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Intro to Cost Share Concepts

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Intro to Cost Share Concepts

- Learning Objective 1
 - Identify the difference between mandatory and voluntary committed cost share.
- Learning Objective 2
 - Construct a cost share package from different sources.

Intro to Cost Share Concepts

- Definition and why requested
- Types of cost share
- 'Gray' cost share
- Difference between in-kind and cash match
- Cost principles impact on cost share
- Sponsor mandates on cost share
- Sponsor capture of cost share
- Common sources of cost share
- Documenting cost share
- Calculating cost share
- Organizational management of cost share commitments
- Post award reporting of cost share (impact on proposal)
- Common issues

What is Cost Share?

CFR Title 2

- **§200.1 Cost sharing**

Cost sharing means the portion of project costs not paid by Federal funds or contributions (unless authorized by Federal statute). This term includes matching, which refers to required levels of cost share that must be provided. See also §200.306.

<https://www.ecfr.gov/>

Why Do Cost Share is Requested

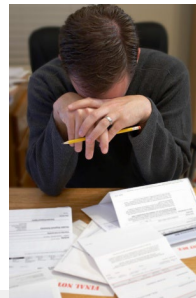
- Makes their dollars go further in accomplishing the work they want to have done
- Leverages funds (and may involve more collaborators)
- Shows you have a stake in the game
- Improves their 'story' to board, constituents, Congress

Types of Cost Share

- There are three types of cost sharing
 - **Involuntary committed (mandatory)** – required by sponsor as a condition of the award (you may hear this called ‘hard match’)
 - **Voluntary committed** – when the institution volunteers and commits to bear a specific portion of the costs of the project (matching funds, percentages of cost, etc.)
 - **Voluntary uncommitted** – when unspecified or unquantified cost share is provided (example PI chooses to spend some unspecified amount of effort beyond what is being paid for or required by the sponsor).

Gray Cost Share (my term)

- Gray Cost Share
 - Guidelines may say no cost share is required in one place then say it is recommended in another; or it may be a review item for award
 - Institutional Commitment (either required in the solicitation or offered as part of the proposal)



Difference Between In-kind and Cash Match

- Many sponsors and organizations use the terms interchangeably but be cautious and always check guidelines
- In-Kind
 - The value of something applied to the proposed work (think 'on hand')
 - Examples-personnel time, goods, services; may include direct and indirect costs.

Difference Between In-kind and Cash Match

- Cash Match
 - Cash for actual expenditures for the proposed project
 - Examples-cash set aside to purchase a new item of equipment
 - Usually, cannot be purchased before award acceptance and start date

Cost Principles Impact on Cost Share

- The prime cost principles (example-allocability, allowability, consistency, and reasonableness) apply to cost share.
- Valuation of cost share must be fair (and demonstratable).
- Usually if an item is not allowed by a sponsor as part of direct costs, then it also can't be used as match unless the sponsor says that it can.
- Normally unrecovered indirect costs on the sponsor's portion cannot be used as match unless the sponsor agrees (this is related to the sponsor limiting idc).

Cost Principles Impact on Cost Share

- Most sponsors allow unrecovered indirect costs on cost shared direct costs. (Caveat Department of Education).
- Federal requirements normally prevent use of cost share from the same source for more than one 'pledge' (usually allowed at proposal time but not at award).
- Match on federal funds normally must be from non-federal sources. (This affects National Labs on proposals- usually referred to a Federally Funded Research and Development Center [FFRDC]).

Sponsor Mandates on Cost Share

- Mandatory cost share normally comes with a framework from the sponsor that includes
 - What is allowed for cost share.
 - What is not allowed for cost share.
 - Minimum percentage or amount.
 - How it is reported in the submission.
 - Sometimes how they want it calculated (by a set amount, by a ratio or percentage; calculated on sponsor request or total costs).
 - If the specific solicitation doesn't include the information check the sponsor general guidelines.

