



# Commitment of Effort on Federally Sponsored Projects

June 13, 2016

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## SCOPE

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This policy sets forth the California Institute of Technology's requirements concerning the commitment of effort on federally sponsored projects by the Principal Investigator (PI). Since 2001, the Office of Management and Budget has had a requirement that "most Federally-funded research programs should have some level of committed faculty (or senior researchers) effort, paid or unpaid by the Federal Government."<sup>1</sup> This policy reiterates Caltech's requirement for PIs to include a commitment of effort in research proposals submitted to federal agencies. This requirement has been in place since March 13, 2008. If the proposal is funded, the policy requires that the PI adhere to the effort commitments made in the proposal or revise them. The policy also sets forth the circumstances when the PIs must obtain prior approval from their division chair and their sponsor before reducing their effort commitments on specific awards. Other than minor clarifications in wording and a beneficial change resulting from the Uniform Guidance (2 CFR 200), there are no substantive changes in this version of the policy.

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## DEFINITIONS

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As used in this policy:

### **Cost Sharing**

Cost sharing means the portion of project costs described in the budget that is not paid by the sponsor. Depending on the circumstances, cost sharing may be considered committed (mandatory or voluntary) or uncommitted. Cost sharing has other names, such as "matching," and "in-kind." While particular sponsors may use one or more of these terms to designate cost sharing, for purposes of this policy, they are all considered cost sharing. See Uniform Guidance, §200.29.

### **Mandatory Cost Sharing**

Cost sharing that is required by the sponsor as an eligibility condition for submitting the proposal is referred to as mandatory cost sharing. This type of cost sharing results either from statutory requirements or from agency policy requirements. The requirement for such cost sharing must be identified in the sponsor's solicitation for proposals and must be made explicit, e.g., as a specific dollar amount, as a percentage of the federal funds being requested, or as a percentage of the total project costs.

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<sup>1</sup> Office of Management and Budget Memorandum M-01-06, January 5, 2001.

## **Effort Commitment**

Federal policy states that most federally-funded research programs are required to have some level of committed PI effort, paid or unpaid by the Federal Government. This effort can be provided at any time within the annual budget period of the award, unless the award terms and conditions require otherwise. Both federal agencies and Caltech require that PIs commit the level of effort that is necessary to carry out the research project. Exceptions require approval by the division chair.

## **Principal Investigator (PI)**

The PI is the individual, usually a tenured or tenure-track professorial faculty member, who has the responsibility for the design and conduct of the project. On rare occasions, particularly for large projects, the sponsoring agency may identify multiple individuals as “Principal Investigators.” In such instances, Caltech relies on the investigator listed first as the individual with overall responsibility for the project.

## **Third Party Cost Sharing**

Third party cost sharing involves commitments and/or contributions provided for a specific Caltech sponsored award by an organization that is external to Caltech. Third party cost sharing may be in the form of cash or in-kind contributions, e.g., salaries, benefits, materials, equipment. Cost sharing commitments or contributions of salaries and benefits made for Caltech researchers who are employed by the Howard Hughes Medical Institute (HHMI) or the Jet Propulsion Laboratory (JPL) are treated as third party cost sharing because these contributions do not flow through Caltech’s payroll and financial systems and therefore must be documented separately by the third party.

## **Voluntary Committed Cost Sharing**

Cost sharing that is not required by the sponsor, but is offered by the PI as a demonstration of commitment to the project is referred to as voluntary cost sharing. Voluntary cost sharing that has been included in a proposal budget or budget justification is considered by the government to be a formal binding requirement once the award has been made, even if it is not specifically addressed in the award document. As such, the cost sharing must be tracked, documented, and reported, if required, to the sponsor. See Uniform Guidance, §200.99.

*Example: Voluntary committed cost sharing* occurs when the PI includes effort in the proposal budget and/or the budget justification that will not be charged to the grant, e.g., the PI commits 10% effort on the project but only requests grant funds for 5% effort. In this example, the PI has made a voluntary cost-sharing commitment of 5% because the balance of the effort commitment will be paid by Caltech. Because the 5% voluntary commitment is a formal part of the proposal, it becomes part of the project budget, and an obligation of Caltech when the proposal is awarded.

