

## Guidance on Proposals with Cost-Sharing

Prepared: June 21, 2018

Commitment Description	Letter Required?	Notes	Policy
<p><b>Voluntary Committed Cost-sharing:</b> cash or in-kind (non-effort) match for US government (federal, state, local) or non-profit sponsors.</p> <p><i>(*Cost sharing of faculty effort is addressed below)</i></p>	<p><b>Yes;</b> letter(s) of commitment or other documentation should be signed by the person authorized to commit the funds.</p>	<p>Proposers are <b>strongly discouraged</b> from including voluntary cost sharing if not required by sponsor.</p> <p>OMB Uniform Guidance indicates that voluntary committed costs sharing is not expected and cannot be used as a factor in the merit review of federal applications.</p> <p>In addition, proposers are discouraged from including letters or other references to specific dollar amounts contributed as “institutional support” or similar with their submissions when such amounts are not intended as cost sharing. If proposers choose to detail these additional resources using dollar amounts, the proposers should be informed that the sponsor or University may consider this support cost sharing that needs to be tracked. It is therefore recommended that proposers describe any such support in non-monetary terms.</p> <p><i>If a PI opts to include a voluntary match, he or she- or his or her administrator- should consult with a Sponsored Programs analyst or officer.</i></p>	<p><b><u>UCOP Policy: 5-320 Voluntary Cost Sharing</u></b></p> <p>Voluntary cost sharing refers to University-initiated contributions to a sponsored project. Voluntary cost sharing is discouraged under the University’s policy requiring full cost recovery for work conducted under extramural awards as it commits University resources and creates additional award administration documentation requirements. However, if a campus anticipates voluntary cost sharing at the time of proposal submission, it is appropriate to so inform the sponsor. If the proposed cost sharing amount is included in the award budget or the project narrative, the fulfillment of the cost sharing must be documented and reported as if it were mandatory cost sharing. The extent of voluntary cost sharing should be reasonable and prudent, considering the Principal Investigator's other commitments of time and University policy regarding full recovery of costs. As with mandatory cost sharing, voluntary cost sharing must be approved by individuals who have authority over the stated source of the cost sharing.</p>

Notes that apply to all cost sharing

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3. If the sponsor requires a letter of commitment, SPO also requires a letter.
4. Committing cost share funds when not required by the sponsor is strongly discouraged.
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<b>Mandatory cost-sharing:</b> cash or in-kind (non-effort) match for US government or non-profit sponsors	<b>Yes;</b> letter(s) of commitment or other documentation should be signed by the person authorized to commit the funds.	<p>Cost-sharing commitments are allowed if the sponsor is a US government entity (federal, state, local) or a non-profit organization. If the sponsor is for-profit, cost-share commitments may be restricted or prohibited even when the specifically required by the sponsor.</p> <p>Note: When cost sharing is not required, but is encouraged or factored into review of a proposal to a US government sponsor or non-profit, proposers may either choose to voluntarily commit cost sharing (Faculty effort is the most appropriate match) or may describe available resources in non-monetary terms (preferred.)</p>	<p><a href="#">UCOP Policy: 5-310 Mandatory Cost Sharing</a></p> <p>Mandatory cost sharing/matching refers to that portion of the University contribution to a sponsored project which is required by the terms of the project’s Request for Proposal or Application (RFP/RFA). By accepting an award with mandatory cost sharing, the University incurs an obligation to document its financial contributions to the sponsored project. Reporting also may be required. Campus Contracts and Grants Officers should carefully review all proposals and awards to make sure that any cost sharing requirements are consistent with agency and University policies and appropriate for the value of the project to the University.</p> <p>The state auditor ruled that cost sharing to for-profit entities is gift of public funds for private benefit as the sponsor is not reimbursing the University for the full cost of the project, which is not allowed. This is why it is not appropriate to cost share on proposals to for profits.</p>

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<p><b>Mandatory Cost sharing:</b> Cash or In-kind to for-profit sponsor</p>	<p>Yes; but cost sharing on proposals to for-profit organizations is rare enough to be considered prohibited.</p>	<p>In almost all cases, cost sharing on proposals to for-profit sponsors is <b>not allowed</b>.</p>	<p><a href="#">UCOP Policy: 5-310 Mandatory Cost Sharing</a></p> <p><b>Awards from for-profit sponsors, in general, should not require mandatory cost sharing. However, in cases where this is appropriate, campus Contract and Grant Officers should refer to sections 8-540.4 and 11-330.1 of this Manual for a summary of sponsor patent rights applicable to agreements with for-profit sponsors with regard to whether the for-profit sponsor has paid the full cost of an extramurally funded project.</b></p> <p>Under certain circumstances, an exception based on sponsor policy from a for-profit corporation may be considered for a legitimate, general University community service, scholars', or fellowship program sponsored by a for-profit corporation. The criteria for considering an exception for such a program would include: (1) the corporation has published an announcement calling for proposals under which grants would be awarded; (2) exceptions to University policies for the subject program, such as intellectual property language, are carefully considered and justified, specifically in light of the indirect cost rate exception, and approved by the appropriate University authority; and (3) the announcement does not require a specific deliverable to the corporation other than technical/final and financial reports. Such a program would have to be clearly distinguishable from research contracts which state anticipated outcomes in specific areas of corporate interest solicited by the corporation.</p>

