Cost Share / Matching Funds / In-Kind Contribution Policy

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POLICY

“Cost Sharing,” “Matching,” or “In-Kind” contributions are defined as the portion of the cost of a sponsored project that is borne by the University as a specific contribution to that project. They can be represented by both direct and indirect costs. Cost sharing must be verifiable from University records, necessary and reasonable for proper and efficient accomplishment of the project, and allowable under Federal cost principles and regulations (OMB Circulars A-21 and A-110).

San Francisco State University (SF State) supports sponsored activities of its faculty and ensures that its cost sharing commitments do not overburden its resources. Cost sharing should be limited to those situations where it is an eligibility requirement for a proposal submission, or when marked in the program description by stating that institutional support and/or cost sharing is included as a review criterion.

Once cost sharing is included and quantified in a sponsored project’s proposal budget and/or budget justification it becomes an SF State commitment and must be honored.

SCOPE

There are three categories of cost sharing—mandatory, voluntary committed and voluntary uncommitted. Cost sharing commitments at SF State can be made either as Matching Funds, or as In-Kind Contributions. When a Principal Investigator (PI) proposes to include University resources as a cost sharing commitment, the commitment must be approved by the unit(s) providing the resources stated as cost share (e.g., department, college, ORSP) before ORSP can approve the proposal submission.

If the proposal is funded, SF State will provide the proposed/budgeted cost share resources and will provide the same financial accounting and fiduciary oversight for these resources as it does for the funds provided by the sponsor. If a sponsored project proposal that includes cost sharing is awarded, the PI, ORSP administrative staff, and Fiscal Affairs jointly assume responsibility to monitor, document, and report its cost share commitment to the sponsoring agency.

Examples of Acceptable Types of Expenses for Cost Sharing

- PI and/or other staff salaries and wages and associated fringe benefits, including payroll above the federal salary cap on NIH awards in some situations
- Project-related laboratory supplies or services
- Special purpose equipment whose purchase is necessary for the conduct of a particular project
- Costs incurred by Subrecipients (also called third-party contributions)
- Reduced or waived facilities and administrative (F&A) costs
- An award from a private foundation might be utilized as a source of cost sharing if the scope of work for both projects are closely related and the cost sharing commitment is agreed to, in writing, by the sponsor
Examples of Unacceptable Types of Expenses for Cost Sharing

- Costs normally treated as F&A or indirect costs, e.g., administrative salaries, routine supplies and postage
- Costs recovered through SF State’s indirect costs rates, e.g., University operations and maintenance costs, use of University space, and use of SF State’s existing equipment
- Any cost that cannot be quantified
- Expenses that do not directly assign a benefit to the activity, and are therefore not allocable to the project
- An unallowable cost on an award, e.g. if a program announcement indicates that travel is an unallowable cost on an award, it is also unallowable as a cost sharing expense
- Existing federally-funded equipment to be used on a project cannot be proposed as a cost sharing commitment
  - An exception to the exclusion of equipment as cost share is the use of a service center that has a specified recharge rate (e.g. use of an electronic microscope facility)
  - Inclusion of equipment as cost share must include depreciation. Such use can be applied as a cost sharing commitment as long as there is a documented rate for that facility.

Including Cost Sharing on a Proposal

- Mandatory and voluntary committed cost sharing must be included in the proposal submitted to the sponsor
- Cost sharing on federally funded projects must meet the same eligibility requirements as other expenses on any federal award: costs must be reasonable, allowable and allocable under OMB Circulars A-21 and A-110, in addition to being necessary for the completion of the project. A cost share commitment must also be reasonable, necessary, allowable and allocable under the sponsoring agency’s guidelines
- The same expense cannot be committed multiple times as cost sharing, e.g., the same piece of equipment cannot be included as a cost share commitment on multiple projects
- The PI must submit a Notice of Cost Sharing/Matching Contribution form during the proposal preparation process, and it must be approved by all units providing the committed cost share resources
- A third party may contribute cost sharing for an SF State sponsored project, e.g., a consultant may donate time to assist with a project, or a foundation may purchase equipment for use on a federal grant
  - When third party cost sharing is included in a proposal to meet sponsor requirements, the source of cost sharing must be clearly stated and documented
  - SF State, as the prime recipient, is responsible for providing the cost sharing offered in the proposal. If the third party does not honor their commitment for cost sharing, SF State is still responsible for meeting its commitments.

Documenting Cost Share Commitments

- When the proposal is awarded, a separate “companion” cost sharing project will be established in the SF State financial system so that cost sharing can be separately tracked for reporting to the sponsoring agency
- For cash contributions, the units that have committed to the cost share will transfer funds into the cost share project to cover the cost share expenses
The following issues are of particular importance to units that will host sponsored projects with cost share elements:

**Cost Sharing Involving Labor**
- Labor costs included as cost sharing, including in-kind contributions of faculty time (contributed Reimbursed Release Time), will be included in the cost sharing project budget so that contributed effort can be tracked in the Common Financial System (CFS).
- Mandatory or voluntary committed cost sharing of labor costs requires that the effort be identified and quantified in the proposal budget and budget justification. The Notice of Cost Sharing/Matching Contribution form will identify the source covering those labor costs.

**Cost Sharing from a Third Party**
- If a third party or subrecipient is providing cost sharing, SF State must receive documented verification that the cost sharing commitment was honored.
- If the third party cost sharing comes from an entity not involved in a subaward, that entity may provide a letter of certification for the cost sharing commitment.
- SF State reserves the right to verify any rates or amounts offered as third party cost sharing.
- If volunteer services are used, the requirement for verification will be met by the use of “timesheets” for number of hours worked. Either the prevailing minimum wage or the SF State pay scale, whichever is appropriate, will be used as the hourly rate of pay.

**Changes in Cost Sharing**
- If an award amount is less than what was included in the proposal budget, ORSP will contact the sponsor to negotiate a possible reduction in the cost share commitment associated with the award.
- **If cost share commitments are not met by SF State, the sponsor has the right to reduce the funding amount.** If the PI anticipates that the cost sharing commitment will not be met, they must contact ORSP immediately. Any reduction in budget is commensurate with reduction in scope of work, and the sponsor’s prior approval would be required.

**Reporting Cost Sharing**
- A cost sharing project account will be established in CFS to capture the cost sharing commitment.
- Fiscal Affairs will report cost sharing expenses from this project when financial reports are submitted.
- When third party cost sharing is used the PI must obtain proper documentation of those contributions.
- If there is a subaward, the subrecipient / third party contributor should report their cost sharing contribution on their invoices.
- If there is no subaward, the third party contributor can provide a letter detailing the cost sharing contribution.

**Voluntary Uncommitted Cost Share**
- Cost overruns are considered to be cost sharing.
- Fiscal Affairs processes the transfer via a journal entry to a non-federal source of funds.