

## Northwestern University Policies

**Title:** Cost Sharing

**Applicable to:** Deans, Directors, Department Heads, Faculty, Finance Personnel, and Sponsored Project Personnel

**Effective Date:** October 24, 2007

### Definition of Cost Sharing/Matching

“Cost Sharing” occurs when a cost specifically benefits a sponsored project, but is not charged to that project. The university, through funds derived from appropriate non-sponsored sources, is contributing its resources towards the objectives of the sponsored project.

Nearly synonymous with cost sharing is the concept of “Matching,” which occurs when a sponsor agrees to fund a portion of a direct cost predicated on the University making an equal or proportionate contribution.

### Northwestern University’s general policies on cost sharing

Many sponsors require institutional cost sharing/matching on their grants and contracts as a matter of statute, regulation, or policy. Individual solicitations may also indicate a cost sharing/matching requirement. In these cases, the University follows its long-standing practice of meeting published cost sharing/matching requirements for targeted programs.

Northwestern University policy is to not cost share/match on a voluntary basis. The university’s official statement on voluntary cost sharing can be found at: [https://snap.it.northwestern.edu/p/p.cgi/nnorf1/asrsp/docs/effort\\_policy\\_final\\_june\\_2004.pdf](https://snap.it.northwestern.edu/p/p.cgi/nnorf1/asrsp/docs/effort_policy_final_june_2004.pdf)

In all cases, the University reserves the right to proportionately reduce the cost sharing commitment if awarded funds are less than proposed.

### Forms of Cost sharing

Mandatory Cost Sharing is required by sponsors as a matter of statute, regulation, or policy; or is indicated in individual solicitations.

Voluntary Committed Cost Sharing is not required by sponsors, but is proposed by PIs. For example, voluntary cost sharing includes instances where there is a commitment of academic year faculty effort without a request for the commensurate portion of faculty salary and fringe benefits in the proposal budget. Upon award, the proposed cost sharing becomes a commitment that must be met.

Voluntary Uncommitted Cost Sharing is not required by a sponsor, nor offered in a proposal, but which occurs in the course of executing the project, primarily in the form of actual effort being greater than committed effort. In the January, 2001 Office of Management and Budget (OMB) clarification to Circular A-21, Voluntary Uncommitted Cost Sharing is defined as “...effort that is over and above that which is committed and budgeted for in a sponsored agreement.” The memo also clarifies that “...voluntary uncommitted cost sharing...should not be included in the organized research base for computing the F&A rate or reflected in any allocation of F&A costs...”

### Impacts of Cost Sharing

#### Financial Impact

Cost sharing of direct expenditures represents a redirection of departmental, school, and/or central resources from other mission-critical uses to support sponsored agreements. Every dollar of cost sharing results in the University forfeiting not only the recovery of the direct cost, but also the recovery of the associated F&A cost (except in the case of cost shared capital equipment for which there is no associated F&A).

#### F&A Calculation Impact

The University's total amount of salary and non-salary cost sharing (mandatory and voluntary committed) must be included in the denominator or base of the F&A rate calculation. This increase in the base serves to decrease the University's overall F&A rate.

#### Administrative/Compliance Impact

When cost sharing of any kind is represented in a proposal, upon award that cost sharing becomes a commitment that must be met and tracked for sponsor verification in the University's records. Cost sharing imposes a substantial burden on both the PI and the department to account for and provide supporting documentation, whether the sponsor requires an accounting of it in a financial report or not. The amount of any obligation included in the original proposal and/or subsequently through negotiation must be documented.

### **Federal requirements for acceptable cost sharing**

In order for items proposed as cost sharing to be acceptable in supporting cost sharing commitments, contributions must meet the following criteria (per OMB Circular A-110, Section 23):

- Are verifiable from the recipient's records.
- Are not included as contributions for any other federally-assisted project or program.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowable under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.
- Conform to other provisions of OMB Circular A-110, as applicable.

### **Sources appropriate for university cost sharing**

Cost Sharing is normally in the form of a direct cost that would otherwise be charged to the grant or contract, such as salary, capital equipment, or other direct cost items. In certain circumstances, with the sponsor's approval, cost sharing may also take the form of waived or reduced Facilities & Administrative (F&A) or indirect costs.

The following sponsored sources would be considered appropriate sources of funds that the university may use to meet cost sharing commitments:

- Faculty or other project personnel effort (related salaries and fringe)
- Lab Supplies
- Travel Expenses
- Third party contributions
- Unrecovered F&A costs (i.e. when F&A is waived or reduced) - only with prior approval of the Federal awarding agency.

The following non-sponsored sources would be considered appropriate sources of funds that the university may use to meet cost sharing commitments:

- Gifts
- Endowment

- Appropriated departmental funds

When cost sharing/matching is sponsor mandated or, when not required, is deemed to be in the University's best interest to include in a proposal, in-kind contributions should always be considered first. An in-kind contribution represents an item of cost for which support is already in place (and, therefore, no new cash outlay is required), such as salary or tuition.

Cash cost sharing/matching contributions should only be considered if in-kind mechanisms do not suffice to meet sponsor requirements. A cash contribution represents a new, incremental purchase, such as for equipment, travel, or additional staff necessary to conduct the sponsored project.

