

Cost Sharing Policy

POLICY STATEMENT

This policy provides guidelines in the proposing, expending, reporting and documenting of cost sharing for sponsored projects received by the CSU, Chico Research Foundation and managed by the Office of Research and Sponsored Programs (RESP). The purpose of this policy to insure compliance with the general rules and regulations governing cost sharing, especially those required by the federal government. Cost sharing refers to the portion of the sponsored project not borne by the external sponsor. At times cost sharing is also referred to as “match.” For the purposes of this policy, “cost sharing” and “match” shall have the same meaning.

DEFINITIONS

Cost sharing/Match represents the non-sponsored portion of the costs of conducting a sponsored project. These resources are contributed to the project by contributors other than the prime sponsor of the project. Contributors may include the University, one of its auxiliary foundations, third-party entities, and/or individuals.

Mandatory cost sharing is that required by the sponsor or funding agency supporting the sponsored project. Some sponsors require that the recipient of an award provide some level of cost sharing or matching costs as a condition of receiving the award.

Voluntary cost sharing is that portion of the project costs that the University or Foundation provide on their own initiative when the sponsor does not require cost share or the amount of cost share provided is more than the sponsor’s mandatory requirement.

Voluntary committed cost sharing is quantified and included in the proposal budget and award. It must be reported and documented.

Voluntary uncommitted cost sharing occurs when faculty or other senior project personnel provide effort above that agreed upon as part of the award. Such cost sharing is not subject to this policy. Further, such cost sharing will not be included in the modified total direct cost base for computing the federal Facilities and Administration rate.

Third party cost sharing is that provided by an entity or individual other than the prime sponsor, the University or the Foundation. The third party must agree to use the resources provided as cost sharing. Such cost sharing can only be used on one project.

Cash contributions represent the recipient’s (University or Foundation) cash outlay, as well as any funds contributed to the recipient by third party contributors.

In-kind contributions represent the value of all non-cash contributions, including services and property, provided by the recipient and/or third party contributors.

Direct costs are those costs that can be attributed to a specific sponsored project. Such costs can be contributed and accounted for as cost sharing.

Indirect costs are those costs that cannot be attributed directly to a particular sponsored project but, rather, are more associated with general costs that may be pooled into costs generally supporting sponsored projects. Such cost may be contributed and accounted for as cost sharing when the direct costs associated with the project are those of the recipient of the prime award. Third party indirect is generally not acceptable as cost sharing.

Recipient is the organization to which the award is made by the sponsor. The CSU, Chico Research Foundation is the legal recipient of external awards processed and managed by RESP.

POLICY

The Foundation/University set as policy the intention to follow the specific guidelines required by the external sponsor of a project and the general guidelines established in 2 CFR Part 220 and Part 215 with regard to cost sharing and related matters, as applicable.

Allowable Cost Sharing

Allowable cost sharing on a particular project is in most cases determined by the specific award terms and conditions and 2 CFR Part 220 and Part 215. The award terms and the circulars will be followed in the proposing, expending, accounting for and reporting cost sharing.

Allowable cost sharing follows the same general guidelines as the expenditure of funds. The applicable cost principles are those found in 2 CFR 220:

http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105_a21.pdf

2 CFR 215.23 <http://www.whitehouse.gov/omb/assets/omb/circulars/a110/2cfr215-0.pdf> provides the requirements and other guidance on allowable cost sharing.

Regardless of the source, all cost share must be

- allowable costs under 2 CFR Part 215 and as more specifically stated in Part 220.
- verifiable from records documented in the project file.
- necessary and reasonable to accomplish the project's objectives.
- identified in the approved budget when required by the prime sponsor.
- provided during the project period.

Cost share may not be

- utilized as cost sharing on any other project.
- federal funds except where authorized by federal statute.
- earned income under the project except when expressly authorized by the prime sponsor.

Examples of allowable cost sharing in most cases include the following:

- **Salaries of faculty** devoting an attributable and verifiable portion of their compensated time to a specific sponsored project if granted release time by their Department/College. The assignment must tie to University records and other supporting documentation for verification of time released.
- **Salaries of exempt employees and non-exempt employees** devoting an attributable and verifiable portion of their compensated time to a specific sponsored project. The assignment must tie to University records and other supporting documentation for verification of time released.

