

# East Tennessee State University

Policy Title: Cost Sharing  
 Issued: 4/30/14  
 Responsible Official: Vice Provost for Research and Sponsored Programs  
 Responsible Office: The Office of Research and Sponsored Programs

## Policy Statement

Cost sharing refers to the expenditure of University or third-party resources beyond the amount funded by the sponsor to support the scope of work defined by a sponsored (federal or non-federal) award. **ETSU's policy is to not voluntarily cost share on sponsored projects. When cost sharing is required by the sponsor or when there is documented evidence that cost sharing is necessary to ensure the competitiveness of the ETSU proposal, the Vice Provost for Research and Sponsored Programs may allow these commitments by approving them in writing and managing the committed university resources.**

## Purpose

In cases where commitments of University resources are made on sponsored projects, Grant Accounting and the committing departments will ensure that the allocation of costs of these resources is consistent with University costing policies governing sponsored program expenditures and indirect cost calculations. In addition, cost-shared expenses will be verifiable from ETSU's records, as required by 2 CFR 200.306 (b) (1), regardless of the reporting requirements of the sponsor.

## Definitions

Cost Share(ing)	Expenditure of resources beyond the amount funded by the sponsor [2 CFR 200.29].
Companion Accounts	Banner accounts established to record cost-shared amounts for the purposes of tracking and documenting cost share on sponsored projects.
In-kind Cost Share	Non-cash contributions of time, talent, or resources from ETSU or donated by third parties for which ETSU is responsible. Third-party in-kind contributions may be in the form of real property, equipment, supplies and other expendable property, or goods and services directly benefiting and specifically designated for the project or program.
Mandatory Cost Share	Project costs that are not borne by the sponsor, but are required as a condition of the award. "Sponsor-encouraged" cost sharing not required as a condition of receiving an award does not constitute mandatory cost sharing.
Matching	For the purposes of this Policy, "matching" is a synonym for "cost sharing."
Percent Effort/Committed Effort	ETSU faculty and staff identified as paid personnel on sponsored projects are expected to commit a percentage of their (100%) institutional effort to the project. This percent effort or effort commitment should be commensurate with the percent of institutional time and effort spent, or to be spent, on the project.
University Resources	For the purposes of this Policy, refers to all ETSU sources that fund project costs not paid by the sponsor. Sources may include other non-federal sponsored

	accounts or non-sponsored ETSU accounts.
Unrecovered Indirect Costs	F&A not collected by the University when a sponsor does not pay the full negotiated F&A rate. In some cases, unrecovered indirect costs may be used to fulfill a sponsor's cost-sharing requirement.
Voluntary Committed Cost Share	Project costs that are not borne by the sponsor and are not required as a condition of the award, but are offered in the proposal by the PI, ordinarily in the form of in-kind effort. Voluntary committed cost sharing becomes mandatory once the award is made and must be added to the direct cost research base for indirect cost calculations.
Voluntary Uncommitted Cost Sharing (also referred to as VUCS)	Defined in OMB's January 2001 Clarification ( <a href="http://www.whitehouse.gov/omb/memoranda/m01-06.html">http://www.whitehouse.gov/omb/memoranda/m01-06.html</a> ) effort expended by ETSU faculty that is over and above that which is committed and budgeted for in a sponsored agreement. VUCS does not include costs other than salary and fringe and is not considered to be cost sharing, either for reporting or indirect cost calculation purposes.
<b>Procedures</b>	
Basic Considerations	Expenses incurred to meet cost-sharing commitments bring the same accounting, financial, legal, and regulatory burdens as costs on ETSU sponsored projects. Cost-shared expenses must be in compliance with the following: <ul style="list-style-type: none"> <li>• University sponsored projects expenditure policies</li> <li>• Any additional terms specified by the sponsor</li> <li>• U.S. Federal agency guidelines or non-federal program guidelines, as appropriate.</li> <li>• 2 CFR 200.306</li> </ul>
Types of University Resources That Can Be Cost-Shared	Cost-sharing commitments can be met using <b>direct</b> or <b>indirect</b> costs that are allowable, allocable, reasonable, and consistently accounted for by the University. For cases in which the determination of costs is not apparent (such as cases of donated services, buildings, or land), 2 CFR 200.306 provides guidance. <p><b>DIRECT COSTS</b></p> <p><b>1. Faculty Effort or Research Staff Salary</b> Principal Investigators can commit to expend faculty or research staff effort on a sponsored program without charging commensurate salary to the sponsored fund. Such a commitment of effort binds the University to contribute research staff or faculty time to the project and to record salary expenditures, including fringe benefits, in a manner that makes the expenditure verifiable from University records. Like all committed effort, cost-shared faculty effort must be effort-reported.</p> <p><b>2. Equipment</b> Equipment purchased with ETSU resources <b>CANNOT</b> be offered as cost sharing,</p>

since the depreciation of ETSU-owned equipment is included in the University's indirect cost rates and the equipment was not purchased for use on the project. Rather than committing the use of ETSU-owned equipment as cost sharing, proposals should characterize the equipment as "available for the performance of the sponsored agreement at no direct cost to the project."

