Applicability

These Cost Sharing guidelines apply to all sponsored projects at the University of West Georgia (UWG). Mandatory cost sharing that is required by the sponsor as a condition of obtaining an award is the only allowable type of cost share at UWG.

Purpose

The purpose of these guidelines is to define cost sharing and to provide guidance on the proper tracking and reporting of grant and contract cost sharing. These guidelines establish procedures to meet federal requirements, primarily OMB Circulars A-110 and A-21, requiring the reporting of cost sharing to sponsors.

Background

Cost sharing is that portion of a total sponsored project’s costs that are paid from sources other than the funds provided by the sponsor. Cost sharing can either be imposed by a sponsor as a condition of the award (mandatory committed) or it can be voluntarily committed if it is offered by the University when it is not a sponsor requirement. Voluntary committed cost sharing is not supported by UWG unless expressly authorized and approved by the PI’s Dean and/or higher authority (Associate Vice President for Research, Associate Vice President for Academic Affairs, Deputy Provost, Provost and VPAA, or President).

Some agencies make a distinction between “cost sharing,” “in-kind,” and “matching.” Generally, all of these terms refer to the share of costs not charged to the sponsor. These terms can refer to cash contributions, contributed time, donated services, supplies, equipment, etc.

Cost sharing has a significant financial impact on the department, college/school, or University that is providing the funds for the cost share. These types of commitments are not encouraged and can only be approved by the PI’s Dean or higher authority (see above). The University practice is to provide cost sharing only when required by agency guidelines or delineated in specific program announcements.

Should cost sharing be approved by the PI’s Dean or higher authority, the cost share is typically committed via a “shared impact” model wherein the PI’s department, the PI’s college, and the ORSP share the cost equally (one-third each). This model provides evidence of positive and universal commitment toward the project. When one of the cost sharing entities (department, college, ORSP) is not able to contribute its share of the commitment to the project, its share may be supported by other sources.
If specific effort or other commitments are specified anywhere in the proposal (including in the narrative or current and pending support statements) and no associated costs are detailed in the budget, these efforts or other commitments are considered to be a cost sharing commitment on behalf of the University. Therefore, the PI needs to be cognizant of referring to effort and other commitments if they are not also assigned a real cost in the submitted budget.

Definitions

Cost Sharing: A portion of total project or program costs related to a sponsored agreement that is contributed by an entity other than the sponsor. Cost sharing is further classified as either mandatory or voluntary (see below).

Cost Sharing Fund: A fund established to record committed university contributions to a sponsored project or program.

Direct Cost: A cost that directly benefits and is specifically associated with a sponsored project or program.

Effort: Compensated time spent, expressed as a percentage, attributable to a sponsored project or program.

Facilities and Administrative Cost: A cost incurred in support of the project or program that does not directly benefit and is not specifically associated with a sponsored project or program.

Facilities and Administrative costs include such items as utilities and other plant costs and certain general expenses that are to some degree attributable to the project or program.

Mandatory Cost Sharing: A contribution to a sponsored project or program required by the sponsor as a condition of obtaining the award. Such contributions are binding commitments and must be accounted for in accordance with this policy. Mandatory cost sharing is typically reportable to the sponsor.

Note: Sponsor "encouraged" cost sharing, not required as a condition of receiving an award does not constitute mandatory cost sharing.

Third Party In-Kind Contribution: A non-cash contribution to a sponsored project or program provided by a party other than either UWG or the primary sponsoring agency.

Third party in-kind contributions may be in the form of real property, equipment, supplies, and other expendable property or goods and services directly benefiting and specifically designated for the project or program.

Voluntary Committed Cost Sharing: Quantified contributions reflected in the proposal narrative, budget, and/or budget justification. These are binding commitments and must be accounted for in any resulting award in accordance with this policy.
Voluntary Uncommitted Cost Sharing: Effort that was not required by the sponsor nor committed on the budget page or budget justification of the proposal (i.e., it is not mandatory or committed cost sharing). In instances where faculty expend effort on a funded project, but do not receive compensation from the project or the university, this effort cannot be verified with financial records (reporting from ADP). Therefore, Voluntary Uncommitted Cost Sharing may not be reported on the Time & Effort Certification Report.

