

1. Title

Cost Sharing Policy

2. Policy

Sec. 1 Purpose. The purpose of this Policy is to provide requirements, guidelines, and procedure for monitoring, tracking, and reporting cost sharing to sponsoring agencies for all sponsored programs, federal, State, and private, at The University of Texas System Administration. This includes the understanding of cost sharing commitments and determining when cost sharing is appropriate and allowable.

Sec. 2 Policy Statement. Cost sharing is the portion of sponsored project cost not borne by the sponsor. Cost sharing occurs when a sponsor requires or the institution commits funds beyond the awarded amount by the sponsor. It is the policy of the U. T. System Administration that cost sharing is proposed, approved, administered, available, and accounted for in a consistent and reasonable manner throughout the project/program. To comply with all applicable federal laws and regulations and sponsoring agency guidelines, U. T. System Administration must be accountable for documenting and verifying cost sharing commitments.

Sec. 3 Compliance. To comply with UTS163, *Guidance on Effort Reporting and Certification Policies*, a formal policy on "Cost Sharing on Sponsored Projects" must be established. Federal regulations for cost sharing on sponsored projects have increased up substantially. The regulations require the institutions to be accountable in documenting and verifying cost sharing commitments, with the same diligence as actual expenditures on contracts and grants.

Sec. 4 Limitations. U. T. System Administration strongly discourages cost sharing arrangements for all sponsored programs, as these arrangements involve unique accounting procedures and require funding resources from U. T. System Administration. Cost sharing arrangements also necessitate increased monitoring to ensure compliance.

Sec. 5 Overview.

5.1 Cost sharing is a financial commitment toward the total cost of a project from a source other than the granting organization. Contributions for cost sharing include other departmental designated funds, gifts, or endowment income. Pursuant to

Office of Management and Budget (OMB) Circular A-110 cost sharing must come from nonfederal sources. It can be one of two types, either mandatory or voluntary.

- (a) Mandatory cost sharing is required by statute, regulation, or written policy. Such cost sharing is set forth in the Request for Proposal (or other notice) announcing the availability of the funding. Depending on the particular program or agency, this contribution may be satisfied by providing cash, services, or other contributions such as staff effort devoted to the project. In some instances, the program will mandate a percent of the total project costs as cost sharing, but in others, the requirement will be stated without a specified amount or percentage.
 - (b) Voluntary cost sharing is a more complex issue. On an increasing basis, various funding programs and agencies are trying to further leverage their limited grant funds by encouraging applicants to show a commitment on the part of the submitting institution through voluntary cost sharing. In these instances, while it is not mandated by the regulations, cost sharing is encouraged as an indication of support by U. T. System Administration.
- 5.2 Cost sharing implies the redistribution of U. T. System resources to support a specific sponsored agreement. Because these resources can be scarce in some cases, it is important not to overcommit funds when the sponsor does not require them and when the project can be completed without them.
- 5.3 Once committed in a proposal narrative, proposal budget, or notice of award, mandatory and voluntary committed cost sharing funds must be verifiable and fully documented in the accounting records in accordance with government regulations. Third-party in-kind contributions do not require accounting entries in U. T. System's accounting system. However, adequate records must be maintained to demonstrate that the full cost share commitment was performed. Effort commitment must be certified in the time and effort certification process for mandatory and voluntary committed cost sharing.

An OMB memo dated January 5, 2001, clarified OMB's treatment of Voluntary Uncommitted Cost Sharing and said that it should not be included in the organized research base for computing the facilities and administrative (F&A) rate.

- 5.4 Consideration should be given for committing to cost sharing including, but not limited to the following:
- (a) Cost sharing brings down F&A costs rate and reduces the reimbursement from the sponsors. Cost sharing committed in the proposal is considered as direct costs and is added into the denominator (base) of the F&A costs calculation.
 - (b) It reduces the flexibility Principal Investigators (PIs) have to conduct other projects.
 - (c) It increases the requirements for accounting and recordkeeping.
 - (d) Unrecovered F&A costs may be included as part of cost sharing only with prior approval of awarding agency.
- 5.5 Unallowable Costs for Cost Sharing. The following expenses cannot be offered as cost sharing commitments in sponsored project proposals:
- (a) expenses that are already committed to another project as cost sharing;
 - (b) expenses that are provided from a federal or other sponsored program;
 - (c) existing U. T. System-owned equipment or institution facilities; and
 - (d) unallowable costs as defined in OMB A-21, Section J.
- 5.6 Allowable Costs for Cost Sharing.
- (a) Costs for cost sharing may consist of allowable direct or indirect costs and must meet the same tests as those charged to the sponsored projects. Examples of eligible costs include the following:
 - (i) allowable and allocable costs under OMB A-21 and A-10 and the terms and conditions of the sponsored agreement; and
 - (ii) cost of equipment purchased necessary for the completion of the project.

- (b) Salaries, wages, and benefits in excess of regulatory salary rate caps are considered voluntary committed cost sharing. (Refer to INT159, *Institutional Base Salary Policy*.)

Sec. 6. Procedures.

