

COST SHARING
January 2008
Policy 1.1.07

Policy:

The University of Kansas Medical Center Research Institute must ensure that cost sharing requirements of sponsored grants and contract agreements are proposed, accounted for, and reported in a manner consistent with the requirements set forth in federal regulations, primarily the Office of Management and Budget circulars A-110 and A-21. It is the responsibility of the Principal Investigator (P.I.) and Department to assure that appropriate cost sharing has been identified and recorded into the KUMC financial system.

Purpose:

As part of an agreement to award a project, some sponsors may require that the university participate in the total cost of a project. The university may agree to voluntarily meet this requirement in order to show commitment to the project, or to make a proposal more competitive. This cooperation to share costs in some extent is referred to as Cost Sharing, or Matching.

The intention of the Research Institute is to assist researchers and departments in understanding cost share by:

- Helping researchers and departments determine when cost sharing is required and/or permitted,
- Ensuring that the commitment for cost sharing within the institution has been identified and documented,
- Providing information regarding the financial and administrative requirements that will result from cost sharing commitment, and
- Establishing procedure for recording cost sharing in the KU Medical Center financial system.

Types of Cost Sharing:

- Mandatory Cost Sharing occurs when a sponsor requires cost sharing to be added to a project.
- Voluntary Cost sharing occurs when the university commits funds toward a proposed project in order for the proposal to be more competitive.
- Voluntary Cost Sharing may occur when a sponsor does not fully fund the proposed project.
- In Kind Cost Sharing occurs when supplies, services or other non-cash contributions are made to the project. The monetary value of these supplies, services or other non-cash contributions will be based on current fair market value at the time of the contribution.

Cost Sharing or Not?

- If effort is committed and expended but not directly charged to the project, then this is cost sharing.
- If a faculty member proposes to spend 20 % effort on a sponsored project, but charges only 10 % salary to the project, then the remaining 10 % effort is regarded as cost sharing because the effort is committed, but the entire 20 % is not charged to the sponsor.
- If a faculty member proposed to spend 20 % effort on a sponsored project, but charges only 10 % salary to the project and reduces effort to 10 %, then this is not cost sharing.
- If the sponsor reduces the proposed budget and the effort proportionally, then cost sharing is not required.
- If the sponsor does not fund a particular individual but the individual will still be a part of the project, then this is cost sharing.

Procedures:

Cost sharing commitments should only be made when required by the competitive nature of the program. Cost sharing mandated by the sponsor on Federal, State or private awards should be provided from department or school resources. If the sponsor does not require cost sharing, or if cost sharing is not necessary to ensure the competitiveness of a proposal, then the Principal Investigator should refrain from making such commitments voluntarily. When the sponsor accepts cost sharing or matching, it becomes a commitment of the University. The Research Institute requires that Sponsored Programs Administration review agency guidelines and policy guidelines to determine whether cost sharing is necessary. Funds supporting research which are not provided by a sponsor are considered cost sharing. All cost sharing commitments on sponsored grants must be reviewed and approved by the Department Chair, School Dean, Vice Chancellor for Research, and Vice Chancellor for Administration.

To be acceptable as cost sharing, expenditures must meet the following criteria as set forth in OMB circular A-110:

- Be verifiable from official University accounting records;
- Not be used as cost sharing for any other sponsored program;
- Be necessary and reasonable for proper and efficient accomplishment of project objectives;
- Be allowable under the applicable cost principles, OMB Circular A-21, agreement and public laws;
- Not paid by federal funds under another award;
- Be incurred during the effective dates of the grant or contract.

Examples of expenditures which may be used as cost sharing are:

- Faculty and staff salaries, or student stipends, and applicable fringe benefits;
- Laboratory supplies;
- Unrecovered Overhead (F&A).

Examples of expenditures which may *not* be used as cost sharing are:

- Unallowable costs under OMB A-21, such as salaries exceeding the federal salary cap, alcoholic beverages, lobbying, entertainment, social club memberships, alumni/ae activities, contingency provisions, and debt. This is not a comprehensive list; please refer to OMB Circular A-21 Section J for the list in its entirety.

Cost Sharing after the grant award:

When the grant is awarded, cost sharing commitments are established in the PeopleSoft Financial system by KUMCRI Post Award Administration and the appropriate department is notified. On-going periodic reviews of cost sharing commitments are conducted by KUMCRI Post Award Administration. For cost sharing setup and review, contact the Director of Sponsored Programs Administration. The update and maintenance of cost sharing in PeopleSoft is the responsibility of respective departments. Training in the PeopleSoft aspect of cost sharing is provided through KUMC Institutional Finance and Administration. For more information regarding training, go to:

http://www2.kumc.edu/finance/peoplesoft_support/training.html.

Per Federal regulations, the P.I. must contribute a percentage of effort toward the project that was awarded by the sponsor. The Research Institute requires that a P.I. or key personnel contribute no less than 1% effort toward a project. If the sponsor does not pay any salary expenses on the project, it is reasonable to assume that there is some Principal Investigator effort or effort of other employees that is cost-shared.

No Investigator may change cost sharing items after a grant has been awarded unless approved by the appropriate P.I., Department Chair(s), Research Institute Official, and, where appropriate, the sponsor. If the sponsor funds a specific percent of effort, the P.I. must utilize those grant funds for the salary unless a budget change is approved by the Department Chair(s) and Research Institute Official. An exception to the requirement to notify a sponsor of changes would depend upon sponsor guidelines regarding pre-approval. For instance, the National Institute of Health (NIH) does not require pre-approval unless changes in status of key personnel lead to the change of time devoted to the project by 25 percent or more from the level indicated in the approved application.

Definitions:

Award: The provision of funds based on an approved application and budget, to an organizational entity or an individual to carry out an activity or project. This includes both direct and indirect costs (F&A) unless otherwise indicated.

Cost Sharing or Matching: The value of third party in-kind contributions and the portion of the costs of a federally assisted project or program not borne by the Federal Government.

In-kind Contributions: the value of all non-cash contributions, including services and property, provided by the University and/or third parties.

Key Personnel: The PI and other individuals who contribute to the scientific development or execution of a project in a **substantive, measurable** way, whether or not they receive salaries or compensation under the grant. Typically these individuals have doctoral or other professional degrees, although individuals at the masters or baccalaureate level may be considered key personnel if their involvement meets this definition. Consultants also may be considered key personnel if they meet this definition. **“Zero percent” effort or “as needed” is not an acceptable level of involvement for key personnel.**

Office of Management and Budget (OMB) A-21: Federal circular establishing principles for determining costs applicable to grants, contracts, and other agreements with educational institutions.

Office of Management and Budget (OMB) A-110: Uniform administrative requirements for grants and agreements with institutions of higher education, hospitals, and non-profit organizations.

Responsible Parties:

Principal Investigators, Co-Investigators, and appropriate Departments, Chairs, Deans, and Vice Chancellors.

Exemptions:

None.

Related Policies and Links:

KUMC Research Institute Policy 1.1.01: Principal Investigator Eligibility:

http://www2.kumc.edu/researchinstitute/spa/SPA_Forms/PI%20Eligibility.pdf

OMB Circular A-21 http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html

OMB Circular A-110 <http://www.whitehouse.gov/omb/circulars/a110/a110.html#23>

Contacts:

Vice Chancellor for Research: 913-588-7068

Associate Vice Chancellor for Research Administration: 913-945-6636

Director of Sponsored Programs Administration: 913-588-1259

History:

Original Issue Date: Jan 2005

Current Issue Date: 3/17/2008

RAC approved: 3/28/2008

Effective Date: For New Grants proposed as of 4/7/2008