



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

## Operating Policy and Procedure

**HSCEP OP:** 65.11, **Cost Sharing on Sponsored Projects**

**PURPOSE:** The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to accurately track and document cost sharing commitments made by TTUHSC El Paso as part of its receipt of external funding awards, contracts, and cooperative agreements in accordance with 2 CFR Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards".

**REVIEW:** This HSCEP OP will be reviewed August 1 of every odd-numbered year by the associate managing director of the Office of Sponsored Programs (OSP) and the director of Contracts and Grants Accounting (CGA), with recommendations for revision submitted to the vice president for Research and the chief financial officer by September 1.

### **POLICY/PROCEDURE:**

#### **I. Policy**

In relationship to externally sponsored projects, cost sharing is the portion of the total costs of a project that is borne by TTUHSC El Paso rather than the external sponsor. Cost sharing is discouraged by TTUHSC El Paso unless it is mandated by the external funding source. It is the policy of TTUHSC El Paso that cost sharing commitments made by the institution must be accurately tracked and documented through the establishment of a separate cost sharing fund.

A specific and quantifiable offer of cost sharing in a proposal (i.e., grant application) becomes an obligation that the university must fulfill. Generally, the university seeks to minimize these obligations because a cost sharing commitment:

- Imposes a substantial tracking, monitoring, recording, and documenting burden;
- Reduces a principal investigator's (PI's) flexibility to conduct other research;
- Redirects resources from other uses because every dollar of cost sharing results in the university forfeiting not only the recovery of a direct cost, but also the recovery of the associated indirect costs; and
- Has an adverse effect on the university's effective F&A (Facilities & Administrative) rate.

TTUHSC El Paso's treatment of cost sharing is guided by the federal cost sharing requirements below. It is the practice of the university to apply the standards for federal projects to all sponsored projects, regardless of whether the sponsor is a federal agency.

**2 CFR Part 200.306** provides the following defining criteria for cost sharing. To be acceptable, cost sharing contributions (i.e., matching):

- Are verifiable from the non-Federal entity's records;
- Are not included as contributions for any other Federal award;
- Are necessary and reasonable for accomplishment of the project or program objectives;
- Are not paid by the Federal government under another Federal award;
- Are provided for in the approved budget when required by the federal awarding agency; and
- Are allowable under subpart E – Cost Principles of 2 CFR Part 200;

## II. Types of Cost Sharing

### A. Mandatory Cost Sharing

Mandatory cost sharing is required by the sponsor as a condition for proposal submission and award acceptance. A mandatory cost sharing requirement will be specified in the sponsor's published request for proposals or notice of funding opportunity. If the indicated level of cost sharing is not included in a proposal, the proposal will not receive consideration by the sponsor. Mandatory cost sharing requires the establishment of a separate fund as described in section 6 of this policy.

### B. Voluntary Committed Cost Sharing

Voluntary committed cost sharing is cost sharing that is offered in a proposal but not required by the sponsor as a condition of proposal submission. It should be noted that 2 CFR 200.306(a) states that "under Federal research proposals, **voluntary committed cost sharing is not expected**. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal award agency regulations and specified in a notice of funding opportunity."

Once offered by the institution, it becomes an obligation the university must fulfill upon acceptance of the award. Voluntary committed cost sharing requires the establishment of a separate fund as described in section 6 of this policy. See section 9 of this policy for an example of voluntary committed cost sharing.

### C. Voluntary Uncommitted Cost Sharing

Voluntary uncommitted cost sharing is cost sharing that is over and above an amount that was committed and budgeted for in a sponsored research agreement. It is neither pledged explicitly in the proposal nor stated in the award documents, but it occurs in the course of executing a project, often when an individual expends more effort on the project than his or her commitment requires. This type of cost sharing, or "extra effort," is above the level agreed to as part of the award and is not required to be documented, tracked, or reported and is not subject to effort reporting requirements. However, for the sake of clarity, a department may opt to create a separate cost sharing fund for voluntary uncommitted cost sharing.

## III. Alternatives to Voluntary Committed Cost Sharing

A specific and quantifiable statement about faculty or staff effort within the proposal is considered a cost sharing commitment that must be tracked and documented. For example, the following sentence contains a cost sharing commitment that will be subject to audit:

- Professor X will devote 30% of his effort to this project and no salary is being requested.

