I. Definitions

Federal Definition of Cost Sharing

Cost sharing is defined as program or project costs not borne by the sponsoring agency. Cost sharing may include contributed effort, other University matching funds, unrecovered facilities and administrative costs (F&A, or indirect costs) and third-party in-kind contributions. OMB Circular A-110 entitled “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations”, Subpart C, Section 23, requires that all cost sharing must:

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

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.

However, some federal agencies expect some cost sharing commitment to be identified in the proposal. **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 (grant or contract).**

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). 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.”

- “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. It is the recommendation of UA’s Office for Research (OR) that cost sharing only be included in a proposal if it is mandatory cost sharing. However, OR recognizes that there are activities and agencies, especially those dealing with assistance awards, that look favorably on voluntary cost sharing by the university. OR, therefore, requires when proposing voluntary cost sharing that the PI complete and submit to OR, the OSP Cost Sharing Authorization Form. This form requires that the PI formally request that he/she be able to include cost sharing in the proposal.

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. OR 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 order for cost sharing to be included in either the proposal narrative or budget, the PI’s Department Chair and Dean, along with the Vice President for Research, must have indicated approval on a Cost Sharing Authorization Form. The form should be completed and submitted to OSP at least two 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.

If a PI has a major research instrumentation or complex research facility award for which cost sharing is needed, the PI needs to meet with the Vice President for Research at least seven business days prior to submission of the proposal to discuss what funds may be available from the Office for the Vice President for Research for cost sharing purposes. Final determination for the commitment of cost sharing funds out of the Office for the Vice President for Research will be made by the Vice President for Research.

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.

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**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 **FZAJVQCQ** 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:  BD04 INCREASE (-) FUND-ORG-790103 (72123-212401-790103-300)
   Sequence 4:  BD04 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 7XXX (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 (GRxxxxxx) 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.