

Background

Cost sharing is a commitment made by the College toward the total cost of a sponsored project. These costs represent actual expenditures above and beyond what a department is already spending for their operations. The expenditures must be identifiable and made between the start and end dates of a grant. The use of existing College property or equipment does not represent cost sharing.

Definitions

Mandatory Cost Sharing: cost sharing which is required by the sponsoring agency as a condition of the award. This type of cost sharing must be included in the proposal budget and is usually included on the notice of award. It must be fully documented in the College's accounting records. In limited cases, cost share may consist of **foregone** summer salary or indirects.

Voluntary Committed Cost Sharing: cost sharing which is not required by the sponsoring agency, but which has been committed by the College. If this type of cost sharing is included in the proposal budget, it must be fully documented in the College's accounting records. A common example of voluntary cost sharing is when a piece of equipment is purchased with grant funds and the College commits to maintaining the service agreement on the equipment once the warranty has expired.

Voluntary Uncommitted Cost Sharing: cost sharing that is not committed to nor budgeted in a sponsored agreement. It need not be tracked for accounting purposes or reported to the sponsor. Voluntary uncommitted cost sharing commonly results from cost overruns on a project or from housing provided by the College for students hired to do research in the summer.

Effects of Cost Sharing

The College policy is to provide cost sharing only when required by agencies. Cost sharing may be approved in limited cases if it is considered necessary due to the competitive nature of the proposal. College cost sharing requires the reallocation of department or College resources toward a specific sponsored agreement. It is important not to over-commit funds when the sponsor does not require them and when the project can be completed without them.

It should also be noted that cost sharing commitments reduce the College's Facilities and Administrative Rate (F&A), otherwise known as the indirect cost rate, as it is considered a part of the research base when calculating the rate.

Allowability

In order to be an **allowable** cost sharing expense, the charge must comply with all of the following:

- It must be necessary, reasonable, and directly related to the project objectives.

- It must occur between the start and end dates of the project.
- It must be verifiable in the College's accounting or time and effort records. The tracking, reporting and certifying of cost sharing are subject to audit.
- It must be an allowable expenditure under Federal regulations (A-21) and the terms of the sponsoring award.

The following are considered **unallowable** cost sharing:

- Administrative salaries, services and supplies which are not permitted by the sponsor as they are included in our F&A rate.
- Existing College equipment or facilities.
- Salary dollars above a regulatory cap.
- Expenses used as cost sharing in any other sponsored program.
- Federal dollars from another award.
- Unallowable costs as defined in A-21, section J found at:
http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a21.pdf

Relationship to Effort Reporting

When a faculty member's time is pledged as cost sharing in a proposal, the pledge should be reviewed by the Principal Investigator/Project Director (PI/PD), the department and Line Officer to assure that the contribution to the project is within the 100% effort distribution. Because all cost sharing (mandatory & voluntary) must be fully documented, the PI/PD must include and certify effort toward the project that was not directly charged. The time and effort report is the College's means of verifying that cost sharing was performed as promised and commitments were met.

Third Party Cost Sharing

If a subawardee makes a cost sharing commitment in their proposal budget, the College will require the subawardee to maintain records and report and certify this cost sharing in their invoices to the College. Invoices without cost sharing details and certification will not be paid. The PI/PD must approve these invoices for payment, indicating that the contribution was received.

If committed cost sharing is provided by a third party who is not a subawardee, the PI/PD is responsible for obtaining the value of the cost sharing on the third party's letterhead. Donated supplies, equipment, buildings, and other contributions shall be valued at the current market value. Donated services shall be valued based on rates paid for similar work.

Changes in Cost Sharing Commitments

The actual effort and other costs required to accomplish the goals of a sponsored project might differ from what was proposed and awarded. If changes to the amount pledged for cost sharing are required, a revised cost sharing plan must be submitted to Grant, Foundation and Corporate Relations on the Grant Revision Request Form. They will review the request and, if approved, provide assistance in contacting the sponsor, if necessary. The College is bound to meet cost sharing requirements. If it does not, the award may be reduced accordingly.

Reporting

The College is responsible for demonstrating that it has met mandatory cost sharing commitments. In order to do so, all shared direct costs must be identified by the PI/PD as part of the proposal preparation and clearance process. The proposal budget must show committed cost sharing. Once awarded, sources of the cost share will be identified and made available for the project. Grants Accounting is responsible for reporting this cost sharing to sponsoring agencies.

For more information about a project's cost sharing elements in a proposed budget, contact Grant, Foundation and Corporate Relations (GFCR), Michelle Epp mepp@macalester.edu at 651-696-6062. Questions about actual cost sharing (post-award) can be directed to the Grants Accountant, at 651-696-6354 or www.macalester.edu/grantsaccounting/