BASIC PRINCIPLES

Cost sharing, as a general term, is the portion of total project costs related to sponsored programs that is not provided by the sponsor.

1. Cost sharing is normally in the form of a direct cost that would otherwise be charged or utilized to support the grant or contract.

2. Cost sharing may also take the form of Facilities & Administrative (F&A) costs.
COST SHARING TERMS

**Mandatory cost sharing:**
- The sponsor stipulates that cost sharing or matching funds are required as a condition of receiving an award.
- A percentage or amount is specifically pledged in the proposal’s budget or award.
  - Usually expressed in terms of a percentage of the total project cost or a percentage of the sponsor share of the total project cost, although occasionally it is expressed as a fixed dollar amount.

**Voluntary Committed cost sharing:**
- The sponsor does not stipulate that cost sharing or matching funds are required but the Principal Investigator (PI) includes such cost sharing in the proposal budget.
- Specifically pledged in the proposal budget/justification or award. If the proposal is accepted by the sponsor, the proposed cost sharing or matching funds are now considered mandatory by the sponsor and must be documented.
- Voluntary cost sharing is required to have OVPR’s approval prior to submitting the proposal.
Voluntary Uncommitted cost sharing:
- Not committed or budgeted in a sponsored agreement
- Does not need to be tracked for cost accounting purposes or reported to the sponsor
- Most commonly results from a cost overrun on a project or from researchers’ effort which is over and above that committed and budgeted for in a sponsored agreement.

In-Kind cost sharing:
- Provision of goods and/or services whose value can be established by reliance on what those goods and/or services are worth in the open marketplace.
- Normally in-kind is provided by sources outside of the University thus it is not reflected in the University’s financial system.
COST SHARING/RECOVERY IMPLICATIONS

- **Research Costs:**
  - Once funds are committed to a sponsored project these funds can no longer be used for anything but the project.
  - For projects where cost share is not required and funds were committed in the proposal (voluntary cost share) the University is unable to use these funds for renovating lab space, purchasing equipment, etc...

- **F&A Rate Calculation:**
  - Committed cost share is part of the Organized Research Base for the F&A rate calculation; the more cost sharing that is committed, the higher the Organized Research Base.
    - Leads to a lower approved F&A rate and consequently, lower F&A reimbursement to the University.

- **Documentation:**
  - Grants and Contracts must maintain the documentation in the grant file for Mandatory and Voluntary committed cost share.
  - The department is closely involved with the documentation process

- **Overall Implications:**
  - Does your department have the administrative staff to keep track of the cost share committed?
ALLOWABLE COST SHARING

- The allowability of specific costs as cost sharing is usually determined by the sponsor's specific award terms and conditions. Cost shared expenses must meet the same standards that apply to costs that are directly charged to a project.
  1. Allowable and allocable under the principles included in OMB Circular A-21, Cost Principles for Educational Institutions.
     http://www.whitehouse.gov/omb/circulars/a021/a021.html
  2. Verifiable from University records.
  3. Necessary and reasonable for proper and efficient accomplishment of project objectives.
  4. Identified in the approved award budget.

- In compliance with the criteria outlined in OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations.
  http://www.whitehouse.gov/omb/circulars/a110/a110.html
UNALLOWABLE COST SHARING

- **Federal to Federal**: Federal appropriations or contracts and grants funded by Federal agencies, either directly or indirectly as flow-through funding, are not allowable as cost sharing for another Federal project.

- **Expenditures Included in the F&A Rate**: Costs that are included as part of the F&A cost rate, such as building and equipment depreciation, utilities, department administration, etc., cannot be cited as cost sharing expenditures.

- **Double Counting**: Cost sharing can only be committed and reported as cost sharing once. If cost sharing relates to two or more projects, it should be pro-rated among the projects so that, in total, it is only reported once.

- **Costs Incurred Outside the Project Period**: Costs that have already been incurred and were documented in the University accounting system prior to the project award date on the official award document are generally ineligible for cost sharing, unless allowed as pre-award costs or with specific agency approval. Costs that are incurred after the project termination date are not eligible for cost sharing.
UNALLOWABLE COST SHARING—CONTINUED

- **Lack of Technical Relationship:**
  - Costs that are not specifically related to the performance of the project cannot be cost shared.

- **Costs Specifically Not Allowable under OMB Circular A-21:**
  - Alcohol, entertainment, advertising, memberships, etc.
  - Costs associated with a PI's sabbatical leave are generally not allowable unless specifically approved by the sponsoring agency.

- **Salary Dollars in Excess of Regulatory Salary Caps:**
  - Effort expended that exceeds a mandatory salary cap (i.e., NIH, DOD contracts) is not allowable cost sharing as this is already documented by the University and included in the MTDC base as if it were cost sharing.
WHEN TO INCLUDE COST SHARE IN THE PROPOSAL

ONLY when it is required (mandatory)

- Many sponsors have indicated in their grant policies that reviewers are unable to see the level of cost share that has been put into the proposed budget.
- Including cost share in the proposal when it is not required limits resources available within the University and requires proper documentation by the department.
When including mandatory or voluntary committed cost sharing in any proposal, the conditions stated previously in the Section “Allowable Cost Sharing” must be met.