As an alternative to voluntary committed cost sharing, it may be appropriate to offer university resources without making a specific and quantifiable commitment. Whenever possible, investigators are encouraged to take this approach. General statements in the research plan, project description, or budget justification of the proposal can indicate an investigator's intention to participate significantly in the research without creating a contractual and auditable quantified commitment of effort. For example:

- Professor X will direct all research activities associated with [specify...]
- Professor X will oversee all aspects of the project.

- Professor X will participate in the project at every stage [specify...]
- Professor X will provide scientific direction and supervision for the project [including...]

Similarly, care should be taken in preparing proposals for sponsored projects not to commit the use of university resources as cost sharing, but to characterize the resources as “available as needed for the performance of the sponsored project at no direct cost to the project.”

#### IV. Approval of cost sharing commitment

Cost sharing must be reviewed and approved by OSP at the time of proposal submission or at the point a change is made in the level of cost sharing commitment. At the time of proposal submission, signature of the department chair on the OSP route sheet indicates departmental approval of the proposal, including any proposed cost sharing commitment.

A cost sharing commitment made within a grant proposal cannot be changed without prior approval from the sponsor. To request approval, the investigator should route all communication with the sponsor through OSP.

#### V. Guidelines for using specific types of expenses as cost sharing

Whenever possible, investigators should avoid using donated space, land, buildings, and equipment as cost sharing contributions because of the challenges associated with confirming the valuation and the potential for investigation during audit.

##### A. Payroll

Salary support through a commitment of a percentage of effort is the most common method of cost sharing. A separate cost sharing fund must be established for payroll cost sharing and effort reporting is required as described in section 6 of this policy.

An effort commitment is a contractual obligation to devote a specific amount of labor to a sponsored project. The sponsor may bear all, some, or none of the cost of this labor. Paid effort is effort for which the sponsor bears the cost. Cost shared effort is effort for which the university, or a third party, bears the cost. An effort commitment can have both a paid component and a cost shared component. See section 9 of this policy for examples.

- 1) **Salary Cap:** A salary cap is when a sponsor restricts the amount of direct salary that can be paid from their grant award (most notably the National Institute of Health (NIH) imposes a salary cap because of a legislative mandate from Congress; the Cancer Prevention and Research Institute of Texas (CPRIT) also imposes a salary cap). The monthly salary amount charged to a NIH award, for example, cannot exceed the NIH monthly cap rate multiplied by the percentage of effort. A separate cost sharing fund must be established as described in section 6 of this policy. Examples of calculating salary cap cost sharing are in section 9 of this policy.
- 2) **Administrative Personnel:** Salaries for administrative staff whose effort does not directly benefit the project cannot be used as cost sharing because these expenses are included in the university’s indirect (F&A) costs.

##### B. Equipment

The portion of the purchase price of equipment provided by TTUHSC El Paso may be used to meet a cost sharing commitment. The use of equipment that is already owned by TTUHSC El Paso should not be offered to meet a cost sharing commitment on a sponsored project. Instead, when writing a proposal an investigator should

characterize the equipment as “available as needed for the performance of the sponsored project at no direct cost to the sponsor.”

C. **Supplies**

Supplies typically include such items as expendable equipment, office supplies, and laboratory supplies. In most cases, supplies are treated as a F&A or indirect cost expense and therefore should not be offered to meet a cost sharing commitment. Space

Generally, space in university buildings cannot be offered as a cost sharing contribution because the associated cost is reimbursed by application of the indirect cost rates. Within a grant proposal, investigators should characterize the facilities as “available as needed for the performance of the sponsored project at no direct cost to the sponsor.”

D. **Unrecovered indirect costs**

Investigators cannot voluntarily offer to waive F&A (or indirect) costs or lower TTUHSC El Paso’s federally-negotiated F&A rate to satisfy a cost sharing requirement. However, if a sponsor imposes a rate lower than TTUHSC El Paso’s approved F&A rate, the institution may use unrecovered F&A costs to meet a sponsor’s cost sharing requirement with the prior permission of the sponsor.

