

Cost Sharing Explanation

Definition: Cost sharing is the contribution to a sponsored project that supplements agency funding. In general, cost sharing, also known as matching, represents the portion of the project costs not borne by the project sponsor.

Policy: MSU's policy on cost sharing states that it can only be committed to the project if it is required by the sponsor as an eligibility criteria to apply for the award. Written sponsor cost share requirements should be attached to the MSU proposal clearance form. You can find the complete policy here: <http://www.montana.edu/wwwvr/osp/Costsharingpolicy.html>

Types:

- **Unrecovered indirect costs** (also called foregone or waived IDC's) – The difference between MSU's negotiated IDC rate and the rate allowed by the sponsoring agency. For example, the USDA IDC rate is capped at 25% and MSU's federal research IDC rate is 42.5%, the difference is 17.5% of unrecovered or foregone IDC'S (departments and PI's do not have to track these).
- **Soft dollar** – Typically the salary/benefits of persons involved in the project, such as PI's, Co-PI's, Key Personnel, etc. For example, a lab technician may have 50% of their salary paid from a research project and 50% paid from state funds, but they provide 60% effort on the research project resulting in a 10% soft dollar cost share (tracked by the departmental Time and Effort Reports).
- **Hard dollar** – Typically supplies, travel, equipment and other budget categories that are paid from departmental/instructional/other funding sources (tracked by the department through cost share budgets and activity codes that verify cost share expenses in MSU's accounting system).
- **In-Kind** (also known as third party) – Contributions of salary, travel, equipment, supplies and other budget areas that are from non-MSU sources (tracked with a completed and signed In-Kind form available from OSP).

Pertinent Federal Regulations:

OMB Circular A-110 – C23. Cost sharing or matching.

C23a. 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 meet all of the following criteria.

- C23a(1). Are verifiable from the recipient's records.
- C23a(2). Are not included as contributions for any other federally-assisted project or program.
- C23a(3). Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- C23a(4). Are allowable under the applicable cost principles.
- C23a(5). Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- C23a(6). Are provided for in the approved budget when required by the Federal awarding agency.
- C23b. Unrecovered indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.

Cost sharing is difficult to generalize. If you think you have a cost share circumstance, please call your Fiscal Manager in the Office of Sponsored Programs. And please remember cost share situations must be detailed and approved during the proposal process.

Frequently Asked Questions:

1) What is the preferred method or type of cost sharing?

Montana State University would prefer to use unrecovered indirect costs (foregone/waived IDC's) whenever possible as it is easier to track and report to sponsoring agencies. According to federal regulations, this form of cost share requires prior approval from the awarding agency.

2) Why is the amount of cost sharing limited to the minimum required by the sponsoring agency?

Since cost sharing commitments are real dollars coming from MSU's budgets and resources and must be verifiable (tracked, documented & reported), it makes sense to restrict use to grant programs where it is required thereby reserving limited monies for other projects. Please note sponsor cost share requirements have to be provided to OSP in writing.

3) When the Request for Proposal (RFP) lists that cost sharing is encouraged, how is that handled?

The Office of Sponsored Programs should be contacted to see if an exact amount or percentage of cost sharing can be determined. If applicable in these types of situations the use of unrecovered IDC's are strongly encouraged in lieu of cost sharing with salaries or other types of expenses.

4) When does cost sharing occur?

In order for an expense to be counted towards a cost sharing obligation, it will need to occur during the time period of the corresponding grant and must also be an expense needed to meet the programmatic goals of the grant.

5) What are the rules for cost sharing?

Cost sharing is very complicated and can change depending on specific sponsor requirements, but the basic rules to remember are the cost share:

- Must be verifiable, i.e. tracked & documented
- Can only be counted once
- Is necessary & consists of reasonable & allowable expenses
- Can't match federal to federal
- Must be tracked & reported by MSU if listed in a proposal budget or narrative

6) Who tracks and reports cost share?

The department and PI are responsible for tracking cost share so OSP can verify and report it to the sponsoring agency.

Examples of Cost Sharing:

Allowable: Faculty, lab technician, lab support salaries and benefits, travel to collaborate with other scientists, supplies for the project, equipment purchased specifically for the project, volunteers working on the project (in-kind), cash match received for the project, value of the use of space or equipment not located or owned by MSU.

Not Allowable: Entertainment type expenses such as tickets to sporting events, gondola rides, dinners (including alcohol), general type equipment (file cabinets, desks, chairs), fund raising activities, proposal writing activities, additional compensation or any expenses paid directly from the grant.