

THE UNIVERSITY OF ALABAMA

Research and Economic Development

Cost Sharing Policies and Procedures

- I. Definitions and Requirements
- II. UA Policy on Voluntary Cost Sharing
- III. Budget Policies Applicable to Cost Share
- IV. Instructions for Preparing Cost Share Budget Forms

I. Definitions and Requirements

Federal Definition of Cost Sharing

Cost sharing is defined in Federal Uniform Guidance (UG) found at 2 CFR 200 as the portion of the program or project costs not paid by the sponsor.

Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. (UG, 2 CFR 200.306)

When required or committed, cost sharing may include contributed effort, other University matching funds and third-party in-kind contributions. To satisfy a federal cost sharing requirement or commitment the cost must:

- Be verifiable from the university's official records;
- Not be included as cost sharing for any other sponsored award;
- Be necessary and reasonable for accomplishment of project or program objectives;
- Be allowable under applicable cost principles and conform to other applicable UG provisions;
- Not be paid by the federal government under another award (except where authorized under federal statute to be used for cost sharing); and
- Be provided for in the approved budget (when required).

Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been charged to the Federal award under the non-Federal entity's approved negotiated indirect cost rate.

There are two types of cost sharing: mandatory cost sharing and voluntary cost sharing.

- **"Mandatory cost sharing"** is cost sharing that is legally required by the awarding agency as a condition of the award.
- **"Voluntary cost sharing"** is not required by the awarding agency as a condition of the award. **If voluntary cost sharing is included in the proposal, it will become mandatory cost sharing if accepted by the sponsoring agency as a part of the award.**

The University will track all cost share commitments, ensuring commitments are met and that cost share complies with general requirements and specific agency or award requirements. Cost share met through cash contributions (including contributed effort) will be separately recorded in the financial records of the University. Third-party in-kind and unrecovered F&A will be recorded in memorandum records and kept with the applicable grant file(s). Federal UG includes extensive, specific requirements for the valuation of third-party contributions,

including volunteer services. All committed cost share is subject to review and approval by Contract and Grant Accounting for allowability, appropriateness and sufficiency.

Voluntary Uncommitted Cost Sharing

On January 5, 2001, the Office of Management and Budget (OMB) issued a policy statement clarifying the OMB Circular A-21 treatment of “Voluntary Uncommitted Cost Sharing.” OMB has since issued an FAQ stating that this policy is also applicable to awards issued under UG.

- **“Voluntary Uncommitted Cost Sharing”** is defined by OMB as university faculty or senior researcher effort that is over and above that which is committed and budgeted for in a sponsored agreement. This differs from mandatory or voluntary committed cost sharing which is cost sharing specifically pledged in the proposal’s budget or award.
 - To be considered voluntary uncommitted cost sharing, percentage of effort and/or dollar amounts cannot be included in the proposal. If voluntary uncommitted cost sharing is defined in such a way that time and effort can be accounted for, the proposed effort becomes voluntary committed cost sharing.
 - **An example of voluntary uncommitted cost sharing:**
 - You have included 5% of your effort in the proposed grant budget with no cost sharing proposed.
 - In order to reflect additional support without committing to cost share, your budget justification might state, “The percent of effort included in the budget represents only the portion that will be charged to the grant. The PI will provide the time and effort necessary to satisfactorily complete the project objectives. Effort in excess of the 5% included in the budget for the PI represents voluntary uncommitted cost share of his/her time in order to reduce the salary burden and maximize the availability of grant funds for other direct research costs. Please note that the UA College of Arts & Sciences allocates at least 40% of the PI’s academic year time and salary in support of sponsored and non-sponsored research activities.”

II. UA Policy on Voluntary Cost Sharing

Voluntary cost sharing is not routinely supported by UA. Cost sharing should not be included in a proposal unless there is a mandatory cost sharing requirement or an exception, as described below, is granted.

The University recognizes that voluntary cost sharing may be considered favorably by a Federal awarding agency if it is both in accordance with the agency’s regulations and specified in the notice of funding opportunity and that non-federal sponsors providing assistance awards, such as foundations, may look favorably on voluntary cost sharing. In those cases:

- The PI’s Department Chair and Dean, along with the Vice President for Research and Economic Development (VPRED), must have indicated approval on a Cost Sharing Authorization Form. The form should be completed and submitted to OSP at least three working days prior to submission of the proposal to a funding agency. The Cost Sharing Authorization Form is available on the OSP website at <http://osp.ua.edu/internalforms.html>.
- The amount of voluntary cost sharing committed should be appropriate based on the notice of funding opportunity’s description of the criteria for considering voluntary committed cost sharing.

Funds for providing voluntary cost sharing are to be paid by the Department and/or Dean(s) of the College(s) or School(s) from which the proposal is being submitted. The VPRED will, however, consider providing cost share funding for research proposals when it is required and/or for large instrumentation awards and complex

research facilities. In this case, the PI should meet with the VPRED at least seven business days prior to submission of the proposal to discuss what funds may be available for cost sharing purposes.

III. Budget Policies Applicable to Cost Share

Cost share budgets are normally provided from non-sponsored sources of University funding. Budget Office and Financial Accounting policies and procedures, therefore, apply to cost share budgets. In unusual circumstances where other sponsored funds are used to meet cost share requirements, please contact Contract and Grant Accounting for the appropriate policies and procedures.

