

# Cost Sharing

**Effective Date: September 1, 2020**

**Supersedes: SOP 16.00 August 22, 2014**

**Issuing Authority: Office of Sponsored Research Administration**

**Responsible Officer: Associate Vice President for Research and Innovation**

## **Policy**

It is the policy of Texas A&M University-Corpus Christi (TAMU-CC, “the University”) that all costs proposed or incurred on a Sponsored Program must comply with sponsor terms and conditions, TAMU-CC policies and procedures and applicable Federal, State and local regulations. As required under OMB Uniform Guidance (2 CFR 200) (UG), compensation costs must be charged to Sponsored Programs in a consistent manner.

## **Purpose of this Policy**

The purpose of this policy is to provide guidance for proposing and administering cost sharing on Sponsored Programs, in accordance with Federal and other sponsor requirements.

## **Scope of this Policy**

This policy is applicable to all units of the University involved in administering Sponsored Programs.

## **Procedures for Implementation**

TAMU-CC encourages and supports the efforts of Principal Investigators (“PIs”) to obtain external funding for their research endeavors. PIs are therefore given latitude in developing the scientific and financial aspects of their proposals in order to increase their success in the highly competitive arena of Sponsored Programs.

Cost sharing is that portion of a program or program cost that is not reimbursed by the Sponsor (whether Federal or non-Federal) and as such, represents a commitment of institutional resources that would otherwise be devoted to other University purposes.

As a matter of longstanding policy, TAMU-CC discourages unnecessary and unsupported cost sharing. Every dollar of mandated or voluntary committed cost sharing results in TAMU-CC forfeiting not only the recovery of the direct cost but also the recovery of the associated indirect Facilities and Administrative (F&A/IDC) costs. In addition, in accordance with Federal requirements, the total amount of all cost sharing must be included in the denominator, or base, of TAMU-CC’s indirect costs calculation. As such, TAMU-CC must put amounts into its research base for which no direct cost reimbursement is received. This results in a decrease in the Federally negotiated rate and associated indirect cost recoveries, which has far-reaching, negative implications for TAMU-CC’s ability to support the research enterprise. It is thus important to limit the use of cost sharing in order not to overburden University resources or the ability to recover indirect costs. Cost sharing should only be offered if clearly mandated by the sponsor or if it will be explicitly considered by the sponsor in making an award.

There are three forms of cost sharing:

- ❖ Mandatory
  - Under the UG, funding opportunity announcements must state whether there is mandatory cost sharing (therefore eligibility is limited to proposals which commit to shared costs, matching or other contributions) and identify any restrictions on the types of cost sharing that are acceptable
- ❖ Voluntary Committed
  - TAMU-CC policy does not allow for voluntary committed cost sharing without prior approval of the Vice President for Research and Innovation. For Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications but may be considered if it is both in accordance with Federal Awarding agency regulations and specified in a notice of funding opportunity. Vague statements from a Federal agency which encourage cost sharing will not be permitted. If authorized by sponsor regulation or statute, the announcement must also describe how the cost sharing will be considered. Please note that voluntary cost sharing is expressly prohibited by the National Science Foundation and will result in a proposal being returned without review.
- ❖ Voluntary Uncommitted
  - Cost associated with a project, not funded by the sponsor, and not identified in the proposal, or in any other communication to the sponsor as a commitment of the University. Most commonly, this is effort of key personnel that is beyond the effort committed and budgeted for in a sponsored agreement. Voluntary uncommitted cost sharing does not require tracking and reporting.

Mandatory and voluntary committed cost sharing becomes an obligation once an award is made. Federal regulations require that Mandatory or Voluntary Committed Cost Sharing be treated consistently and uniformly in documenting, accounting, and reporting. They should comply with TAMU-CC's cost accounting practices and be reflected in the University's Time & Effort Certification. The expenses associated with cost sharing or matching contributions must be allowable in accordance with the Uniform Guidance (2 CFR 200 Subpart E Cost Principles and Subpart F Audit Requirements) for Federal Awards, and/or University and sponsor policies.

## A. Federal Standards for Acceptable Cost Sharing

Cost Shared expenses must meet the same standards as expenses made using the sponsor's funds. Under Federal Awards, items committed as cost sharing must meet all the following criteria in accordance with the Uniform Guidance (2 CFR 200 Section 306 Cost Sharing or matching):

- ❖ Are verifiable from the recipient's records.
- ❖ Are not included as contributions for any other Federal Award(s).
- ❖ Are necessary and reasonable for accomplishment of program or program objectives.
- ❖ Are allowable under Uniform Guidance (2 CFR 200 Subpart E – Cost Principles).
- ❖ Are not paid by the Federal Government under another award, except where the

Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs.

- ❖ Are provided for in the approved budget, when required by the Federal sponsor.

Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the awarding agency.

Values for non-Federal entity contributions of services and property by TAMU-CC or a subrecipient under a Federal Award must be established in accordance with Uniform Guidance (2 CFR 200 Section 434-Contributions and donations).

