SECTION VIII – Cost Sharing

Matching, cost sharing, and cost contributions are all terms used to refer to the sharing of project costs which are borne by sources other than the sponsor's funds awarded in support of a project. In some programs, these requirements are mandated by legislation or regulation. Whether mandatory or voluntary, any cost sharing which has been specifically committed to a sponsor must be separately identified in the University's accounting records. In the case of federally sponsored programs, the contribution must come from nonfederal sources. Suggested sources of cost sharing include salary and fringe benefits, contributions from related nonfederal programs (Experiment Station, Resident Instruction Funds, etc.) as well as time of researchers devoted to the project but not supported by the sponsoring agency.

Generally, cost sharing is not required when the source of support is provided by a contract; it is often required on cooperative agreements. Some agencies do require cost sharing on certain grant programs. Requirements vary widely, so be sure to consult your team’s Research Administrator for individual agency specifications. (See Sponsored Programs staff listing [http://portal.research.colostate.edu/research/staffsummary.htm](http://portal.research.colostate.edu/research/staffsummary.htm)) Every effort should be made to maintain the University's contribution at the lowest level possible. Voluntary cost sharing by the University is strongly discouraged and decisions to do so should be considered very carefully. Failure to meet a cost share commitment may result in a reduction of the sponsor portion of project costs.

Colorado State University Cost Sharing Policy

The amount of University cost sharing should be limited to the amount specifically required by the funding agency as a condition of an award. Such cost sharing will be considered mandatory cost sharing.

Budgeted voluntary cost sharing occurs when a specific commitment, although not mandated, has been quantified in a proposal, e.g., level of effort or dollar amount for a budget item, and is, therefore, considered significant to the negotiation of an award.

Whether cost sharing is mandatory or budgeted voluntary, the University's contribution must be included on the Sponsored Program Project Approval Form SP-1 and be approved by the appropriate Department Head(s), Dean(s), Director(s) and Sponsored Programs. Proposals with cost sharing commitments will not be submitted without these approvals.

Subsequent funding of the proposal requires that all proposed cost sharing of direct costs, whether mandatory or budgeted voluntary (except that defined in the paragraph below) be accounted for and auditable in the official University records ([HRS Manual, Section 8: Management Reports, Cost Sharing](#)). This requirement must be met by the creation of a separate cost share account. Once established, the cost share account number can be found on the Research Project Status (RPS) screen.

Faculty and staff effort (i.e., salary and fringe benefits) which have not been quantified in a proposal, e.g., faculty paid on 1-3 funds during the academic year are considered unbudgeted
voluntary cost sharing. Such effort will not require that separate cost share accounts be established.

Contributions which do not involve the outlay of cash, e.g., use of equipment or facilities, and third-party in-kind contributions such as volunteer services, use of non-University equipment, facilities, etc., are strongly discouraged due to the special rules that apply to valuation and documentation of such costs. Proposals with such contributions, either University or third-party, will not be approved without justification and adequate documentation supporting the valuation.

Leveraging Funds: Presentation of Associated Projects

Increasingly, sponsors want to leverage existing resources to measure the program’s visibility and endorsement from groups outside the University. Sponsors may ask for information about additional sources of funding which may be available for the proposed activity. There is a significant distinction between cost sharing and leveraging with associated projects.

- Leveraging involves the listing of other associated programs which are related to the proposed activity, but which have separate scopes of work, separate performance periods, and separate budgets. Associated projects may be described in the project narrative without detailed budget information, but may not be shown as cost sharing or matching. If funding from these leveraged projects is reflected in the proposal budget, the funding should be identified with an asterisk and explained with a statement such as: “The above third party, in-kind contributions reflect the collaboration of the parties involved in the project entitled XYZ. The contributions are reflected to provide a complete representation of the project and do not constitute a match or an obligation by CSU or the third party to document as cost share.”
- Cost Sharing, unlike leveraging of associated projects, involves the sharing of costs on a single project, with one scope of work, one performance period, and one budget.

Vice President for Research (VPR) Commitments to Cost Sharing Associated with a Proposal and/or the Acquisition of Major Equipment.

Requests for VPR cost sharing should be submitted well before the proposal deadline.

An external proposal often requires a letter of support from the VPR when the proposal budget contains an institutional commitment. Investigators are asked to provide a DRAFT letter of commitment to the VPR well in advance of the deadline.

Sponsored Programs (SP) is often asked to provide additional program and/or project information to the VPR, so advance communication between the Principal Investigator and the SP Senior Research Administrator is very advantageous.

