Cost-Sharing FAQ
(Updated May 18, 2016)

I. DEFINITIONS

**Mandatory cost-share**: “Required as a condition to receive an award, and specified by the agency in the proposal guidelines or program announcement. This would be the minimum cost-sharing required by the agency. Anything committed beyond the minimum becomes Voluntary Committed cost-sharing” (RA50 – Cost Sharing).

**Voluntary committed cost-share**: “Committed by the University through the inclusion in the proposal as a specific commitment. This commitment could appear in the proposal either in the administrative/business section (e.g. budget or budget justification) or the narrative” (RA50). “Under Federal research proposals, voluntary committed cost-sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity” (Uniform Guidance 2 CFR 200.306).

**Voluntary uncommitted cost-share**: “University expenses, such as faculty salaries, that are over and above that which is committed and budgeted for in a sponsored agreement” (RA50).

**Leverage**: The term “leverage” is not defined in federal regulations or Penn State policy. This term is used informally to refer to one project that complements another. For example, a federal instrumentation grant cannot be used as cost-share on another, since federal funds cannot be used as cost-share on other federal grants. However, one might say that the equipment purchased with a federal instrumentation grant could be used to “leverage” other federal projects that will make use of such equipment.

II. PRE-AWARD BASICS

**Will cost-sharing help my proposal?** Mandatory cost-sharing is considered an eligibility criterion, not a review criterion, so inclusion of mandatory cost-sharing will not increase your likelihood of getting funding. Voluntary cost-sharing should not be included in a federal proposal unless it has been specifically identified in a notice of funding opportunity. According to the Uniform Guidance, “Under Federal research proposals, voluntary committed cost-sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Criteria for considering voluntary committed cost-sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity” (Uniform Guidance 2 CFR 200.306(a)).
When will Central provide cost-share funds? Guidelines governing the central matching funds program for Research Equipment can be found in RAG51 – Central Matching Funds Program for Research Equipment. Guidelines governing the central matching funds program for Assistantships and Traineeships can be found in RAG52 – Central Matching Funds Program for Assistantships. All other central cost-sharing is determined on a case-by-case basis.

What are the rules for determining whether a cost can be included as cost-share? All costs included in the cost-share budget must be verifiable, allowable, allocable, reasonable, and necessary for completion of the project. Costs included as cost-share on one project cannot be used as cost-share on any other Federal award. Costs paid by the Federal government cannot be used as cost-share on another Federal project (unless an exception is authorized under Federal statute). Mandatory cost-share must be included in a budget approved by the Federal awarding agency (Uniform Guidance 2 CFR 200.306(b)). As a general rule, costs that are typically covered by F&A (e.g., administrative salaries) cannot be used as cost-share. For exceptions to the above, please contact your Financial Office or college Research Administrator.

Can unallowable costs be used as cost-share? No. If the cost is unallowable as a direct cost, it cannot be used as cost-share.

Do the cost-sharing expenses have to match the funded expenses? For example, if I request $500 in materials and supplies, do I have to match with materials and supplies? It depends on what has been proposed as cost-share. Award costs may be supplies and travel, but the match might all be salary. The key is that the match must follow what you proposed and must meet the total amount based on ACTUAL expenses. For example, if you budgeted $14,000 in cost-share for a graduate student and your actual expenses for the graduate student were only $12,000, you will need to find $2,000 more in project specific expenses to meet your cost-share commitment. Depending on the terms of your agreement, you may require prior approval to revise your cost-sharing budget.

How do I calculate mandatory cost-sharing when the solicitation states that 25% of total project costs must be cost-shared? Take the amount you plan to request from the federal government and divide it by 0.75 to calculate total project costs. The difference between total project costs and total federal costs equals your cost-share. For example, if you are requesting $82,000 from the federal government, you should divide 82,000 by 0.75 to calculate total project costs ($109,333). The difference between total project costs ($109,333) and total federal share ($82,000) equals your total cost-share commitment ($27,333). Stated more generally:

\[
\text{Total Federal Share (TFS)} + 0.25 \times \text{Total Costs (TC)} = \text{Total Costs (TC)} \\
\text{TC} = \text{TFS}/(0.75)
\]

May I use unrecovered F&A to meet cost-sharing commitments? “Unrecovered indirect costs, including indirect costs on cost-sharing or matching may be included as part of cost-sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity’s approved negotiated indirect cost rate” (Uniform
Guidance 2 CFR 200.306(c)). Many federal agencies have permitted us to use unrecovered F&A as cost-share. USDA, as a rule, will not.

