



Cost Sharing on Sponsored Programs

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1.0 Purpose

The purpose of this policy statement is to define cost sharing, set forth the university's position on cost sharing in support of sponsored projects, advise the university community regarding the contractual, financial, and administrative implications of any commitment to cost share, and ensure cost sharing on sponsored projects is proposed, managed, and reported on in a consistent manner and in compliance with federal regulations and university policies.

IMPORTANT: The award date and contractual modifications of federal awards/subawards determine which regulations are applicable. For federal awards/subawards issued to Virginia Tech with a start date prior to December 26, 2014, [2 CFR Part 215 \(OMB Circular A-110\)](#) and [2 CFR, Part 220 \(OMB Circular A-21\)](#) apply. All new funds (new awards and new monies, such as continuation awards, supplements, etc. received for existing awards) with a start date on or after December 26, 2014 are subject to [2 CFR Part 200](#) (commonly referred to as Uniform Guidance—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) but hereinafter referred to as “2 CFR Part 200”).

2.0 Policy

Cost sharing refers to the portion of the total costs of a sponsored project borne by the university. The university will make a cost sharing commitment only when required by the sponsor or by the competitive nature of the award and 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 by organizations awarded sub-contracts by the university, etc.) shall be documented in the Cost Share Tracker System maintained by the Office of Sponsored Programs.

Similar to direct costs, cost sharing expenditures for federal sponsored projects must be allowable under the applicable federal regulations (Subpart E – Cost Principles under [“2 CFR Part 200”](#) or OMB Circulars A-21 and A110), the terms of the agreement and university costing principles, along with the additional criteria outlined in Section 3.0 Procedures below. Cost sharing expenditures for all types of sponsored projects should be incurred and posted proportionally to the direct costs of the project throughout the award's period of performance. If cost sharing commitments are not met, the sponsor may reduce their portion of the award proportionally

3.0 Procedures

To qualify as cost sharing, a cost must meet all of the following criteria:

1. verifiable from the university's records;



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2. not included as contributions for any other sponsored project; 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;
3. necessary and reasonable for proper and efficient accomplishment of the project or program objective; and
4. provided for in the approved budget.

The following additional criteria apply to federal sponsored projects and are generally applied to nonfederal sponsored projects for consistency, unless the sponsor specifically approves an exception:

1. allowable under the applicable federal regulations ([Subpart E – Cost Principles](#) under [“2 CFR Part 200”](#) or OMB Circulars A-21 and A-110), the terms of the agreement and university costing principles;
2. not paid by the federal government under another federal award except where authorized by federal statute; and
3. in conformance with other provisions of [2 CFR 200.306](#).

The Public Health Service (PHS) which includes the National Institutes of Health (NIH) is governed by regulations establishing a maximum salary that may be awarded to a project participate-salary cap. Some non-federal agencies also impose salary caps. If a sponsor imposes a specific salary cap, the university will not charge the sponsor above that rate but will treat that salary portion above the salary cap as voluntary committed cost sharing. The university will not report voluntary committed cost sharing to the sponsor but the salary in excess of the cap will be charged to a separate voluntary cost sharing fund. Even though it is titled “voluntary,” the university is required to maintain and account for this cost share for Facilities & Administrative Cost rate negotiation purposes.

The principal investigator (PI) must include committed mandatory and committed voluntary cost sharing amounts in the proposed project budget. The PI is also responsible for obtaining appropriate approvals for cost sharing commitments by the respective Department Heads, Deans, or Vice Presidents. Cost sharing must be reviewed and approved by the Office of Sponsored Programs Pre-Award Associate prior to transmittal of the proposal to the funding agency. All voluntary committed cost sharing must be approved before proposal submission by the Assistant Vice President of Sponsored Programs or designee. All committed (mandatory as well as committed voluntary) cost sharing must be adequately documented in the university's records and reported to the sponsor as required by the award document.

4.0 Definitions

COMMITTED COST SHARING is 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 committed cost sharing include personnel, materials, and supplies contributed to the completion of project above the amount provided by the sponsor. Certain cost sharing expenditures, such as graduate tuition remission, third-party contributions, and equipment purchased through the Equipment Trust Fund, cannot be separately recorded in a cost sharing fund in the university's accounting system. Expenditures not separately recorded in a cost-sharing fund shall be documented in the Cost Share Tracker System maintained by the Office of Sponsored Programs. A copy of the documentation maintained in the Cost Share Tracker System shall be sent upon request to the



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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 involves the contribution of faculty effort or other resources above the amount agreed to as part of the award. 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 Facilities & Administrative (F&A) cost proposal.

COMMITTED COST SHARING IMPOSED BY SALARY CAPS occurs when sponsors have established maximum annual salary levels for university employees working on their projects. 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 10, 2016 is set to Executive Level II of the Federal Executive Pay scale (\$183,300). 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 an example, assume a PI with an annual base salary of \$200,000 with 25 percent charged to an NIH project and 75 percent charged to a departmental operating or state fund. The maximum amount that may be charged to the NIH project is \$45,825 (.25 x \$183,300); however, 25 percent of the PI's annual salary is \$50,000 (.25 x \$200,000). The difference, \$4,175, must be recorded in a cost-sharing fund identified for that purpose.

COST SHARING FROM COST OVERRUNS ON SPONSORED PROJECTS occurs whenever the costs for a sponsored project exceed its approved budget, and the Principal Investigator (PI) cannot legitimately transfer the costs to another closely related sponsored project, those costs remain direct costs of the project but become cost sharing. Therefore, the amount of the cost overrun must be transferred to a non-federal university fund. Transfers involving non-payroll cost overruns should be separately identified on the journal entry and entered into the accounting system using the designated transaction code. See University [Policy 3255, Cost Transfers on Sponsored Projects](#) for details.

COST SHARING FROM UNRECOVERED FACILITIES AND ADMINISTRATIVE (F&A) COSTS, OR INDIRECT COSTS, ON FEDERAL PROJECTS may be included as cost sharing only with the prior approval of the federal awarding agency per the applicable federal guidance [2 CFR 200.306](#). A separate cost sharing fund will not be established to capture these costs. However, these amounts must be documented in the Cost Share Tracker System maintained by the Office of Sponsored Programs.

COST SHARING FROM UNRECOVERED FACILITIES AND ADMINISTRATIVE (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 Cost Share Tracker System maintained by the Office of Sponsored Programs.



5.0 References

Office of Management and Budget (OMB) Circular A-110

<https://www.govinfo.gov/content/pkg/FR-1999-10-08/pdf/99-26264.pdf>

Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-profit Organizations.

<http://www.ecfr.gov/>

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

https://obamawhitehouse.archives.gov/omb/circulars_a021_2004/

2 CFR Part 200– Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200?toc=1>

University Policy 3255, Cost Transfers on Sponsored Projects

<http://www.policies.vt.edu/3255.pdf>

6.0 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.
- Revision 2
Policy updated for changes in the references for federal regulations and changes in method for tracking cost sharing expenditures by the Office of Sponsored Programs.
Approved January 13, 2017 by the Vice President for Finance & Chief Financial Officer, M. Dwight Shelton, Jr.
- Revision 3
Technical updates to links.
Approved September 23, 2022 by Vice President for Policy and Governance, Kim O'Rourke.