

University of Connecticut

Cost Sharing

Policy CADS-2

Date Issued: June 19, 1998

Purpose:

This document describes the University's policy on cost sharing on research, training and other projects sponsored by external funding agencies, including both federal and private sponsors. The policy will provide guidance to faculty on the circumstances under which cost sharing is permitted and the responsibilities of the University and the project director in situations where the University makes a cost-sharing commitment to the Sponsor.

Effective Date: The policy is effective July 1, 1998. However, departments should be aware that this written policy reflects long-standing practices at the University.

Definition of Cost-Sharing:

Cost sharing is defined as the portion of the total project costs of a specific sponsored agreement that is borne by the University, rather than the sponsor. Cost sharing represents a reallocation of department, college or school resources to specifically support an externally sponsored agreement. Examples of cost sharing include contributions of personnel effort and associated fringe benefits, contributions of other direct costs associated with a project but not funded by the project and indirect costs budgeted at less than the University's negotiated rates. It is the responsibility of the department to provide resources for cost sharing of direct expenses, if permitted. Indirect expenses may not be cost shared without the approval of the Vice Provost for Research and Graduate Education.

Reportable cost sharing is classified as either mandatory or voluntary committed. Cost sharing that is classified as "mandatory" is a cost contribution required and quantified by the grant sponsor in an explicit communication to the grantee as a condition of the award. This definition includes the "matching funds" requirements which are typical of federal land grant appropriations and SBA's small business development center awards. Cost sharing is classified as "voluntary committed" when it is not a requirement of the sponsor and the University voluntarily proposes to cost share an expense.

A third class of cost sharing is voluntary uncommitted cost sharing, or VUCS. OMB provided clarification on uncommitted cost sharing in Memorandum M-01-06, issued in January 1, 2001. The M-01-06 memorandum stipulates, "voluntary uncommitted cost sharing is defined . . . as university faculty effort that is over and above that which is committed and budgeted for in a sponsored agreement."

The effect of this clarification is that voluntary uncommitted costs sharing “should be treated differently from committed effort and should not be included in the organized research base for computing the F&A rate. Furthermore, such faculty effort (would be) excluded from the effort reporting requirement” in section OMB A-21, J.10.

Reportable cost sharing (mandatory and voluntary committed), cited in the proposal/budget, must be documented by the institution. Federal agencies now consider faculty effort mentioned only in a proposal’s narrative as a cost sharing commitment. Therefore, if cost sharing is mentioned in the proposal narrative, then the cost sharing effort should be noted on the Research Foundation’s proposal record form and on the proposal’s budget sheet. This cost sharing effort must then be reflected on screen 008 of our accounting system, in order to be included in our effort reporting system and counted as a base adjustment for F&A rate development.

For large complex grants, where a multiple of personnel are involved in providing mandatory cost sharing, the cost sharing will require separate tracking in the accounting system. Where salaries are cost shared, either mandatory or voluntary committed, both types also require tracking in the effort reporting system, as well as appropriate adjustments in the indirect cost calculation.

The term “cash match” is sometimes used to mean cost sharing of costs that are incurred by the university. The third party “in-kind” cost sharing are costs incurred by an organization, other than the university, on behalf of a sponsored agreement conducted by the university.

An agreement to cost share whether mandatory or voluntary committed represents a commitment of scarce university resources to provide the stated service or assets during the performance of the project. Principal Investigators are urged to discuss proposed cost-sharing arrangements well in advance of submission of the grant proposal with the head of their department and the Office of Sponsored Programs.

Requirements:

To be acceptable for cost sharing, as a direct cost, a cost **must:**

- Be allowable according to the principles of OMB Circular A-21;
 - (a) Be reasonable and not specifically unallowable;
 - (b) Be allocable to sponsored agreements as a direct cost (as opposed to indirect costs);
 - (c) Be consistent with university policy;
 - (d) Conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to type or amounts of cost items; and
 - (e) Be consistently treated as a direct cost.

- Be directly related to the project objectives; costs which are treated as indirect costs, as specified by OMB Circular A-21; may not be used as direct cost to provide a cost share contribution.

In addition, cost-shared expense **must not:**

- Be included as cost sharing for any other project;
- Be paid by any federal sponsor under another award, unless the sponsor approves it in writing.

Mandatory Cost-Sharing: Mandatory cost sharing is still a requirement of some private and government sponsors. The mandatory cost sharing for private sponsors is often a requirement that no salary be charged to the grant for the effort of the Principal Investigator or key personnel. However, mandatory cost-sharing can include any direct cost budget item and indirect costs, depending upon the specific requirements of the sponsor. The University accepts mandatory cost sharing requirements when all of the following conditions have been met:

- The cost sharing requirement is in the written policies of the sponsor and those policies are available to the Office of Sponsored Program upon review of the proposal;
- The cost sharing requirement is indicated on the University of Connecticut Research Foundation's Proposal Record form; and
- The Department Head and Dean have reviewed and approved the proposal to signify the Department, College or School's ability and willingness to provide the required cost sharing resources (e.g. percent of Principal Investigator's salary to cover the effort devoted to the project).

