# Cost Sharing Basics for Principal Investigators

effective November 2012

**Responsibilities**

- Apply the federal government, sponsor-specific, campus, and RF requirements for cost sharing on proposals/awards.
- Determine the acceptability for including the offer of cost sharing in external proposals to sponsors.
- Understand that a cost sharing expenditure must meet the same requirements for cost criteria that apply to any direct or indirect cost expenditure made on an award.
- Determine and provide the appropriate resources to the proposal/award budget and project/scope-of-work.
- Consider providing cost sharing only when it is mandatory – required by the sponsor in writing.
- Evaluate providing voluntary cost sharing based on the needs of the proposal/award, the project/scope-of-work, the critical factors associated with proposal competitiveness for successful funding, and the available campus resources.

## About Cost Sharing

Cost sharing is that portion of a sponsored program budget that is contributed by the institution and/or other nonfederal sponsors. It is not reimbursed by the sponsor. In accordance with OMB Uniform Guidance 2 CFR, Part 200, cost sharing also means "matching." The RF Cost Sharing Policy further defines cost sharing as:

- **Mandatory**: Is cost sharing that is a required condition of an award or agreed to by the institution and sponsor during sponsored agreement negotiation.
- **Voluntary committed**: Is cost sharing that is not required by the sponsor, but proposed in the budget or narrative with no corresponding sponsor funding requested or awarded.
- **Voluntary uncommitted**: Is cost sharing that is over and above that which is identified and budgeted for in a proposal and award.

Once an award is made **all** cost sharing commitments—either required by the sponsor or stated in the proposal—are considered to be **mandatory** and become a binding obligation of the institution.

**Cost Sharing Types:**

- **Personal service**: Effort of the PI and/or employees devoted to the sponsored program.
- **Other than personal service (OTPS):** Items that are donated or loaned to a sponsored program, e.g., equipment.
- **Third party and in-kind contributions**: Contributions or cash/services donated to a

### Proposal Tips

- Review sponsor guidelines/solicitations to determine if cost sharing is required.
- Identify that all cost sharing commitments can be met.
- Minimize cost sharing commitments to reduce burden on campus and/or departmental resources.
- Develop a cost sharing budget with the same level of detail as the sponsor budget and include a detailed cost sharing budget in the proposal:
    - Develop cost sharing budgets in dollars versus percentages – to clearly identify and document the amount of the contribution.
    - Determine if the costs are allowable.
    - Determine the value of cost sharing.
    - Provide cost sharing descriptions (e.g., third party, in-kind contributions, OTPS).
    - Apply the same F&A rate to the cost sharing budget and the sponsor budget.
- Obtain in advance cost sharing commitment letters from subrecipients and third parties.
- Respond to cost sharing questions on the proposal review/signature form to document decisions regarding the commitment.

Federal regulations and agency guidelines require institutions to properly account for cost sharing.

Federal funds must not be used as cost sharing on the same, or on other, federal awards.

**Federal Requirements**

In addition to sponsor requirements, the following OMB federal requirements apply to cost sharing:

- OMB Uniform Guidance 2 CFR, Part 200
- M-01-06, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs
- Cost Accounting Standards (CAS) 501, 502, 505 and 506

**Cost Criteria**

All cost sharing expenditures must follow the requirements as identified in OMB Circular A-21 and the other applicable federal government regulations. Cost sharing expenditures must meet the same requirements that apply to any direct or indirect cost expenditure made on an award:

- **Allowable** — The cost sharing expenditure must be allowable as specified by the federal government regulations and sponsoring agency.
- **Reasonable** — The cost sharing expenditure must be reasonable: the nature of the goods or services acquired or applied, and the amount involved, must reflect the action that a prudent person would take under the circumstances prevailing at the time the decision to incur the cost was made.
- **Allocable** — The cost sharing expenditure must be allocated to the sponsored award or activity based on the benefit derived, cause and effect, or other equitable relationship.

**Agency-Specific Guidance**

**NIH Salary Cap and K Awards**

There is a federally mandated limitation on the amount of salary that may be charged to National Institutes of Health (NIH) sponsored grants, cooperative agreements and applicable contracts. The NIH Salary Cap establishes a maximum annual rate at which an employee can be compensated under an NIH sponsored project.

**Note**: The difference between the institutional base salary and the NIH salary cap cannot be charged to any federal project or used to satisfy cost sharing commitments.

NIH Career Development Awards (K Awards) are primarily designed to support new investigators. K Awards typically establish effort requirements that are often up to 75 percent. This requires the institution to cost share the faculty member's salary that is applicable to the award if it is higher than the salary recovery limit of $75,000 - $90,000 per year.

**NSF and Cost Sharing**

The National Science Foundation (NSF) adopted the following on February 24, 2009 in NSB-09-21:

- Mandatory cost sharing requirements will be clearly stated in program solicitations.
- Voluntary committed cost sharing is prohibited at the NSF.
- Voluntary uncommitted cost sharing may be offered at the institution's discretion.