
COST SHARING

Purpose:

To establish University policy and procedures for cost sharing.

Additional Authority:

[OMB Circular A-21 "Cost Principles for Educational Institutions"](#)
[OMB Circular A-110 "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations"](#)

Scope:

Applies to all agreements committing the University to cost sharing.

Responsible Party:

Finance and Administration, 426-1200

POLICY

I. Policy Statement

In certain circumstances, cost sharing is permitted by the University, but the University must be cognizant of the contractual, financial and administrative implications that result from the commitment to cost share.

II. Cost Sharing Definitions

- A. **Project-by-Project Cost Sharing:** Project-by-project cost sharing represents that portion of the total project cost of a sponsored agreement borne by the university, rather than by the sponsor.
- B. **Mandatory Cost Sharing:** Mandatory cost sharing is that amount of cost sharing that is required by the sponsor as a condition of bestowing an award.
- C. **Voluntary Cost Sharing:** Voluntary cost sharing is that amount of cost sharing that is not required by the sponsor as a condition of bestowing an award. When the university agrees to voluntary cost sharing it must adhere to the agreement and fulfill its obligations therewith.

- D. Committed Cost Sharing: Committed cost sharing is considered a component of university research (dollar value of effort) and is included in Organized Research agreements.
- E. Institutional Cost Sharing: Institutional cost sharing is where the university commits to using some of its own resources for research related to the requirements of some unsolicited project proposals. Questions related to institutional cost sharing should be directed to the Office of Research Administration (ORA).

III. Cost-Sharing Commitment

- A. Considerations Prior to Commitment: If a principal investigator proposes, and the university agrees to cost share university resources, the university is required to provide the stated resources in the performance of the sponsored agreement. The principal investigator and departmental and school administrators should weigh the cost effectiveness and expected benefits of each cost-sharing commitment prior to making such commitments.
- B. Responsibility of the Principal Investigator: Implicit in the university's commitment to cost share is the agreement of the private investigator to ensure the following:
 - 1. Funds are available for cost-shared direct costs.
 - 2. Verification of the cost-sharing commitment is provided at the time the proposal is submitted to the ORA.
 - 3. The source of cost-share funds is included on the ORA transmittal form.
 - 4. Cost-shared expenses for each project are accounted for in separate university accounts.
 - 5. Allowable costs are timely and accurately charged to the appropriate cost-sharing account.
 - 6. Expenditures on cost-sharing accounts are certified.
 - 7. Records for cost-sharing accounts are retained for the same period as the records for related sponsored agreements.
- C. Audits: The tracking, reporting, and certifying of cost sharing are subject to audit.

IV. Expenditures Eligible for Cost Sharing

A. Direct Costs:

1. Faculty, Student, or Staff Effort:

- a. Commitments to provide support of a sponsored project by contributing the efforts of faculty, student, or staff should have the associated expenditures, including fringe benefits, in separate cost-sharing accounts.
- b. Faculty, students, and staff should not be committed to more effort than allowed by their appointment (including supplemental pay). Grants that run concurrently should be checked to eliminate any overlap that commits an individual to more than 100% of his/her allowable time.
- c. Significant decreases (25% or more for grants or an amount specified by the sponsor of a contract) in the effort of key personnel to a project require coordination with and advance approval by a federal sponsor; non-federal sponsors may have similar requirements. This requirement applies to changes in committed levels of effort that are to be cost-shared on the project, as well as to committed levels of effort that will be charged directly to the project.

2. Equipment:

- a. Equipment can only be cost shared when the agreement to do so is made a part of the receipt of an award.
- b. Principle investigators are not to commit university- or state-owned equipment when presenting proposals or requesting agreements; rather, private investigators are to characterize the equipment as "available for the performance of the sponsored agreement at no direct cost to the project."
- c. Proposals that include the acquisition of special-purpose equipment (as a direct cost) may include an offer of university funds to pay for all or part of the cost. These proposals may be for equipment, instrumentation, or research-oriented grants or contracts, where the purchase of equipment required for research is an allowable expense. Purchase and acquisition must occur during the period of performance. The portion of the purchase price paid by the university must be charged directly to a cost-sharing account in support of the award.