E. **Contributions from subawardees**

The most common type of third party cost sharing occurs when a subawardee makes a cost sharing commitment, which appears in the proposal’s subaward budget. When a sponsor requires mandatory cost sharing, subawardees typically are expected to provide cost sharing contributions at a level commensurate with that of TTUHSC El Paso. Each subawardee must track, fulfill, and document its cost sharing contributions pursuant to the terms and conditions of the sponsor’s award and those of the TTUHSC El Paso subaward agreement. If a subawardee fails to fulfill a cost sharing obligation, TTUHSC El Paso must meet the cost sharing commitment using its own resources.

F. **Contributions from other third parties**

An individual or group may contribute volunteer effort to a project, or an organization may donate the use of space and facilities in accordance with 2 CFR 200.306. Investigators should work with OSP to determine the value of cost sharing contributions from third parties.

**VI. Documenting cost sharing**

A. **Cost Sharing Fund Set-Up**

- 1) A separate cost sharing fund must be established to track and document cost shared expenses.
- 2) Upon notice of award, the department will submit an online new fund request to establish the cost sharing fund at the same time that a new fund request is submitted for the grant fund in accordance with HSCEP OP 65.01 Establishing Sponsored Program Funds. For the cost sharing fund, the abbreviation “CS” must be included at the beginning of the fund name, followed by the exact name of the grant fund.
- 3) When establishing both the cost sharing fund and the grant fund, the department will attach the award notice/contract to the online new fund requests.
- 4) If multiple departments are providing cost share to a grant, then cost share funds will be required for each departmental organization (ORG). Each of these cost share funds will be the responsibility of their respective department.

## VII. Effort Certification for payroll cost sharing

Cost sharing in the form of payroll for a percentage of time worked on the project must be tracked and documented for each individual through the TTUHSC El Paso Effort Certification and Reporting Technology system (ECRT) in accordance with HSCEP OP 65.07, Effort Reporting: Certifying Time and Effort on Sponsored Projects.

## VIII. Roles and Responsibilities:

### A. Principal Investigator/Project Director

- Comply with the university's cost sharing policy.
- Identify mandatory and voluntary committed cost sharing on the sponsored programs route sheet at the time of application submission.
- Obtain the department chairperson's approval for cost sharing contributions through signature on the sponsored programs route sheet that clearly identifies cost sharing.
- Assure that committed cost sharing is provided and documented in accordance with university guidelines and sponsor policies.
- Obtain documentation from third parties of their fulfillment of cost sharing commitments.
- Notify OSP of any proposed changes to cost sharing commitments who will obtain prior approval from the sponsor when required.
- Comply with any sponsor requirements related to cost sharing reports.

### B. Department

- Use Cognos reports and other resources as applicable to ensure that cost sharing commitments are being met.
- Ensure that documentation for committed cost sharing complies with university and sponsor policy.
- Ensure that prior approval for changes to cost sharing commitments is obtained from OSP and the sponsor when required.

### C. OSP

- Notify CGA of any cost share commitments that will require tracking and reporting.
- Review, approve, and notify the sponsor as required when changes are made to cost sharing commitments.

### D. CGA

- Report the fulfillment of cost sharing commitments as required by the sponsor
- If identified through normal procedures, inquire with the department and OSP on situations where cost sharing requirements have not been met.

## IX. Examples

### A. Voluntary Committed Cost Sharing:

- *Professor Smith will devote 20% of her time to the project, but no salary is being requested from NIH.*
- *Professor Smith will devote 20% of her time to the project; with 10% being requested from NIH and the remaining 10% to be paid by the institution.*
- *Professor Smith will devote 20% of her time to the project and salary support is being requested for this amount. If Professor Smith works on the project for 20% of the time, but only charges the grant for 5% of her time, the remaining 15% is voluntary committed cost sharing.*

**B. Voluntary Uncommitted Cost Sharing:**

- *Professor Smith will devote 20% of her time to the project and salary support is being requested for this amount. If Professor Smith charges 20% of her time to the grant but works an additional 15% of her time above the originally committed 20%, this is considered voluntary uncommitted cost sharing.*

**C. Salary Cap Example:**

- PI annual salary is \$300,000
- NIH salary cap for FY 2019 is \$189,600; the difference is \$110,400
- PI commits **15% effort** to the project
- PI annual salary to be charged to the grant is  $15\% \times \$189,600 = \$28,440$
- PI annual salary that is over the salary cap is  $15\% \times \$110,400 = \$16,560$
- A separate cost sharing fund must be established for the amount of \$16,560
- The PI certifies a cumulative total of 15% effort on the project.