

ISU Policy on Cost Share for Sponsored Programs

Mandatory Cost Share

Several federal and state agencies, foundations and organizations require cost share on projects they sponsor. They will not consider proposals that do not meet their **mandatory cost share** requirements. Usually, when a sponsor requires cost share they will specify the amount or percentage to be contributed by the university, often with the additional explanation “no more and no less” (e.g. NSF).

University cost sharing implies the redistribution of institutional resources to support a specific sponsored project. Hence PIs need to consider carefully if a project that requires cost share is in their best interest.

It should be noted that cost sharing commitments can have a negative effect on the University's indirect cost rate: Cost sharing of direct expenses is considered a part of the research base when calculating and negotiating the indirect cost rate with the federal government. This distribution lowers the indirect cost rate and subsequently the amount of the indirect expenses that can be allocated to sponsored projects and, therefore, reduces the University's recovery of indirect costs. Ultimately this will reduce the amount of investigator incentive and the indirect cost distributions returned to the campus.

Guidelines for mandatory cost share:

- Contributions to mandatory cost share may come from the PI, the department, the college, a center/institute, the VPR office and third parties.
- All cost sharing commitments from all sources must be an allowable cost per sponsor guidelines and must be secured and documented prior to submission of the proposal. No federal or federal-flow through funds can be used as cost share on another sponsored project. Cost share provided by third parties must be documented in writing prior to submission of proposal.
- There is a limited amount of funding available from the Vice Provost for Research and Advanced Studies. An application form is available at <http://grants-svr.admin.iastate.edu/vpr/internalgrants.html>.
- Mandatory cost share of faculty and staff effort must be documented in Section B1 on their EASE (Employee Activity Summary of Effort) form.
- All cost share which is made part of the award to the university must be documented and reported back to the sponsor and is subject to audit during an OMB (Office of Management and Budget) audit.
- Since cost share expenses can be part of external audits, they need to be documented carefully. Proper documentation is simplified if cost share is limited to a few budget categories. These should be, in the order of priority: IDC rate differences between ISU's negotiated rate and the actual rate for the award (unrecovered indirect costs); investigator salary and fringe benefits; equipment purchase and/or use; graduate student stipends and fringe benefits; travel expenses; other cost share; and indirect costs on the cost shared amount as appropriate. For cost share other than unrecovered indirect costs or salaries, the PI is required to provide documentation to Sponsored Programs Accounting for each year the project is active.

Voluntary Cost Share

While mandatory cost sharing is required by sponsors and must be included in the proposal, **voluntary cost share** is not a requirement of the sponsor. Cost share beyond a required amount, if permitted at all by the sponsor, is considered voluntary cost share. When cost share is strongly encouraged according to the sponsor guidelines this is still considered voluntary cost share. University cost sharing implies the redistribution of institutional resources to support a specific sponsored project. Because these resources can be scarce in some cases, it is important not to over-commit funds when the sponsor does not require them and when the project can be completed without them. Some PIs choose to include voluntary cost share in their proposal in hopes of enhancing their proposal. However, we have no data supporting the assumption that voluntary cost share does increase the probability of being funded. Indeed, almost all mature universities discourage or prohibit this practice.

Guidelines for voluntary cost share:

- The VPR strongly discourages PIs from including voluntary cost share in their proposals and budgets.
- Contributions to voluntary cost share may come from the PI, the department, the college, a center/institute or a third party but not from central sources.
- All cost sharing commitments from all sources must be an allowable cost per sponsor guidelines and must be secured and documented prior to submission of the proposal. No federal or federal-flow through funds can be used as cost share on another sponsored project. Cost share provided by third parties must be documented in writing prior to submission of proposal.
- Voluntary cost share shown in the proposal and/or budget may end up as a requirement in the notice of award and may have to be reported back to the sponsor. In this case, it is subject to audit during an OMB (Office of Management and Budget) audit.
- Since cost share expenses can be part of external audits, they need to be documented carefully. Proper documentation is simplified if cost share is limited to a few budget categories. These should be, in the order of priority: IDC rate differences between ISU's negotiated rate and the actual rate for the award (unrecovered indirect costs); investigator salary and fringe benefits; equipment purchase and/or use; graduate student stipends and fringe benefits; travel expenses; other cost share; and indirect costs on the cost shared amount as appropriate. For cost share other than unrecovered indirect costs or salaries, the PI is required to provide documentation to Sponsored Programs Accounting for each year the project is active.

Any questions regarding this Policy on Cost Share for Sponsored Programs, should be directed to the Office of the Vice Provost for Research and Advanced Studies or the Office of Sponsored Programs Administration at 515-294-5225 or at grants@iastate.edu.