Failure to meet a required match generally means a corresponding loss of a sponsor's program funds. If this occurs departmental resources will have to be used to cover the unmatched program expenses.

Voluntary Committed Cost-Sharing: The Board of Trustees has indicated that voluntary committed cost sharing is permissible, possibly as an incentive to get funding from the sponsor. The university will assume a cost sharing commitment only when required by the sponsor or by the competitive nature of the award, and then to cost share only to the extent necessary to meet the specific requirements.

Principal Investigators are strongly encouraged to reflect the total anticipated costs of a project on the proposal budget. However, proposals which voluntarily offer to make time or other resources available at no cost to the sponsor are generally discouraged by the university. The university accepts voluntary committed cost sharing on grant or contract proposal when all of the following conditions have been met:

- The cost sharing requirement is indicated on the University of Connecticut Research Foundation's Proposal Record form;
- The Department Head and Dean have reviewed and approved the proposal to signify the Department, College or School's ability and willingness to provide the required voluntary cost sharing resources (e.g. percent of principal investigator's salary to cover the effort devoted to the project); and
- The proposal once submitted to the Office of Research Administration is approved by the Vice Provost for Research and Graduate Education with respect to the cost sharing offered.

Voluntary Uncommitted Cost Sharing

The University does not track uncommitted cost sharing in the organized research base, and such effort is excluded from the effort reporting requirement of A-21 J.10. A precise documentation of faculty effort is not always feasible. However, J.10 still requires that the apportionment of salaries and wages which will "encompass both the sponsored and all other activities on an integrated basis. As such, when an institution reduces a faculty member's level of activities dedicated to the other institutional responsibilities in order to shift his/her activities to organized research activities, the institution must reflect this" shift as an increase to the research effort component and in the F&A proposal.

To address the concern that "most federally-funded research programs have some level of committed faculty, paid or unpaid, the effort can be provided at any time within the fiscal year (summer months, academic year, or both)." The university preference is for paid summer commitment. Also, some types of research programs, including instrumentation, doctoral dissertations and student augmentation do not require committed faculty effort, paid or unpaid. Consequently, no commitment is needed.

Documentation of Cost Sharing Commitments:

1) *Activity Confirmation System*

The University uses the After-the-Fact Activity Records approach to document professional, professorial, classified and non-professional effort on sponsored programs. The survey is conducted on a semester basis, covering the first through last pay period of each semester. At the end of a sponsored program, cost sharing and salary charges are confirmed on an individual project basis.

The confirmation form contains printed information on the percentage distribution of employee activity. Each individual's salary and required cost sharing percentage, mandated or voluntary committed, is obtained from information maintained in the University's Financial Records System (FRS). Salary charges recorded in FRS and cost sharing percentages are combined to report the percentage distribution of employee's activity.

Confirmation forms are sent to appropriate individual employees as soon as possible after the end of the semester. The individual is asked to review and certify to the data recorded on the confirmation form. If data is inaccurate or missing, the employee is responsible for making necessary changes and/or additions.

As confirmation forms are returned, they are reviewed for appropriate signature and any apparent discrepancy. If changes or additions have been entered on the form for salaries charged to the sponsored program, a “change” payroll authorization must be processed. Cost sharing data is updated in FRS as needed.

The Office of Sponsored Programs sends follow-up requests periodically to obtain confirmation reports until all the reports have been received.

2) *Third-party Cost Share:*

Third-party “in-kind” contribution counting towards satisfying a cost sharing or matching requirement must be approved in writing by the appropriate third party before a proposal is submitted. Third-party contributions must be monitored by the Principal Investigator and written documentation provided by the third-party contributor of their in-kind contributions.

3) *Other Expenses:*

The University discourages both mandatory and voluntary cost sharing of other (non-payroll) expenses, because of the difficulty of tracking and documenting non-payroll expenses. However, if cost sharing of these type of expenses is provided in the sponsored agreement the costs must be documented in the same way as direct charges to the sponsored agreement (e.g. payment invoice, travel reimbursement).

4) *Major or Complex Awards:*

When documenting matching/cost sharing for major or complex awards, such as federal land grant appropriations, national undersea research center and sea grant college program, it is required that the matching/cost sharing be recorded in the University’s financial records system.

Research Equipment Match:

Dean, Department Head, or Facility Director:

Funds needed for equipment match required by the sponsor are the responsibility of the faculty member's dean and department head or facility director. As is customary, all cost-share commitments, from all parties including the dean and department head or facility director, must be documented in writing in the usual manner on the regular University routing sheet at the time of submission of the proposal.