3. Other Direct Costs: The principle investigator may commit allowable direct costs, other than salaries, fringe benefits, or equipment to cost sharing on the proposal budget.
4. Administrative Expenses: Proposed administrative expenses that meet the criteria for direct charging in the university policy on major programs, and that are disapproved by the sponsor yet still incurred (scope of work is not reduced), must be accounted for as cost sharing. The portion of the expense that is directly utilized and benefits the project must be charged to a cost sharing account in support of the award. The amount being cost-shared may be less than the amount proposed.

B. Facilities and Administrative Costs (Indirect Costs):

1. Automatic Cost Sharing: When direct costs are cost-shared, the Facilities and Administrative (F&A) costs associated with the direct costs are automatically cost-shared. A principle investigator may take advantage of the automatic cost sharing of these costs and include them on the proposal budget. A principle investigator may also include any waived F&A costs (as per BSU Policy #6315) as university cost sharing in proposals.
2. Department of Defense Contracts: Since the university has chosen to waive the F&A costs above the 26% administrative cap for DOD contracts, principle investigators may also cost-share the costs associated with the rate differential between the capped and uncapped F&A cost rates.
3. Calculation of F&A Costs and Cost Sharing: The ORA will calculate the cost-shared F&A costs based on information from the awarded budget and the accounting system for reporting purposes.

V. Source of Funds for Cost-Shared Expenses

Identifying and providing resources for cost sharing of direct costs (including equipment) is always the responsibility of the principal investigator. The principal investigator may not utilize funds from another federal award as the source of cost sharing, except as authorized by statute. The principal investigator may utilize funds from non-federal awards as the source of cost sharing, only when specifically allowed by the non-federal sponsor. Funds for cost-shared expenditures are typically identified from among gift, endowment income, operating budget, or other department designated funds.

VI. Expenditures Not Eligible for Cost Sharing

- A. The following cannot be offered as cost sharing commitments in sponsors project proposals:
1. Administrative costs in excess of the federally mandated administrative cap.
 2. Unallowable costs as defined in OMB Circular A-21, Section J.
 3. Salary dollars above a regulatory cap.
 4. University facilities, such as laboratory space.
 5. Depreciation on government-funded equipment.

VII. Overdrafts

- A. Handling of Overdrafts: After the end of the project performance period, when unanticipated project expenses result in more charges to a sponsored account than were funded, the amount of the overdraft is accounted for in the same manner as cost sharing. These costs cannot be considered cost sharing for purposes of fulfilling a cost-sharing commitment, because overdrafts are considered unallowable under A-21.
- B. Overdrafts and Responsibility of the Department: When such overdrafts occur, the department is responsible for notifying the Office of Research Administration, which will open a cost-sharing account and document the source of funds (as identified by the department) to cover the amount of the overdraft. The department then initiates the necessary expense transfer, including documentation of the nature of the expenses, appropriateness of the charge to the project, and other reasons for the transfer. This does not apply to temporary overdrafts that are the result of accounting errors, or mistakes in the coding of charges.

VIII. Reduction in Cost Sharing

When actual expenses are less than what was projected in the proposal and what was agreed upon for the award, the sponsor should be consulted to determine if the reduction can be applied to either the cost share committed to by the university or to both the sponsor and the university cost-share contributions on a pro rata basis. If neither option is workable, then the sponsor's share is reduced and the university's entire cost-sharing commitment must be met. The principal investigator or

departmental research administrator must consult with the ORA before contacting the sponsor.

IX. Reporting of Cost Sharing

- A. Responsibility of the ORA: It is the responsibility of the ORA to provide reports on the university's cost sharing, when required. During the financial closeout of a sponsored project, cost-sharing commitments will be reviewed by the ORA.
- B. Responsibility of Principle Investigators and Departments: When reports on cost sharing are required, it is the responsibility of departments involved in the project to provide the necessary information (via the Cost Sharing Authorization form) at the time the award is received.