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 Uncommitted 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). Such expenses are not documented and/or quantified in any materials sent to a sponsor.

**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?** Requests for Central matching funds must be approved by the research dean or institute director and submitted to centralmatch@psu.edu using the appropriate Central matching funds request form. The form must be completed including the research dean's/institute director's signature, which indicates that the college/institute/department matching funds are confirmed. Guidelines governing the central matching funds program for Research Equipment
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. In some instances, we may use state money, industry money, and foundation money to cost share; however, 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 on the face page of the 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 Officer or college Research Administrator.

Can unallowable costs per the Uniform Guidance be used as cost-share? No. If the cost is unallowable as a direct cost, it cannot be used as cost-share. Cost share should be used for the purpose the cost was committed. Should an unallowable cost arise, the PI can write the sponsor and request the cost be shared, or as another option, the department can pay for it with unrestricted funds and use an unallowable general ledger account.

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 $100,000 from the federal government, you should divide 100,000 by 0.75 to calculate total project costs ($133,333). The difference between total project costs ($133,333) and total federal share ($100,000) equals your total cost-share commitment ($33,333). Stated more generally:

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

May I use unrecovered F&A to meet cost-sharing commitments? Yes, as long as the sponsor allows it. “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.
For example, consider a project with $90,000 in total direct costs and no MTDC exclusions (equipment, tuition, etc.). If we calculated F&A at 58.6% MTDC, our F&A would be $52,740. If the sponsor only permits us to recover 10% Total Costs ($10,000), then we could count the difference toward cost-share with the sponsor’s prior approval ($52,740 - $10,000 = $42,740).

**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 can be used as leverage but can **not** be used as cost-share. Contact Property Inventory to determine the fair market value of the property.

**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 an internal order/sponsored program in accordance with RA50 – Cost Sharing.

**Endowed funds:** Income accounts for endowed funds may be used for cost-sharing. Cost must be captured in an internal order/sponsored program in accordance with RA50 – Cost Sharing. Please note that endowed funds are not included in the Facilities and Administration (F&A) submission. Therefore, the preference would be to charge costs which are not included in modified total direct cost (MTDC) to endowed funds. These include:

- Tuition remission
- Capital equipment
- Plant construction
- Building amortization
- The portion of each subaward greater than $25,000
- Patient care costs
- Participant support costs (after December 24, 2014, under Uniform Guidance)
- Rental Costs
- Scholarships and fellowships

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 internal order/sponsored program.

**Can third party contributions be used as cost-share?** Yes. See Uniform Guidance 2 CFR 200.306(j). Sample Third Party Cost Share Commitment Letters and Confirmations can be found [here](#). If a third party backs out of their commitment and it is mandatory, Penn State is required to cost share the required amount.

**Can costs incurred outside the period of performance be used as cost-share?** No, unless costs are incurred during an allowable 90-day pre-award or on an approved advance account. 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.

**Could you get an exception from the sponsor to cost share costs incurred outside the period of performance?** Generally, no since costs incurred outside the period of performance are generally
unallowable (200.309) and only allowable costs can be used as cost share (200.306(b)(4)). However, you may request the grant officer’s written approval to allow the costs.

**Can I cost share facility fees and/or charge out rates?** Yes, using the internal rates.

**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)). The workshop registration fees must be in a separate internal order/sponsored program. Income cannot be included in the grant. 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. Consult with Cost Analysis to ensure the costs are not already included in F&A.

**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 internal order/sponsored program 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. Approval must be obtained from Human Resources before using retired/emeritus faculty work 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, then yes, a percent of the research Dean or department’s head time, calculated from the Institutional Base Salary (IBS), could be used as cost-share. For example, Dr. Smith’s IBS is $100,000 and receives an additional $50,000 to serve as the department head. The percentage of effort for cost share would be based on the $100,000. 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.

**Can I use a percentage of administrative time to cost share?** Yes, but it must be in a dedicated internal order/sponsored program. Note that salaries of administrative and technical staff should normally be treated as indirect costs. Direct charging of administrative salaries may be appropriate if administrative
support constitutes a level of support greater than the routine level of service normally provided by an administering department (typically 10% or more of an individual’s effort). See Policy RA21 and the Cost Accounting Justification procedure for additional guidance.

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.

Some foundations do not allow faculty salaries. Are we supposed to put in PI effort and mark it as cost share? If a non-federal award is less than $50,000 and a percent of the faculty member’s time is charged to unrestricted funds, you do not need to charge their effort to the project. If the project is $50,000 or greater, you must either charge a percentage of the faculty member’s effort to the project or show it as a cost share. If the sponsor will not allow you to charge it to the project, you must show it as cost-share. This is considered voluntary committed cost share that must be tracked. See RA21, Direct Labor section.

The PI has a significant financial conflict of interest (COI) with a startup company. He is not charging any salaries. Should we cost share his effort? OMB Circular A-21 was clarified in 2001 (memorandum M-01-06) to indicate that most federally funded research programs should have some level of committed effort by faculty (or senior researchers) either paid (by the federal government) or unpaid (cost-shared by the institution). Even though A-21 was retired December 25, 2014, Memorandum M-01-06 lives on at Uniform Guidance 2 CFR 200.306(k). PSU implements this requirement in RA21 – Development of Proposal Budget. Exceptions can be found on the Compensation FAQ. In addition, refer to RP06, Disclosure and Management of Significant Financial Interests, for the individual conflicts of interest policy. Any significant financial COI must be disclosed by the PI and discussions should be held between the Associate Dean for Research and the COI office. Should the Associate Dean for Research determine cost-sharing is appropriate, documentation for the rationale must be maintained.