## **Voluntary Uncommitted Cost Sharing**

Voluntary uncommitted cost sharing is faculty or other investigator effort that is over and above that which is committed, budgeted for in a sponsored agreement, and not required by the sponsor. Uncommitted cost sharing does not have to be tracked, documented, or reported. See OMB Memorandum M-01-06, January 5, 2001, for more information on voluntary uncommitted cost

sharing.

*Example: Voluntary uncommitted cost sharing* occurs when the PI commits 10% effort in the proposal budget and charges 10% of the salary to the grant. However, rather than devoting 10% effort to the grant, the PI actually spends 20% time working on the project. The effort in excess of the formal commitment in the budget is considered to be voluntary uncommitted effort and does not have to be recorded or tracked.

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## POLICY

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Caltech requires most proposals for research funding to include a commitment of PI effort that corresponds to the effort necessary to carry out the project. That effort must be charged to the project to avoid creating a voluntary cost sharing commitment. The requirement for a commitment of PI effort does not extend to:

- grants only for instrumentation acquisition or development;
- grants restricted by the sponsor for dissertation support, undergraduate or graduate student training, or other awards intended to provide student financial assistance; or
- limited purpose awards such as travel grants and conference grants
- postdoctoral fellowship awards where a professorial faculty member serves in an advisory capacity

In addition to the budget and the budget justification sections of the proposal, proposed PI effort should be shown in the Current and Pending Support sections of the proposal and should be consistent with the information contained in the budget section and in the text of the proposal. If there are differences between the budgeted support for the PI and other faculty and the level of effort that they plan to spend on the project, these differences must be specifically and clearly called out in the proposal and budget and require approval by the cognizant division chair.

If effort is committed in the proposal budget or budget justification but is not expressed as a direct salary charge to the grant, such effort is considered voluntary committed cost sharing. Federal regulations require that voluntary committed cost sharing be tracked, documented and, in some cases, reported to the sponsor. Voluntary cost-sharing commitments must be identified on the Division Approval Form (DAF). The division chair must initial that effort commitment to indicate approval and to acknowledge that the unrecovered indirect costs incurred on cost-shared salary commitments will be reimbursed to Caltech from non-federal funds. Indirect costs are assessed on salaries and benefits that are not charged directly to the grant, but are funded by the general budget or an endowed professorship. Mandatory cost sharing must also be specifically identified on the Divisional Approval Form, but commitments of PI effort to meet Mandatory Cost Sharing requirements must be worked out between the division chair and the PI prior to submission of the proposal.

Salary should be charged in the way that effort was committed in the proposal (or adjusted for in the award) as long as the actual effort devoted is at least equal to the committed effort. If PI effort on a specific award will be reduced by more than 25% of the committed effort, federal regulations require that prior approval be obtained from the sponsor. Effort commitments that are reduced by

less than 25% of the committed amount do not require prior approval of the sponsor, but must be formally documented (in writing or via e-mail), approved by the cognizant division chair, and sent to the Office of Sponsored Research.

At the time of the closeout of a federal award, if Post Award Administration or the division determine that the effort devoted to the project is in line with the effort committed, but the salary charged to the award is less than the effort committed, the difference is considered voluntary committed cost sharing. In such instances a cost sharing account will be set up after the fact to capture the cost-shared salary. In addition, a non-federal funding source will have to be identified by the division chair and/or the PI to pay for the related indirect costs.

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## ROLES AND RESPONSIBILITIES

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### **Principal Investigator (PI)**

The PI is responsible for reviewing proposal solicitations to determine if any cost sharing is required. When it is, the PI works with the cognizant division chair to identify specific fund sources that will be used to meet the cost-sharing requirements.

