



Chapter 5 - **COST SHARING** [Updated links - July 2011]

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5-100 INTRODUCTION

"Cost sharing", also called "matching," refers to the resources contributed or allocated by the University (including non-University resources allocated by the University) to a sponsored project over and above the support provided by the extramural sponsor of that project. It is the policy of the University that all work conducted under extramural funds shall pay "all expenses, both direct and indirect" ([Academic Personnel Manual APM-020](#)). However, the University may share the cost of such projects with external sponsors in accordance with its principal mission of supporting the search for and dissemination of knowledge when such cost sharing is required by the sponsor as described below in this Chapter.

5-110 CONTRACTS AND GRANTS OFFICERS' GENERAL RESPONSIBILITY

The general responsibility of Campus Contracts and Grants Officers with regard to cost sharing is to ensure that kinds and levels of cost sharing shown in proposals and awards are:

- (1) Approved by the stated campus source of the cost sharing, i.e., the Department Chair or Dean; and
- (2) Consistent with University and sponsor policies and available from appropriate sources.

5-200 CONTRIBUTION OF DIRECT AND INDIRECT COSTS

5-210 CONTRIBUTION OF DIRECT COSTS

Direct costs may be contributed to a sponsored project, subject to the cost sharing/matching conditions and criteria discussed in Sections 5-300 through 5-420. If direct project costs are contributed to a sponsored project, indirect costs associated with the cost sharing are calculated as part of the cost sharing at the appropriate negotiated or approved indirect cost rate.

5-220 CONTRIBUTION OF INDIRECT COSTS

Indirect costs may be contributed to a sponsored project when associated with direct cost contributions. (See 5-210.) Waivers of indirect costs requested only for the purpose of creating cost sharing will not be approved. However, indirect cost amounts that have been waived in accordance with procedures and on the bases outlined in [Sections 8-600 through 8-660](#) of this *Manual* may be used to satisfy sponsor cost sharing requirements.

5-300 TYPES OF COST SHARING/MATCHING

5-310 MANDATORY COST SHARING

Mandatory cost sharing/matching refers to that portion of the University contribution to a sponsored project which is required by the terms of the project's Request for Proposal or Application (RFP/RFA). By accepting an award with mandatory cost sharing, the University incurs an obligation to document its financial contributions to the sponsored project. Reporting also may be required. Campus Contracts and Grants Officers should carefully review all proposals and awards to make sure that any cost sharing requirements are consistent with agency and University policies and appropriate for the value of the project to the University.

Unless there is specific statutory requirements for cost sharing, federal sponsoring agencies should not require cost participation by educational institutions engaged in federal research projects if:

- (1) The particular research objective or scope of the effort for the project is specified by the federal government rather than proposed by the institution. This would apply to solicited proposals, but not unsolicited proposals; or
- (2) The research effort has only minor relevance to the non-federal activities of the performing institution and the institution is proposing to undertake the research primarily as a service to the government.

Awards from for-profit sponsors should not require mandatory cost sharing. However, in cases where this is appropriate, campus Contract and Grant Officers should refer to sections [8-637](#) and [11-341](#) of this *Manual* for a summary of sponsor patent rights applicable to agreements with for-profit sponsors with regard to whether the for-profit sponsor has paid the full cost of an extramurally funded project.

5-320 VOLUNTARY COST SHARING

Voluntary cost sharing refers to University-initiated contributions to a sponsored project. Voluntary cost sharing is discouraged under the University's policy requiring full cost recovery for work conducted under extramural awards as it commits University resources and creates additional award administration documentation requirements. However, if a campus anticipates voluntary cost sharing at the time of proposal submission, it is appropriate to so inform the sponsor. If the proposed cost sharing amount is included in

the award budget or the project narrative, the fulfillment of the cost sharing must be documented and reported as if it were mandatory cost sharing. The extent of voluntary cost sharing should be reasonable and prudent, considering the Principal Investigator's other commitments of time and University policy regarding full recovery of costs. As with mandatory cost sharing, voluntary cost sharing must be approved by individuals who have authority over the stated source of the cost sharing.

All proposals for federally supported research projects should be responsive to the applicable federal guidelines. However, any attempt by sponsoring federal agencies to impose arbitrary or unreasonably high cost contributions should be resisted.

5-330 COMMITTED COST SHARING/MATCHING

Committed cost sharing includes mandatory and voluntary cost sharing identified in the project proposal (in the proposed budget or in the project narrative). It represents a commitment by the University that must be fulfilled if the proposal is accepted as offered by the University and awarded by the sponsor

By accepting an award with committed cost sharing, the University also incurs an obligation to document the financial contribution provided to the sponsored project. Reporting may also be required by the sponsor. ([See 5-500](#), Cost Sharing Records and Reports.) In addition, information on commitments must be identified for proper effort reporting and for F&A rate proposal development. ([See 5-520](#).)

