

**National Science Board
Committee on Strategy and Budget
Task Force on Cost Sharing**

**Request for NSF Advisory Committee Input
Cost Sharing**

Advisory Committee response on Cost Sharing is requested by Monday, June 16, 2008

Background

The issue of cost sharing has a long history at the National Science Foundation and in Federally sponsored research. It has been rationalized by the idea of mutuality of interest by the funding agency and the institution performing Federally sponsored research. In addition, cost sharing has tangible benefits. It brings additional financial resources to the research enterprise; serves as a means for leveraging institutional and state and local government support; provides incentives for strategic planning and buy-in by grantee institutions; promotes sustainability for large, multi-year activities initiated with Federal funding; and provides a means for creating meaningful partnerships with industry. There are, however, notable challenges involved with cost sharing.

Cost sharing presents significant challenges to institutions both in terms of the availability of financial resources and the effort required in tracking and reporting cost-shared contributions. At its November 2002 meeting, the National Science Board (Board) heard an NSF presentation noting significant audit concerns related to documentation and satisfaction of cost sharing obligations, undue burdens on grantee institutions of providing mandatory cost sharing and of tracking and reporting such cost sharing, inequities among institutions caused by differential ability to provide cost sharing, and friction among administrators and researchers.

At the request of NSF management, the Board revisited NSF cost sharing policy at its October 2004 meeting because there had been no substantial resolution of the aforementioned concerns about cost sharing. On October 14, 2004, the Board approved a revision to NSF cost sharing policy that eliminated NSF program-specific cost sharing requirements. Later, the one percent statutory requirement mandated by NSF Congressional appropriations bills was removed from appropriations language.

In response to a Congressional directive in the America COMPETES Act, the Board's Committee on Strategy and Budget established a Task Force on Cost Sharing in October 2007 to examine NSF cost sharing policy in the context of programs that involved partnership with industry. The Board broadened the scope of its examination beyond the programs identified by Congress – Engineering Research Centers (ERCs) and Industry/University Cooperative Research Centers (I/UCRCs) – to include the Experimental Program to Stimulate Competitive Research (EPSCoR). Prior to the 2004 policy revision, these programs involved significant mandatory cost sharing as an eligibility requirement.

On February 7, 2008, the Board issued a report, "Report to Congress on Cost Sharing Policies at the National Science Foundation" ([NSB-08-17](#)), focusing specifically on the issues related to cost sharing that were raised in the America COMPETES Act. In this report, the Board recommended that NSF reinstate mandatory cost sharing for the ERC, I/UCRC, and EPSCoR programs. The report is available at http://www.nsf.gov/nsb/publications/2008/rprt_congress_cs_policy.pdf.

The Board is currently continuing its study of NSF cost sharing policy. Issues under consideration include voluntary cost sharing, auditing and compliance issues, the evaluation of cost share during the proposal review process, and the role of cost sharing in broadening the participation of traditionally underrepresented groups and institutions in Federally sponsored research. **The attached questions are intended to stimulate your thinking about cost sharing and to provide a basis for your reasoned input on both the philosophical and mechanical issues involved. Please answer at least 2 of the 4 questions. Feel free to comment on additional issues and questions you feel are important.**

Cost Sharing

Questions

(1) Mandatory Cost Sharing

*Mandatory cost sharing seeks to foster partnerships between government and academia, bring additional financial resources to the research and development enterprise, demonstrate institutional commitment to a given project, and determine eligibility to participate in a given agency grant or program. **For what types of NSF programs might mandatory cost sharing be appropriate, and can such cost sharing be applied effectively in a differential manner for different types of NSF programs?***

(2) Voluntary Cost Sharing in NSF Programs and the NSF Review Process

*Institutions applying for grants often commit non-mandated resources (cash and in-kind), referred to as voluntary cost sharing, in order to meet the goals of a given project. Voluntary cost sharing is made available to a given project solely at the discretion of the grantee institution performing the work. Voluntary cost sharing resources can be committed (pledged formally in the proposal) or uncommitted (not formally pledged in the proposal or project plan and final budget, but subsequently made available to the project). **From the grantee perspective, do you believe voluntary cost sharing is necessary for being competitive in certain NSF programs? If so, for which types of programs, and why? Should voluntary cost sharing be considered as part of the merit review and NSF decision processes? If so, what are possible mechanisms by which NSF could ensure that the review of voluntary cost sharing is done fairly and consistently by all program officers?***

(3) Broadening Participation

*Mandatory and voluntary cost sharing that are explicitly and implicitly necessary for success in NSF funding opportunities may impact the ability of certain institutions and organizations to participate in and/or be competitive in NSF funding opportunities. **Does cost sharing inhibit or prohibit certain institutions, groups, or individuals from participating and/or being competitive in NSF funding opportunities? If so, why, for which NSF programs, for what types of groups or organizations, and with what consequences? Should exemptions from cost sharing be granted by NSF for certain groups and organizations in specific NSF programs? Conversely, can cost sharing assist traditionally underrepresented groups and organizations in becoming and remaining competitive for external funding? Does the ability to provide cost sharing provide an unfair advantage to certain institutions, groups, or individuals?***

(4) Tracking and Reporting Cost Sharing

*Federal agencies and grantee institutions must maintain auditable records for direct research costs and mandatory cost sharing. **What are the nature and magnitude of challenges, both for agencies and grantee institutions, in tracking and reporting both mandatory and voluntary cost sharing, particularly in-kind contributions? What are possible ways of mitigating these challenges? Should voluntary cost sharing be subject to tracking and reporting requirements, and what are appropriate mechanisms for tracking and reporting voluntary cost sharing?***