### **Costs that are not acceptable as cost sharing**

The following costs may **not** be used as cost sharing:

- Costs pledged as cost sharing for another funded project.
- Costs funded by other sponsored programs.
- Costs of construction or renovation of University buildings, except in rare circumstances and with express approval.
- Costs that are included and reimbursed through the F&A rate (administrative salaries, office supplies, library expenses, and operations and maintenance expenses).
- Salary dollars above a regulatory cap (e.g., NIH salary cap).
- Overdrafts (unallowable under A-21)
- Otherwise unfunded salary for effort that extends beyond the contractual appointment period (i.e. unfunded summer months for faculty with nine month academic appointments).
- Costs associated with the scholarship component of the Research Assistant Scholarship (RAS) program.
- Any costs not deemed to be necessary and reasonable for the proper and efficient accomplishment of project or program objectives.

### **Level of Documentation required to adequately support cost sharing**

It is imperative that all documentation of cost sharing items clearly describes how those items pledged are both necessary and reasonable for the proper and efficient accomplishment of the project. All cost sharing/matching must be verifiable, thoroughly documented, and, like all project-related documentation, retained for 3 years following the submission of the final financial report or completion of audit, whichever is first. Although documentation requirements are often the same for non-federal and federal agreements, if the award is non-federal, please check the specific award terms for the required retention periods. Specific cost sharing items and Northwestern's required level of documentation are as follows:

**Salary Commitments:** The fulfillment of cost-shared effort (salary) commitments is demonstrated through quarterly effort reports, by indicating percentages of activity on sponsored projects that include the effort that was expended on but not charged to the projects. In expending and reporting effort, it is acceptable for percentages of effort to fluctuate between quarters, so long as the aggregate effort at least equals the commitment made to the sponsor for the budget period. If the PI's actual aggregate effort represents a reduction of 25 percent or more from the original commitment, the sponsor must be notified. Notification should be sent to OSR for review and endorsement with an OSR-2 form prior to submitting the correspondence (including e-mail) to the sponsor. In any given period (academic year quarter or summer month[s]), the amount of salary charged to a sponsored project must be equal to or less than, but can never exceed, the actual effort expended. For example, a 10 percent academic year effort commitment may be met by expending 0 percent effort in the first two quarters and 30 percent in the third quarter, but no salary may be charged to the project during those first two quarters.

Non-salary cost sharing: The fulfillment of non-salary cost sharing commitments is demonstrated through use of the "Grants-Matching Funds" object code (8799) on sponsored accounts. No expenditures should be charged to object code 8799. When deemed necessary for management purposes, separate grant companion accounts may be established to facilitate the tracking of cost sharing commitments related to specific sponsored projects.

Third Party Labor Contributions: The provider of the cost share must send a letter or report (signed) to the PI, unit administrator, or ASRSP that identifies the time and the value of that time. This letter must be written after the individual has contributed the effort. Estimates cannot be accepted.

Corporate Match: In the case of an organization cost share, a letter should be signed by a representative from the organization and/or on the organization's letterhead which includes detailed information (i.e. name, number of hours worked, hourly rate of pay, dates). The letter must be signed by an authorized representative of the organization and his/her title must be included.

### **Institutional Process for obtaining approval to cost share and requesting matching funds**

Maximizing cost reimbursement from sponsors is essential to support continued investment in and enable the growth of the research enterprise. Thus, cost sharing should be included in the proposal only where the competitive forces and perceived institutional benefit of receiving the award are deemed to be sufficiently strong to warrant the commitment. It is the responsibility of the PI/Department to document and justify the need for this commitment.

If in-kind cost sharing is mandated by the grantor or proposed on a voluntary basis, the department must provide documentation to OSR (e.g., a memo signed by the department chair) indicating the explicit approval to contribute the department-funded salary or other in-kind cost item as a cost-share. In addition, the cost sharing becomes an official part of the budget and should be documented on the proposal budget justification page. For National Science Foundation (NSF) proposals, the total amount of cost sharing documented in the budget justification must match the amount indicated on Line M of the NSF proposal budget form. Note: NSF policy prohibits voluntary committed cost share, so cost sharing can only be put on line M when it's a specific requirement in the program announcement.

If cash cost sharing is mandated or proposed, requests to Central Administration for contributions should not be made until written confirmation of the school and department contributions is secured. School and department contributions are considered to be a significant measure of the proposal's relevance to the academic mission. School or department cash contributions may come from gifts, salary surpluses recovered from vacant positions, released funds, and research incentive awards.

Requests for cash cost sharing/matching contributions from the Office for Research should be directed to the Vice President for Research and to the Executive Director for the Office for Research Planning, Finance, and Communications. At the time of proposal submission, documentation of cost sharing (indicating the amount and source) must be provided to OSR by the head of the area(s) making the commitment(s).

Investigators must notify OSR of their intentions to respond to a solicitation that requires cost sharing/matching and to submit their proposals to OSR in a timely manner. Documentation that evidences both mandatory and voluntary cost sharing/matching pledged by the department, school, and/or Central Administration must be submitted to OSR at the time of proposal review.

### **Further Information**

Questions or concerns regarding cost sharing or matching practices or procedures should

be directed to the Office for Sponsored Research (OSR).

Requests for financial aid as a cost sharing/matching component of a proposal should be submitted, well in advance of the final submission of the proposal, to Andrew Wachtel, Dean of The Graduate School.