## B. Sources of Cost Sharing

The following non-sponsored sources would be considered appropriate sources of funds that the University may use to meet cost sharing commitments:

### a. Preferred Sources:

- ❖ Appropriated college and/or departmental funds (Payroll related expenses are the most easily tracked)
- ❖ Unrecovered IDC, when permitted by sponsor

### b. Allowable Sources:

- ❖ Startup fund
- ❖ Endowment Spending
- ❖ Gifts
- ❖ Third Party or In-Kind Contribution (cash or donated goods or services)
- ❖ Program income, with prior approval from the awarding agency (Uniform Guidance (2 CFR 200 Section 307, Paragraph E (3)))

### c. Costs Not Acceptable for Meeting Cost Sharing Commitments

The following costs may not be used to meet cost sharing commitments:

- ❖ Costs pledged as cost sharing for another funded program (except as specifically approved by all parties).
- ❖ Costs funded by another Federally Sponsored Program unless the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs.
- ❖ Costs funded by the same funding source as the Sponsored Program, unless specifically approved in the Sponsored Program.
- ❖ Costs of construction or renovation of University buildings, except with express sponsor approval.
- ❖ Costs that are included and reimbursed through the indirect cost rate (administrative salaries, office supplies, library expenses and operations and maintenance expenses).

- ❖ Salary dollars above the NIH cap.
- ❖ Overdrafts or costs deemed unallowable according to award terms and conditions.
- ❖ Unfunded salary for effort that extends beyond the contractual appointment period (i.e., unfunded summer months for faculty with nine-month academic appointments).
- ❖ Any costs not deemed to be necessary and reasonable for the proper and efficient accomplishment of program or program objectives.
- ❖ Costs incurred prior to the start of the program, except with express sponsor approval.

PIs should discuss cost sharing requests in advance with their Chairs and Deans, and when applicable, the Vice President for Research and Innovation. PIs should consider the compliance implications of cost sharing, whether the cost sharing fulfills a sponsor mandate or is offered voluntarily. Cost sharing should only be offered if clearly mandated by the sponsor or if it will be explicitly considered by the sponsor in making an award.

### C. Obtaining Approvals for Cost Sharing

The Office of Sponsored Research Administration (OSRA) and TAMUS Sponsored Research Services (SRS) are responsible for determining whether proposed cost sharing complies with the requirements of the sponsor guidelines and determines whether it is mandatory or voluntary. The approval of all sources of the cost sharing contributions (e.g., Department Chair, Dean, Provost, third party collaborator) is required at the time of the proposal. Approval is conveyed as part of the proposal routing process, which captures specific information regarding proposed cost sharing arrangements. Any voluntary cost sharing of PI effort requires the written permission of the Chair, Dean and Vice President for Research and Innovation. Once the PI decides to propose voluntary committed Cost Share Cost Share it is the responsibility of the PI to submit an official Cost Sharing Request Form through OSRA.

Cost sharing commitments must be specifically quantified in the proposal budget and described in the budget justification. Care should be taken so that statements about unbudgeted key personnel involvement or tasks will not be inadvertently construed as voluntary cost sharing, and any such information that will enhance the likelihood of the success of the program should be restricted to the proposal resources section or program narrative.

Any increase in the amount of approved cost sharing provided by the University under a sponsored agreement requires the prior written approval of the Chair, Dean and Vice President for Research and Innovation. If the awarded amount will be less than the proposed amount, any cost sharing commitment should be adjusted accordingly.

### D. Creating Cost Sharing Account

It is the responsibility of the PI and the department to document the fulfillment of cost sharing. Cost sharing is documented through the creation of a separate subaccount in the University's accounting system which parallels the account established with sponsor funds. The following steps list the process for creating cost sharing accounts:

- ❖ When notified of an award subject to a cost sharing commitment, OSRA contacts the

- responsible departmental administrator to verify the source of all cost sharing (i.e., the accounts from which the cost sharing will be funded or third- party contributions).
- ❖ Upon confirmation of the Cost Share sources, OSRA will request the Accounting Office to create cost-sharing accounts to parallel the Sponsored Program account, tied to the funding source.
  - ❖ Once created, OSRA will notify the PI and Departmental Research Administrator (DRA) of the account number for the sponsored award and parallel Cost Share account authorizing expenditures for the program.

A Sponsored Program will require multiple cost sharing accounts to be set up when the related cost sharing is coming from multiple funding sources.

## E. Recording Cost Sharing Expenses

### a. TAMU-CC Expenses

If salary is to be cost-shared, the department will need to update the payroll distribution via the Costing Allocation in Workday. The DRA may need to work with a payroll coordinator to complete this step.

Non-Salary expenses can be charged directly to a Cost Share account directly via PCARD, Travel Expense, Purchase Order, etc.

For expenses that have already been charged to a program, it will be necessary to initiate a cost transfer through a Payroll Correction Transaction (PCT) Departmental Correction Request (DCR) or manual Journal Entry (JE) to redistribute the correct percentage of the expense to the Cost Share account. All related future charges should be expensed directly to the regular and cost-share account.