**May I use donated equipment as match?** “Donated property from third parties may include such items as equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost-sharing or matching share must not exceed the fair market value of the property at the time of the donation” (Uniform Guidance 2 CFR 200.306(g)). See Uniform Guidance 2 CFR 200.306(d), 200.306(h), and 200.306(i) for related scenarios). Please note that existing equipment in the PI’s lab cannot be used as cost-share.

**Can gifts or endowed funds be used as cost-share? How is this tracked?**

**Gift funds:** Gift funds may be used as cost-share. Costs should be captured in a cost center in accordance with RA50 – Cost Sharing. Costs should be reported to Cost Analysis in the template developed for that purpose.

**Endowed funds:** Income accounts for endowed funds may be used for cost-sharing. Cost must be captured in a cost center in accordance with RA50 – Cost Sharing. Please note that endowed funds are not included in the Facilities and Administration model. Therefore, the preference would be to charge costs which are not included in modified total direct cost (MTDC) to endowed funds. These include:

- Graduate tuition remission
- Capital equipment
- Plant construction
- Building amortization
- The portion of each subgrant and subcontract greater than $25,000
- Patient care costs
- Participant support costs (after December 24, 2014, under Uniform Guidance)

However, any costs can be put on gift and endowed funds if appropriate as a cost-sharing expense. Just be sure that the costs are tracked in a designated cost center. Your Financial Officer may also need to report these expenses to Cost Analysis.

**Can third party contributions be used as cost-share?** Yes. See Uniform Guidance 2 CFR 200.306(j).

**Can costs incurred outside the period of performance be used as cost-share?** No. Only costs that would have been allowable on the grant can be used as cost-share. Costs incurred outside of the period of performance would be unallowable on the grant, thus cannot be used as cost-share. This is why existing equipment cannot be used as cost-share on a federal grant.
**May I use program income (e.g., proceeds from workshop registration fees) as cost-share?** “With prior approval of the Federal awarding agency, program income may be used to meet the cost-sharing or matching requirement of the Federal award. The amount of the Federal award remains the same” (Uniform Guidance 2 CFR 200.307(e)(3)). Consider, for example, a $20,000 project where you are receiving $10,000 from the federal agency and cost-sharing the rest. If you generate $2,000 in program income, and request the Federal agency’s approval for counting the $2,000 as cost-share, then you only need to identify another $8,000 in costs to meet your $10,000 cost-share commitment. The $2,000, of course, must be spent in the service of the $20,000 project.

**May I use performance space as cost-share?** If we needed to rent space from a third party to perform a project (i.e., off-campus), then the rent would be an allowable cost. If the third party agreed to waive the rental costs, such costs could be shown as cost-share. But if we are using university facilities to perform a project, such facilities would typically be provided by F&A, which means they cannot be used to meet cost-share commitments.

**May I use graduate student space as cost-share?** We would not charge any of our sponsors for graduate student space, since facilities are provided for under the F&A rate. Thus, graduate student space cannot be used as cost-share.

**When retired/emeritus faculty agree to work on an uncompensated basis, can their volunteered time be used as cost-share?** Yes. If the retired faculty member’s effort is an “integral and necessary” part of the project, then such activity can be considered “volunteer services” as defined in UG 200.306(e). The rate of pay should be calculated in accordance with the “Determining Rate of Pay” section of HR45 – Post-Retirement Appointments. No cost center will be established to capture such effort, since the retired faculty member will not be paid through Penn State. However, some form of reasonable documentation (e.g., bi-weekly record of hours) must be maintained to validate that the retired faculty member actually worked the hours represented as cost-share.

**Can I use a percent of my research dean’s or department head’s time as cost-share?** If these costs would be allowable as a direct cost on the sponsored project, than yes, a percent of the research Dean or department’s head time could be used as cost-share. The key is if the cost would be allowable as a direct cost. You cannot allocate a general percentage of their time, but would need to show committed effort to the project. Individuals classified as executives (i.e., Deans and Vice Presidents) cannot be allocated to a sponsored award, either as a direct charge or cost-share.

**If an agency cuts the proposed budget, is the cost-share budget also reduced?** It depends on what is arranged with the agency. If the agency cuts the proposed budget, they would also have to explicitly indicate that the cost-sharing is reduced. As a rule, we should be asking to reduce our cost-share commitment when the award is reduced. Note that program officers do not have fiscal authority. If you have a cost-sharing shortfall, it must be approved by the Contracting Officer in writing. Do not rely on communications between the PI and the program officer.
What are the various sources of cost-sharing and where do I account for them? See table below.

