

Policy Section: Office of Research and Project Administration & Sponsored  
Research Accounting  
Policy Number and Title: Cost Sharing  
Applicable To: Sponsored Projects and Programs  
Effective Date: October 6, 2009

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## POLICY STATEMENT

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The University must ensure that cost sharing requirements of sponsored agreements are proposed, accounted for, and reported in a manner consistent with the requirements of the sponsor and the University. Federally funded projects must meet the requirements set forth in the Office of Management and Budget (OMB) Circulars A-110 and A-21.

This Cost Sharing Policy is intended to provide information on:

- The definition and types of cost sharing
  - The cost sharing approval process, including:
    - The circumstances in which cost sharing is permitted by the University
    - The contractual, financial, and administrative implications that result from a commitment to cost share
  - The criteria for allowable sources of funds for cost sharing
  - The criteria for allowable and unallowable cost sharing expenditures
  - The categories of cost sharing expenditures
  - The roles and responsibilities of the various university departments and offices with respect to cost sharing
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## EFFECTIVE DATE

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This policy is effective for all sponsored projects and programs as of October 6, 2009.

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## APPLICATION OF THIS POLICY

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This policy applies to all sponsored projects. It should be understood by Principal Investigators (PIs), Grant Managers, Department Managers, Department Chairs, Deans, Dean for Research, Sponsored Research Accounting (SRA) and the Office of Research and Project Administration (ORPA).

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## DEFINITION OF COST SHARING

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[OMB Circular A-110](#) defines “cost sharing” or “matching” as that portion of a project or program costs not borne by the sponsor.

It includes both cash and in-kind contributions that a recipient makes to an award:

*Cash contributions:* The recipient’s cash outlay, including the outlay of money contributed to the recipient by third parties.

*In-kind contributions:* Non-cash contributions in the form of real property, equipment, supplies, and other expendable property, and the value of goods and services benefitting and specifically identifiable to the project or program.

A-110 makes no distinction between cost sharing and matching. However, matching usually refers to the specific ratio between the amount of the award and the amount committed by the recipient, such as a dollar-for-dollar match or a 2-for-1 match. Cost sharing is a more general term and is used in this document to refer to both cost sharing and matching.

Cost Sharing is:

- **mandatory** if it is required by the sponsor as a condition of the award.
- **voluntary** if it is offered by the PI when no mandatory cost sharing requirements exist, or is in excess of mandatory cost sharing requirements.

Cost sharing occurs when a portion of the total cost of a sponsored project or program is paid by the University rather than the sponsor. Whether this cost sharing is mandated by the sponsor or volunteered by the recipient, the cost sharing becomes a University commitment and represents a binding obligation of the University once the award has been granted.

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## COST SHARING APPROVAL AND GENERAL GUIDANCE

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The University limits cost sharing to that which is mandated by the sponsor or is necessary for another compelling reason. Therefore, all proposed mandatory and voluntary cost-sharing arrangements must be approved by the responsible Chair and/or Dean before the proposal is submitted to ORPA.

- The PI should confer with the Chair and/or Dean regarding a cost-share strategy to meet the sponsor’s requirements.

- The Chair and/or Dean should then contact ORPA well in advance of the proposal deadline to discuss the specifics of the proposal and to determine the sources of funds to meet this requirement.
- After this determination has been made, the proposal is submitted to ORPA.

ORPA will forward all voluntary cost sharing commitments to the Dean for Research for approval in advance of the proposal submission. Committed cost sharing creates an obligation to the University and must be treated like any other contractual agreement. Cost sharing of direct expenditures represents a commitment of departmental, program, or University resources from teaching or some other University activity to support a sponsored project or program. Consequently, the University strongly discourages voluntary cost sharing arrangements without compelling reasons.

If a sponsor significantly reduces the award budget presented in the original proposal, it may be appropriate to request a reduction in the cost-sharing commitment as well.

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#### SOURCE OF FUNDS

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The PI is responsible for identifying all sources of funds for cost sharing of direct costs. The University generally expects that some portion of this expense will be provided by the PI and/or the Department Chair.

- The PI may NOT utilize funds from another federal award as the source of cost sharing, except as authorized by statute.
- The PI may utilize funds from non-federal awards as the source of cost sharing ONLY when specifically allowed by the non-federal sponsor.
- Cost-sharing is typically funded by tuition subsidy, gifts, endowment income, operating budgets, or other department designated funds.
- Cost-sharing includes the full indirect costs associated with the identified direct costs

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#### ALLOWABLE COST SHARING EXPENDITURES

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Cost sharing expenditures must satisfy all of the following criteria:

- Verifiable from the official University records;
- Not previously used as cost sharing for another project (the same cost sharing expenditures cannot be used for multiple projects);
- Necessary and reasonable for proper and efficient accomplishment of the project;

- Allowable under the terms of the award (e.g. in compliance with OMB Circular A-21);
- Conforms to other provisions of OMB Circular A-110, as applicable;
- Incurred during the effective dates of the grant or during the pre-award phase when authorized by the sponsor; and
- Not paid by the federal government under another award.

