



## Cost Share/Matching Funds/In-Kind Contribution Policy

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On December 26, 2014, the federal government implemented new guidelines for the management of grants, referred to as the Uniform Guidance (2 CFR §200), that replaced OMB Circulars A-21, A-110 and A-133. Awards issued prior to this date will continue to be managed under OMB Circulars. This document is applicable to grants awarded after December 26, 2014 and references the Uniform Guidance.

### 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 (note: indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency). 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 (2 CFR § 200.29, 200.99, 200.306, 200.403).

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 Notice of Funding Opportunity 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 (note: salary costs above statutory limits are not considered cost sharing, Appendix III to 2 CFR § 200).

- 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 third-party contributions).
- Unrecovered indirect costs, including indirect costs may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency (§200.306, C).
- 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.
- Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs (§200.306, B(5)).
- Are not included as contributions for any other Federal award (§200.306, B(2)).

### **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 F&A or 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.
- Costs that are unallowable under Subpart E - Cost Principles.
- 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.
- The same expense cannot be committed multiple times as cost sharing.

### **Including Cost Sharing on a Proposal**

- Include cost sharing only if announcement states that it is required.
- Cost sharing on federally funded projects must meet the same eligibility requirements as other expenses on any federal award and 2 CFR §200 Subpart E - Cost Principles: costs must be reasonable, allowable and allocable under 2 CFR § 200.29, 200.99, 200.306, 200.403, 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 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.
- 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.

### **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.

## **ROLES & RESPONSIBILITIES**

### **Office of Research and Sponsored Programs**

#### **Grant Administrator (GA)**

- Include cost sharing in the proposal budget only if it is required.
- Review cost sharing budget categories to ensure that it is in compliance with 2 CFR §200 Subpart E - Cost Principles and 2 CFR § 200.309 Cost Sharing.
- Route budget, *Notice of Cost Sharing/Matching Contribution* form, and all supporting documents when routing budget for approval.
- When proposal is awarded, set up a companion project and ensure that it is meeting cost sharing.

#### **Compliance Unit (CU)**

- Review cost sharing projects periodically to ensure that requirements are being met and work with GA to resolve issues if any.

### **Academic Department**

#### **Principal Investigator (PI)**

- Have a conversation with GA if cost sharing is to be included in the proposal.
- Get written approval(s) from individuals/departments who are willing to provide cost sharing.
- Complete and sign the *Notice of Cost Sharing/Matching Contribution* form and obtain signatures as required on the form.

## **RELATED DOCUMENTS**

- [Code of Federal Regulations Title 2 Subtitle A Chapter II Part 200](#)