

4. Cost Sharing

Introduction

Cost sharing is defined as the portion of a project or program cost not reimbursed by the sponsor. For example, assume that the total cost of the project is \$150,000. The sponsor requires that MIT contribute 25% of the total project cost (\$37,500); the sponsor provides the balance (\$112,500). The \$37,500 contribution to the project constitutes cost sharing by MIT.

Why does MIT cost share?

There are two reasons:

- **Mandatory Cost Sharing:** The sponsor requires cost sharing as a condition of the award.
- **Voluntary Cost Sharing:** The sponsor does not require cost sharing as a condition of the award but MIT offers cost sharing in the proposal budget.

F&A costs associated with a voluntary cost sharing commitment must be borne by the DLC.

Whether cost sharing is mandatory or voluntary, a commitment becomes binding once an award is made. For this reason, MIT strongly encourages limiting cost sharing to that which is mandated by the sponsor or is necessary to make MIT's proposal competitive.

Who is responsible for identifying funds for cost sharing?

Identifying and providing resources for cost sharing of direct costs is always the responsibility of the Principal Investigator and this information must be included in the proposal budget. In the example above the PI would be responsible for identifying \$37,500 as MIT's contribution to the total cost of the project.

How can I determine if the funds identified by the PI for cost sharing are eligible as cost sharing?

Administrative requirements – The administrative requirements for including cost sharing on federal grants and cooperative agreements are defined in OMB Circular A-110. Both in-kind and cash contributions by a recipient are acceptable as cost sharing when **all** of the criteria are met:

- Verifiable from recipient records,

- Not included as contribution for any other federally assisted program,
- Necessary and reasonable for proper and efficient accomplishment of project or program objectives,
- Allowable as a direct cost under applicable cost principles,
- Not paid by another federal award (except as authorized by statute),
- Provided for in the approved budget when required by the federal awarding agency,
- Conform to other provisions in OMB A-110 as applicable.

A list of the various sources of funds that can be used for cost sharing can be found in the [Cost Sharing Primer for DLC Administrators](#) (see Appendix or OSP home page for link). Cost sharing can be in the form of a cash contribution or in-kind contribution.

Cash Contribution

MIT's cash outlay, including the outlay of money contributed by third parties. For example,

- MIT Tuition Subsidies for Graduate Student RA Effort (only identified as cost sharing when the research proposal explicitly makes a cost sharing commitment)
- Explicit commitment to cost share Salary/EB/F&A

In-kind Contributions

Non-cash contributions – examples include services, equipment, supplies, or real property.

Case Example

Professor Smith, from the Department of Applied Biomedical Sciences at MIT, is submitting a grant proposal entitled "Developing New Therapies Using Stem Cells" to NSF. The total estimated cost of the project is \$150,000. The RFP to which he is responding has a requirement that MIT cost share 25% of total project costs (\$37,500).

Cash Contributions:

Professor Smith indicates that he will devote one month to the project over the course of the academic year. Wendy

Doolittle is one of Professor Smith's Research Assistants and will be working full time on this project.

■ **MIT Tuition Subsidies for Graduate Student RA Effort.** The Institute provides a 45% (FY07) tuition subsidy for RAs during the Academic Year (AY). This subsidy is paid for with MIT general funds which means this subsidy can be used for cost sharing on this project. In this case let's assume that tuition for the AY is \$33,400. MIT allows the use of 66% of the MIT provided tuition subsidy for cost sharing. Therefore, the cost sharing amount is \$9,920.

$$\$33,400 * 45\% = \$15,030 * 66\% = \$9,920$$

■ **Explicit commitment to cost share Salary/EB/F&A:** Professor Smith is committing one AY (Academic Year) month to the project. MIT AY faculty salaries are "hardened" meaning that the Institute funds faculty salaries from Institute funds. Therefore, Professor Smith's salary for this month and the Employee Benefits and Facilities and Administration costs associated with his salary can be used for cost sharing:

Assumptions

- AY salary (Professor Smith) = \$76,500
- Employee Benefits = 27%
- Facilities & Administration = 65%

Professor Smith's x 1 AY month	\$ 8,500
Employee Benefits @ 27%.....	\$ 2,295
Total Salary & EB.....	\$10,795
Facilities & Administration	
Costs @ 65%	\$ 7,017
Total	\$17,812

In-kind Contributions

Professor Smith needs to inject stem cells into mice and plans to send the stem cell reagents to Biocompare, Inc. in California. Biocompare, Inc. has agreed to provide the materials for the reprocessing free of charge. The cost of these materials and supplies is \$4,768. To further extend his work, Professor Smith needs a Multiplex Quantitative PCR for which he has a quote of \$10,000. This equipment will allow him to quickly quantify nucleic acids for studying gene expression and he has decided to include this in his proposal budget. Professor Smith has a balance of \$5,000 in a discretionary cost object. He has decided

to contribute these dollars to the purchase of the Multiplex Quantitative PCR.

