

## **1. What is cost sharing?**

Cost sharing or matching means that portion of a project or program costs not borne by the sponsoring agency. (OMB Circular A-21)

Cost share is governed by OMB Circulars A-21 and A-110. It is usually associated with federal grants or cooperative agreements, and less frequently with contracts. Grants and cooperative agreements represent financial assistance to the university. Cost share is a concept that is sometimes used by federal agencies to show that a recipient is willing to share the costs of the project.

## **2. What is necessary for costs to qualify as cost share?**

Some of the criteria for cost share are:

- Costs must be directly identifiable to the project.
- Costs must be incurred during the period of performance.
- Costs must be allowable under A-21 and guidelines of funding agency,

## **3. What are the types of cost share?**

There are two types of cost share:

1. Mandatory - required by statute or program as a condition of award.
2. Voluntary - offered by the grantee when not specifically required by sponsor.

An example of mandatory cost share is how NSF requires that grantees provide cost share in research projects. Grantees have the option to cost share a minimum of 1% of the aggregate of costs on all NSF-supported projects requiring cost share or to cost share a minimum of 1% of the total costs of each NSF project.

Some examples of voluntary cost share are when the grant is actually awarded at a lower amount than it was proposed without a reduction in the scope of work. This can result in the grantee cost sharing some of the PI's time, new equipment or Facility and Administration (F&A) costs.

## **4. What if cost share is listed in the proposal?**

If cost share is in the proposal, it is a commitment of the award. Cost share will be tracked and Cost Accounting Standards (CAS) will apply to all cost share accounts.

## **5. What qualifies as cost share?**

The most common charges for cost share are probably salaries and associated fringe benefits of faculty members. New equipment can also be used for cost share. Old equipment cannot be used as cost share because the institution has already included it in the F&A base. Supplies can also be used as cost share. Any F&A costs for these items are included as cost share. A CAS template is filled out for the cost share account.

## **6. Does cost share have to meet certain requirements?**

Yes, cost share must meet the following requirements:

1. Must be verifiable from grantee's financial records.
2. Must not be included as cost share contributions on any other federally funded project.
3. Must be necessary and reasonable for project.
4. Must be allowable under the applicable cost principles.
5. May include F&A costs not reimbursed by the sponsor, but only with the prior approval of awarding agency.

## **7. How about cost sharing at NMSU?**

There are four types of costs used at NMSU to meet cost sharing requirements:

1. Direct costs,
2. Matching (non-federal sponsor),
3. Waiver of F&A, and
4. Third party in-kind.

NMSU charges initial expenses to a cost share account that is created at the time the grant or contract is created. The expenses are closed out monthly to the account that is identified by the college/organizational unit representing the funding source.

## **8. What is matching?**

Matching refers to another grant or contract awarded to NMSU that is from a non-federal source that can be used as a match.

At NMSU, the following steps are taken for matching. The expenses are charged the normal way to the grant or contract account that is to be used as matching. NMSU reports activity on the matching grant or contract as a source of cost share to the other award.

## **9. Can waived F&A costs be used to meet cost sharing requirements?**

Yes, waived F&A costs may be used to meet cost share requirements if it is approved in advance by the awarding agency at the time of the award. At NMSU, cost shared F&A is recorded on the grant or contract account under a separate object code. This allows us to report this amount to the agency as cost share when we submit financial reports.

## **10. What is third party in-kind cost share?**

Third party in-kind cost share is a non-cash contribution by a third party in support of the scope of the project. NMSU requires that the third party provide written confirmation of the in-kind support. The confirmation must be detailed enough so that NMSU can confirm that it complies with OMB A-110, Section 23 (a) - (h) – for example, fair market value, reasonable, allowable, etc.

**11. How does NMSU report cost share?**

NMSU uses Banner to record and report the following cost share:

- direct cost cost share
- matching cost share
- indirect cost cost share

Third party in-kind is reported as cost share when NMSU is made aware that the third party has provided the committed support.

**12. Is there other information I need to know about cost sharing at NMSU?**

Additional information concerning cost share at NMSU:

- Cost share is audited once a year by OMB A-133 auditors.
- If cost share is committed in the award, it must be reported to the agency.
- Direct cost share requires university resources from unrestricted or gift accounts.
- Indirect cost share reduces overhead recognized by NMSU. This results in a loss of income.
- Direct costs can be applied only once for all sponsored programs.
- Direct cost share reduces the effective F&A rate because it is included in total project costs.

**13. What are total project costs?**

Total project costs = Grant/contract Award + Cost share

Total project costs must be allocable and benefit the project.

**14. Can funds from a federal source be used to cost share on another award?**

**A:** NO. Funds from a federal award may not be utilized as the source of cost share, except when authorized by both sponsors. (A-110 Section 23 (a)(5)).

**15. Can funds from a non-federal source be used to cost share on another award?**

**A:** Non-federal awards may be used as the source of cost share ONLY if authorized by the non-federal sponsor (A-11).

**16. A piece of specialized equipment needs to be purchased on the project. Can this be considered cost share?**

**A:** Yes, you may include in the proposal the use of University funds to pay for all or part of the cost of special purpose equipment as a direct cost. This will be recorded in a cost share account.

**17. Can university facilities such as laboratory space be offered as cost share?**

**A:** No. These costs are charged to sponsors through the indirect cost rate.

**18. If the total amount of a proposed budget is reduced by the sponsor when the award is received, is the difference considered cost share?**

**A:** No, as long as the reduced amount of money also reflects a reduction the scope of work. It may be a good idea to prepare and submit a revised budget and scope of work.

**19. Does CAS apply to cost shared direct costs?**

**A:** Yes. OMB A-110 (23)(a)(4) requires that cost share be "allowable under the applicable cost principles." This requires that direct costs and any indirect costs counted for cost share are allowable costs for the project and comply with OMB Circular A-21, the cost principles with which we are required to comply. CAS is part of OMB A-21.

**20. Does CAS apply to third party in-kind?**

**A:** No. Since expenditures are not incurred by the university, the CAS standards we follow would not apply. There are many other applicable sections of OMB A-110 that should be followed with regards to third party in-kind. See OMB A-110 Section 23.

**21. Do cost share expenses have to fall within the project period of the award?**

**A:** Yes, unless otherwise stated in the award agreement. This can get tricky with matching or third-party in-kind.

**22. Does cost share affect our F&A rate?**

**A:** Yes. In the case of cost share of direct costs, our effective F&A rate is reduced. In the case of cost share of indirect cost share, our income generated from the F&A rate is lower.