<table>
<thead>
<tr>
<th>Cost Sharing Sources</th>
<th>Track by</th>
<th>Report to Cost Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund GIA Account (tuition)</td>
<td>College GIA or Dedicated cost sharing account <strong>Cost Center Required</strong></td>
<td><strong>NO</strong> <em>(tuition not included in research base)</em></td>
</tr>
<tr>
<td>General Funds</td>
<td>Dedicated Cost Sharing Account <strong>Cost Center Required</strong></td>
<td><strong>NO</strong> <em>(Unless not in dedicated cost sharing account)</em></td>
</tr>
<tr>
<td>Endowment</td>
<td>Endowment Income Account <strong>Cost Center Required</strong></td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Gift Accounts</td>
<td>Gift Account <strong>Cost Center Required</strong></td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Non-Federal Sponsored Awards</td>
<td>Sponsored Award Account <strong>Cost Center Required</strong></td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Third-Party (External to University)</td>
<td>NOT TRACKED or booked in IBIS, MUST track to report to sponsor</td>
<td><strong>NO</strong></td>
</tr>
</tbody>
</table>

III. POST-AWARD BASICS

OVERVIEW OF VARIOUS COST-SHARING TYPES AND GENERAL RULES

<table>
<thead>
<tr>
<th>Cost-Sharing Types</th>
<th>Report to Sponsor?</th>
<th>Track in IBIS?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory Cost-Sharing (M)</td>
<td><strong>YES</strong></td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Voluntary Committed (VC)</td>
<td><strong>YES</strong></td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Voluntary Uncommitted (VU) Including Effort in Compliance with OMB Memo 01-06 (2001 Memo) – Minimum Effort</td>
<td><strong>NO</strong></td>
<td><strong>YES</strong></td>
</tr>
</tbody>
</table>
If voluntary uncommitted cost-sharing is not required to be tracked, can this become an issue at auditing time if we have no documentation to show the uncommitted cost-sharing done on the grant? We track voluntary uncommitted cost-sharing, but do not report it to the sponsor. We must track voluntary uncommitted cost-sharing to assure good stewardship, F&A reporting purposes and reporting to Central.

Should we spend match funds first and then award funds, or should they be spent in parallel? How is this controlled? There are no written rules, but it is suggested that the direct costs and cost-share be spent proportionately during the award, because cost-share must be spent if award funds are spent. Units are responsible for assuring that cost-sharing is occurring and being accounted for appropriately in a designated cost center. There are some awards that have specific requirements that require that on a monthly or quarterly basis, that cost-sharing match the proportion of direct costs.

How should we track GIAs used for cost-share? GIA can be tracked in the college’s GIA account or in a specific cost-sharing account, but a cost center must be used in either case. If transferred from the GIA account into a cost-sharing account, the Financial Officer needs to notify the Assistant Controller for budget reconciliation purposes.

If tuition is included in the cost-share budget and an area wants to use GIAs, does the area owe the difference between the budgeted tuition and the value of the GIA? The amount of the GIA, if that is the tuition charged the student, is the amount that is cost-shared. There is an official tuition rate for graduate assistants, and even though it could be argued that the University provides a subsidy toward graduate assistant tuition, it cannot be included as cost-share. Cost-share is always based on actual cost.

Is there a rule regarding unused match funds? Can they be moved to a cost center within the unit to be used in support of the project or should they be returned to the areas that provided the match? If you have more cost-sharing than needed for the award requirements, you would need to look at the source of the cost-share. If it was provided from centrally allocated funds, any central funds not used must be returned.

If you don’t fully meet your cost-sharing commitment, what should you do? Obviously, all efforts should be made to meet your cost-share commitment. If multiple parties (e.g., subrecipients or other third parties) are contributing cost-sharing, and one or more fails to meet its commitment, it may be permissible to increase other parties’ commitments to compensate for the shortfall. All such efforts should be discussed with the Contract Officer to make sure the revised cost-share commitment meets with their approval. If you cannot meet your full cost-share commitment, the sponsor might reduce your award by a proportionate amount. (For example, if you received a $100,000 award that was subject to a 1:1 match, and you only were able to meet $85,000 of your cost-share commitment, the federal share of your award might also be reduced to $85,000.)

What costs are to be reported to Research Accounting on the Account Closeout form in the total cost-sharing section? The unit would report mandatory and voluntary committed cost-sharing only. Voluntary uncommitted would not be reported.
IV. SPECIAL TOPICS

IV.A. MINIMUM FACULTY EFFORT

This topic has been moved to the Compensation FAQ.

