

Archived

NSF Cost Sharing Policy Frequently Asked Questions (FAQs)

When was the cost sharing policy revised?

The revised National Science Board policy, as implemented by Important Notice 128, took effect on April 1, 2003. The principles established in Important Notice 128 were incorporated into the NSF Grant Proposal Guide. In addition, new program solicitations that contain cost sharing requirements are carefully reviewed for compliance with the revised policy prior to issuance.

How was the policy incorporated into the GPG?

The cost sharing section of the proposal budget (II.C.2.g.xii), as well as the section on "Revisions to Proposals made during the Review Process" (III.D.) incorporate this policy in the Grant Proposal Guide.

What types of programs might warrant inclusion of cost sharing requirements?

In accordance with the cost sharing policy, cost sharing will continue to be confined to program solicitations that generate proposals that provide a tangible benefit to the award recipient(s) (normally beyond the immediate terms or scope of the NSF-supported activity). Some examples of programs that may warrant inclusion of cost sharing include awards for infrastructure-building purposes (instrumentation/equipment/centers/facilities) or for awards where there is a clear potential to make profit or generate income (e.g., curriculum development). Internal clearance procedures have been strengthened to ensure that new program solicitations are in strict compliance with the revised policy.

What does the following statement, "requirements for cost sharing may take into account the type of institution, institution size, level of other research support, population served, etc." extracted from the National Science Board approved policy mean and how will it be applied?

This statement means that cost sharing requirements can be tailored to take into consideration the constituency that is likely to apply to the program. The requirements may be different, for example, for research-intensive organizations versus predominantly undergraduate institutions. A given funding opportunity may identify different levels of cost sharing for different types of organizations so long as the requirements are clearly identified in the cost sharing portion of the program solicitation.

If there is intent to require cost sharing on infrastructure, what about cost sharing requirements for equipment under (unsolicited) research awards?

Cost sharing will be required only when specified in a solicitation or other proposal-generating document. Thus, unsolicited research proposals will be subject only to the statutorily-mandated cost sharing requirement described in Section 333 of the NSF Grant Policy Manual.

Some programs use special "flyers" to announce funding opportunities for specific types of proposals, (e.g., equipment/instrumentation proposals). In such cases, proposals submitted in response to these opportunities are not considered "unsolicited" and proposers are required to

meet any special provisions on cost sharing. Unless required by the funding opportunity, cost sharing should not be included in award budgets.

How are existing program solicitations impacted by issuance of the cost sharing policy?

Awards made based on proposals submitted in response to existing program solicitations will be subject to any cost sharing requirements included in the solicitation as originally issued.

Where will cost sharing requirements be stated in a program solicitation?

Cost sharing requirements will be specified in section B. of the program solicitation, under "Proposal Preparation and Submission Instructions." If there are no cost sharing requirements beyond the statutorily required amount, the "Summary of Program Requirements" will state "Cost Sharing is Not Required " under "Cost Sharing Requirements."

Can cost sharing requirements be imposed after issuance of a program solicitation?

No. This would be in opposition to the intent of the NSB resolution that states, "NSF's cost sharing policies and practices should follow a clear set of principles, be implemented consistently, and be seen as fair by the proposing community."

Can cost sharing requirements be changed after the solicitation is issued?

In rare cases, a program solicitation may be amended after originally issued to clarify cost sharing requirements. In these circumstances, ample time will be provided to potential proposers to address such revised requirements in the proposal, or the proposal should be withdrawn.

For those solicitations that require cost sharing, will proposals that include cost sharing in excess of the specified amount be looked at more favorably by NSF?

No, in development of the program solicitation, NSF has carefully considered the applicable level/amount of required cost sharing. In accordance with Important Notice 128, proposers are advised not to exceed the level or amount specified and reviewers will no longer be able to view the amount included on Line M of the proposal budget. To restate the Board's policy – cost sharing is an eligibility criterion, not a review criterion.

Are proposers required to share in the cost of research proposals submitted solely in response to the NSF Grant Proposal Guide?