### b. Third Party Cost Sharing (including Sub-awards / Sub-agreements / Subcontracts)

Cost sharing by a third party in the form of a grant or contract is tracked the same as TAMU-CC Expenses. A cost sharing account tied to the account that the funds from funding source are deposited. Any cost sharing expenses paid from that grant or contract should be posted to the appropriate cost shar account.

Non-cash contributions by a third party do not require the creation of a cost sharing account, but rather the department is required to maintain records identifying the contribution and its fair market value. Documentation sent to OSRA should include a letter of actual completion, which includes documentation of the basis for determining the value of personal services, material, equipment, and other direct expenses as well as written acknowledgement of the contribution, including:

- ❖ Name & signature of Third-Party authorized representative
- ❖ Date & location of contribution
- ❖ Detailed description of item/service
- ❖ Estimated value of contribution, how value was determined, responsible person making determination

For Federal Awards, rates should be consistent with those paid by TAMU-CC for similar work, or when such skills do not exist at TAMU-CC, with market rates, and documented similarly. Third party employee services should be at regular rates of pay plus fringe

benefits and indirect costs based on negotiated rates (or in the absence of a negotiated rate, the de minimus 10%). Donations of property and equipment cannot exceed fair market value at the time of the donation.

## F. Monitoring Cost Sharing Accounts

Cost sharing almost always occurs continually over the life of the program. It is the responsibility of the PI to ensure that charges are incurred against the Cost Share account as it occurs and in a timely manner in order to avoid cost transfers at the close of the program.

OSRA will monitor the Cost Share accounts for reporting to the Sponsor at the time invoices or financial reports are generated. OSRA will email the reported Cost Share balances to the TAMU-CC DRA to ensure departmental and central office continuity. PIs and DRA's should work closely with OSRA to ensure accurate reporting of cost sharing on financial reports to sponsors. When a financial report is due that requires Cost Share reporting.

## G. Cost Sharing Closeout

At program close-out, OSRA will resend the Cost Share balance by email to the PI and departmental administrator for final update.

OSRA only requires that total cost sharing requirements are met upon expiration of the Sponsored Program. When the program is closing, OSRA completes the Cost Share step in TAMUS's Research Administration Portal to indicate that the cost sharing obligation has been satisfied.

### Related Policies

- ❖ TAMU-CC Procedure 15.01.01.C0.02 Administration of Sponsored Agreements: [http://academicaffairs.TAMU-CC.edu/rules\\_procedures/](http://academicaffairs.TAMU-CC.edu/rules_procedures/)
- ❖ TAMUS Regulation 15.01.01 Sponsored Agreements– Research and Other: <http://policies.tamus.edu/15-01-01.pdf>

### Federal Regulations

- ❖ OMB Uniform Guidance 2 CFR 200 Section 306 Cost sharing or matching: [https://www.ecfr.gov/cgi-bin/text-idx?SID=a9f9354be13bd7cc1c20d454667cdc9a&mc=true&node=se2.1.200\\_1306&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=a9f9354be13bd7cc1c20d454667cdc9a&mc=true&node=se2.1.200_1306&rgn=div8)
- ❖ OMB Uniform Guidance 2 CFR 200 Section 307 Program Income: [https://www.ecfr.gov/cgi-bin/text-idx?SID=a9f9354be13bd7cc1c20d454667cdc9a&mc=true&node=se2.1.200\\_1307&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=a9f9354be13bd7cc1c20d454667cdc9a&mc=true&node=se2.1.200_1307&rgn=div8)
- ❖ OMB Uniform Guidance 2 CFR 200 Section 434 Contributions and donations: [https://www.ecfr.gov/cgi-bin/text-idx?SID=c799d8be1b3ae44ed6870ee7997b6cb2&mc=true&node=se2.1.200\\_1434&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=c799d8be1b3ae44ed6870ee7997b6cb2&mc=true&node=se2.1.200_1434&rgn=div8)
- ❖ OMB Uniform Guidance 2 CFR 200 Subpart E Cost Principles: [https://www.ecfr.gov/cgi-bin/text-idx?SID=c799d8be1b3ae44ed6870ee7997b6cb2&mc=true&node=se2.1.200\\_1434&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=c799d8be1b3ae44ed6870ee7997b6cb2&mc=true&node=se2.1.200_1434&rgn=div8)

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- ❖ OMB Uniform Guidance 2 CFR 200 Subpart F Audit Requirements: <https://www.ecfr.gov/cgi-bin/text-idx?SID=d64fde7823950d40669dc20974b2cc49&mc=true&node=sp2.1.200.f&rgn=div6>
- ❖ NIH Salary Cap Summary: [https://grants.nih.gov/grants/policy/salcap\\_summary.htm](https://grants.nih.gov/grants/policy/salcap_summary.htm)

## **Appendices**

- ❖ TAMU-CC Cost Share Form: [https://research.TAMU-CC.edu/cost-share-request-form\\_2019.pdf](https://research.TAMU-CC.edu/cost-share-request-form_2019.pdf)