

# **Participant Support Costs and Advisory Counsel Costs Similarities and Differences**

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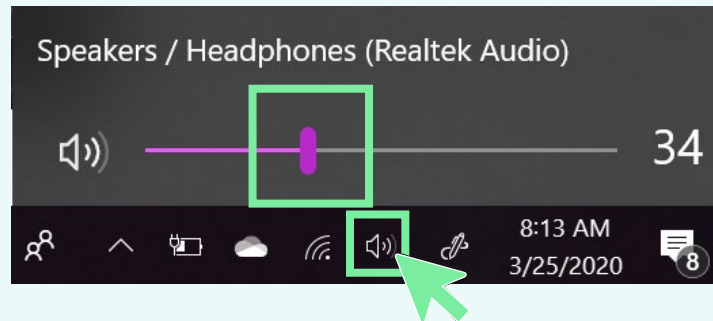
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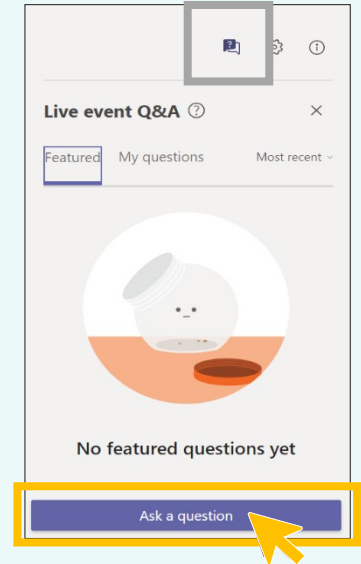
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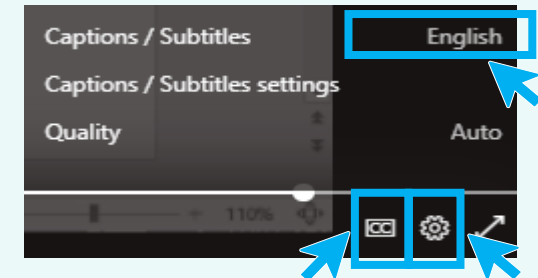


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# Caveats

- Jim Drummond is an attorney in EPA's Office of General Counsel who Specializes in Grants Law.
- In that capacity, he does not provide legal advice to applicants for and recipients of EPA funding.
- During this presentation, Mr. Drummond will provide information on regulations governing and EPA policies relating to participant support costs and advisory council costs.
- The regulations and EPA policies take precedence in the event of a conflict with information Mr. Drummond provides during this presentation.

# Increased Use of Participant Support Costs and Advisory Council Costs Authorities

- EPA priority is to compensate representatives of low-income and disadvantaged communities for their participation in advisory councils and community meetings.
- Emphasis on providing stipends and other support for participants in environmental training programs so that youth from Low Income/Disadvantaged Communities (LIDACs) can be trained without undue financial hardship.
- EPA's unique definition of *Participant support costs* in 2 CFR 1500.1 substantially expands the types of payments to program beneficiaries that qualify as participant support costs.

# How to Budget for Participant Support Costs and Advisory Council Costs

- Participant support costs are payments a recipient makes to or on behalf of program participants.
- Line Item in “Other” Budget Category for payments to program beneficiaries OR “Supplies” OR “Contractual” if recipient is purchasing items for or acquiring services on behalf of program beneficiaries.
- Myth—All Participant Support Costs are budgeted as “Other”.
- Refer to Section 8 of EPA Guidance on Participant Support Costs.
- Advisory Council Costs are budgeted in the same manner.

# Budgeting for Participant Support Costs

- Under [2 CFR 200.308\(f\)\(5\)](#) “Revision of budget and program plans,” recipients must obtain approval from an Authorized EPA Official to transfer funds budgeted for participant support costs to other categories of expense.
- Travel for program participants should not be budgeted in the “Travel” category—[2 CFR 200.475](#) allowable travel costs are only for recipient employees.
- A recipient’s failure to obtain prior EPA approval to transferring funds from PSC to other direct cost categories may be subject to cost disallowance or other enforcement action.

# Participant Support Costs

- *Participant support costs* are defined at 2 CFR 200.1 and are allowable as provided at 200.456 when necessary to carry out the EPA approved scope of work. Common examples include travel assistance and stipends for trainees and incentives to participate in research programs.
- EPA expanded the definition of Participant support costs in 2 CFR 1500.1 to include subsidies to promote participation in environmental stewardship programs authorized by statute. Examples in National Estuary Program (NEP) context could include subsidies paid to farmers for participation in non-point source runoff prevention programs.
- Detailed information available in [EPA Guidance on Participant Support Costs](#)



# Advisory Council Costs—Coverage From Selected Items of Cost Guidance

- Advisory councils. As provided at 2 CFR 200.422, costs for Advisory Councils are unallowable unless authorized by “. . .statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards.” EPA interprets the term “advisory council” to include groups of individuals who are not employees of the recipient that provide strategic and policy advice to the organization.
- a. Costs for advisory councils that are integrated into the recipient’s ongoing operations to provide advice on the overall direction of the organization should be classified as indirect costs since these activities benefit the recipient organization generally.