For unsolicited research projects, only statutory cost sharing (interpreted as 1% or more) will be required. This includes all proposals submitted solely in response to the Grant Proposal Guide (GPG). These requirements may be met through cost sharing a minimum of one percent on the project or by cost sharing a minimum of one percent on the aggregate costs of all NSF-supported projects subject to the statutory requirements. The GPG (Section II.C.2.g.xii) and the Grant Policy Manual (Section 330) provide additional information as to these requirements.

In accordance with Important Notice 128, proposers are advised not to include cost sharing on Line M, unless specifically required by an NSF program solicitation.

Some programs use special "flyers" to announce funding opportunities for specific types of proposals, (e.g., equipment/instrumentation proposals). In such cases, proposals submitted in response to these opportunities are not considered "unsolicited" and proposers are required to meet any special provisions on cost sharing. Unless required by the funding opportunity, cost sharing should not be included in award budgets.

For unsolicited proposals (including those proposals submitted solely in response to the Grant Proposal Guide), will proposals that include cost sharing on Line M be viewed more favorably by NSF?

No, in accordance with Important Notice 128, proposers are advised not to include cost sharing on Line M when submitting unsolicited proposals since such cost sharing will not be considered in the review process.

At what point in the proposal process is consideration of cost sharing appropriate?

An initial review of the proposal is made to determine whether the proposal meets the eligibility requirements stated in the solicitation. Proposals that do not meet the requirements are ineligible and will be returned without review for noncompliance with proposal preparation requirements.

What instructions will be given to reviewers/panelists regarding the new policy?

Program officers will inform reviewers and panelists that cost sharing is not to be considered in their evaluation of proposals. In addition, changes are being implemented in the FastLane system to Line M of the proposal budget, which would curtail reviewer access to such information.

How will cost sharing in excess of the eligibility threshold impact the review and evaluation of a proposal by NSF?

As stated in the NSB resolution, "NSF-required cost sharing is considered an eligibility rather than a review criterion." Any cost sharing offered by an organization in excess of the required amount must not be a factor in the review of a proposal and program officers must instruct reviewers not to use cost sharing as a factor in their evaluation. All cost sharing would be made a condition of the award and be subject to A-110 documentation and auditing requirements.

Can cost sharing be a factor after a proposal has been favorably reviewed?

After the review process and the proposal is considered for funding, program officers may suggest reducing or eliminating costs for specific budget items that are clearly unnecessary or unreasonable for the activities to be undertaken, especially when the review process supports such changes. Program Officers may discuss with Principal Investigators the "bottom line" award amount, i.e., the total NSF funding that will be recommended for a project.

In accordance with Important Notice 128, when such discussions result in a budget reduction of 10% or more from the amount originally proposed, a corresponding reduction **should be made** in the scope of the project.

The revised reductions in scope must be agreed to by the PI, the Program Officer and the

Authorized Organizational Representative (AOR) electronically via the FastLane system.

For solicitations that require a certain percentage of cost sharing, if the budget is reduced, does the cost sharing amount have to be reduced as well?

In cases where the solicitation requires that grantees cost share a percentage of total award costs, then if budgets are reduced prior to award, cost sharing should be reduced proportionately. For example, if a solicitation requires 30% cost sharing and the proposer originally submitted a budget for \$150,000, the required cost sharing would be \$45,000. If the budget were reduced to \$100,000, however, the required cost sharing should be reduced proportionately to \$30,000.

What type of documentation are proposers required to provide when a reduction of 10% or more from the amount proposed is made during budget negotiations?

When such discussions result in a budget reduction of 10% or more from the amount originally proposed, a corresponding reduction must be made in the scope of the project and proposal budget. Proposers must use the FastLane Revised Proposal Budget module to submit this information.

Can a general statement be provided that the PI will attempt to accomplish all of the objectives outlined in the proposal but at a slower pace because of the budget reduction or do PI's need to specify a reduced scope?

The revised cost sharing policy approved by the National Science Board (NSB) clearly states that any budget reduction of 10% or more must be accompanied by a corresponding reduction in the scope of the project. By revising the policy, the NSB is sending a signal to the research community that they will no longer be required to do "the same with less". A revised budget must be submitted to the Program Officer along with an explanation of how the project will be impacted by the reduction in the proposal budget. Both the revised budget and the explanation must be electronically signed by the Authorized Organizational Representative (AOR). Cost shifting should be avoided at all times.

