

EPA Interim Guidance on Participant Support Costs

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Summary: This Interim Guidance provides EPA applicants, recipients and subrecipients with information regarding EPA policies on the allowability of participant support costs (PSCs). It covers types of participant support costs such as stipends and travel assistance for trainees or research project participants that are common to all Federal agencies as well as EPA-specific programs that provide rebates and subsidies for the purchase or installation of pollution abatement technologies. Some EPA subsidy or rebate programs have their own statutory/regulatory requirements and associated program guidance. For additional information refer to EPA's PSC Frequent Questions ([link](#)).

Background: The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Grants Guidance or UGG) at [2 CFR 200.75](#) define PSCs as: “. . . direct costs for items such as stipends or subsistence allowances, travel allowances and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences or training projects.” PSCs are allowable with prior EPA approval as provided at [2 CFR 200.456](#). The UGG also established requirements for subrecipient monitoring and management, highlighting the importance of properly differentiating between subawards and PSC.

Guidance:

1. EPA policies for PSC programs in sections 2, 3, 4, 5 and 6 of this guidance apply to EPA assistance awards, EPA-funded pass-through agreements with subrecipients and recipients' procurement contracts.
 - a. For purposes of budgeting, tracking, reporting and prior-approval requirements, EPA considers only PSC expenditures made by the recipient itself and budgeted under the “Other” object class category of the assistance award as eligible PSCs.
 - b. PSCs that may be included in contracts, subawards or categories outside the “Other” object class are not classified as PSCs, but rather as expenditures in their respective categories. Refer to section 7 below for detailed guidance on budgeting, tracking and reporting for PSCs.
2. Common Forms of Participant Support Costs.

Examples of common forms of allowable PSCs in EPA financial assistance agreements include:

- a. Stipends for interns, fellows, trainees, or attendees at community meetings including registration fees, training materials, and travel costs when the purpose of the trip is to participate in the project activity.
- b. Travel assistance that nonprofit “co-regulator” organizations provide to state and tribal workgroup members;

- c. Stipends and other incentives paid to participants in research experiments, focus groups, surveys or similar research activities.

PSCs are subject to the “Basic Considerations” for the allowability of costs described in 2 CFR Part 200, Subpart E – Cost Principles (Cost Principles). The costs must be reasonable, incurred within the project period and otherwise allocable to the EPA assistance agreement, and adequately supported by accounting records. For example, recipients should develop a documented allocation methodology for program participant travel that accomplishes multiple purposes, including activities outside of the scope of work for the EPA assistance agreement. Recipients should obtain receipts for training or community meeting attendance stipends, particularly if the payments are made in cash.

3. Rebates and Subsidies to Promote Environmental Stewardship.

The UGG provides at 2 CFR 200.420, Considerations for selected items of cost, that the allowability of costs should be determined on the basis of the treatment in the Cost Principles for similar or related items of cost. EPA has determined that rebates, subsidies and similar payments that enable the public to participate in EPA-funded pollution abatement programs are sufficiently similar to other forms of PSCs for the costs to be allowable.

a. Examples of allowable subsidy and rebate program costs include:

(1) Rebates or other subsidies provided to program beneficiaries for purchases of commercially available, standard (“off the shelf”) pollution control equipment or low emission vehicles under the Diesel Emission Reduction Act program when the program participant, rather than the recipient, owns the equipment.

(2) Subsidies or rebates provided to program beneficiaries to encourage participation in statutorily authorized programs to encourage environmental stewardship such as Best Management Practices under Clean Water Act 319 nonpoint source management programs, subsidies to promote adoption of source reduction practices by businesses under section 6605 of the Pollution Prevention Act, rebates or subsidies for wood stove replacement under financial assistance programs authorized by the Clean Air Act or EPA’s annual appropriation acts.