Research Foundation:

The Foundation's policy on research equipment cost-share on federal grants is designed to use a pool of internal funds to leverage additional research dollars from federal agencies. This cost-sharing pool is available for the purchase of research equipment costing at least \$20,000, under the following general conditions: the research equipment must be part of a matching funds package that accompanies a request being submitted to a federal agency, and the federal agency must absolutely require a research equipment cost-share. Because there are limited funds for the program, it may not be possible to make commitments to all applicants.

The Foundation's program guidelines on research equipment cost-share on federal grants state that:

- Cost-sharing for other budget items, and proposals to other entities, are not eligible.
- The instrumentation must be research equipment, as opposed to instrumentation for instruction and/or administrative needs.
- Proposal must meet a minimum threshold of \$20,000 worth of requested research equipment (single item, or group of items)
- The percentage cost-shared allowed is 25% of the total purchase price of the research equipment, to a maximum of \$50,000.
- Highest priority will be given to those proposals that absolutely require (usually in writing) cost-sharing on research equipment as part of the submission to the federal agency.
- if funds are available, consideration will also be given to research equipment on proposal to federal agencies where the requirement for a cost-share is not so absolute but, in the Director's view, the awarding of the federal grant would result in a major improvement of the research climate at the University. Such special matches will be rare.
- The Foundation expects proposals to include research equipment cost-sharing on the part of the department head and the dean and, if applicable, the director of a

facility, center, or institute. Such cost-sharing is seen as evidence of a strong commitment to the equipment by the research areas involved. In the case of requests for research equipment intended to become part of a fee-for-service entity, the director of the Research Foundation will seek assurance that the faculty at large will have a means to access the equipment.

- If the research equipment component of the subsequent federal award is reduced, the cost-share will also be reduced, proportionally.

Normally major items of equipment are funded and matched by a number of university accounts. Where the sponsored project is one of the accounts used to fund the equipment purchase, documentation of matching funds will be provided by the purchase order and payment invoice. However, when the sponsored project's account is not used to fund a portion of the equipment's costs, then a separate account may need to be set-up in order to track and document the equipment purchased entirely with University resources.

Indirect Costs:

It is the policy of the University to collect full indirect costs from all funding sources whenever possible. These payments are reimbursement to the University for actual costs incurred for facilities and support functions needed to conduct sponsored agreements. Any exceptions to the use of the University's federally negotiated indirect cost rates must be approved by the Vice Provost for Research and Graduate Education.

While it is the policy of the University to collect full indirect costs, if a foundation has an established written policy that it will fund only direct costs or only a portion of indirect costs, the Vice Provost for Research and Graduate Education will ordinarily accept the foundation's rate.

Federally negotiated rates apply to all agreements between the University of Connecticut and the federal government unless appropriation restrictions have been placed on the funding or other stipulations of a mandatory nature apply.

The indirect cost rate for state agencies is one half the federally negotiated rate or one half of salaries and wages, whichever is less. Contact the Office of Sponsored Programs for assistance in accurately computing the rate.

For non-federal projects, rates higher than the federally negotiated rate should be applied. At a minimum the federally negotiated rate is also used for all agreements between the University of Connecticut and corporations or other for profit entities. Exceptions are rare, and must be approved by the Vice Provost for Research and Graduate Education at the time of budget review by the Office of Research Administration.

Third-party In-kind Contributions:

The term “cash match” is sometimes used to mean cost sharing of costs that are incurred by the University. The term third party “in kind” contribution means costs incurred by an organization other than the University on behalf of a sponsored program conducted by the University.

Third-party “in-kind” contributions counting towards satisfying a cost sharing or matching requirement may include:

- Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of the sponsored program’s activities. Rates for volunteer services shall be consistent with those paid for similar work in the recipient’s organization. In those instances in which the required skills are not found in the recipient organization, rates shall be consistent with those paid for similar work in the labor market in which the recipient competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- When another organization, outside the University, furnishes the services of an employee, these services shall be valued at the employee’s regular rate of pay (plus an amount for fringe benefits that are reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are in the same skill for which the employee is normally paid.
- Donated supplies may include such item as expendable equipment, office supplies, laboratory supplies or workshop and classroom supplies. Value assessed to donated supplies included in the cost sharing or match share shall be reasonable and shall not exceed the fair market value of the property at the time of the donation.
- The value of donated equipment shall not exceed the fair market value of equipment of the same age and condition at the time of donation.
- The value of donated space shall not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- The value of loaned equipment shall not exceed its fair rental value.

The following requirements pertain to the University's supporting records for in-kind contributions from third parties:

- Volunteer services shall be documented and, to the extent feasible, supported by the same methods used by the University for its own employees.
- The basis for determining the valuation for personal services, material, and equipment shall be documented.

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Date Approved: _____

(Signature)

Mark Emmert
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Chancellor and Provost for University Affairs
(Title)