The revised policy requires that a reduction of 10% or more in the proposed budget must be accompanied by a reduction in project scope. Does this only apply when cost sharing was required by the solicitation or does it apply to all situations where the budget is reduced 10% or more from what was originally proposed?

The policy applies to all situations. Any budget reduction of 10% or more must be accompanied by an explanation of how the project will be impacted by the reduction in the proposal budget.

Suppose that, even though the budget is being reduced more than 10%, it will not change the scope of the project.

These types of situations should be dealt with on a case by case basis. The following scenarios may be helpful in dealing with these situations:

- The PI agrees to request only one month of summer salary rather than the two months originally requested. The PI, however, tells the Program Officer that this will not delay the project or change the scope. Is this acceptable?

In order for the project not to be delayed, the PI would have to contribute a month of uncompensated time to the project. This results in the grantee being forced to provide involuntary cost sharing for that one month of summer salary. This is exactly the type of situation the revised cost sharing policy is trying to eliminate. Therefore, the PI must provide an explanation of what objective(s) will not be completed given the reduction of time spent on the project.

- The PI states that they will hire one less research associate but the scope of the project will not change.

If funds are requested to hire a research associate in the original budget, the PI is stating that they need the services of the research associate in order to complete the project as originally outlined. If the associate is not hired, then that function will no longer be performed and the PI must outline this reduction in scope using the FastLane Revised Proposal Budget module. It also should be noted that not hiring a research associate might effect not only the research scope of the activity but also the potential broader impacts of the effort proposed.

- The budget, as originally submitted, was modest and therefore the actual dollar amount of the budget reduction is small. The PI says they have arranged to use the lab equipment of a colleague on leave rather than buy that equipment themselves, and this will have no impact on the scope of the project.

In situations where the actual dollar amount of the budget reduction is small, it may not, in fact, effect the scope of the project. Any budget cut, however, does impact the budget line items. In this situation, the PI should submit a revised budget to the Program Officer with an explanation that they will not be purchasing the equipment originally requested because they will be borrowing it from a colleague. Both the revised budget and the explanation must be electronically signed by the AOR. Organizations should be aware that these agreements are auditable by the NSF OIG and must be carefully documented, particularly in cases of voluntary time and effort.

Equipment requests present some complications under this policy that might best be illustrated by an example. Imagine that a PI has requested a workstation for computational analyses to be done within the scope of the proposed project. While the PI has budgeted \$15,000, the panel reviewers note that they have each recently purchased a similar workstation, without the extra bells and whistles that they deem unnecessary to the project, for \$8,000. If the Program Officer recommends the budget be reduced by \$7,000 to allow purchase of the less-expensive version, the PI might still feel the bells and whistles are essential and may feel pressured to negotiate with the University to make up the difference so as to allow the award to go forward. Note that it is possible that the program officer may be entirely unaware that a cost-sharing negotiation has been sparked by this recommendation.

This situation needs to be deconstructed since several different issues are raised.

1. In this situation, no cost sharing negotiation should be involved. Program Directors have always been authorized to reduce or eliminate specific budget items that are considered unnecessary or unreasonable for the activities to be undertaken, particularly when the review process supports such changes. It is inappropriate, however, for the NSF Program Officer to

suggest or imply that issuance of an award is contingent upon the PI obtaining additional funds to make up the difference between the less expensive and more expensive equipment item.

2. If the organization accepts the award at the reduced level and is convinced by the PI that the more expensive item is necessary, any discussions on this topic within the organization are outside the NSF domain. Organizational administrators and PIs should be aware, however, that any contribution by an organization of additional resources to an NSF-supported project may be considered to be cost sharing for audit purposes, if they are reflected in the budget of the finally executed award documents.

3. In a similar question concerning an equipment only proposal, a budget reduction that is based on recommendations received from reviewers, from the amount that was originally proposed may not be acceptable to the organization. In such cases, when equipment is reduced (e.g. smaller machine, less costly, fewer bells and whistles) the organization's first choice is whether or not to accept the award. It would be inappropriate for the NSF Program Officer to suggest that the original equipment item could be purchased if the organization would make up the cost differential. It would similarly be inappropriate for the PI to suggest to the NSF Program Manager that if the award were contingent upon the organization securing the originally proposed equipment it would provide leverage for the PI to hold over the organization.