NOTE: Deans, Associate Deans, Chairs, College AASs and Department Secretaries are not included in this category. See section on unallowable cost share for more detail.

- Fringe benefit costs associated with the contributed effort listed above.
- F&A/Indirect costs on the salaries and benefits listed above.
- Other direct costs, such as travel or equipment, paid for from sources other than the prime sponsor and directly attributable to support of the project.
- Foregone F&A/Indirect costs, where the Foundation requests less than its approved rate and where the sponsor does not prohibit the use of foregone F&A/indirect costs for cost sharing. In all cases, mandatory and/or voluntary cost sharing, the sponsor must approve the use of foregone F&A/Indirect as cost sharing.
- Project costs financed by cash contributions from the recipient or third parties.
- Project costs represented by in-kind contributions from the recipient or third parties.
- Third parties' owned space.

Examples of unallowable cost sharing include the following:

- Uncompensated voluntary recipient employee time. Volunteer services of University/Foundation employees (faculty, staff or students) are NOT allowable in most cases. However, there are two exceptions:
 - Uncompensated student time for work performed directly related to meeting the objectives of the project. Note: Student can not then receive compensation from the project or receive federal work study on a federally funded project.
 - Faculty time outside of the faculty union contract, specifically during the summer, for faculty with an academic year appointment. The work performed must be directly related to meeting the objectives of the project. For example, with RESP approval, an academic year faculty or staff member can volunteer (uncompensated) time for cost sharing during the summer.
- **Salaries of deans, associate deans, chairs, college AAS's and department secretaries time cannot be used as Cost Share** on a sponsored project because their primary assignment is administrative and does not include grant and contact activities; any release can not be tied back to the University workload.
- University/Foundation owned space and equipment.
- Any cost that duplicates the type of costs in the campus/Foundation F&A pool.
- Costs used as cost sharing on another project.
- Using federal funds to cost share for another federally funded project unless specifically allowed by the printed guidelines of the program.

In-Kind Cost Sharing and Valuation Methods

In-kind cost share may be in the form of real property, equipment, supplies and other expendable property, or goods and services directly benefiting and specifically identifiable to the project. This type of cost share is allowable provided that the value can be established by reliance on what those goods or services would bring in the open marketplace.

In-kind contributions may come from two types of sources as described below:

- 1. Recipient In-Kind Contributions:** Values for recipient in-kind cost sharing must follow the applicable cost principles of 2 CFR Part 215 and Part 220 as discussed above. A recipient can only offer as in-kind cost share those goods and services when the value can be verified from their records. Usually such verification can only be made when the recipient has paid someone for something; then an appropriate portion of that cost may be used as cost sharing. Volunteer (uncompensated) services of University/Foundation employees cannot be used in most cases. Only RESP can determine if employee volunteer (uncompensated) time is allowable and can approve the use of such time for cost share purposes.
- 2. Third Party In-kind contributions:** As with recipient in-kind contributions, third party in-kind contributions may also be used provided that the costs meet the tests indicated above to qualify as eligible costs.

In terms of the methods used to value in-kind contributions, the University/Foundation follows the guidelines from the prime sponsor and 2 CFR Part 215 and Part 220. Recipient in-kind cost sharing generally is valued based upon the actual salaries of individuals, assuming the individual is doing a job on the project related to his/her work, and the actual costs of goods and services purchased from individuals and entities external to the campus. Volunteer services must be valued based on market rates for work being performed or by using the California Employment Development Department determination <http://www.labormarketinfo.edd.ca.gov/>

For third party in-kind contributions, various methods for the valuing the contributions are used based upon the circumstances. The most likely circumstances and methods are as follows:

- **Third-Party In-Kind/Personnel Time Commitments:**
 - **When personnel time is committed from another organization/employer**, the value of contribution is based on the individual's salary/wages and fringe benefit rate (if applicable) and an estimation of time commitment necessary to perform specific tasks directly related to meeting the objectives of the project. If the individual contributing services is the owner of the business, the value is based on the individual's salary, if a standard draw is made; if not, then the California Employment Development Department determination will be used. <http://www.labormarketinfo.edd.ca.gov/>
 - **When an individual is committing time that is not committed by the employer (volunteer time) and if the individual has an employer other than him/herself and will be providing expertise or services similar to his/her employment**, the value of the contribution is based on the individual's salary or wage rate from his/he employer, but not the fringe benefit rate.