General Characteristics of an Approved Cost Share Request

- Each request is considered on its own merit. Approvals are not automatic.
- The corresponding proposal has been entered onto PASS.
• Cost sharing is consistent with sponsor requirements and/or significantly enhances research capabilities and funding potential, is a shared instrument of benefit to several investigators, or relates to a strategic research area.
• Commitment algorithm of 1:1:1 (department, college, VPR).

When a significant portion of the equipment use is for clients via an external or internal service, it is generally expected that acquisition of equipment will come from user fees. The municipal lease mechanism can be used to finance equipment acquisition over time. Submission of shared instrumentation grants represents an acceptable exception to this general rule.

**Information to be submitted by the department, through the college, to the office of the Vice President for Research**

- [Institutional Commitment Form](#), [Sponsored Programs Form SP-8](#), [Request for University Contribution of Indirect Costs](#), or comparable college form is submitted,
- Corresponding proposal budget, and
- Information that demonstrates the overall benefit derived from the commitment, e.g. expands capabilities to respond to existing funding opportunities, increases opportunities for interdisciplinary work/cross-department/external collaborations, and/or relates to strategic research initiatives, etc...

Cost sharing commitments are not automatic but are discussed within the VPR office as circumstances dictate/allow and a determination is made.

**Mechanics of transfer**

- VPR considers commitments as pending until advised by the College or Sponsored Programs that the proposal has been funded.
- Once awarded, the VPR formally posts the commitment on an appropriate account.
- The commitment is transferred via a Budget Change Request (BCR) to the college/department upon their request. The college/department is responsible for assuring that the funds are transferred to the designated cost share account.

**Please assure**

- Use of the Institutional Commitment Form or comparable college form,
- Inclusion of detailed information relating to the request and/or other relevant information,
- College consideration/approval prior to request being submitted to the VPR,
- VPR is notified of outcome of proposal, and
- Timely and appropriate transfer and expenditure of committed funds.

**Sponsor Salary Caps**

Some sponsors (NIH, for example), have legislatively mandated provisions which limit the salary rate for an individual which may be charged to their awards. This limitation applies only to salary. Fringe benefits are not included in the rate limitation.
The University must document that this limit is not exceeded. This is accomplished by establishing a cost share account where the difference between actual salary and the maximum salary chargeable to the award will be accrued. The sum of the effort charged to the 5-3 account and the cost share account will equal the total level of effort committed to the project.

EXAMPLE: An individual with a level of effort commitment of 50% per month:

- Annualized base salary = $190,000, or $15,833.33 per month
- Sponsor salary limit = $180,100, or $15,008.33 per month
- University share = $9,900. or 825.00 per month

- Actual salary = $7,916.67 for 50% effort per month
- Sponsor share = $7,504.17 for 47% effort per month
- University share = $412.50 for 3% effort

If an award with a salary cap also has a cost share commitment which must be met, the amount contributed because of the salary cap is not allowable for meeting that commitment.

Creation of Cost Share Accounts

The Cost-Share Account (CSA) Request, Form SP-9 must be completed and submitted to Sponsored Programs before the Sponsor account (5-3XXXX) is created, even though funds for the cost share may not be available until later in the project period. Because the creation of each cost share account involves numerous data elements essential to the University's financial system, which are derived from the source account, it is crucial that funds be transferred only from the specified source account to the designated cost share account. Transfer of these funds must be accomplished by the department. Any need to change the source account after the creation of the cost share account should be discussed with the Cost Share Account Coordinator in Sponsored Programs before any action is taken. (See Sponsored Programs staff listing)

There are several account fund groups that can be utilized by Sponsored Programs in establishing cost share accounts within the accounting system, including 1-3, 1-6, and 6-4. If the source account related to the cost share account is in another fund group, such as the 1-4, 1-5, 1-7, or 1-9 funds, the department will need to contact the fiscal officer responsible for those specific funds to obtain a corresponding cost share account number. Once the account number has been assigned, record the account number on the cost share account request form and forward it to Sponsored Programs. Acceptability for cost share of fund groups other than those above may not be approved; check with your research administrator.

If the source account being used is in an account group not identified above, the respective fiscal officer will need to send a New Account Create form to Business and Financial Services (refer to the Financial Records System (FRS) Manual for details). The request should then be forwarded to Sponsored Programs with the account information completed. The 5-3 account will not be created until the completed form is received.
When a cost share account has been established within the accounting system a goldenrod copy of the SP-9 providing the account number will be forwarded to the department.

Questions on the creation of cost share accounts should be directed to the Cost Share Account Coordinator in Sponsored Programs. (See Sponsored Programs staff listing at the above web link.)