What if the PI arranges funds from another source to make up the difference between the reduced NSF budget and the cost of the total project? Since the objectives of the project will be completed, does the PI still have to submit a statement of revised scope to NSF?

The PI may be able to complete the scope of the original project with both sources of funding. That does not change the fact that, because of the budget reduction, NSF is not supporting the project fully. Therefore, a reduction to the scope of the project must be submitted to NSF. The PI must be able to explain/justify what part of the work is being funded by NSF and what part is being funded by the other source. When using Federal funds, this becomes a separately identifiable audit issue for each cognizant agency.

If an institution submits a budget that requests 1 month of summer salary with no cost sharing on Line M but then includes 1 month of summer and 1 month of academic year salary for the subject proposal in the Current and Pending Support section, have they made a voluntary cost sharing commitment?

Technically, yes, if the voluntary cost sharing is considered "voluntary committed cost sharing" by the university. If the amounts included in the current and pending support section are budgeted and thus accounted for by the university, they are committed cost sharing, and are subject to audit. On the other hand, if the university does not budget and account for this time, they should not be shown since they represent "voluntary uncommitted cost sharing". By showing amounts in the current and pending support section, it would seem the university is committing to "voluntary committed cost sharing."

Can cost sharing in excess of the statutory amount that is identified by an organization on Line M of the budget, and agreed to by NSF, be used to meet the cost sharing requirements of other projects?

Once specified on Line M of the Proposal Budget, and included in the award by NSF, cost sharing amounts in excess of one percent **cannot** be used to meet the requirements of another NSF award that contains specific cost sharing requirements.

Can a specified cost sharing amount on an equipment grant be used to meet the statutory cost sharing requirements of another NSF award?

No. If the organization's contribution exceeds the agreed upon cost sharing amount, however, such excess amounts may be used to meet the statutory cost sharing requirement of another NSF award.

Is the awardee required to account for cost sharing in a separate or sub-account?

Awardee organizations are responsible for documenting cost sharing and demonstrating that the costs are allocable to a specific Federally sponsored project. In addition, cost sharing expenditures cannot be claimed against another Federal award, or, used to meet the cost sharing requirements of another Federal award. NSF recommends that awardee organizations either: utilize a separate account or a sub-account code for cost sharing expenditures; or, charge the cost sharing expenditures to the same account code used for direct charges to be reimbursed by NSF. Allowable costs charged to this account but not claimed (reimbursed) would therefore constitute the cost sharing provided by the awardee.

What documentation must be in place for third party donated services?

Typically, cost-sharing expenditures should be documented in the same manner as direct charges to NSF awards. OMB Circular A-110 states: "Volunteer services shall be documented and, to the extent feasible supported by the same methods used by the recipient for its employees. And, the basis for determining the valuation for personal service, material, equipment buildings and land shall be documented." Unfortunately, source-supporting documentation will not always be available to the prime awardee, particularly if subawardees or other third parties are providing the cost sharing. In such cases, NSF recommends that the prime awardee validate, document, and internally assess the amounts claimed by subawardees and other third parties, if the prime awardee is counting these amounts toward its total cost sharing obligation.

Are awardee organizations required to validate third party cost sharing contributions?

OMB Circular A-110 Section 23 contains significant coverage on the valuation of donated services, supplies, property and equipment (see sub-sections c through h). The Prime awardee is ultimately responsible to NSF for meeting the total match or repaying any disallowance based on a cost sharing shortfall. Awardees are advised that NSF audit reports have identified overvaluation of amounts reported as cost sharing by awardees, subawardees, and third parties. Therefore, NSF recommends that awardees make an assessment of the value of third party donations and document the steps taken to value the donation claimed as cost sharing.

Is an awardee required to provide the same type(s) of expenditures for cost sharing as specified in the funded proposal (proposed - 6 Graduate Student Stipends) or is the awardee authorized to cost share any allowable expense (claimed - donated software)?

NSF budgets are flexible and the same requirements for direct expenditures apply to amounts claimed as cost sharing. Given the amounts claimed as cost sharing must meet the standard tests of necessary, reasonable, allocable and allowable as any other cost claimed, awardees are not required to cost share the exact same expense items and amounts outlined in the proposed budget. The project scope, however, should not be changed and NSF expects that awardees will deliver the project as outlined in the proposal.

