

## School of Medicine Research Policy

TITLE: COST-SHARE

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### **Summary:**

***Cost Share is that portion of a project's costs, direct or indirect, which is not borne by the sponsor. These costs may be contributed by the Department, School/College and/or University or by third parties.***

The University is required to account for cost-sharing consistently and in accordance with OMB Circular A-110 which states that "All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions...are verifiable from the recipient's records...are necessary and reasonable for proper and efficient accomplishment of project or program objectives...are allowable under applicable cost principles (i.e. Circular A-21)...are provided for in the approved budget when required by the Federal awarding agency". In short, cost sharing commitments offered by the University in support of a sponsored project must be treated in the same manner as are the direct costs charged to the sponsors of the project. This means that the University must have a system for subsequently documenting the cost sharing included in budget proposals.

### **Process:**

The School of Medicine requests that they be notified of any Departmental and/or Sponsor's requirement to cost-share before committing resources, financial or otherwise to a project that would bind them to any obligations if the project is awarded.

#### **Note: Types of cost-sharing:**

- **Mandatory:** Refers to those costs which are either required by the Sponsor (terms of award), or by federal statute, that the University contribute toward the project in order for an award to be made.
- **Voluntary:** Any costs associated with a project which has been identified in the proposal but funding for this cost has not been requested from the Sponsor.
- **Matching:** Refers to the requirement that grant funds be matched in some proportion with non-sponsored project funds, or that the grantee participate to some extent in the cost of the project.

Note: The terms "cost-sharing" and "matching" are often used interchangeable however, "matching" has a specific meaning. As previously stated, some sponsors have programs that require a "matching" of funds. This amount is in addition to the basic award. Note: Certification of these funds may be required prior to the agency providing the matching award.

#### **Common Examples of Cost-Sharing:**

- Faculty salaries including those requests for a percentage of effort included in a proposal for which no compensation is requested.
- Salary/fringe expense above the Sponsor's salary cap

- Non-faculty salaries/fringes
- Equipment\*
- Reductions/waivers of facilities & administrative (F&A) costs. Usually only considered when an agency or a program has a formal policy in the amount that can be requested AND this amount is lower than the University's current rate OR the Sponsor disallows F&A costs recovery totally.
- Third party contributions, either cash or in-kind match which is the value of non-cash contributions to the project (i.e., off-campus space for which a fee is usually charged, etc.)

\*(Note: Equipment cannot be offered as cost sharing unless the receipt of the award is contingent upon such cost-sharing. PI's should take care in preparing proposals for sponsored agreements not to commit the use of WSU owned or Government owned equipment as cost sharing, but rather to characterize the equipment as "available for the performance of the sponsored agreement at no direct cost to the project". Proposals which include the acquisition of special-purpose equipment as a direct cost may include an offer of University funds to pay for all or part of the cost of such equipment. These proposals may be for equipment or instrumentation grants, where the purpose of the grant is to buy equipment and we are required to share the cost with the sponsor, or research oriented grants/contracts where the purchase of equipment required for the research is an allowable expense included in the proposal and award.)

### **Procedure:**

These cost-sharing commitments are to be documented on the Form for External Support (FES) prior to submission to the external funding agencies. The type of (mandatory, non-mandatory/voluntary), what is and amount of cost-sharing must be documented on the FES under Section 7: Cost Sharing & Budget Information. The signature of the appropriate authorizer(s) of the unit(s) to commit to these funds are also required.

### **Please note: School Of Medicine (SOM) Policies:**

- Principal Investigator and Co-Principal Investigator salaries must be commensurate with effort on any grant/contract submission unless the Sponsor's policies imposes specific restrictions. This policy pertains to all new as well as competing renewal applications. Any deviation from this policy is considered a cost share commitment.
- Under certain highly unusual situations, it may be reasonable for a PI/Department to request cost-share/matching funds (at the School/College/University level) for a project. These requests will be considered on a per case basis. All requests for an "exception-to-the-rule" should be forwarded to the Associate Dean for Research in the School of Medicine in writing, attach a copy of the proposal or abstract, draft budget/justifications. This request should also include an endorsement signature from the department chair (designee). How this request (if approved) would offer extraordinary high value to the scientific community as well as means for possible future support (if applicable) should be addressed.

From a SOM point of view, the rationale for and the importance of adequate budgeting within an application to a Sponsor cannot be over-emphasized and are necessary steps to help relieve the financial burden that faces all academic medical institutions. Specifically, freeing up general funds, allows us to continue to grow and develop as a School.

As it stands, all Universities are willing to accept somewhat less than full recovery and in-fact, are already sharing in the overall research enterprise. To date, Universities can only include 26% cap for Administration which averages between 70-90% of their real costs in rates (Wayne State's actual percentage is 28.3%). This means that any administrative costs

above this percentage cannot be included in the rate negotiations and hence not reimbursed. There are limits to how much the University can share in research costs before other programs give way.

If you are considering cost sharing, please note the implications below:

- Cost-sharing is a "real" cost to the University
- Cost-sharing inflates our research base, thereby driving down F&A recovery
- Effort cost sharing salary dollar costs 84 more cents for fringe and F&A
- When F&A is waived/reduced, this in turn reduces the amount of indirect cost returns to the University, which reduces the amount of indirect cost returns back to the PI, Department, and School/College. **NOTE: Institutional policy (University Policy 86-2) dictates that if the indirect cost return is reduced/waived then the distribution that would go to the PI, School/College/Department will be reduced to meet the shortfall amount (that could have been) to the General Fund and Research Stimulation. If the case is such that the reduction/waiver is larger than what the School/College/Department share is, an agreement will be made to fund the shortage. This should be identified prior to submission of the application to the Sponsor.**

As indirect costs are used to support/maintain University facilities and administration, a reduction/waiver affects the following:

- Facility related components: i.e., building use charge, equipment depreciation, operations and maintenance, the School/University's ability to maintain/build high quality research facilities (buildings/utilities), etc.;
- Administrative related components: i.e., general support for the various University Administrative Services (i.e., Libraries, Computing Center); support and expenses relating to Sponsored Program Admin. (SPA); faculty administrative work; secretaries; office supplies; student administration & services; recruitment of research personnel and ensuring quality of higher education.
- Most importantly, whenever you cost share, it is expected that the majority of these costs would be borne by the Department/Unit in which the sponsored project will be conducted. Only under exceptional situations will cost sharing come from the School and/or the University.

**RULE OF THUMB SHOULD BE TO MINIMIZE COST SHARING WHENEVER POSSIBLE**

**Reporting:**

Upon award, cost-sharing certificates (CSC) are issued by the SPA office to the units regarding their cost sharing obligations. The unit completes the CSC form documenting the related cost sharing and returns the form to SPA. These costs are then tracked through the various cost sharing accounts (mandatory, non-mandatory) established for the department/unit in which the work is performed.