

15.01.05 Cost Sharing on Sponsored Agreements

Approved May 15, 2015
Next Scheduled Review: May 15, 2020



Regulation Statement

The purpose of this regulation is to describe cost sharing related to sponsored activities and provide an overview of roles and responsibilities performed by members of The Texas A&M University System (system).

Reason for Regulation

As a recipient of federal and other externally funded sponsored agreements, the system is required to propose, account for, and report cost sharing in a consistent manner and in accordance with external sponsor regulations or requirements. This regulation defines cost sharing and describes when cost sharing is appropriate and permitted.

Procedures and Responsibilities

1. GENERAL

Cost sharing is the portion of the total project costs of any sponsored agreement that is not provided by the sponsor (i.e., not charged to the sponsored agreement account). Cost sharing occurs whenever a member is required or has volunteered to participate in either direct or Facilities and Administrative (F&A) costs of a sponsored agreement.

2. MANDATORY COMMITTED, VOLUNTARY COMMITTED, AND VOLUNTARY UNCOMMITTED COST SHARING

2.1 Mandatory Committed Cost Sharing: A cost contribution explicitly required by the sponsor's policies and incorporated into the proposal as a condition of the sponsored agreement. These costs must be captured in the payroll and accounting records of the member.

2.2 Voluntary Committed Cost Sharing: A cost contribution not required by the sponsor but voluntarily offered and quantified in the proposal as a condition of the sponsored agreement. Voluntary committed cost sharing may be approved by the member to enhance the competitive nature of the sponsored agreement, as allowed by the sponsor. These costs must be captured in the payroll and accounting records of the member.

- 2.3 Voluntary Uncommitted Cost Sharing: Faculty effort or other direct costs above the agreed-upon commitment of the sponsored agreement. Since such effort or other direct costs were not proposed and constitute “additional” time or materials, such effort or other direct costs are not considered part of a binding agreement and are not required to be tracked or reported as cost sharing.

3. RESPONSIBILITIES OF SYSTEM MEMBERS FOR COST SHARING

Voluntary committed cost sharing is strongly discouraged on all proposals. It is the responsibility of the member chief executive officer, or designee, to keep voluntary cost sharing to a minimum; to ensure that cost sharing is documented and readily identifiable in the accounting system; to set guidelines for when prior approval must be given for cost sharing; and to set guidelines for determining when a cost-sharing obligation has occurred so that it will be properly documented.

4. CRITERIA FOR COST SHARING

To qualify as cost sharing, costs must be all of the following:

- (a) Verifiable through effort reports or other appropriate documentation and identified in the sponsored agreement;
- (b) Not included as contributions for any other sponsored agreement by that same sponsor or any other sponsored agreement unless specifically approved by the sponsor;
- (c) Necessary and reasonable for accomplishment of project or program objectives;
- (d) Allowable under 2 C.F.R. Part 200.306;
- (e) Not paid by the federal government under another federal-sponsored agreement except where the federal statute authorizing a program specifically provides that federal funds made available for such a program can be applied to matching or cost-sharing requirements of other federal programs; and
- (f) Provided for in the approved budget when required by the federal awarding agency.

5. ALLOWABLE FORMS OF COST-SHARING EXPENSES

5.1 Costs treated as direct costs on sponsored agreements may be used to meet a cost-sharing obligation. Individual costs included in F&A costs may not be used to meet a cost-sharing obligation (refer to Subsection 5(b) for cost sharing through reductions in F&A rates). The following is a partial list of allowable forms of cost sharing:

- (a) Direct expenses
 - (1) Effort of the principal investigator and/or employees committed to sponsored agreements, including their associated benefits costs;
 - (2) Tuition, fees and stipends related to work performed by graduate students on sponsored agreements;

- (3) Cost of equipment purchases when the purchase of equipment is necessary for, and dedicated to, the successful completion of the project (*existing equipment made available for, but not dedicated to, the performance of sponsored agreements is not considered cost sharing*);
 - (4) Laboratory supplies;
 - (5) Travel; and
 - (6) Service facilities (set up as service account fee centers).
- (b) F&A cost rate
- (1) Cost-sharing expenditures are also used in calculating F&A cost rates. Excessive or unnecessary cost sharing can have the effect of reducing the F&A cost rate.
 - (2) Waived or reduced F&A costs. This is the difference between the applicable negotiated F&A cost rate and the amount of F&A costs awarded by the sponsor. This amount may be used as cost sharing if approved by the sponsor.
 - (3) When the direct expenses are cost-shared, the associated F&A rate is automatically cost-shared.