6.1 Pre-Award.

- (a) Consideration should be given to the administrative requirements and responsibilities inherent in the cost sharing commitment to determine the cost effectiveness and the expected benefits of cost sharing, prior to making such commitments. Departments must obtain approval for cost sharing commitments from the Office of the Controller and the Executive Vice Chancellor for Business Affairs prior to proposal submission.
- (b) In addition, a PI is required to:
 - (i) verify that effort commitment cost sharing in the proposal has been submitted and approved by the individual listed in the proposal as well as his or her supervisor;
 - (ii) obtain budget authority for cost sharing amounts in the proposed budget;
 - (iii) ensure that committed funds for cost sharing are available at the time the proposal is submitted and throughout the life of the award;
 - (iv) obtain approval documentation for cost sharing commitments from third-party contributions or other sources as appropriate; and
 - (v) ensure that the total effort for an individual, including cost sharing, does not exceed 100% at the time of award acceptance.

6.2 Post-Award.

- (a) When a PI proposes to cost share U. T. System Administration resources, U. T. System Administration is required to provide the stated resources in the performance of the sponsored agreement.

- (b) Implicit in the commitment to cost share is the PI's agreement to ensure that funds are budgeted and available, and cost sharing is properly accounted for, monitored, tracked, and reported as required.
- (c) Accounting for Cost Sharing.
 - (i) Cost sharing expenses for each project are accounted for in separate accounts established specifically for that purpose.
 - (ii) Allowable costs must be timely and accurately charged to the appropriate cost sharing account and must be approved by the PI.
- (d) Monitoring, Tracking, and Reporting Cost Sharing.
 - (i) The PI and the Department are obligated to monitor, track, maintain documentation of the mandatory and voluntary committed cost sharing, and report to the sponsor.
 - (ii) The tracking, reporting, and certifying of cost sharing are subject to audit under OMB Circular A-133, sponsor guidelines, or terms of the sponsored agreement.
- (e) Time and Effort Reporting. Cost sharing effort is included in the calculation of total committed effort. Although proposals could be in circulation at any given time that exceed 100% of a staff's effort, care must be taken to ensure that effort is not committed more than the appointment allows for concurrent periods of time. Effort commitments cost sharing can only be used once and cannot be included as contribution for any other federal or sponsored program. (Refer to INT153, *Time and Effort Managing and Reporting Policy*.)

3. Definitions

Allowable Cost - a cost that is reasonable, allocable to the sponsored program, and consistently treated throughout the institution. The cost must not be previously committed to another project as cost sharing or included in the F&A calculation.

Cost Sharing - a commitment made by the institution to fund a portion of the total cost of a sponsored agreement. This commitment may be for direct and/or indirect costs, and may consist of institution funds or funds from other outside sources. Cost sharing can be classified as either mandatory or voluntary. Cost sharing is also referred to as "Cost Matching."

Cost Sharing Account - an account used to record mandatory cost sharing contributions to a sponsored project or program. This account can only be used to accumulate cost sharing contributions for a single sponsored project.

Direct Costs - costs that directly benefit and are specifically associated with a sponsored project or program.

Effort - time spent on any activity by an individual, expressed as a percentage of the individuals' total professional effort. Total effort must always equal 100%.

Facilities and Administrative Costs (F&A) - costs incurred for a common or joint purpose that cannot be identified specifically with a particular sponsored project or instructional activity. Indirect costs include utilities, depreciation, and facility costs. They are real costs of conducting research, instruction, and training, which must be funded by either the sponsor or U. T. System Administration. F&A cost are also known as "Indirect Costs" (IDC).

Mandatory Cost Sharing - a contribution to a sponsored project or program required by the sponsor as a condition of the award. Such contributions are binding commitments and must be accounted for in accordance with this Policy. Mandatory cost sharing must be included in the proposal budget and be included in the research base.

Third-Party In-Kind Contribution - a noncash cost sharing commitment to a sponsored project by a party other than the institution or the primary sponsor such as facilities or equipment use. Third-Party In-Kind contributions do not require accounting entries to be made in the accounting system. However, records must be maintained to demonstrate that the full cost share commitment was performed.

Unallowable Cost - a cost determined to be unallowable in accordance with the applicable cost principles or other terms and conditions contained in an award.

Unrecovered F&A Costs - the difference between the amount awarded and the amount that could have been awarded under the recipients' approved negotiated facilities and administrative cost rate.

Voluntary Cost Sharing - a contribution to a sponsored project or program offered by the Principal Investigator but not required by the sponsor as a condition of the award. Voluntary cost sharing is classified as either committed or uncommitted.

Voluntary Committed Cost Sharing - 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 Committed Cost Sharing should be included in the research base.

Voluntary Uncommitted Cost Sharing - contributions not quantified or reflected in the proposal. These are nonbinding commitments that do not require documentation or reporting. Voluntary Uncommitted Cost Sharing should not be included in the research base.

4. Relevant Federal and State Statutes, Policies, and Standards

[OMB A-21, Cost Principles for Education Institutions](#)

[OMB A-110, Uniform Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations](#)

[Memoranda 01-06, Clarification of OMB A-2, Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs](#)

[OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations](#)

[OMB A-133, Compliance Supplement 2013](#)

5. Relevant System Policies, Procedures, and Forms

[UTS163, Guidance on Effort Reporting and Certification Policies](#)

[INT153, Time and Effort Managing and Reporting Policy](#)

[INT159, Institutional Base Salary Policy](#)

6. System Administration Office(s) Responsible for Policy

Office of the Controller

7. Dates Approved or Amended

May 24, 2007

June 10, 2009

November 15, 2012