If the PI chooses to include voluntary committed cost sharing in a proposal, the non-federal fund source that will be used to reimburse Caltech for the unrecovered indirect costs associated with the voluntary cost-shared effort must be identified prior to the submission of the proposal. The PI is responsible for informing the Office of Sponsored Research (OSR) and the cognizant division chair of any cost-sharing commitments included in the proposal.

The PI is responsible for notifying the grant manager or other division staff as soon as it is known that the level of commitment on a specific grant project may be reduced by more than 25% of the amount originally committed so that approval of the division chair and sponsor can be obtained.

The PI is responsible for notifying the grant manager and the division chair when the level of commitment on a specific project will be reduced and the payroll distribution needs to be modified.

### **Division Chairs**

Division chairs are responsible for reviewing proposals submitted by faculty in their division. With regard to cost sharing, division chairs are required to approve all instances of voluntary cost sharing and to approve the non-federal fund source that will be used to reimburse Caltech for the unrecovered indirect costs associated with voluntary cost sharing on the part of the PI. Changes in funded level of effort during budget negotiations (i.e., after submission of the proposal and the sponsor's decision to make an award) or after the funding of a grant require specific approval of the cognizant division chair.

## **Provost**

The provost is responsible for approving Institute fund sources that will be used to meet cost-sharing requirements and for approving any exceptions to this policy. Requests for such support should come through the cognizant division chair.

## **Division Administration**

The cognizant division is responsible for monitoring the effort commitments of PIs. When effort commitments need to be adjusted, the division is responsible for initiating the Labor Distribution Schedule changes. In general, the salary support committed for the project should be set up at the start of the project to be divided into equal monthly increments spanning the funded lifetime of the grant. Exceptions or changes during the grant require approval of the division chair.

The cognizant division and/or the PI's administrative staff are responsible for keeping the PI informed regarding the relationship between PI effort commitments and salary charges against specific awards.

## **Office of Sponsored Research**

The Office of Sponsored Research (OSR) is responsible for reviewing proposals to determine if any cost-sharing commitments are contained in the proposal. Where there is cost sharing, OSR is responsible for confirming that the necessary approvals of the cognizant division chair have been obtained and that the sources of the cost sharing have been identified and agreed to by the appropriate parties.

At the time that an award is initially accepted or modified, OSR is responsible for entering the PI's effort commitment in to the Oracle Grants Management System for subsequent monitoring.

## **Post Award Administration**

Post Award Administration (PAA) is responsible for periodic monitoring of effort commitments and charges to sponsored projects. In those instances when PAA identifies actual or potential problems in meeting the effort commitments, they are responsible for notifying the PI through the cognizant division and for requesting that the appropriate action be initiated.

As part of the award closeout process, PAA is responsible for reviewing the award file to determine that all effort commitments have been made and that appropriate action is initiated when the commitments have not been made.

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## **RELATED REFERENCES**

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*OMB's Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2 Code of Federal Regulations, Part 200..*

OMB Memorandum M-01-06. January 5, 2001. "Clarification of OMB A-21 Treatment of Voluntary Uncommitted Cost Sharing and Tuition Remission."

Caltech's Payroll Distribution Confirmation Policy.

Caltech's Policy on Cost Sharing on Sponsored Projects

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## POLICY ISSUED BY

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This policy is issued by the Office of Financial Services and the Office of Research Administration.

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## EFFECTIVE DATES AND UPDATES

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Action Take	Date	Description of Action
Original Policy	3/13/2008	Approved by the Office of the Provost
Revised Policy	4/01/2009	Approved by the Office of the Provost
Revised Policy	Effective 12/19/2014 Issued 3/01/2016	Approved by the Office of the Provost
Revised Policy	3/31/2016	Definition of "Third Party Cost Sharing" added.
Revised Policy	6/2/2016	Exception to the 1% commitment requirement added to cover postdoctoral fellowship awards where a professorial faculty serves in an advisory capacity.
Revised Policy	6/13/2016	Revised to replace references to the "1% minimum effort requirement" with "the effort necessary to carry out the project." Approved by the Office of the Provost.