IV.B. SALARY CAP

How do I calculate the NIH salary cap? See RAG64 – Personnel Costs (Salary Caps) for sample calculations.

Do I have to track salary over the cap as cost-share? It must be accounted for within Pay and Effort and must be charged to a general fund account (400-level preferred) to assure that it is in the cost base for F&A purposes – and should be tracked in a unique cost center. However, it cannot be used as cost-share, because it is considered to be an unallowable cost.

So why do we need to track it if unallowable costs cannot be used as cost-share? We need to assure that these costs are not double-counted, so we use the same type of tracking we use for cost-sharing to account for amounts over the salary cap. We also need to be aware of these costs centrally, so tracking in a unique cost center facilitates this central reporting. However, do NOT include salary cap cost centers in the dedicated cost-share accounts. Salary cap cost centers do NOT need to be reported to Cost Analysis, but an area is welcome to set up a unique account to use for salary cap if they wish (but a dedicated account for salary cap is NOT required).

IV.C. OTHER SPONSOR-SPECIFIC QUESTIONS

What if my PI already has two months of support from NSF? Can he or she not submit any additional proposals to NSF (since we have to show minimum PI effort and NSF doesn’t want to see any voluntary cost-share)? Please see the Compensation FAQ for guidance regarding compliance with the NSF “two-ninths” rule.

USDA won’t allow me to recover full F&A. Can I use the unrecovered F&A as cost-share? Most USDA programs are subject to statutory caps on F&A. USDA considers F&A over the cap to be unallowable. Since a cost must be allowable in order for it to qualify as cost-share (Uniform Guidance 2 CFR 200.306(b)(4)), F&A over the cap cannot be utilized to meet cost-share requirements. However, if Penn State were to forgo recovery of F&A below the statutory cap (e.g., collect at 0% rather than at the statutory cap), such unrecovered F&A could qualify as cost-share, but only with the prior approval of the awarding agency (Uniform Guidance 2 CFR 200.306(c)).
V. ADVANCED ISSUES FOR FINANCIAL OFFICERS AND COST ANALYSTS

**Which types of cost-sharing are tracked for F&A calculations?** According to the Uniform Guidance, “only mandatory cost-sharing or cost-sharing specifically committed in the project budget must be included in the organized research base for computing the indirect (F&A) cost rate or reflected in any allocation of indirect costs” (Uniform Guidance 2 CFR 200.306(a)). Voluntary uncommitted cost-share is tracked for other reasons, i.e., to avoid double-counting of faculty effort.

**How do we deal with the fact that we have different Category I fringe benefit rates for general funds (used to support cost-share) and restricted funds?** Cost-share fringe should be calculated at the current negotiated rate. Reports to the sponsor will include the actual amount charged in the general fund, and then a “below the line” adjustment to show the additional calculated fringe based on the higher negotiated rate. This is similar to how we reported fringe costs for cost-share on general funds when we did not charge fringe on general funds.

**What is a “Dedicated Cost Share Account”? How is it used?** For Cost Analysis purposes, dedicated cost-share accounts are established in order to segregate cost-share in general funds (unrestricted) to insure that the costs are not included in departmental administration or sponsored program administration (F&A) cost pools. The account should include the following costs:

- Mandatory
- Voluntary committed
- Voluntary uncommitted representing effort in compliance with OMB Memorandum 01-06 where no faculty or senior researcher effort is charged directly to the project

It is important to set up the cost centers so that as needed, these types of costs can be separately reported. It is mandatory that new cost centers being established include the following codes:

- M – Mandatory
- VC – Voluntary Committed
- VU – Voluntary Uncommitted

This code would be followed by the FUND number of the account for which the cost-sharing relates.

It is also important if you are doing cost-sharing for an off-campus award, that this be tracked separately – and if the award includes both on and off-campus components, that the cost-share also be tracked based on each component. Using a ON or OFF code would be appropriate in the cost center name.

After discussion, it has been decided that amounts over the salary cap should NOT be included in these dedicated cost-sharing accounts, but should be charged to 400-level general fund accounts, using a cost center.
VI. RESOURCES

Uniform Guidance (2 CFR 200.306): This section provides guidance regarding all cost-sharing on federal grants and cooperative agreements. It does not apply to federal contracts.

OMB Clarification: This is the document that clarifies tracking requirements associated with voluntary uncommitted cost-share. This document also explains the basis for the minimum PI effort rule.

PSU Policies on cost-sharing

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