



# Cost Share Basics

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# Cost Share Basics

- Learning Objective 1
  - Identify the difference between mandatory, voluntary (uncommitted) and voluntary committed cost share.
- Learning Objective 2
  - Describe several options possible in constructing a cost share package for a proposal

# Cost Share Basics

- What is cost share?
- Why do sponsors ask for cost share?
- What are the types of cost share?
- What is 'gray' cost share?
- What is the difference between in-kind and cash match?
- How do cost principles impact cost share?
- When a sponsor mandates cost share what impact may that have?
- How does a sponsor capture cost share?
- What are some common sources of cost share?
- How do you document cost share?
- How does OU manage cost share commitments?
- How does the post award reporting of the cost share affect the budget?
- What are some common issues?

# What is Cost Share?

## CFR Title 2

- **§200.29 Cost sharing or matching.**

*Cost sharing or matching* means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute). See also §200.306 Cost sharing or matching.

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

## Why Do Sponsors Ask for Cost Share?

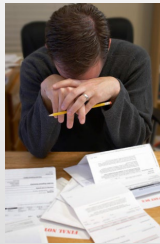
- Makes their dollars go further in accomplishing the work they want to have done
- Leverages funds (and may involve more collaborators)
- Shows you have a stake in the game
- Improves their story to their board, constituents, Congress

# What are the 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)
  - National Labs



# What is the Difference Between In-kind and Cash Match?

- In-Kind
  - The value of something applied to the proposed work i.e... a virtual cost
  - Examples-personnel time, goods, services; may include direct and indirect costs.
- 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
- Many sponsors and organizations use the terms inter-changeably but be cautious and always check guidelines



## How do Cost Principles Affect Cost Share?

- The prime cost principles (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 says that it can; However, most sponsor allow unrecovered indirect costs on cost shared direct costs.
- Federal requirements normally prevent use of cost share from the same source for more than one 'pledge' (at award).
- Match on federal funds normally must be from non-federal sources.

# When a sponsor mandates 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 they want it 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 the sponsor general guidelines should be checked

# How Does a Sponsor Capture 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

# What are Some 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
- 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) (not normal on OU proposals unless it is coming through a subcontract or 3<sup>rd</sup> party source; more common on proposals to foundations)

# How do You Document Cost Share?

- Most documentation is through internal systems (budgets, account actions, expenditure forms, reports).
  - ORS will help capture it at proposal stage through the OU budget template and commitments loaded in Cayuse that are certified during internal routing.
- Some may be through letters initially and then with other proofs at award or post award (subcontracts/3<sup>rd</sup> party).
- Third Party 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.
- Talk with ReFS on documentation needed in post award for reporting.

# How do You Calculate Cost Share?

- First you need to see if the sponsor has provided a required rate or amount of cost share and information on the calculation.
  - Be sure to 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.
  - Amount can be a ratio/percentage, or it may be a specific number.
  - The sponsor may specify that it 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 you are asking the sponsor for PLUS the amount of the cost share (see next slide)
  - ORS can help calculate the amount or set your internal spreadsheet to show the calculated amount.
- If the amount is a specific number, then you need to provide cost share to that specific number.
- If it is one to one (1:1; 50%; half; exact match) this means for every dollar you ask for from the sponsor you need to provide a dollar of match.

# How do You Calculate Cost Share?

- If the sponsor requires match on the total project costs (the amount the sponsor will pay PLUS the amount of the cost share) then this is a common formula used. (example is match of 20%):
  - Federal funds divided by 0.8 ( $0.8 = 1.0 - 0.2$ ) minus the federal match, which equals the non-federal match.
- For example, if the match is 20 percent:
- Federal funds: \$1,000,000  
Non-federal match =  $\$1,000,000 / 0.8 = \$1,250,000$  minus the federal match of \$1,000,000 = \$250,000, which is the non-federal match.
- This could be verified as:  
Federal match = \$1,000,000  
Non-federal match = \$ 250,000  
Total cost =  $\$1,250,000 \times 20\% = \$250,000$

# How does OU Manage Cost Share Commitments?

- OU prefers that cost share not be provided in proposals unless it is required (mandatory) for proposal to be submitted or considered for award.
- All types of cost share except voluntary uncommitted are subject to being proven to the sponsor and are auditable; ORS will encourage you not to quantify cost share statements.
- OU expects all organizations on your proposal team to provide their portion of cost share unless they are not required to by federal policy or solicitation guidance. A PI may arrange 3<sup>rd</sup> party match to cover cost share for their team.
- If you need cost share and can't meet it by PI or Dept/College sources, you may formally request it from the VPRP via the cost share request form (budget draft is usually needed, and time for consideration; may be pulled from IDC recovery). This should be done after info sheet submission and working with your PDS on the budget and justification.
- Submission documents with mandatory cost share may require certain certifications or levels of approval/signature on forms/letters.
- ReFS works with PI to track cost share tied to an award.
- OU may track cost share internally that is not reported to the sponsor such as PI time commitments.



# How Does Post Award Reporting of Cost Share Affect the Budget?

- Work with ReFS on what documentation is needed for the cost share reporting (could be effort reports, invoices, documents from 3<sup>rd</sup> parties, etc.); ask early in the process. Make sure you understand the sponsor timing on reporting as it could impact your budget/spending.
- 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.

# What are Some 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 3<sup>rd</sup> 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; ORS should be involved in these discussions).
- OCAST & ODOT
  - Be aware that some OCAST programs require match; they rarely allow state funds for matching which eliminates most OU salaries for in-kind.
  - Both OCAST and ODOT sometimes allow 'strange' components as part of the proposal cost share – prior expenditures, federal/other awards, future intent.

# What are Some 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 3<sup>rd</sup> party.
- 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 (ORS would try to negotiate it out if possible).
- Don't wait in silence for a cost share issue to go away; talk with your ORS or ReFS contacts –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?