Should the awarded amount be reduced from the proposed amount, the committed cost sharing may need to be adjusted accordingly, particularly if the awarded budget reduction requires a change in the Scope of Work. Any reduced cost sharing should be correctly stated in the award.

5-340 VOLUNTARY UNCOMMITTED COST SHARING

Voluntary uncommitted cost sharing refers to any effort of University faculty (and possibly senior researchers) beyond that which is committed and budgeted for in a sponsored agreement. Such voluntary uncommitted cost sharing is not included in either the proposal budget or the narrative. Unlike committed cost sharing, voluntary uncommitted cost sharing does not require documentation or reporting, and will not be included in the organized research base for computing the facilities and administrative (F&A) rate or reflected in allocation of F&A costs. Furthermore, such faculty and senior researchers' effort is excluded from the effort reporting requirement in [2 CFR 220, Cost Principles for Educational Institutions, \(OMB Circular A-21\) section J.10](#). (Also see: [OMB Memorandum M-01-06, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs](#).)

5-400 ALLOWABILITY OF COSTS SHARED

5-410 GENERAL RESTRICTIONS

Allowability of cost sharing costs is usually determined by the specific award terms and conditions. When a project is funded by a federal grant, University practice follows the guidance on allowable costs given in [2 CFR 215, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, \(OMB Circular A-110\) section 215.23.](#) (See 5-F01).

According to this section, mandatory cost sharing/matching and in-kind contributions must be verifiable, related to program objectives, allowable under the applicable cost principles, not from another federal award (unless the terms of that award specifically permit the funds to be used as cost sharing or matching), and shown in the approved budget. The cost principles applicable to the University are those in [2 CFR 220, *Cost Principles for Educational Institutions*](#). (See [section 6-F01](#) of this *Manual*.) Funds from any source which have already been committed as cost sharing to another project cannot be committed twice. In addition, income earned under the grant may not count as cost sharing unless expressly authorized by the granting agency. (See [section 6-F03](#) of this *Manual*.)

The University-funded salaries of faculty and other employees directly engaged in the project, together with related employee benefits and indirect costs, constitute the most appropriate cost sharing contribution to federal research projects. Sabbatical leave pay may be claimed if it is identifiable with the project. Particular care must be taken to insure that University-furnished space or equipment is not claimed as a cost contribution since these costs are reimbursed by application of the indirect cost rates. Costs financed by departmental budgets or any other non-federal fund source may be claimed as a cost sharing contribution if they are directly identifiable with the applicable federal research project and are contributed during the performance period of the grant or contract. Departmental administrative expenses (e.g., secretaries, clerks, supplies) generally do not qualify as cost sharing since these expenses normally benefit and are distributed across all activities and objectives of a department and are, therefore, included in the determination of the indirect cost rate. In summary, costs meeting all of the above criteria are allowable as a University cost sharing contribution under federal research grants and contracts provided they:

- (1) qualify as allowable costs under provisions of 2 CFR 220 (*OMB Circular No. A-21*);
- (2) do not duplicate the type of costs included in the University's indirect cost rates; and,
- (3) have not been charged to any other federal contract or grant.

5-420 IN-KIND CONTRIBUTIONS

In-kind contributions represent the value of non-cash contributions provided by the University or non-federal third parties to a sponsored project when such contributions directly benefit that project. Such contributions generally may be counted as cost sharing. However, any property purchased with federal funds may be contributed to a federally-

sponsored project only if authorized by federal legislation. Typical examples of in-kind contributions are services provided by volunteers and property donated by non-federal third parties. University procedures on documenting in-kind contributions conform to [2 CFR 215 \(OMB Circular A-110\), 215.23](#). (See 5-500 and [5-F01](#)).

5-500 COST SHARING RECORDS AND REPORTS

General University requirements for preparing cost sharing records and reports are found in [Accounting Manual Chapter A-000-7](#), “Official Documentation Required in Support of University Financial Transactions,” Section II. J., “Cost Participation on Sponsored Projects.”

5-510 COST SHARING ON A PROJECT-BY-PROJECT BASIS

When cost sharing contributions must be documented on a project-by-project basis, the Principal Investigator’s department is responsible for maintaining documentation to substantiate these costs. Each campus must also have a centralized tracking system to capture committed cost sharing amounts, including those stated in effort reports. Campus Accounting Offices may also require copies of cost sharing documentation for audit examination. Federal auditors may, required Principal Investigators to provide supplementary information and records as practicable, to substantiate the cost sharing contributions certified with the award close-out.

5-511 Cost Sharing Documentation on Subawards and Subcontracts

All institutions receiving subawards or subcontracts from the University must provide information on their cost sharing contributions, if any, to the University. As a prime award institution, the University may not be required to obtain documentation to substantiate all the cost sharing stated by the subaward institution, but must have a signed document from the subaward institution stating the amount of the cost sharing provided. The subaward institution is responsible for maintaining the documentation of such costs should auditors require it.

