

## **COST SHARE POLICY**

Utah State University  
Sponsored Programs  
Cost Sharing/Matching Policy and Procedure

Policy Statement: Cost Sharing Requirements on Sponsored Projects:  
It is Utah State University's (USU) policy not to cost share/match on a voluntary basis.

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### 1.0 PURPOSE

The purpose of this policy is to set forth the circumstances and establish the procedure for proposing, approving, administering, and documenting cost share on sponsored projects. Utah State University (USU) may provide resources in a "cost share" arrangement to support a sponsored project. Contribution of such resources must be carefully considered and approved by the party with budgeting authority. Once committed, it is important to document fulfillment of USU's cost share responsibilities and to maintain compliance with government and other applicable regulations.

Cost share must be proposed, approved, administered, and accounted for in a consistent and prudent manner. This includes understanding workload implications of the cost share commitment; determining when cost share is appropriate; and accurately recording and reporting cost share expenses. Regulations pertaining to cost share on federal awards are found in Uniform Guidance 2 CFR 200.306.

### 2.0 INTRODUCTION & POLICY STATEMENT

Cost share occurs when a cost specifically benefits a sponsored project, but is not charged to that project. Cost share is normally in the form of a direct cost that would otherwise be charged or utilized to support the grant or contract, such as salary, capital equipment or other direct cost items. In certain circumstances, with the sponsor's approval, cost share may also take the form of Facilities & Administrative (F&A) costs (where the reimbursement of F&A costs is waived or

reduced by the sponsor). Matching is essentially synonymous with cost share and occurs when a sponsor agrees to fund a portion of direct costs predicated on USU making a pre-determined contribution.

Some sponsors require institutional cost share/match on their grants and contracts as a matter of statute, regulation, or policy. Individual solicitations may also indicate a cost share/match requirement. In these cases, USU follows its long-standing practice of meeting published cost share/match requirements for targeted programs.

It is USU's policy not to cost share/match on a voluntary basis. Voluntary cost share occurs when a principal investigator includes cost share in a proposal when the sponsor does not require it. Voluntary cost share, including proposed faculty effort and other types of direct costs, is highly discouraged.

It is important to realize that whether cost share is required by the sponsor or is offered by USU or PI voluntarily, once an award is made, all cost share commitments are considered to be mandatory and as such represent binding obligations for USU.

In all cases, the proposed cost share must be documented in the proposal. USU reserves the right to proportionately reduce the cost share commitment if awarded funds are less than proposed.

### 3.0 DEFINITIONS

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

**Cost Share 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 Share:** 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 share may be reportable to the sponsor.

**Note:** Sponsor "encouraged" cost share that is not required as a condition of receiving an award does not constitute mandatory cost share.

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Third Party In-kind Contribution: A non-cash contribution to a sponsored project or program provided by a party other than either USU 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 Share: 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 Cost Share: A contribution to a sponsored project or program offered by the Principal Investigator but not required by the sponsor as a condition of obtaining the award. Voluntary cost share is classified as either committed or uncommitted.

#### 4.0 COST RECOVERY IMPLICATIONS OF COST SHARE

Every dollar of cost share results in USU forfeiting not only the recovery of the direct cost but also the recovery of the associated F&A cost (except in the case of cost shared capital equipment for which there is no associated F&A). In addition, in accordance with federal requirements, USU's total amount of salary and non-salary cost share must be included in the denominator, or base, of the F&A rate calculation. As such, USU must put amounts in its research base for which no direct cost reimbursement is received, and it decreases the federally negotiated F&A rate. This has far-reaching, negative implications on our ability to grow the research enterprise at USU.

#### 5.0 COMPLIANCE IMPLICATIONS OF COST SHARE

It is important to recognize the compliance implications of cost share, whether the cost share fulfills a sponsor mandate or is offered voluntarily. When cost share of any kind is represented in a proposal, upon award that cost share becomes a commitment that must be met and tracked for sponsor verification in USU's records.

Allowable Costs for Cost Share:

For expenses to be eligible for cost share, costs must be all of the following:

- A. Allowable and allocable under federal cost principles (OMB Uniform Guidance) and the terms of the sponsored agreement;
- B. Necessary and directly related to the project objectives;
- C. Represent costs incurred during the project period of performance;
- D. Be verifiable from USU's records; and
- E. For labor costs, certifiable in the effort planning and certification process.

The costs must not be any of the following (unless approved by the sponsor):

- A. Included as cost share for any other sponsored project;
- B. Payable by the same sponsoring agency under another award;
- C. Payable by a different sponsoring agency within the same governmental jurisdiction

under another award (e.g., federal funds must not be used for cost share on another federal project);

- D. Otherwise unfunded salary for the effort that is outside of the contractual appointment (e.g., unfunded summer months for faculty with nine-month academic appointments).

