



Cost Sharing and Program Income

Sponsored Research Services - Texas
A&M University Division of Research



Cost Sharing

- Defined as the portion of total project costs that is not provided by the sponsor
- Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity



Types of Cost Sharing

- Mandatory – required by the sponsor
- Voluntary Committed - cost sharing specifically pledged in the proposal's budget or award on the part of the recipient
- Voluntary uncommitted effort - is effort that is over and above that which is committed and budgeted for in a sponsored agreement.



Federal Requirements for Cost Sharing

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E—Cost Principles of this part



Federal Requirements cont.

- 5) Are not paid by the Federal Government under another Federal award, except where the Federal statute allows
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of this part, as applicable.

Unrecovered Indirect Costs

- Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency.
- Unrecovered IDC means the difference between the amount charged to the award and the amount which could have been charged under the organization's federally Negotiated Indirect Cost Rate Agreement



Value Determination

- Equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation
- Donated space must not exceed the fair rental value of comparable space
- Loaned equipment must not exceed its fair rental value
- Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity



Program Income

- Defines program income as "gross income earned by a recipient that is directly generated by a sponsored activity or earned as a result of the award during the period of performance."

Program Income - Is Not

- Taxes, special assessments, levies, fines, raised by a non-Federal entity.
- Proceeds from the sale of real property, equipment, or supplies.
- license fees and royalties for copyrighted material, patents, trademarks, and inventions made under the Federal award subject to [37 CFR part 401](#).
- Earned after the period of performance



Three Methods

- Deduction Method
- Additive Method
- Cost Share Method

Deduction Method

- Default if method is not specified and awardee is Not a IHE or non-profit.
- (1) *Deduction*. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise.
- Reduces the federal contribution.

Example - Deductive Option

- **Deductive**

\$ 100,000 amount of award from agency

-\$ 25,000 program income

\$ 75,000 federal share of funds available

+\$ 25,000 program income funds available

\$ 100,000 total funds available for spending



Additive Method

- Standard for awards made to IHEs and nonprofit research institutions, if not otherwise specified in the award.
- Program income may be added to the Federal award by the Federal agency and the non-Federal entity.

Example - Additive Option

■ Additive

\$100,000 award

+ 25,000 program income

125,000 total funds available



Cost Sharing Method

- With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award.
- The amount of the Federal award remains the same.

Example - Cost Share Option

■ Cost Share

\$100,000 Federal funding
+ 20,000 Cost share requirement
- 10,000 program income
= \$10,000 remaining amount of cost share

Program Income Example Funds Not Reportable to Agency

- Three months after ending date of Navy award, a follow-up conference was held
 - Participant fee was \$500 and 100 participants attended, yielding \$50,000 in conference fee revenue
 - Even though conference was related to Navy project, as it was **held after the ending date** of Navy award, **there is no accountability to Navy**