1. **Unrestricted sources of funding:** Budget can be transferred from the following unrestricted Funds to unrestricted Cost Share Funds, those starting with a 7, for items such as supplies, tuition, equipment and other non-salary expenses.
 - 11XXX
 - 12XXX
 - 13XXX
 - 18XXX

Budgets for salaries, however, should only be transferred from 11XXX. Benefits are funded from the central benefit pool for permanent funded positions, including benefits related to salaries paid from cost share. As the central budget pool is to be used only for permanent positions, other, non-permanent, sources of funding should not be used to fund unrestricted cost share salaries. This includes GRAs as their health benefit should only be covered by the benefit pool if the funds for their salaries come from permanent positions.

2. **Restricted sources of funding:** Budget can be transferred from Gift Funds to Gift Cost Share Funds. These start with a 2 and are established using a Fund Type of "2C". These transfers require approval from the Assistant Director of Financial Accounting and Reporting who will ensure there are no restrictions on the gift that would prohibit the funds being used for the project to which the cost share is committed. Contract and Grant Accounting normally requests the approval from Financial Accounting. Certain restricted funds such as those budgeted in Endowed Chair Funds cannot be moved or transferred to any Cost Share Fund.

IV. Instructions for Preparing Cost Share Budget Forms

There are two types of Cost Share budget modifications and they are handled differently.

1. **Moving funds within a Cost Share Fund:**

Use form **FGAJVCD** and rule code **BD08**.

For Example:

Sequence 1: A BD08 7-FUND ORG ACCT PROG \$5000 - Bank 07 Budget Period 11

Sequence 2: A BD08 7-FUND ORG ACCT PROG \$5000 + Bank 07 Budget Period 11

Send the form to **Contract and Grant Accounting** and contact your Accountant with any questions or concerns.

2. Moving funds between Cost Share and other unrestricted Funds:

Please see section III.1, above, for the types of unrestricted Funds that may be used to fund Cost Share. Use Form **FZAJVCQ** and rule code **BD04**. These transactions require 4 sequences because transfers are necessary and must also be budgeted. Remember that account code **790103** (transfer in) is one of the exceptions to the increase/decrease rule. In order to increase this account code, use a (-) instead of a (+).

For Example:

- a. **Moving from Cost Share to other Unrestricted (To return cost share after award is over. The example below is moving cost share to an 11000 fund and using account code 700001. The fund and account could be different.):**

Sequence 1: BD04 DECREASE (-) FUND-ORG-700001 (7FUND-ORGXXX-700001-200)

Sequence 2: BD04 INCREASE (+) FUND-ORG-790203 (7FUND-ORGXXX-790203-200)

Sequence 3: BD04 INCREASE (-) FUND-ORG-790103 (11FUND-ORGXXX-790103-XXX)

Sequence 4: BD04 INCREASE (+) FUND-ORG-700001 (11FUND-ORGXXX-700001-XXX)

- b. **Moving from other Unrestricted to Cost Share (To fund cost share. The example below is moving salary funds to cost share.):**

Sequence 1: BD04 DECREASE (-) FUND-ORG-602110 (11000-214271-601380-100)

Sequence 2: BD04 INCREASE (+) FUND-ORG-790203 (11000-214271-790203-100)

Sequence 3: BD08 INCREASE (-) FUND-ORG-790103 (72123-212401-790103-300)

Sequence 4: BD08 INCREASE (+) FUND-ORG-602110 (72123-212401-601340-300)

In one of the examples above, the 700001 pool was used as a source and target for moving funds. You will probably use other account codes (such as salary account codes). However, you will **ALWAYS** use **790203** and **790103** on the transfer sequences (2&3).

For salaries,

- a. When funding cost share from release salary dollars, the PA and the budget change need to be processed at the same time. (i.e. don't wait on the budget to appear before processing the PA because sometimes the budget change will be held until the PA is received, indicating the change in allocation.)
- b. **DO NOT USE POSITION** numbers on the lines for the 7XXXX (Cost Share) Funds. We do not want these entries to show up on the FZISBVW Form. You do need to use a position number on the offsetting entry, moving budget to or from the salary account code in the 11XXX Fund. (Please see III.1., above, for Budget Policies related cost share of salaries.)

Budget Changes between Cost Share and other unrestricted funds go thru approvals and hard copies are not necessary. Once a budget change has been completed within Banner, the revision or request will go to the next approver in the queue. The queues go thru the school/college, Budget Office and Contract and Grant Accounting.

3. Moving funds between Cost Share and other unrestricted Funds:

When Cost Share Funds are funded from Gift Funds (3XXXX funds), please contact the Contract and Grant Accountant assigned to the related Sponsored Project (GRxxxxx) Fund. If Financial Accounting approves the transfer of the gift funds to cost share, then Contract and Grant Accounting will establish the necessary gift cost share fund and initiate the necessary budget revisions.

4. Request of Cost Share Funding:

The PI is ultimately responsible for making sure that the appropriate funding has been budgeted into the cost share fund and can request help from Contract and Grant Accounting as needed.

- a. Contract and Grant Accounting will request funding from Sponsored Programs and/or the Office for Research.
- b. Funding from the Dean's office or department should be requested by the PI or department managing the cost share Fund.

For any questions concerning Budget Revisions for funding cost share, please contact your accountant in Contract and Grant Accounting.