**Allocating Funds to Cost Share Accounts**

All budget transfers from the source account to the cost share account will be handled according to department/college accounting procedures. After these transfers have been made, the cost share account budget cannot be reduced below the amount of expenditures in the account.

If the budget cannot be transferred at the time the cost share account is created, it should be transferred as soon as it is available. The cost share requirement has not been met until the budget has been allocated and expenditures made.

**Cost Sharing from Facilities and Administrative (F&A) Costs Only**

If a cost share requirement is to be met through a contribution of F&A costs only, a separate cost share account is not needed. Sponsored Programs will calculate the appropriate amount and report it to the sponsor.

In accordance with OMB Circular A-110, unrecovered F&A costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

**Cost Sharing Among 5-3 Accounts**

Occasionally projects may involve contributions from more than one external sponsor to accomplish the objectives of the grant or agreement. When more than one project in the 5-3 fund series is contributing to the accomplishment of a larger objective, the participation of each sponsor should be specifically disclosed in the proposal document submitted to each sponsor.

When funded, each of the 5-3 sharing accounts should be specifically designated as such in the accounting system. This ensures that the funding from each of these sponsors is not used as a contribution to any other account, while preserving the integrity of each individually sponsored component of the activity.

Occasionally, a portion of a non-federal 5-3 account may be appropriately used to cost share a federally funded 5-3 account. In this situation, a separate cost share account must be created in the usual manner (submittal of an SP-9), and the budget transferred to the new account by use of the SP-1A Form.
A sponsored (5-3) project which has no documented connection to any other sponsored (5-3) project may not be used for cost sharing. Except when specifically authorized in writing by the federal sponsor, federal funds may not be used to meet another federal cost share requirement.

Cost Share Commitments Requiring Special Documentation in Lieu of Dedicated Cost Share Accounts

Under some circumstances, a "dedicated" cost share account may not be needed or even feasible. Two examples of this are:

- Central funding of tuition differential between resident and non-resident rates. A listing of the student(s)/amounts/semester with the project title and 5-3 account number (submitted to Sponsored Programs) will provide adequate documentation; and
- "Third Party In-kind" contributions which do not involve an outlay of cash. There are specific rules for valuation of these contributions and complete documentation is required.
  - At the time of proposal submission, a letter signed by an individual authorized to commit the third party to the cost share is required. The letter should indicate that the contribution is non-federal and that the contribution will be made during the period of the proposed project. The letter should detail what will be provided, e.g. services, supplies, value of contribution, for the specific project (identify by title).
  - If the proposal is awarded, documentation from the third party is required confirming that the contributed services, supplies, etc. were provided.

OR

  - In lieu of documentation described above, the third-party contributor may confirm that the contributions were made by adding a statement and signature on a copy of the letter of commitment that was provided at the proposal stage along with any substantiating documentation.

These special situations must be discussed with the Senior Research Administrator assigned to your project at the beginning of the project to ensure that all requirements are understood and can be met.

Departments are reminded to budget for all years when the project is a multi-year project.

Many audit problems can be avoided by adhering to the following criteria for all cost share expenditures:

- Costs are subject to the same rules for allowability and allocability as the sponsored project.
- Costs must be adequately documented in the University records; this includes the need for adequate justification on documents (e.g., for travel) which relate the expenditure to the sponsored project;
• Costs must be charged directly to the cost share account at the time they are incurred, not transferred retroactively from other accounts.
• Costs must be incurred during the project period.
• Valuation of any in-kind contributions must be appropriate and properly documented.

Monitoring Cost Share Commitments

It is the responsibility of the department/college to ensure that cost share commitments are met. After the cost share account has been established and the budget appropriately allocated, it is necessary to monitor the account on a regular basis to ensure that expenditures are made in accordance with the commitment to the sponsor. While some sponsors require monthly reporting of cost sharing others require reporting only annually or at project end. However, expenditure of cost share funds should occur on an on-going basis. Cost share budgets are shown in the CSU Commitment information, which can be accessed from the Research Project Status (RPS) screen, or by contacting the accounting technician assigned to your College/Department.

The importance of monitoring cost share commitments is best illustrated by looking at the consequence of failing to meet the requirement:

• If a recipient does not contribute the amount committed, the federal portion of total project costs may be reduced by an amount equal to that which the recipient failed to meet; or
• When a required ratio (e.g., federal/80% and recipient/20%) must be maintained, the federal portion would be reduced proportionately to maintain the required cost share ratio; and
• Any over expenditure resulting from a reduction in the sponsor portion will be the responsibility of the department/college.