- **Equipment Purchase:** The \$5,000 from Professor Smith's discretionary cost object towards the purchase of the Multiplex Quantitative PCR equipment purchase is cost sharing.
- **Donated materials:** Biocompare, Inc has agreed to provide materials required to process the stem cell reagents for Professor Smith's research. Ordinarily the charge for these materials would be \$4,768.

Summary Of Cost Sharing Contributions

Professor Smith- One month AY salary/EB & F&A	=	\$17,812
Wendy Doolittle – RA Tuition Subsidy	=	\$ 9,920
Biocompare – Materials and Services Donation	=	\$ 4,768
Equipment	=	\$ 5,000
Total Cost Sharing	=	\$37,500

While we have seen several examples of sources that can be used for cost sharing, at MIT, the preferred order for cost sharing is the following:

- **Tuition:** up to 66% of the MIT-provided tuition subsidy for graduate research assistants may be used for cost sharing. Exceptions to this must be approved in advance by the Vice President for Research.
- **Equipment**
- **Other expense categories**

What kinds of items are not eligible for cost sharing?

The following expenses CANNOT be offered as cost sharing commitments in sponsored proposals.

- **Other Federal Awards:** The PI may NOT utilize funds from one Federal award as cost sharing on another Federal award. The PI may utilize funds from non-federal awards as the source of cost sharing on federal awards when specifically allowed by the federal sponsor.
- **Use of MIT-Owned Equipment:** Cost sharing of equipment in MIT's current inventory *is not allowed*. The reason for this is twofold: (1) The sponsor is already paying for a portion of it through the F&A rate calcula-

tion and (2) the equipment was not purchased for use on this project.

- **Institute facilities such as laboratory space.** The use of MIT facilities is recovered from sponsors through the application of the F&A cost rate. Therefore, offering Institute space or facilities as cost sharing is not permitted as these costs are F&A, not direct costs.
- **Unallowable costs as defined in OMB A-21 Section J.** See Appendix or OSP home page for link.
- **Salary dollars above a regulatory cap.** As an example, NIH has a salary cap that limits the salary amount that may be awarded and charged to NIH grants and contracts. The Institute may pay an individual's salary amount in excess of the salary cap with non-federal funds. However, this differential cannot be used for cost sharing.

Tracking Cost Sharing

DLC administrators must ensure that all cost sharing commitments (mandatory and voluntary) made as a condition of the award are met, properly recorded and documented. OSP creates a Project WBS with a cost object number 600000. The \$112,500 that NSF is funding will be tracked in this cost object along with the cost sharing commitment by MIT. To illustrate how this would work let's assume that Professor Smith's NSF proposal was funded. The award carries a \$37,500 cost sharing commitment. This commitment will be met as follows:

Professor Smith – 1 month salary/EB/F&A	=	\$17,812
Wendy Doolittle – RA Tuition Subsidy	=	\$ 9,920
Biocompare materials and supplies donation	=	\$ 4,768
Multiplex Quantitative PCR Equipment	=	\$ 5,000
		\$37,500

MIT Funded Cash Contribution

The DLC is responsible for completing the cost sharing template. OSP will create a WBS child cost object. Funds for the faculty salary/EB and F&A will be transferred by CAO to the child cost object. The DLC is then responsible for changing salary distribution to the cost sharing child cost object.

MIT Tuition Subsidies for Graduate Student Effort

The DLC should document the name of the student, his/her percent of effort, the period of effort on the project and total amount of the subsidy provided during the period.


Donated Supplies and Materials

Because this is not an expenditure made by MIT, documentation from the sponsor which includes the value of the donated materials and supplies should be provided to OSP to substantiate that the commitment has been fulfilled.

Equipment

The full procedures are documented in the Cost Sharing MIT Guidelines Table, pages 8 – 13 of the Cost Sharing Primer for DLC Administrators (see Appendix or OSP home page for link).

- Cost Sharing Primer includes information on the following:
 - OMB Circular A-110
 - Definition of Cost Sharing
 - Cost Sharing Criteria
 - Mandatory vs. Voluntary Cost Sharing
 - Cost Shared Effort—Committed vs. Uncommitted
 - Cost Sharing in Proposals
 - Procedures for Recording and Documenting Cost Sharing

 **Key References** - See website links in Appendix and on the OSP home page

- ▶ Cost Sharing Primer for DLC Administrators
- ▶ Unallowable Costs as defined in OMB Circular A-21 Section J