If, however, the purchase of equipment is necessary for the project or the sponsor mandates the purchase of equipment, then the acquisition cost of specific equipment may be offered as cost sharing. Purchase and acquisition must occur during the period of performance of the project, and procedures must be in place to ensure that the depreciation on such equipment is not included in the indirect cost rate calculation.

### **3. Other types of direct costs**

Most other costs that could be charged (allowable, allocable, reasonable, and consistently treated) to a sponsored project can be cost-shared. The following are examples of other direct costs that may be cost-shared:

- travel expenses
- laboratory supplies
- equipment items that do not meet the capitalization threshold (currently \$5000)

### **INDIRECT COSTS (Facilities and Administrative Costs)**

There are three ways to cost-share indirect costs. Note that none of these cost-shared indirect costs are recorded in ETSU's General Ledger.

#### **1. Unrecovered indirect costs on sponsored expenditures**

The amount of F&A not collected from the sponsor that could have been allocated to the direct costs paid by the sponsor of an award. Unrecovered indirect costs typically results from awards made by sponsors that do not pay the full negotiated F&A rate. For federal sponsors, 2 CFR 200.306 (c) indicates that "Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency."

#### **2. Indirect costs on cost-shared University resources**

The amount of F&A, calculated at the full negotiated F&A rate, which would normally have been allocated to cost-shared direct costs funded by University resources.

#### **3. Items normally considered indirect**

Costs of items that ETSU normally considers indirect (such as depreciation, administrative support, rent, etc.). For cost sharing on federal awards, costs typically deemed indirect represent a cost accounting standards (CAS) inconsistency and are therefore not allowed. For non-federal awards, however, the sponsor may allow items typically considered indirect to be offered as cost sharing.

Types of Expenditures That Cannot Be Cost-Shared	<ul style="list-style-type: none"> <li>• For cost sharing on federal awards, any costs that would not be allowed on federal sponsored awards cannot be cost-shared. Like federal direct expenditures, cost-shared costs must be allowable, allocable, reasonable, and consistently accounted for by the University. Note that there is often more flexibility with cost sharing on non-federal awards.</li> <li>• Costs that are paid by the federal government cannot be used to meet cost-sharing requirements on other federal awards unless authorized by federal statute.</li> <li>• Costs representing salaries over regulatory caps, such as the National Institutes of Health salary cap, cannot be used to meet a cost sharing commitment.</li> </ul>
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**Roles and Responsibilities**

Principal Investigator/Project Director	Responsible for representing cost sharing correctly in the budget and the scope of work for each sponsored program in accordance with ETSU policies, and for identifying University or third-party resources to be used to meet cost-sharing commitments. Upon award, PIs are responsible for ensuring that cost-shared commitments are fulfilled and that cost-shared expenses are posted to the correct accounts
Department/College	Responsible for reviewing proposal narratives for cost-sharing commitments, for minimizing cost-sharing commitments, and for providing dean's approval. In the case of donated services used for cost sharing, the department is responsible for determining and documenting the value of those services.
Office of Research and Sponsored Programs Administration	Responsible for reviewing proposals to minimize commitments of University resources and for reviewing the appropriateness of accounts from which cost sharing has been pledged. ORSPA is responsible for ensuring that cost-sharing commitments are approved by responsible officials in the departments, including equipment.
Grant Accounting	Grant Accounting is responsible for initiating cost-sharing reporting, obtaining documentation of costs incurred to meet cost-sharing commitments – including notifying the Comptroller regarding the commitment of ETSU equipment as cost-share - and for including cost-sharing expenses in indirect cost calculations, as appropriate. They are also responsible for managing the effort reporting process for committed cost sharing and for ensuring that unallowable costs, such as salaries over regulatory caps, are not counted toward cost-sharing commitments.

**Related Forms**

**Links**

[2 CFR 200.306](#)

**Revision Dates**

3/9/15

<b>Subject Areas</b>			
Academic	Research	Finance	Human Resources
✓	✓	✓	✓