(3) Other payments to or on behalf of Project/Program beneficiaries (“other payments”) that EPA determines to be statutorily authorized.

b. The terms of the EPA financial assistance agreement or an applicable regulation must describe allowable rebates, subsidies or other payments in order for these costs to be allowable. PSCs for rebates, subsidies, or other payments may be supported by program memoranda issued by EPA or by guidelines established by the recipient and approved by EPA’s Award Official or another authorized EPA official such as a Grants Management Officer. Recipient guidelines should define the:

(1) Eligibility, restrictions, timelines and other programmatic requirements;

- (2) Reporting and transaction documentation requirements; and,
 - (3) Funding levels for rebate, subsidy or other payments to program beneficiaries.
- c. Additionally, to obtain EPA approval the recipient's guidelines must include a requirement for a written agreement between the recipient, subrecipient, or contractor and the program beneficiary that:
- (1) Describes the activities that will be supported by rebates, subsidies, or other payments;
 - (2) Specifies the amount of the rebate, subsidy or payment;
 - (3) Identifies which party will have title to equipment (if any) purchased with a rebate or subsidy; and
 - (4) Establishes source documentation requirements for accounting records.

4. Differences between Subsidy and Rebate Programs and Subawards.

As provided in Appendix A of EPA's [Subaward Policy](#), a recipient may fund a pollution control project at a publicly- or privately-owned facility, which would be categorized as a subaward rather than a PSC. Indicators that the transaction is a subaward rather than a PSC include eligible and allowable costs to support personnel and overhead including indirect costs, operations and maintenance, design and engineering services, and post-installation sampling or monitoring activities. Funding for projects conducted at facilities owned by state, tribal, or local governments will typically be in the form of subawards.

5. Other Important Regulatory Requirements.

- a. Under [2 CFR 200.308\(c\)\(1\)\(v\)](#), Revision of budget and program plans, recipients must obtain approval from an EPA Award Official or Grants Management Officer to transfer funds budgeted for PSCs to other categories of expense.
- b. As required by [2 CFR 200.68](#), Modified Total Direct Cost, (MTDC), the recipient and its subrecipients must exclude PSC from their distribution of indirect costs if the recipient's or subrecipient's approved indirect cost rate uses MTDC as its base. State, tribal and local government recipients subject to [2 CFR Part 200, Appendix VII -States and Local Government and Indian Tribe Indirect Cost Proposals](#) must exclude PSC from their allocation base for indirect costs to the extent required by the indirect cost rate agreement negotiated with the cognizant federal agency.

6. Tax Implications of PSC Payments.

Recipients, subrecipients, and program beneficiaries should consult their tax advisers, the U.S. Internal Revenue Service, or state and local tax authorities regarding the taxability of PSCs. EPA does not provide advice on tax issues relating to PSCs.

7. Budgeting, tracking and reporting for PSCs.

- a. Recipients of EPA awards should include estimated costs for direct PSC payments in a separate line item in the “Other” budget object class category on their Standard Form (SF) 424A, Application for Federal Assistance and budget detail narrative. Recipients track and report on PSC expenditures under this category.

(1) As provided in EPA’s Subaward Policy, estimated costs for subawards (including any estimated costs for subrecipient payments for PSCs) should be in a separate “Subaward” line item in the “Other” budget object class category of the SF 424A and budget detail narrative. These costs will be treated by EPA solely as subawards and not PSCs for budgeting, tracking and reporting purposes, although the pass-through entity’s own requirements for PSC budgeting, tracking and reporting should be included in the subaward agreements.

(2) Estimated costs for recipient procurement contractors hired to manage projects that include payments to or on behalf of program participants or direct recipient purchases of equipment or supplies for transfer to program participants should be included in the applicable budget object class category on the SF 424A and budget detail narrative. EPA does not consider recipients’ costs for procurement contracts or direct purchases of equipment or supplies to be PSCs for budgeting, tracking and reporting purposes.

- b. If state recipients’ accounting systems require placement of PSCs in different budget object cost categories than those described above, EPA will defer to the states’ accounting policies as required by 2 CFR 200.302(a). However, states must include a justification/explanation in their budget detail narrative for the placement of PSCs in different budget object cost categories. This justification must show that the placement of PSCs in different budget object class categories is required under written state policies, otherwise they must be included in the “Other” budget object class category. In addition, regardless of the budget object class categories in which PSCs are placed, states must comply with any limitations on distributing indirect costs to PSCs contained in their indirect cost rate agreements with their cognizant agencies.