# Issue De-Jour—How to Determine Whether Stipends Are Reasonable

- Regulations and current EPA guidance do not provide standards for determining whether payments to individuals encourage participation in programs or advisory councils are reasonable.
- EPA's Guidance on Participant Support Costs uses the 2 CFR 1500.10 consultant fee cap as a benchmark---Level IV of the Executive Schedule absent evidence that the individual receiving stipend earns more in day job.
- 2024 rate is: \$735.60 per day and \$91.95 per hour.
- Do not include travel or meal costs in calculation—personal compensation.
- For research participation, EPA's Participant Support Cost Guidance uses the General Services Administration \$75 per hour benchmark for reasonableness.

# Advisory Council Coverage From Internal Selected Items of Cost Guidance Continued

- b. If a recipient establishes an advisory council that provides advice solely on an EPA funded activity such as a training program or research project the costs may be allocable to the EPA agreement and charged directly to the EPA award with [GMO} prior approval. The scope of work and related budget narrative must describe the advisory council's membership, functions, costs and explain why the advisory council is necessary to carry out the EPA funded project.
- c. Allowable direct advisory council costs include reasonable stipends and travel support for council members while providing advice on the EPA funded project. Stipends that are structured as “retainer fees” that do not compensate the council member for actual work on an EPA funded project are not allowable as direct costs. Costs for meals and light refreshments for advisory council meetings are subject to the allowability criteria in Section 3, Entertainment and Section 5, Meals and light refreshments at conferences, of this guidance document.

# Examples of Allowable Participant Support Costs— 2 CFR Part 200

- *Participant* as defined in 2 CFR 200.1 generally means an individual participating in or attending program activities under a Federal award, such as trainings or conferences, but who is not responsible for implementation of the Federal award. Consultants or staff members of a recipient or subrecipient) are not participants. Examples of participants include community members involved an outreach program, members of the public providing perspectives or input, students, or conference attendees.
- *Participant support costs* as defined in 2 CFR 200.1 means direct costs that support participants . . . and their involvement in a Federal award, such as stipends, subsistence allowances, travel allowances, registration fees, temporary dependent care, and per diem paid directly to or on behalf of participants.
- Stipends are typically paid with “gift cards” for security purposes since gift cards can be de-activated in the event of loss or theft.

# Examples of Allowable Participant Support Costs— 2 CFR 1500.1 Continued

EPA interprets 2 CFR 1500.1 broadly in order to promote participation of individuals and businesses in environmental protection programs. EPA has supplemented 2 CFR 200.1, Participant support costs, to provide that allowable participant support costs under EPA assistance agreements include:

- Rebates or other subsidies provided to program participants for purchases and installations of commercially available, standard (“off the shelf”) pollution control equipment or low emission vehicles under the Diesel Emission Reduction Act program or programs authorized by EPA appropriation acts and permitted by terms specified in EPA assistance agreements or guidance, when the program participant rather than the recipient owns the equipment.
- (2) Subsidies, rebates, and other payments provided to program beneficiaries to encourage participation in statutorily authorized programs to encourage environmental stewardship and enable the public to participate in EPA funded research, pollution abatement, and other projects or programs to the extent permitted by statutes and terms specified in EPA assistance agreements or guidance.
- Dependent care may be an allowable participant support cost.

# Difference Between Subawards and Participant Support Costs

- The Uniform Grant Guidance (UGG) contains requirements for subrecipient monitoring and management. See 2 CFR 200.332. These requirements do not apply to program participants.
- Recipients or subrecipients generally must exclude participant support costs from Modified Total Direct Costs (MTDC) for distribution of indirect costs. See 2 CFR 200.1, Modified Total Direct Costs.
- Because program participants are not Subrecipients as defined in 2 CFR 200.1, the regulatory requirements in 2 CFR Part 200, such as those for competitive procurement, do not “flow down” to program participants.
- Under some EPA financial assistance programs, a recipient may fund a pollution control project at a publicly- or privately-owned facility through a subaward rather than participant support costs. Indicators that the transaction is a subaward rather than a participant support cost include whether the allowable costs to the grant 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.
- In contrast, participant support costs for subsidies and rebates only reimburse the program participant for the one-time cost of purchasing and installing pollution control equipment at a facility.

# Other Requirements for Participant Support Costs and Advisory Council Costs

- Participant support costs and Advisory Council Costs are subject to the “Basic Considerations” for the allowability of costs described in [2 CFR Part 200, Subpart E](#).
- 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 that include activities outside of the scope of work for the EPA assistance agreement.
- Recipients should obtain receipts for training or meeting attendance stipends particularly if the payments are made in cash or via gift card.

# Indirect Costs and Participant Support Costs

- a) As required by the definition of Modified Total Direct Cost (MTDC) in 2 CFR 200.1, the recipient and its subrecipients must exclude participant support costs 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 participant support costs from their allocation base for indirect costs to the extent required by the indirect cost rate agreement negotiated with the cognizant federal agency.



# Thank You!