

SEARCHING FOR A SILVER LINING ON A CLOUDLESS DAY: COST SHARING CASE STUDIES

Craig Reynolds

NCURA Region IV Annual Meeting
Cleveland, OH
April 19, 2011

Cost Sharing Basics (See OMB A-110)

- Cost sharing is the portion of the cost of a project or program not borne by the federal government.
- Takes the form of cash or third party contributions
- Must be verifiable from records
- Must not be used as match on another federal project
- Must be allowable under cost principles
- Must be from a non-federal source

Categories of Cost Sharing

- Mandatory: Cost sharing required by sponsor as a condition of eligibility and requirement of award.
- Voluntary: Cost sharing offered by applicant that is not required by sponsor
 - ▣ Voluntary Committed: Cost sharing offered in the proposal and committed/budgeted as part of award
 - ▣ Voluntary Uncommitted: Faculty (incl. senior researcher) effort beyond that which is committed and budgeted for in award

OMB Guidance on *Voluntary Uncommitted* Cost Sharing (Memo 01-06)

- Excluded from research base (i.e., not captured as a research expense or part of effort reporting)
- However, most federal projects should have some level of committed faculty effort
 - ▣ Such effort shall not be excluded from the research base by declaring it voluntary uncommitted cost sharing
 - ▣ If no effort, institution must estimate an amount and include in research base
 - ▣ Exceptions for certain kinds of projects, e.g., equipment and instrumentation, doctoral dissertations, etc.

What is Typically Cost Shared?

- Salaries and benefits
- Other allowable direct costs
 - ▣ New equipment purchases
 - ▣ Supplies
 - ▣ Travel
- Unrecovered F&A costs
- F&A costs on cost shared direct costs
- Volunteer services
- Third party donations

Cost Sharing Implications

- Increased likelihood of funding?
- Fewer funds or effort available for other projects
- Increased audit risk
- Increased research base (thus, lower F&A rate)

Cost Sharing Case Study No. 1

- You are a central research administrator at Big Time University. Professor Howie Vasive arrives in your office at 4:30PM on the Friday before Memorial Day weekend. He hands you a NASA proposal with an undocumented \$5M match that must be postmarked today. Prof. Vasive says the Provost told him the university was good for the match right before he left for the deepest recesses of the Amazon. Everyone has left early for the long weekend. Do you submit the proposal? If so, do you treat this proposal differently from any others? How so? If not, how do you handle Prof. Vasive?

Cost Sharing Case Study No. 2

- A month later, Prof. Vasive comes to you with a \$120K U.S. Department of Education proposal. This time cost sharing is not required, but the review criteria include “institutional commitment.” Prof. Vasive interprets this to mean he won’t get funded without the university picking up some of the project costs and asks for a 1:1 match. How do you advise Prof. Vasive? What criteria do you use to decide whether to provide cost sharing? Does he really need cost sharing? If yes, what kind of cost sharing and how much? Where should he go to find it?

Cost Sharing Case Study No. 3

- You are a department research administrator at Rotsaruck University. Professor Ty M. Neffert submits about two proposals per month, all with effort attached, sometimes funded and sometimes cost shared. Do you keep track of Prof. Neffert's proposed and pending effort, including cost shared effort? If not, do you worry about ending up over committed on Prof. Neffert's grant-related effort? What do you do if Prof. Neffert is so successful that he ends up with "120%" effort committed to funded projects?

Cost Sharing Case Study No. 4

- You are a central research administrator at Square States University, a PUI. Professor Payne N. Diaz is preparing a proposal to NSF with a maximum total cost budget of \$500K. Prof. Diaz says he can't accomplish the project he wants to propose within the sponsor's funding limit and would like SSU to waive a portion of the allowable F&A. What are the issues you need to take into account in order to make a decision on Prof. Diaz' request? Should the proposal be submitted? If you agree to waive F&A, is it cost sharing? If yes, what kind? Do you show the waived F&A as cost sharing? Would it be better to provide a cash match than to waive F&A?

Cost Sharing Case Study No. 5

- You are a central research administrator at Whatsamatter U., a PUI. Professor Rush Intuit is preparing a proposal to the U.S. Department of Education's Business & International Education Program, which requires a minimum 1:1 match. The sponsor caps F&A at 8%, 75 CFR 75.562. Dr. Intuit would like SSU to use the unrecovered F&A to meet the match requirement. Is this an allowable match? What are the issues you need to take into account in order to make a decision on Prof. Intuit's request? Should the proposal be submitted?

Cost Sharing Case Study No. 6

- You are a department research administrator at Hoity Toity University. Professor Luke A. Grant is preparing a \$1M proposal to Kaufmann Foundation that requires a 20% *private sector* match. How do you secure and document the private sector match commitment on the pre-award side? On the post-award side? Does it matter if the private sector match is cash or in-kind? What kind of leverage can be brought to bear on the third party to provide the match committed in the proposal?

Cost Sharing Case Study No. 7

- You are the only research administrator at Everbroke College, a PUI. Professor Joaquin Freezer from the Chemistry Department wants to submit an NIH AREA proposal with a modular budget of \$125K per year. To stretch every dollar, Prof. Freezer has asked that Everbroke use “replacement cost” instead of his actual salary and benefits in the budget for calculating his release time from teaching. Note that NIH does not require cost sharing. If funded as Prof. Freezer requests, is this a cost sharing commitment? If so, what kind? How would you capture this in your accounting system?

Cost Sharing Case Study No. 8

- You are a department research administrator at the University of Chewandswallow. Prof. Kirsten Hollered needs to come up with \$50K in cost sharing on a proposal to the Dreyfus Foundation and asks you to include use of the \$300K confocal microscope the department purchased last year. How do you advise Prof. Hollered? What is this rationale for your explanation?

Cost Sharing Case Study No. 9

- You are a department research administrator at Atthatrough University. Professor Mike Easter is funded on a NIH R01 at 20% effort. His salary is \$250K, which is \$50K over the NIH salary cap of \$200K. How do you allocate Prof. Easter's salary and his effort? Is this cost sharing? Mandatory committed? Voluntary committed? Voluntary uncommitted?

Cost Sharing Case Study No. 10

- You are a central research administrator at Goodgrief College. Professor Nicole Anne Dime is Project Director on an NEH Scholarly Editions and Translations grant, for which she spends 25% of her time doing research and directing the project. Since NEH awards are relatively small, she had no effort proposed in the original proposal, draws no salary from the funded grant and has no formal effort committed to the project. Should Goodgrief College be cost sharing Prof. Dime's effort?

Cost Sharing Case Study No. 11

- You are a central research administrator at Gimmemeds University. While on a visiting clinical fellowship at Blindside University, your faculty member, Dr. Gladys Overwith, applied for and received an American Heart Association award (submitted by and awarded to Blindside). The award supports Dr. Overwith for two years as a fellow and three years as faculty. When Dr. Overwith returns mid-grant and wishes to transfer the award, you learn that a 75% research commitment must be maintained and the yearly budget only covers \$80K of her \$240K salary. In addition, F&A is capped at 10%. Do you accept the award?