Sponsor Capture of Cost Share

- Budget form entries/Budgets
- Budget Justifications
- Letters
- 424 Cover Page
- Any regular component of the proposal (abstract, summary, narrative, description, equipment, facilities, effort tables, etc.)
- Current and Pending (although many federal sponsors say they won't use CP for this purpose)

Notification of cost share should be in award documents

Common Sources of Cost Share

- Project Personnel effort/salary and fringe benefits (established or common base)
- Equipment (for proposal: purchased; if in-kind match it usually has depreciation & usage limits)
- Travel, Supplies, Other (publication/dissemination, facility rental, tuition remission, etc.)
- Unrecovered indirect costs

Common Sources of Cost Share

- Department, College, Provost, VPRP, PI start-up funds, SRI/FAR funds
- Third Party (subcontracts, for profit companies, non-profit organizations, state agencies, schools, Regents)
- Program Income
- Volunteer time (logged and appropriate for level or work) (more common on proposals involving foundations)

Documenting Cost Share

- Most documentation is through internal systems (budgets, account actions, expenditure forms, reports). Some sponsors may require special forms or report items.
- Some may be through letters initially and then with other proofs at award or post award (subcontracts/3rd party).
- Third Party cost share providers assigns their own value (but does have to prove it at post award).
- Cash match might be verified with records of donations, checks, EFT notices, purchase invoices/receipts; usually can't be prior to award date.

Calculating Cost Share

- Has the sponsor provided a required rate, percentage, or specific amount of cost share and information on the calculation.
- Look through the whole solicitation as some sponsors will sometimes have exemptions or special rates for educational or non-profit organizations or for certain research teams.
- If the amount is a specific number, then cost share usually must be o that specific number.
- If term one to one (1:1; 50%; half; exact match) is used this means for every dollar requested from the sponsor you need to provide a dollar of match.

Calculating Cost Share

- The sponsor may specify match is on total request or total costs. They may only say this and not provide any formula, or they may give a formula either in the solicitation or general guidelines.
- Total request means you calculate the amount needed based on what you are asking for from the sponsor
- Total costs (or total project costs) means the cost share calculation is based on BOTH the amount requested from the sponsor PLUS the amount of the cost share (handout available)

Organizational Management of Cost Share Commitments

- Most prefer that quantified cost share not be provided in proposals unless it is required (mandatory) for the proposal to be submitted or considered for award.
- If a proposal needs cost share and can't meet it by PI or Dept/College sources, you may be able to request it from the VPRP or Provost. Check to see if there are special forms needed. Timing may be a consideration too.
- Submission documents with mandatory cost share may require certain certifications or levels of approval/signature on internal and/or external forms/letters (or systems).

Organizational Management of Cost Share Commitments

- Does anyone work with PI to track cost share tied to an award?
- An organization may track cost share internally that is not reported to the sponsor such as PI time commitments.
- Most organizations expect all the organizations involved in a proposal to provide their portion of cost share unless they are not required to by federal policy or solicitation guidance. Usually, a PI may arrange 3rd party match to cover cost share for their team.

Post award reporting of the cost share (impact on proposal)

- Be aware of post award documentation needed for the proposal if awarded (for example effort reports, invoices, documents from 3rd parties). This may impact what the PI puts into the cost share package.
- Make sure you understand the sponsor timing on reporting as it could impact the proposal budget/spending.

Post award reporting of the cost share

(impact on proposal)

- Sponsors vary in how they will allow cost share to be reported:
 - Cost share to be reported as the organization desires- as long as the amount required is provided by the award close out.
 - Cost share must be provided on a routine time basis (monthly, quarterly, yearly).
 - Cost share must be provided based on spending thresholds (for example for every 25k spent you must also show 25k cost share).
 - Cost share must be provided before any sponsor funds are given or can be expended.

Common Issues

- Unintended commitments or PI commitments they don't understand are cost share.
- Submitting organization is responsible for the entire cost share package; Sponsor may require a certification, letter, or statement of that fact from AOR.
- It is common that cost share is documented in 3rd party letters and in intent to subcontract letters/forms (correct person needs to sign).
- Some sponsors may waive or reduce cost share (make sure it is documented).

Common Issues

- While the CFR definition states cost share is to Federal Agencies it may also go to commercial, non-commercial, and state agency sponsors.
- State agencies may not allow state funds at match (for state universities this may impact PI in-kind time).
- Cost share to commercial entities may not be allowed.
- Federal funds can't be used as match without permission (for example using federal funds for match on a state grant).

Common Issues

- The PI allowing enough time prior to proposal submission for issues in the cost share package to be resolved.
- Timely reporting of cost share, especially 3rd party.

Common Issues

- Discrepancy between proposal and award cost share amount or sources.
 - Make sure the cost share package doesn't need to be updated/changed before an award is accepted.
 - Look closely that unintended cost share wasn't captured and is now part of the award (negotiate it out if possible).
- Don't wait in silence for a cost share issue to go away; talk with post award –it is better to self identify an issue and try to resolve it than hope it will go away by award close out or not be spotted in an audit.

Questions?
Thank you

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