If the expertise or services to be provided are substantially different from that provided to the employer, the value can be based on the market value for such services (with adequate justification) or on the California Employment Development Department determination. (<http://www.labormarketinfo.edd.ca.gov/>)

If the individual volunteering services to the project is a consultant/independent contractor and the services are similar to those offered to clients, the value is based on the individual's daily rate used for other clients, market value, or on the California Employment Development Department determination. (<http://www.labormarketinfo.edd.ca.gov/>)

- **Equipment/Supplies/Materials** can be contributed/donated as cost share when the value of items can be secured and adequately documented; the value shall not exceed the market value at the time of contribution/donation. These types of items should be valued separately from any labor. Sufficient detail must be provided to determine the type, quantity and unit cost/value of the goods provided.
- **Use of or title to real property** (office space, buildings or land) can be contributed/donated when appropriate to the accomplishment of project. The value of the office space, building(s) or land may not exceed their fair market value at the time of contribution/donation. For buildings and land, the value must be established by an independent appraiser.

Obtaining and Documenting Cost Sharing

Project directors are responsible for obtaining and documenting cost sharing. RESP staff will work with project directors to identify allowable cost sharing at the proposal stage and provide direction upon award as to what documentation is required to support and substantiate the required cost sharing. RESP staff will report allowable cost sharing to the prime sponsor as required by the terms of the award. Unsecured, undocumented or improperly documented cost sharing cannot be reported to the sponsor. In that case the prime sponsor usually will not fully reimburse the Foundation for the sponsor funds expended and the project will end in a deficit, or costs may be disallowed upon audit. In either case, the project director's administrative home unit must cover the unrecovered or disallowed costs.

RESP will establish procedures for obtaining and documenting cost sharing. RESP Administrative Analysts will work with project directors concerning proper verification of cost share upon award. RESP will maintain cost sharing records and documents along with project records and will retain cost sharing documentation for the same period of time the sponsor requires for record retention.

Mandatory versus Voluntary Cost Sharing

Unless the prime sponsor has a written requirement for mandatory cost sharing, the University/Foundation generally discourages cost sharing. Providing voluntary cost sharing creates an audit liability. Further, the work to secure, document and report allowable cost sharing is time consuming to project personnel and to RESP staff. Project directors are responsible for obtaining and documenting cost sharing, and their administrative home units bear the financial burden of making up for any under secured cost sharing. RESP has final authority to determine

when and what cost sharing is appropriate to provide for individual projects at the proposal stage and during the conduct of the project.

When the prime sponsor requires cost sharing, RESP staff will assist the project director in proposing, documenting and reporting such costs. Generally, the program announcement for grants and contracts will set out the specific requirements for cost sharing. Those requirements will be used to determine what level and types of cost sharing can be proposed and accumulated upon award on each project.

The National Science Foundation (NSF) has eliminated the mandatory requirement of the 1% cost sharing on all research projects. No mention of cost sharing should be made in an NSF research proposal. If an NSF program officer suggests providing cost sharing beyond these circumstances, a manager in RESP should be informed immediately.

Cost Sharing verses Program Income

When the sponsor requires cost sharing, the recipient must provide resources in direct support of the project over and above the funds borne by the sponsor. These resources can be in the form of cash, goods or services and are detailed in the project budget and included in the award document. Program income cannot be used to meet cost share requirements. Program income includes, but is not limited to, income from fees for services performed, participant fees, the sale of commodities or items fabricated under an award, license fees, and royalties on patents and copyrights that are directly generated by a supported activity or earned as a result of the award. The recipient shall retain program income earned during the project period in accordance with awarding agency regulations or the terms and conditions of the award.