5.2 Examples of expenditures which may not be used as cost sharing:

- (a) Expenditures normally treated as F&A, such as administrative salaries and office supplies;
- (b) Unallowable costs, such as alcoholic beverages, entertainment, etc.; and
- (c) Expenditures paid by the federal government under another federal-sponsored agreement, except where the federal statute authorizing a program specifically provides that federal funds made available for such a program can be applied to matching or cost-sharing requirements of other federal programs.

6. DOCUMENTATION

All types of cost sharing (voluntary, mandatory, in-kind academic cost sharing and cash match) must be documented and identified in the member's accounting system, with the exception being waived F&A rates discussed in Section 5. These waived rates should not be documented in the member's accounting system and can be easily calculated from the appropriate cost base when cost sharing is reported to the sponsor. If cost sharing is required or intended, it should be identified and quantified in the proposed budget submitted to the sponsor. If cost sharing is accepted by the sponsor as a condition of the sponsored agreement, accurate records must be maintained to verify that these funds have been provided through the use of system resources.

Cost sharing, whether voluntary or mandatory, will be accounted for by separate accounts. Cost-shared resources are mutually exclusive. That is, in no instance may the same dollars be used as cost share for more than one sponsored agreement. The costs charged to those accounts will be documented in the same way as costs charged to sponsored agreements. For

example, if the cost sharing is in the form of a salary contribution, the contribution will be documented by the time and effort certification system. If the contribution is in the form of travel costs, the costs will be documented in the same form as costs to travel (i.e., airline and hotel receipts). An alternative approach may be used if the alternate method adequately documents the costs, subject to approval by the System Office of Budgets and Accounting.

7. THIRD-PARTY SUPPORT

Values from a third-party entity contribution of services and property may be counted as cost sharing if the service or property is an integral and necessary part of an approved project or program, and otherwise complies with the requirements of this regulation. For the accounting of values related to third-party services and property, see Uniform Guidance (2 C.F.R. Part 200.306).

Related Statutes, Policies, or Requirements

[OMB Circular No. A-21, Cost Principles for Educational Institutions](#)

[OMB Memoranda 01-06, Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission Costs](#)

[OMB Circular No. A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations](#)

[OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations](#)

[OMB Uniform Guidance 2 C.F.R., Grants and Agreements](#)

This new regulation supersedes text related to this topic originally included within System Regulation *15.01.01, Sponsored Agreements – Research and Other*

Definitions

Cost sharing or matching – project costs not paid by the sponsor. Cost-sharing funds may come from an outside source in the form of cash contributions, volunteer services, or donated property; from the entity’s own funds; or from shared resources or facilities. If the sponsored agreement is federal, only acceptable non-federal costs qualify as cost sharing.

Direct costs – those costs that can be identified specifically with a particular sponsored project, or that can be directly assigned to such activity relatively easily with a high degree of accuracy.

Sponsored agreement – defined in System Regulation *15.01.01, Sponsored Agreements – Research and Other*.

Third-party cost sharing – a third party (not the member receiving the sponsored agreement) contributes or donates cash or services (i.e., material/personnel/equipment) or other allowable items to the project. Third-party cost sharing offered voluntarily in a proposal becomes a

commitment under the terms of the sponsored agreement and represents a binding obligation of the member.

Member Rule Requirements

A rule is not required to supplement this regulation.

Contact Office

System Office of Budgets and Accounting
(979) 458-6100