What happens if the awardee fails to meet its cost sharing requirements or cannot document all cost sharing claimed and the award has expired?

In accordance with NSF Grant General Conditions (GC-1) (Article 22.b.) and the Federal Demonstration Partnership NSF Agency Specific Requirements (Article 12)

" 2. Should the awardee become aware that it may be unable to provide the cost sharing of at least the amount identified on Line M of the NSF award budget, it must: 1) immediately provide written notification to the Grants Officer of the situation; 2) indicate steps it plans to take to secure replacement cost sharing; 3) indicate the plans it has to either continue or phase out the project in the absence of cost sharing.

3. Should NSF agree to the organization's proposed plans, the NSF Grants Officer will modify the award accordingly, including, if appropriate, reducing the amount of NSF support. Should the organization's plans be unacceptable to NSF, the award may be subject to termination. NSF modifications to proposed cost sharing revisions are made on a case-by-case basis.

4. Failure by the organization to notify NSF, in accordance with paragraph 2. above, may result in the disallowance of some or all of the costs charged to the award; the subsequent recovery by NSF of some or all of the NSF funds provided under the award; possible termination of the award; and may constitute a violation of the terms of the award so serious as to provide grounds for subsequent suspension or debarment."

Awardees are advised however that, in audit reports the NSF's Office of Inspector General has adopted the position that the cost sharing amount on line M or formally incorporated into the award letter or cooperative agreement is integral to the success or outcome of the project. The promised cost sharing amount and the NSF funded amount equal total project costs. If the amount of cost sharing expenditures claimed (or amounts claimed are subsequently questioned and disallowed) does not equal the amount of cost sharing promised then this would result in a reduction of the total project costs. Therefore, the amount claimed as reimbursement on the NSF award would also be reduced proportionately.

OIG audit reports are questioning the amount of the cost sharing shortfall if the award has expired and are classifying this amount as cost sharing "at risk" where the award is still active. Only NSF (via DGA) can make a determination that questioned costs are unallowable. NSF management has sustained (disallowed) costs questioned for cost sharing shortfalls in the past and in some cases requested reimbursement of a proportion of NSF funded costs during the audit resolution process.

Assume Line M is the cost sharing amount promised by the university at \$500,000 and the body of the proposal states that space will be provided for the lab and two new faculty will be hired in addition to the \$500,000 above. What is the University

bound to as far as audit and compliance with the award? Just the \$500,000 on Line M or also the other promises incorporated in the proposal by reference?

The amount of cost sharing promised on Line M is the amount required, and the amount subject to audit and documentation requirements. The additional items promised within the body of the proposal are not subject to audit. If, however, the awardee has promised additional items that are necessary to accomplishing award objectives, then NSF believes that awardee organizations should live up to the scope of work outlined in the proposal. Therefore, NSF has a reasonable expectation that the lab space will be provided and faculty hired as outlined and Program Officers and reviewers could consider this in approving future funding amounts even if these amounts are not subject to formal cost sharing requirements. Failure to meet these commitments also could be identified as non-compliance with award terms and conditions.

If the NSB cost sharing policy states that cost sharing is an eligibility criterion rather than a review criterion, and the program solicitation requires the proposer to cost share 25% of total project costs, should one assume that proposals submitted with less than 25% cost sharing will be rejected as ineligible for failure to comply with proposal preparation guidelines?

The eligibility determination is made at the time of proposal submission. If the awardee “promised” the required amount of cost sharing then the awardee would be eligible to participate in the peer review process. Proposals that do not promise the amount of cost sharing outlined in the program solicitation would be returned without review for failure to comply with proposal processing guidelines.

If by extension then, if the award has expired and the actual allowable cost sharing only totaled 15%, would that make the awardee ineligible to have received the award in the first place?

If the award has expired, and an awardee fails to provide the cost sharing identified on Line M, then there could be a proportionate disallowance of the costs claimed as charges to the NSF award. (See, however, the question above regarding what happens when an awardee fails to meet cost sharing requirements.)

What if a proposer becomes aware that a particular program is not in compliance with the policy?

Please forward a message to costsharing@nsf.gov outlining the details of the noncompliance.