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## UNALLOWED COST SHARING EXPENDITURES

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The following expenditures cannot be offered as cost sharing commitments in sponsored project proposals:

- Costs considered unallowable by the University or by the sponsor (<http://web.princeton.edu/sites/TreasurersOffice/Treasurer/univExpPoliciesProcedures.html>);
- Costs considered unallowable under OMB Circular A-21;
- Salary amounts exceeding a regulatory salary cap (e.g., National Institutes of Health);
- University facilities such as laboratory space. PIs should not commit the use of facilities as cost sharing, but rather characterize the facilities as "available for the performance of the sponsored agreement at no direct cost to the project."

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## CATEGORIES OF COST SHARING EXPENDITURES

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### Faculty and Non-Faculty Effort

PIs are strongly encouraged to limit explicit commitments of contributed effort (i.e., effort at no cost to the sponsor) in sponsored project proposals, especially in those instances where contributed effort is not required by the sponsor or is not a significant portion of the PI's total effort.

In those instances where cost sharing is not required as a condition of the award or mandated by the sponsor, the following statement should be inserted in the text of the proposal or in the budget justification:

*“Princeton University fully supports the academic year salaries of Professors, Associate Professors, and Assistant Professors, but makes no specific commitment of time or salary to this particular research project.”*

In cases where the faculty salary is not fully supported on central University funds, please contact your ORPA representative for alternative language.

By limiting contributed effort in this manner, the total amount of University cost sharing commitments and subsequent award monitoring and reporting will be minimized. As a result, the compliance risk to the University will be minimized.

When it is appropriate to contribute faculty effort as a portion of a cost sharing commitment in a proposal, the University is obligated to that commitment of effort once the proposal is awarded. A salary certification is required for the cost sharing effort as well as the effort charged to the award. A statement of effort in a progress report during the award period does not constitute a cost sharing commitment, unless the effort was contributed in the original proposal.

It may be appropriate to contribute non-faculty effort to the performance of a sponsored agreement. As with faculty effort, the commitment to provide such support binds the University to contribute the effort and record the associated expenditures, including fringe benefits. Likewise, a salary certificate is required for the cost sharing effort as well as the effort charged to the award.

The total effort for research and other University activities performed by each individual must not exceed 100%. Existing commitments must therefore be taken into account when evaluating a proposed commitment of cost sharing, especially when multiple proposals are being submitted.

Note also that significant decreases (25% or more for grants or an amount specified by the sponsor for contracts) in the effort by key personnel to a project require coordination with and/or advance approval by a federal sponsor; non-federal sponsors may have similar requirements. This applies to changes in committed levels of effort to be cost shared on the project, as well as to that which will be charged directly to the project.

### Equipment

Proposals which include the purchase of special-purpose equipment required for the exclusive use of the sponsored project or program may include an offer of University funds to pay for all or part of the cost of such equipment. The portion of the purchase price paid by the University must be charged directly to a cost sharing Project Grant in support of the award.

PIs should not commit the use of existing equipment, whether University-owned or government-owned, as cost sharing. This equipment should be characterized as "available for the performance of the sponsored agreement at no direct cost to the project."

Other Direct Costs

The following are examples of other direct costs that may be used as cost sharing: tuition subsidy, travel expenses, project materials, laboratory supplies, and sub-recipient cost sharing.

Facilities and Administrative (F&A) Costs

F&A costs, otherwise known as indirect costs, are real costs of conducting sponsored projects or programs. These costs are allocated to all activities in the University. Consequently, when direct costs are included in a cost sharing arrangement, the associated indirect costs should be included as part of the University cost sharing commitment.

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**ROLES AND RESPONSIBILITIES**

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	<b>PI &amp; Dept Administrator</b>	<b>Dean / Chair/ Director</b>	<b>ORPA</b>	<b>SRA</b>	<b>Dean for Research</b>
<b>Cost Sharing</b>					
Develops a cost sharing plan and identifies the source of funding (gift, operating budget, endowment, etc) for all cost sharing arrangements	X	X			
Approves all cost sharing arrangements in advance of the proposal submission		X			
Approves voluntary committed cost sharing arrangements in advance of the proposal submission					X
Enters cost sharing details of the award into COEUS			X		
Establishes a cost sharing Project /Grant in Peoplesoft Financials	X			X	
Guides expense requests through proper University channels in order to meet cost sharing commitments	X				
Reviews cost sharing expenditures for allowability	X				
Verifies cost sharing commitment	X			X	
Prepares and submits reports to sponsors certifying cost sharing				X	