

Sponsored Programs Guidance “Cradle to Grave”



**DIVISION OF AGRICULTURE
RESEARCH & EXTENSION**

University of Arkansas System

Cost Sharing

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Summary: Establishes guidelines including cost sharing on extramural programs.

Cost sharing is the cost of an extramural program that the organization or a 3rd party supports rather than the funding source. The majority of Extension's cost share is from the organization itself. These are hard Extension dollars that are being dedicated to the grant project to fulfill the sponsor's requirement for organizational commitment. These funds must be accounted for in the same manner that the grant funding is being documented. The Office of Sponsored Programs maintains both grant accounts and ones for the matching or cost sharing funds in the Banner system. These two separate, yet parallel funds, have different fund numbers and probably different balances at any given point in time. Both accounts and their balances are important to the organization. If grant funds are entirely spent, but the cost sharing (matching) account does not reach the amount committed in the proposal budget, the organization may have to refund money to the sponsor.

Categories or Types of Cost Sharing

Whatever the source of the cost sharing, it can be divided into three different categories or types. Two of the categories deal with the reason and amount of cost share that was shown in the application, while the remaining one addresses all cost sharing shown in the proposal once the award is made.

Often the sponsor indicates a required level of commitment from the organization making an application. The request for applications may designate that a dollar for dollar match is required or may mention a requirement for 25% cost sharing. This type of matching is called **mandatory cost sharing**. As the name indicates, it is a mandate of the program that this level of organizational commitment be made.

Sometimes Principal Investigators choose to show additional matching above the mandatory amount in an attempt to have their proposals viewed more favorably by the potential funder. This type of matching is called **voluntary cost sharing**. It is to be avoided as it obligates the organization's resources and makes them unavailable

for other projects. An auditable trail must be maintained on these matching funds just like on those that were mandatory. Also, funders normally do not consider a project with voluntary matching over and above the required amount in a more favorable light. Another negative of showing cost sharing above the mandatory amount is that if the cost share level shown is not met, the funder may reduce the amount of the grant dollars awarded proportionately.

The third type of cost sharing addresses how all matching – both mandatory and voluntary – that is shown in the proposal is viewed when the project is awarded funding. At that point, it all becomes **committed cost sharing** and must have auditable trails maintained.

Cost Sharing Examples

The most common form of cost sharing used in Extension is faculty time and fringe benefits. A principal investigator (P.I.) might indicate in the grant proposal narrative that they would devote .30 FTE (full-time equivalent) or 30% of their time to the project, yet only show charging .10 FTE to grant funds in the proposal budget. The remaining 20% of their effort would start out in the proposal as voluntary cost-sharing, but would become committed cost sharing on the project when the funding was awarded whether it was shown in the budget or not. This practice should not be done. The previous section addresses the reasons to avoid this.

Some proposals will allow applicants to use third-party matching to help meet the cost sharing requirements for the project. These funds must also be documented to maintain an auditable trail.

What Can't Be Cost Shared

For anything to be able to count as part of meeting the cost share requirement, it also must meet whatever tests apply for something to be charged to the project on the grant side of the budget. For example, if the sponsor will not allow participant transportation costs to be paid from grant funds, transportation secured from a third-party can not be used to meet the cost sharing requirements of the project.

Exceptions to the Rules

Some funders require that partners' voluntary commitments be clearly listed. In those situations, Extension also includes a statement with the listing that ***this information is provided for illustration purposes only and an auditable trail will not be maintained for the information***. If at all possible, it should still not be shown as matching on the grant budget.

Matching or Cost Sharing Sources

There are two sources of matching or cost sharing – cash and in-kind. Cash matching requires the actual exchange of money in the transaction. The actual

dollars spent can be documented in the accounting system. This can be in terms of Extension's cash resources that are allocated as a portion of the salary paid to the individual employee. The value is the result of a cash transaction and as such is treated as cash by Extension. You also can have cash that is given to Extension from a non-federal outside source in support of a particular project. This too would be considered cash matching.

The other source of matching is in-kind. These are resources where a value can be determined, verified and justified readily, but there is no actual cash exchanged in securing the goods or services. The value of these non-cash resources can be used as in-kind matching. In-kind costs can be widely varied from waived indirect costs to time and effort of volunteers to publications from a third-party supporting the purpose of the grant, but made available to the program at no cost to the project or organization. This form of matching also must be substantiated from the third-party committing the use of their funds as in-kind matching and verifiable from the applicant's grant records. A certification of fair market value may be needed. A conservation value for volunteer's time is the hourly value established each year by the Washington, DC think tank, Independent Sector. This is the amount that Arkansas DHS Division of Community Service and Nonprofit Support uses. The current hourly value is found on their web site <http://humanservices.arkansas.gov/dcsns/Pages/AboutDCSNS.aspx>. Individuals serving as volunteers in their professional roles may have the hourly value of their service included at a higher amount.

Some funding sources require a certain proportion of the matching be in the form of cash for selected grant programs. As explained in the earlier paragraph, Extension salaries are consistently considered cash on grant programs.