With regard to fellowships, if the sponsor doesn’t cover the full rate of tuition, stipend and health insurance, are those subsidized expenses treated as cost share? We should track it separately and it is considered cost-share, the same way we track faculty effort over the cap, for purpose of an audit trail, to ensure that portion is not charged to some other federal fund. However, for Cost Analysis purposes, since these expenses are considered unallowable, it is not considered cost-share and it does not need to be reported to Cost Analysis.

Can we claim a portion of someone’s effort that is on sabbatical as cost share? Yes, but only with the approval of the Dean, subject to the assurance that the percent of effort cost shared on the sponsored project will not distract from the purpose for which the sabbatical was approved.

Do we need to ask PI’s what percentage of their effort is voluntary uncommitted and report it to Cost Analysis? No. In accordance with OMB Memorandum 01-06, it is not necessary to ask faculty about their voluntary uncommitted effort; it only needs to be reported to Cost Analysis if it is known and tracked.
Can we use the full, negotiated F&A rate on the cost shared expenses (salary and fringe) since the sponsor allows us to cost share the unrecovered F&A from the sponsor budget, or are we limited to 15% TDC (for example) to match the sponsor budget? If a sponsor explicitly permits us to show the unrecovered F&A as cost share, then the F&A on the cost share portion of the budget should be calculated at Penn State’s negotiated rate.

III. POST-AWARD BASICS

Should we spend match funds first and then award funds, or should they be spent in parallel? How is this controlled? The direct costs and cost-share must be spent proportionately during the award, because cost-share must be spent as award funds are spent. Business areas are responsible for assuring that cost-sharing is occurring and being accounted for appropriately in a designated sponsored program/internal order. 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.

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. Subsidy is not cost share.

Is there a rule regarding unused match funds? Can they be moved to a cost center/internal order/sponsored program 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 it was provided by more than one unit, college, or institute, it should be returned proportionately.

If you do not fully meet your cost-sharing commitment, what should you do? It is important to track what has been committed and 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 Contracting 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 happens if you do not meet your cost share commitment? If you are still within your period of performance, you can ask the sponsor to reduce the cost share. If it is after the period of performance, there is very little recourse. The sponsor may say you owe money.
Can committed cost share be tracked in a special project budget if it is for capital equipment? Yes, but Property Inventory must be informed. If it is not capital equipment, it can be done but Cost Analysis will need to be notified to properly account for it in the F&A calculation.

Campuses do not have many options for cost share other than effort. Are there options that exist at the University that the campuses can tap into? Gift, MGR, or endowed funds can be used as a cost share and should be tracked in a cost center in accordance with RA50. Third-party contributions can also be used as cost share.

What methods could be used to remember and track subcontract cost sharing so at the end of the project we are not searching for documentation? The subcontractor should include the cost share on every invoice. If not, return the invoice(s) for correction and correct documentation. In addition, a database or spreadsheet could be used to track cost share.

IV. SPECIAL TOPICS

MINIMUM FACULTY EFFORT

This topic has been moved to the Compensation FAQ.

SALARY CAP

General guidance:
- Salary cap is not cost share.
- Unallowable costs are not cost share.

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? Yes. It must be accounted for in IO 53, Salary Cap Exceeded for Grants.

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 internal orders/sponsored programs in the dedicated cost-share internal order/sponsored program. Salary cap internal orders/sponsored programs do NOT need to be reported to Cost Analysis, but an area is welcome to set up a unique internal order/sponsored program to use for salary cap if they wish (but a dedicated internal order/sponsored program for salary cap is NOT required).
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)? No, unless it has been approved by NSF. Please see the Compensation FAQ for guidance regarding compliance with the NSF “two-ninths” rule.

USDA will not allow me to recover full F&A. Can I use the unrecovered F&A as cost-share? No, unless it has been approved by USDA. Many 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)).

IAF RECOMMENDED PRACTICES

For cap or unallowable salaries:
- Indicate “yes” on the IAF for cost share
- List the amount under the college/unit field
- A copy of the budget is typically loaded in the documentation section
- If it’s cap or a minimum effort situation, email approvals from the departments are not needed but should include in the note page of the IAF that states something to the effect that “this proposal includes [sponsor name] cap or minimum effort not permitted by the sponsor, please see cost share section of the IAF for details”

For fellowship stipend/fringe/tuition shortfalls:
- Indicate “yes” on the IAF for cost share
- List the amount under the Central and college/unit field, as appropriate
- A copy of the budget and email approvals previously obtained are typically loaded in the documentation section
- Always obtain separate email approvals for these costs
- Include a note in the note page of the IAF that states something to the effect that “this proposal includes [list type of costs being covered by the units], please see approvals and budget details under the cost share tab

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)).
How do we deal with the fact that we have different Category I fringe benefit rates for unrestricted funds (used to support cost-share) and restricted funds? Mandatory and voluntary committed cost-share fringe should be calculated at the current negotiated rate of the sponsored award. Reports to the sponsor will include the actual amount charged in the unrestricted 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 unrestricted funds when we did not charge fringe on unrestricted funds.

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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