Federal Regulations

In order to be acceptable for cost sharing, costs must:

(Per the Office of Management and Budget (OMB) Circular A-21):

- Be allocable, i.e., necessary and reasonable for proper and efficient accomplishment of the sponsored research award objectives;
- Be allowable under the applicable cost principles; and

(Per OMB Circular A-110):

- Be verifiable from the grantee’s records;
- Not be included as contributions for any other federally-assisted sponsored research award;
- Not be paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching;
- Be provided for in the approved budget when required by the Federal awarding agency;
- Not be unrecovered Facilities and Administration Costs without prior approval of the Federal awarding agency; and
- Conform to all other applicable provisions of Circular A-110.

Guidelines

Cost Sharing has a significant financial impact on the entity providing the funds for the cost share and on the institution as a whole. Committed cost sharing (mandatory and voluntary) must be tracked and accounted for separately from other institutional funds and it must be included in the “Organized Research” base when calculating the Institution’s Facilities and Administrative (indirect cost) rate. Because cost sharing can reduce the F&A rate, commitments should be kept to a minimum or only applied when required by the sponsor. It is UWG’s practice not to cost share/match on a voluntary basis and when a cost share/match is approved, it must be a shared commitment (see above).

Procedure

Cost sharing commitments must be reviewed and approved by each participating Department Chair, Dean, ORSP, and any other entity providing the cost share. At the time of award, a separate cost sharing “companion” account must be set up within the PI’s academic
department to maintain and utilize cost shared funds. ORSP Post-Award Services will provide the project’s Budget Contact with the sponsor-approved cost share amount. The Budget Contact, in conjunction with ORSP Post-Award Services, submits the “New Department” request form to UWG Budget Services. Budget Services then provides the cost share account number to the Budget Contact and the PI (authorized approver). The PI’s home department, college, ORSP, or other supporting entity will then allocate sufficient funds to the cost share account to cover its portion of the committed cost share via a Budget Amendment or in some cases, an Expense Transfer Form. Quarterly copies of cost share expenditures must be submitted to the ORSP Post-Award Services office for sponsor reporting. Expenses must be recorded against the appropriate sponsored project or cost share accounts as directed by the PI and approved by ORSP. At the end of an award, ORSP will verify that the cost sharing commitment was met. Cost sharing is monitored and reported annually for inclusion in the appropriate direct costs base in the F&A rate proposal.

Allowable Cost Sharing Expenditures

Direct Costs

- **Faculty and Staff Effort:** A proposal to contribute faculty or staff effort binds the University to contribute the effort and record the associated salary cost and employee benefits in distinct cost sharing accounts.
- **Tuition:** Tuition cost sharing is allowable *only when* it is part of the compensation for work that is necessary to carry out the sponsored project. The student must also be receiving salary from the project and typically is a graduate student.
- **Equipment:** Unless it is a condition of the award, equipment purchase or modification should not be proposed as cost sharing. The University’s best interests are served if equipment remains generally available to all qualified researchers. Equipment purchases or donations that are offered to a project sponsor as cost sharing become inextricably tied to that project and are therefore not eligible for general use or for inclusion in equipment core facilities during the life of the sponsored project. Although PIs may not commit University or government-owned equipment as cost sharing, equipment may be proposed as "available for the performance of the sponsored agreement."
- **Other Direct Costs:** Other allowable direct costs such as minor equipment that is not capitalized (i.e., purchase price less than $5,000) and supplies.

Indirect Costs (Facilities and Administrative Costs)

- Indirect costs represent real costs incurred in the performance of the project. When direct costs are cost shared, the indirect costs associated with those direct costs are also cost shared. PIs may include waived or reduced indirect costs as University cost sharing in proposals in accordance with the sponsor’s guidance.
Expenses That May Not be Proposed for Cost Sharing or Matching

- Administrative salaries, office supplies, and other administrative costs. Except under exceptional circumstances, these types of expenses are treated as indirect costs.
- Unallowable costs as defined in OMB Circular A-21 and in sponsor regulations.
- Salary dollars above a legislative or regulatory salary cap.
- University facilities, including laboratory space. Facilities should be proposed as "available for the performance of the sponsored project."
- Expenditures from one federally funded project may not be cost shared on another federally funded project.
- Equipment as explained above.

Implications of Cost Sharing for the Indirect Cost Rate

The indirect cost rate is a percent ratio of the allowable indirect costs, such as space and administration (the numerator), divided by the organized research expenditures, including cost sharing (the denominator). Thus, cost sharing contributes directly and substantially, to the denominator in the indirect cost ratio. Increased cost sharing drives the indirect cost rate down which is not in the University’s best interest. Therefore, the University discourages cost sharing, except in cases where this cost sharing promotes a major University objective and/or is required by the sponsor.