Research and Sponsored Programs and Department Administrators will work with PI's to assure that OMB A-21 and A-110 requirements can be met and that the cost sharing is accurately proposed and explained.

Required or voluntary committed cost sharing must be indicated by completing the appropriate sections on the University Proposal Review and Approval Form (PAF/Bucksheet.)
### BUDGET EXAMPLE

**BUDGET PERIOD**

<table>
<thead>
<tr>
<th>Personnel</th>
<th>9/1/2012 to 08/31/13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel Request</strong></td>
<td><strong>MSU Share</strong></td>
</tr>
<tr>
<td>1 Derek Jeter</td>
<td></td>
</tr>
<tr>
<td>33% Academic Year</td>
<td>26,400</td>
</tr>
<tr>
<td>100% Summer I</td>
<td>17,600</td>
</tr>
<tr>
<td>2 Grant Administrator-Faith Hill</td>
<td></td>
</tr>
<tr>
<td>15% Fiscal Year</td>
<td>4,950</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td></td>
</tr>
<tr>
<td>23.25% (Summer)</td>
<td>4,092</td>
</tr>
<tr>
<td>50.75%</td>
<td>15,910</td>
</tr>
<tr>
<td><strong>Total Direct Costs</strong></td>
<td>21,692</td>
</tr>
<tr>
<td><strong>Indirect Costs</strong></td>
<td>10,629</td>
</tr>
<tr>
<td>49%</td>
<td>23,157</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td>32,321</td>
</tr>
<tr>
<td></td>
<td>70,417</td>
</tr>
</tbody>
</table>

Dr. Jeter will spend approximately 33% of his time during the academic year and 100% during summer I he will oversee all aspects of the project. Support is being requested only for the summer and WMU will contribute during the academic year.
DOCUMENTING & ACCOUNTING FOR COST SHARING

- Cost sharing accounts are managed in the same manner as project accounts.
  - Certain types of cost sharing are set up in a Fund 30 and tracked through the Grants and Contracts Office.
  - Not all cost share will require a fund 30 to be established.
- The documentation for cost sharing is the responsibility of the PI/Department and must conform to the requirements of OMB Circular A-110.
EXPENDITURES COMMONLY COST SHARED

1. **Salaries and Benefits** - If the appointment is not directly appointed on the fund, then a cost share certification is completed for documentation.

2. **Equipment** - In general, the total cost of equipment may be offered as cost sharing only when the purchase of equipment is necessary for, and dedicated to, the successful completion of the project and is purchased during the project period.

3. **Tuition** - The cost of tuition is allowed as cost sharing, provided that it would have legitimately been requested to be reimbursed as a direct cost.

4. **Other Direct Costs (supplies, travel, etc.)** - If the expenses are not directly charged to the fund, then back up documentation will need to be forwarded to Grants and Contracts.
   
   1. Cost sharing of other direct costs may be problematic, as these costs could be included in the indirect cost calculation. Double counting would result in cost disallowances.

5. **Overhead/Indirect Cost** - Indirect costs are not always an allowable cost shared expense. Specific sponsor guidelines should be consulted.
   
   a. Applicable to the cost sharing expenses - When direct costs are cost shared, the indirect costs associated with the direct costs are AUTOMATICALLY cost shared.

   b. **Waived** - Cost sharing in the form of waived or reduced overhead is the difference between the full Federally approved MTDC rate and what was actually awarded or funded by the sponsor.
EXPENDITURES NOT ALLOWED FOR MANDATORY COST SHARING

1. **Space** - University space is not allowed as cost sharing. Space charges are a significant component of our indirect costs.

2. **Administrative salaries, services, supplies** - and any other costs which are classified as F&A costs, rather than direct costs.

3. **Unallowable costs** as defined in OMB A-21, Section J. – Refer to Unallowable Cost Doctrine.
   
   http://www.obf.wmich.edu/grants-contracts/docs/unallowable-cost.pdf

4. **Salary dollars and associated benefits** - in excess of regulatory salary caps.

5. **Unallowable F&A costs** - which are not approved for use as cost sharing in the agency implementation of OMB A-110, Section 12.
   
   1. As of June 2001, this applies to the difference between the 8% rate limit applied to the U.S. Department of Education to training grants and the University’s negotiated rate, but to no other major federal sponsor of University awards.
The actual effort and other cost required to accomplish the goals of a sponsored project might differ from what was proposed and awarded. The total costs could decrease due to changes in programmatic needs.

The sponsor may need to be consulted to determine if the reduction can be applied to either the University’s committed cost sharing or to both sponsor and University resource contributions on a pro rata basis. Otherwise, the sponsor’s share is reduced and the University’s entire cost sharing commitment must be met.
REPORTING OF COST SHARING TO SPONSORS

- The Grants and Contracts Office has the responsibility to provide and certify information to sponsoring agencies which demonstrates that the University has fulfilled its cost sharing requirements under a specific award.
- It is expected that PI’s and departments will respond promptly to the Grants and Contracts Office request to gather information that may be needed in addition to information specified on the “Certification of Cost Sharing Form”.
- Multi-Year Projects: It is recommended that departments work with the Grants and Contracts Office to verify cost sharing information on an annual basis, even if this information is only required at the expiration of the project.
Grants & Contracts Contact Information
Seibert Administration Building 4th Floor
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