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<b>Voluntary Committed Cost sharing:</b> Cash or in-kind to for-profit sponsor	Yes, but not likely to be approved for submission.	In almost all cases, cost sharing on proposals to for-profit sponsors is not allowed.	<a href="#">UCOP Policy: 8-500 Indirect Costs Exceptions</a> The state auditor ruled that cost sharing to for-profit entities is gift of public funds for private benefit as the sponsor is not reimbursing the University for the full cost of the project, which is not allowed. This is why it is not appropriate to cost share on proposals to for profits.
<b>Faculty effort:</b> mandatory or voluntary cost sharing	No.	Cost sharing of faculty and other employee salaries and benefits is allowed. The unit head's authorization of an Internal Processing Form (IPF) serves as approval of the cost shared commitment of <b>effort</b> and the associated salaries and benefits listed on the Investigators/Research Team tab of the IPF.	<a href="#">UCOP Policy: 5-410 General Restrictions</a> The University-funded salaries of faculty and other employees directly engaged in the project, together with related employee benefits and indirect costs, constitute the most appropriate cost sharing contribution to federal research projects. Sabbatical leave pay may be claimed if it is identifiable with the project.

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<p><b>Other non-faculty personnel and support staff identified in the proposal with cost-shared effort:</b> mandatory or voluntary cost sharing</p>	<p>Yes, some documentation of approval is required. This could be a letter or an email indicating that cost sharing of these salaries with the project is approved.</p>	<p>If cost-shared personnel are in positions that are not usually cost-shared because they are generally soft-funded (e.g., SRAs) or are employed to perform other department duties (e.g., analysts), a letter of commitment or other documentation such as an email confirmation is required.</p> <p>The assigned Sponsored Programs proposal analyst may require additional clarifying detail as part of the proposal review.</p>	<p><a href="#">UCOP Policy: 5-410 General Restrictions</a></p> <p>The University-funded salaries of faculty and other employees directly engaged in the project, together with related employee benefits and indirect costs, constitute the most appropriate cost sharing contribution to federal research projects. Sabbatical leave pay may be claimed if it is identifiable with the project.</p> <p>Departmental administrative expenses (e.g., secretaries, clerks, supplies) generally do not qualify as cost sharing since these expenses normally benefit and are distributed across all activities and objectives of a department and are, therefore, included in the determination of the indirect cost rate. Any cost-shared administrative position must be allowable as a direct charge.</p>
<p><b>In-Kind Cost-sharing Commitments (non-effort):</b> Voluntary or mandatory</p>	<p>Yes; letter should be signed by person authorized to commit the cost sharing.</p>	<p>Voluntary in-kind cost-sharing is discouraged. If committed, in-kind cost sharing can comprise waived recharges for services, established fees or similar in amounts equal to what would be charged to the sponsor for these services.</p>	<p><a href="#">UCOP Policy: 5-410 General Restrictions</a></p> <p>Particular care must be taken to insure that University-furnished space or equipment is not claimed as a cost contribution since these costs are reimbursed by application of the indirect cost rates. Costs financed by departmental budgets or any other non-federal fund source may be claimed as a cost sharing contribution if they are directly identifiable with the applicable federal research project and are contributed during the performance period of the grant or contract.</p>

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<b>Third party cost sharing:</b> In-Kind or Cash-Voluntary or Mandatory	Yes; always.	<p>As with other forms of cost sharing, voluntary committed 3<sup>rd</sup> party cost sharing is discouraged.</p> <p>Any cost sharing proposed by a 3<sup>rd</sup> party (outside organization) has to be verifiable post award. If in-kind services or staff time is valued and committed, the 3<sup>rd</sup> party will need to be able to provide UC Davis with verifiable records of costs post award to allow us to report on costs. Also note that if cash is sent to UC Davis from a 3<sup>rd</sup> party to use as cost-sharing for the project, indirect costs or a gift fee will be applied.</p>	<p><a href="#">OMB Uniform Guidance (2 CFR 200.306)</a></p> <p>Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances, in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.</p> <p>When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable.</p>
<b>Unrecovered Indirect costs</b> (the difference between the indirect rates allowed by the sponsor and our federally negotiated rate) – <b>rate reduction required by sponsor policy.</b>	No, unless a commitment letter specific to this match is required by the sponsor.	<p>Using unrecovered indirect costs to meet cost-sharing requirements is not allowed unless specifically indicated as allowable in the sponsor/program guidelines.</p> <p>Note that reducing indirect costs (cost sharing) on projects funded by a for-profit sponsor is extremely rare enough to be considered prohibited.</p>	<p><a href="#">UC Policy: APM – 020</a></p> <p>UC must recover all direct and indirect costs from extramural sponsors. The state auditor ruled that cost sharing to for-profit entities is a gift of public funds for private benefit as the sponsor is not reimbursing the University for the full cost of the project, which is not allowed. This is why it is not appropriate to cost share on proposals to for-profits.</p>

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