



# University of Pittsburgh

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Kathleen M. Blee  
*Bettye J. and Ralph E. Bailey Dean*

October 8, 2019

Dear Colleagues,

I am writing to inform you of updates and clarifications to the Dietrich School's policy on cost sharing in sponsored project proposals.

Cost sharing is defined as project costs that would normally be borne by a sponsor but are instead covered by the University or a third party. Cost sharing can either be mandatory, i.e. required by a sponsor as a condition of receiving an award, or voluntary, e.g. to increase the competitiveness of a proposal. The University of Pittsburgh, along with most domestic research institutions, discourages the inclusion of voluntary cost sharing in proposals.

For federally funded projects, OMB Uniform Guidance section 200.306 states that voluntary cost sharing is not expected in proposals and cannot be used as a factor during the merit review process. The National Science Foundation goes further and strictly prohibits voluntary cost sharing, returning as non-compliant any proposals that include such commitments. But beyond these federal policy considerations, there are sound reasons for discouraging the commitment of cost sharing except when required by the sponsor.

First, it increases the administrative burden and level of audit risk. Funds committed as cost sharing become subject to the same administrative requirements and cost principles as federally awarded funds. So, when we commit funds as cost sharing in a proposal, we lose the flexibility that we would otherwise have with our own internal funds. Additionally, the University's financial systems are not well equipped to account for cost sharing expenditures. As a result, the process for tracking and reporting on cost sharing takes considerably more time and effort than accounting for standard project expenditures, while unallowable or improperly documented cost shared items can lead to adverse audit findings.

Perhaps more important than the burden and audit risk is the financial impact of cost sharing on the Dietrich School. Cost sharing commitments divert funds from School and department budgets. As these funds are not eligible for indirect cost recovery, the financial impact on the School is further increased.

Finally, all instances of cost sharing have a negative impact on the University's indirect cost rate. An institution's indirect cost rate is calculated by dividing its total indirect costs by the total direct costs for a selected period of time. Since cost sharing funds are added to the total direct cost pool, cost sharing increases the bottom half of this ratio, and has the effect of driving down the university's rate. Thus, all cost sharing, whether mandatory or voluntary, reduces the University's ability to recover indirect costs which are crucial to funding our research enterprise.

In light of these factors, the Dietrich School strongly discourages voluntary cost sharing commitments in funding proposals, and seeks to limit the inclusion of cost sharing to instances where there is a sponsor requirement, or, in the absence of such a requirement, where the potential benefits to the School outweigh the negative financial and administrative impacts of the cost sharing commitment. All requests for including voluntary cost sharing commitments in proposals submitted through the Dietrich School should be transmitted to the Dietrich School

Office of Sponsored Projects Administration. Requests will then be evaluated by the Dean's Office, and the decision will be communicated to the Principal Investigator.

I appreciate your efforts in helping to reduce administrative burden and maximize financial resources for sponsored projects activity in the Dietrich School.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathleen Blee', with a stylized, flowing script.

Kathleen Blee  
Bettye J. and Ralph E. Bailey Dean