Caution: Use of waived F&A costs for meeting cost-share commitments must be specifically identified in the proposal narrative, budget, and/or budget justification and accepted (or not specifically disapproved) by the sponsor.

When cost share/match is sponsor mandated or is deemed to be in USU's best interest to include in a proposal when not required, in-kind contributions should always be considered first. An in-kind contribution represents an item of cost for which support is already in place (and, therefore, no new cash outlay is required), such as salary or tuition. Creative packaging of in-kind contributions may suffice to meet sponsor program guidelines.

Cash cost share/match contributions should only be considered if in-kind mechanisms do not suffice to meet sponsor requirements. A cash contribution represents a new, incremental purchase, such as for equipment, travel, or additional staff necessary to conduct the sponsored project.

## 6.0 PROCEDURES FOR OBTAINING APPROVAL AND IDENTIFYING SOURCES OF COST SHARE

If in-kind cost share is proposed on a voluntary basis, the Department Head and Dean and/or Research Center Director must approve the cost share commitment included in the Developmental Proposal in Quali indicating their explicit approval to contribute the department/college-funded salary or other in-kind cost item as a cost share. In addition, the cost share becomes an official part of the budget and should be documented on the proposal budget and justification pages. To avoid confusion, commitments of effort or other forms of cost share should not be included in the text of the proposal or in "Current and Pending Support" summaries. Furthermore, Sponsored Programs recommends committing a total dollar amount as opposed to percentages.

Investigators must notify Sponsored Programs of their intentions to respond to a solicitation that requires cost share/match and submit their proposals to Sponsored Programs in a timely manner consistent with Sponsored Program review requirements. Documentation that evidences both mandatory and voluntary cost share/match pledged by the department, college, research center, and/or central administration must be submitted to Sponsored Programs at the time of proposal review. Completing and uploading the USU Cost Share Commitment Form in Quali will suffice for documentation. If the cost share information is not specified, a memo reviewed and signed by the PI, Dept. Head, and Dean will be acceptable as long as it provides sufficient information for Sponsored Programs to review it.

Requests for cash cost share/match contributions from the Office of Research should be directed to the Vice President for Research and her/his Financial Officer. If approved, documentation of the cost share (indicating the amount and source) must be provided to Sponsored Programs at the time of proposal review.

## 7.0 DOCUMENTATION

All mandatory and voluntary committed cost share expenditures of a sponsored project must be properly recorded and reported in USU's accounting system. Once the award is accepted, failure to comply with the cost share commitment may result in a loss or return of project funds. Over-contributing prevents use of these funds for meeting commitments on other projects; under-contributing may result in a corresponding reduction in the award. If it is anticipated that there will be a significant under-contribution, the Principal Investigator or department administrator must immediately notify Sponsored Programs (see section 8.0).

To facilitate the tracking and reporting of mandatory cost share expenditures by specific awards, administrators must track these expenditures through separate project cost share accounts. Therefore, at the time of the award, Sponsored Programs will notify Sponsored Program Accounting (SPA) of the mandatory or voluntary committed cost share requirements and SPA will set up the cost share account.

In-kind contributions from third parties must be properly documented via memo or letter from the third party contributing the support. Volunteer services should also be documented by the same methods. Additionally, the basis for determining the valuation of personal service, material, equipment, buildings, and land shall be documented.

Documentation is also required for cost share from subcontractors. All institutions receiving subawards, subagreements, or subcontracts from USU must provide information on their cost share contributions, if any, to USU. As a prime award institution, USU is not required to obtain documentation to substantiate all the cost share stated by the subaward institution, but must at least have a signed document from the subcontractor stating the amount of the cost share provided. In some cases, the subcontractor may be required to report cost share on their invoices. The subcontractor is responsible for maintaining the documentation of such costs should auditors require it.

## 8.0 REVISIONS TO MANDATORY AND COMMITTED COST SHARE

If the need to revise a cost share pledge occurs after the pledge is documented, and the pledge is simply moved from one quarter to another or the cost share will occur during a no-cost extension, the PI or administrative personnel must notify Sponsored Program Accounting. When faculty time is pledged as cost share in a proposal, the pledge should be reviewed by the PI and the department (both mandatory and/or committed) to assure that the contribution to the project is still within the 100% effort distribution that must be certified in Faculty Effort Certification reports.

If changes to the amount pledged for mandatory or committed cost share are required prior to an award, or to the cost share resources identified once an award is received, a revised cost share plan should be submitted to Sponsored Programs for concurrence and then forwarded to the awarding agency for approval, if required.