5-520 COST SHARING DATA AND FACILITIES AND ADMINISTRATIVE RATE PROPOSALS

Detailed information documenting the fulfillment of committed cost sharing, including information on project and institutional cost sharing must be incorporated into the campus’ facilities and administrative (F&A) rate proposal. The information must be incorporated to ensure that it is included in the appropriate direct cost base in computing the F&A rates.

5-999 RELATED UNIVERSITY REFERENCES

- [Accounting Manual Chapter A-000-7, Official Documentation Required in Support of University Financial Transactions](#)

EXTERNAL REQUIREMENTS--FEDERAL

5-F01 [2 CFR 215 Section 215.23, "Cost Sharing or Matching," \(OMB Circular No. A-110\), Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations](#)

PURPOSE

This section provides guidance on the kinds of contributions that satisfy federal agency cost sharing and matching requirements.

APPLICABILITY

The provisions of Section 215.23 are applicable to all federal agencies in their administration of grants to, and cooperative agreements with, public and private institutions of higher education, public and private hospitals, and other quasi-public and private nonprofit organizations.

SUMMARY OF PROVISIONS

a. General

This section provides guidance on the allowability of cost sharing costs under federal grants and other assistance agreements. It also establishes criteria for the evaluation of in-kind contributions made by third parties. This section does not mandate cost sharing; statutory requirements for cost sharing (if any) are generally contained in the annual appropriation bills for each federal agency. Agency-specific requirements should be clearly stated in agency RFPs or RFAs.

b. Definitions

Cost sharing and matching amounts are that portion of project or program costs not reimbursed by the federal government. Contributions are generally in the form of actual disbursements (cash contributions), non-cash contributions provided by the institution from non-federal sources, or third party in-kind contributions. Property purchased with federal funds may not be included under the definition of in-kind contributions unless authorized by federal legislation.

EXTERNAL REQUIREMENTS--FEDERAL

c. Criteria for Allowability

Mandatory cost sharing and in-kind contributions must be verifiable, related to program objectives, allowable under the applicable cost principles, not from another federal award, unless the terms of that award specifically permit the funds to be used as cost sharing or matching, and shown in the approved budget. The cost principles applicable to the University are those in [2 CFR 220 \(OMB Circular No. A-21\)](#). (See [Section 6-F01](#) of this *Manual*).

d. Valuation of In-Kind Contributions

In-kind contributions will be evaluated in accordance with the applicable cost principles. In the case of the University, the applicable cost principles are found in 2 CFR 220 (OMB Circular A-21). (See section 6-F01 of this *Manual*.) Generally, according to 2 CFR 220, the valuation of a donated service or item is to be done in a manner that is reasonable and equitable.

Specific guidelines on the valuation of in-kind contributions from non-federal third parties are organized according to three main categories: volunteer services, expendable personal property, and equipment/buildings/land. Rates for volunteer services should be consistent with those paid for similar work in the recipient's organization. Expendable personal property (e.g. supplies) should be rated at current market value. Equipment/buildings/land should be appraised at their current market or, as appropriate, rental value. (In certain cases, the services of an independent market appraiser are required.) The full value of volunteer services and expendable personal property may be used to calculate the amount of an in-kind contribution. For equipment/buildings/land, however, the full value may be used only if the purpose of the sponsoring grant or agreement is to assist the institution in acquiring the property. Otherwise, only depreciation or use charges may be counted.

e. Documentation of Mandatory Cost Sharing

Volunteer services must be documented and, to the extent feasible, supported by the same methods used by the institution for its employees. The basis for determining the valuation for personal services, material, equipment, buildings, and land also must be documented.

PRIMARY UNIVERSITY RESPONSIBILITY

Principal Investigators and unit business offices are responsible for insuring that the University's cost sharing commitment is fulfilled, for providing the required information for the cost sharing contribution report, and for maintaining information and records that support cost sharing certifications.

Campus Accounting Officers, department heads, and other appropriate campus or Office of the President administrative offices are responsible for making sure that allowable contributions are evaluated and documented in accordance with the provisions of this section, when the terms of a federal award mandate cost sharing or matching.

UNIVERSITY IMPLEMENTATION

The cost sharing documentation requirements of this section are implemented in [Accounting Manual Chapter A-000-7, "Official Documentation Required in Support of University Financial Transactions."](#)

Campus Accounting Offices are responsible for mechanisms to identify and maintain documentation of committed cost sharing which ensure that:

- 1) proper effort reporting is accurately captured;
- 2) cost sharing commitments are fulfilled; and
- 3) the total annual value of cost sharing delivered is reported and used in the preparation of the campus F&A rate proposal.