the maximum extent possible, will be recorded in the university's accounting system. Cost-sharing commitments that cannot be recorded in the accounting system (e.g., equipment purchased through the Equipment Trust Fund, committed cost sharing of organizations awarded sub-contracts by the university, etc.) shall be documented in the project file maintained by the Office of Sponsored Programs.

3. Procedures

When cost sharing is specifically required under the terms of a particular award (e.g., cost sharing imposed by Federal agency salary caps), the principal investigator must include these committed mandatory cost sharing amounts in the proposal and in the proposed project budget. Similarly, when cost sharing is explicitly volunteered in the proposal, the principal investigator must include these committed voluntary cost sharing amounts in the proposal and in the proposed project budget. Agreement on the distribution of cost sharing commitments must be reached prior to the proposal submission. All committed cost sharing must be indicated and recorded on the university's Proposal Internal Approval Form as itemized on Form A, "Cost Sharing Request." All applicable cost sharing agreements become a part of the proposal file. Committed cost sharing on equipment proposals must be reviewed and approved by the Office of Sponsored Programs prior to transmittal of the proposal. All cost sharing must be reported to the sponsor as required by the award document. Finally, a given expenditure can only be used as committed cost sharing once; the total can be allocated among numerous projects, but can never be allocated in excess of the total cost.

4. Definitions

Committed cost sharing: Cost sharing required by the sponsor (mandatory) and/or voluntarily pledged (committed) and quantified in the proposal verbiage and the proposal budgets. Committed cost sharing is to be recorded in a fund designated for that purpose whenever possible. Normally, the sponsor will specify the type of expenditure necessary to meet the required or mandatory cost sharing commitment. Examples of expenditures explicitly offered as voluntary committed cost sharing include personnel, materials, and supplies contributed to the completion of project above the amount required by the sponsor. Certain cost-sharing expenditures, such as graduate tuition remission or equipment purchased through the Equipment Trust Fund, cannot be separately recorded in a cost-sharing fund. Expenditures not separately recorded in a cost sharing fund shall be documented in the project file maintained in the Office of Sponsored Programs. A copy of the documentation maintained in the project file shall be sent to the Controller's Office to ensure proper treatment of the expense in the calculation of the university's Facilities and Administrative (F&A) cost rates.

Voluntary uncommitted cost sharing: Cost sharing of faculty-donated time above the amount agreed to as part of the award. The voluntary uncommitted effort contributed by the Principal Investigator (PI), or other project personnel, above the amount charged directly to the project or to the related cost sharing fund is identified through the Personnel Activity Reports (PAR) which are completed each semester. The voluntary uncommitted cost sharing documented on PARs will be excluded from the organized research base during the calculation of the university's F&A cost proposal. However, the applicable portion of such voluntary uncommitted cost sharing allocated to organized research will be included in the research expenditures reported annually to the National Science Foundation.

Committed cost sharing imposed by Federal agency salary caps: Certain federal agencies have established maximum annual salary levels for university employees working on their projects. For example, the Department of Health and Human Services (DHHS) Appropriation Act for each fiscal year contains language restricting the amount of direct salary an individual may charge to a National Institutes of Health (NIH) grant or contract. For example, the salary limit for grants issued after January 1, 2005 is set to Executive Level I of the Federal Executive Pay scale (\$180,100). Faculty and staff working on NIH projects cannot be charged at a rate to exceed the annual salary maximum stated in the fiscal year appropriation act for DHHS, which is subject to change periodically. The difference between the maximum salary rate allowed by a federal agency and the employee's salary must be documented as cost sharing and identified in the accounting system as follows:

Assume a PI with an annual base salary of \$200,000 with 25% charged to an NIH project and 75% charged to a departmental operating or state fund. The maximum amount that may be charged to the NIH project is \$45,025 ($.25 \times \$180,100$); however, 25% of the PI's annual salary is \$50,000 ($.25 \times \$200,000$). The difference, \$4,975, must be recorded in a cost sharing fund identified for that purpose.

Note: This example assumes some of the PI's salary is charged to state funds or overhead funds. This example may not apply in all cases, especially where the PI is charged 100% to grants and contracts. Please contact your Project Administrator in the Office of Sponsored Programs for assistance in making this calculation.

Cost sharing from cost overruns on sponsored projects: Whenever the costs for a sponsored project exceed its approved budget, and the Principal Investigator cannot legitimately transfer (see Policy 3255, "Cost Transfers on Sponsored Projects," for the appropriate criteria) the costs to another closely related sponsored project, those costs become committed cost sharing. Therefore, the amount of the cost overrun must be transferred to a non-federal university fund. Transfers involving cost overruns must be separately identified and entered into the accounting system using the designated transaction code. See Policy No. 3255, "Cost Transfers on Sponsored Projects," for details.

Cost sharing from unrecovered facilities and administrative (F&A) costs, or indirect costs, on federal projects: Unrecovered F&A costs on Federal projects may be included as cost sharing only with the prior approval

of the federal awarding agency per OMB Circular A-110. A separate cost-sharing fund will not be established to capture these costs. However, these amounts must be documented in the project file maintained by the Office of Sponsored Programs.

Cost sharing from unrecovered facilities and administrative (F&A) costs on non-federal projects:

Unrecovered F&A costs on non-federal projects may be included in the university's cost sharing commitment for these projects. A separate fund will not be established to capture these costs. However, these amounts must be documented in the project file maintained by the Office of Sponsored Programs.

5. References

Office of Management and Budget (OMB) Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations.

Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions.

6. Approval and Revisions

Approved January 21, 1998 by Vice President for Finance and Treasurer, Raymond D. Smoot, Jr.

- Revision 1

Update NIH Salary Cap and incorporate OMB clarification on the treatment of Voluntary Uncommitted cost sharing.

Approved February 15, 2005 by the Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.