1. **PURPOSE** This issuance states the policy and describes the procedures and guidelines under which institutions may rebudget the funds provided by specified types of research and training grants from the NIH. It supersedes NIH Extramural Programs Circular No. 12, "Modified Procedures for Those Institutions Participating in the 'Institutional Prior Approval' Program," August 1968, and all other references inconsistent with this issuance and serves to bring NIH policy into compliance with the Office of Management and Budget's Circulars A-21 and A-101, and applicable DHEW policy.

2. **APPLICABILITY** This policy covers NIH grants which bear the following grant number prefixes:

   - **Research Projects**
     - R01 thru R24
     - Excluding R05, R09, R10, and R13.

   - **Program Projects and Centers**
     - M01
     - P01 thru P17
     - Excluding P09 and P16.

   - **Research Training**
     - T01 thru T15
     - Excluding T09, T10, and T14.

   - **Training Program Projects**
     - D02 thru D12.

   It is not applicable to grants made to individuals because they are not permitted to rebudget funds without prior approval of the NIH.

3. **BACKGROUND** Grant budgets are reviewed and receive the approval of the NIH awarding unit for specific categories of expenditures such as personnel, equipment, supplies, and travel. In certain instances, NIH policy has permitted the grantee institution to depart from the approved budget and use grant funds for other direct cost items required for the project. In other cases, prior approval by the NIH awarding unit has been required. At one time all grantees were required to obtain prior approval in writing from the NIH awarding unit for rebudgeting of essentially

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The GUIDE is published at irregular intervals to provide policy, program, and administrative information to individuals and organizations who need to be kept informed of requirements and changes in grants and contracts programs administered by the National Institutes of Health.
all grant funds prior to the performance of the act which required the expenditure of funds.

In 1964, the NIH on behalf of the PHS initiated a pilot study on increasing the role of the grantee institution in the management of projects funded through research grants. Selected institutions were assigned the responsibility to review and approve requests from principal investigators and program directors within their own institutions for changes in certain categories of expenditures. Based on results of the pilot study, the rebudgeting authority was broadened to cover certain training programs and was gradually extended to other institutions. Such rebudgeting authority now resides in virtually all major grantee institutions of the NIH.

4. POLICY The NIH expects the grantee institution to anticipate the full extent of its financial requirements when applying for a grant, to justify them in terms of essentiality to the project or program, and to budget for those costs in each grant application. Approval of a grant budget by the NIH constitutes prior approval for expenditure of funds for costs included in the approved budget.

NIH permits grantee institutions to depart from the grant budget agreed upon at the time of award to meet certain unanticipated requirements in research and training projects, provided that grant funds are used in compliance with NIH policies and the Federal Regulations governing the respective grant program. Such departures must enhance and not impede progress of the project toward its stated objective and be in conformance with the rebudgeting guidelines of this policy statement and the policies and procedures of the grantee institution. They may further be conditioned by restrictions imposed by the NIH awarding unit as a condition of the individual award.

5. DEFINITIONS
   a. Prior Approval: For purposes of this issuance "prior approval" is defined as the written documentation of permission to use grant funds for certain purposes not included in the approved budget as shown on the award document. The request for such action is usually initiated by the principal investigator or the program director and must be approved by the NIH awarding unit or the designated grantee institution official, as provided for in this policy, prior to the performance of the act which requires the expenditure of funds.

   b. Equipment: An item of equipment is an article of property, which is complete in itself, is of a durable nature, and has an expected service life of one year or more.

   General purpose equipment is defined as items which are usable for activities of the institution other than research or training, such as office equipment and furnishings, air conditioning, reproduction equipment, automatic data processing equipment, etc.

   c. Travel: Domestic travel is travel performed within the grantee's own country and travel between the U.S. and Canada for grants made to institutions within the U.S. or Canada. The U.S. includes Guam, American Samoa, Puerto Rico, the Virgin Islands, the Canal Zone, and the Trust Territory of the Pacific Islands.
Foreign travel is travel outside the U.S. or Canada, or not within the grantee's own country. Travel within the U.S. or Canada enroute to or returning from a foreign destination is considered foreign travel.

d. **Patient costs** include hospitalization, inpatient, outpatient, donor and subject costs.

e. **Trainee costs** include stipend, tuition, trainee travel, and dependency allowance.

6. **IMPLEMENTING GUIDELINES**

a. **Awarding Unit**

Awarding units will not apply restrictions on rebudgeting of funds to any class of applicable grants or grant programs or to any cost category covered by this policy on an across-the-board basis without the express written prior approval of the Associate Director for Extramural Research and Training, NIH. Restriction on the use of funds for a specific purpose may be placed on an individual grant as a condition of the award at the time of award when a particular circumstance merits such action by the awarding unit. (See Section 8 - Referral of Problems to the NIH.)

b. **Grantee Institution**

Grantee institutions may rebudget grant funds available within the amount awarded for direct costs to meet unanticipated needs (except for cost categories listed in Section 7a. below) under the following general conditions:

1. The institution will designate an appropriate grantee institution official(s) to review and approve rebudgeting requests.

2. The rebudgeting request must be reviewed by the designated official for scientific or program propriety in relation to the objectives of the specific project supported by the grant to which the charges will be made.

3. The rebudgeting request must be reviewed by appropriate administrative official(s) of the grantee institution to determine that the change is permissible within the policies and procedures of both the grantee institution and the NIH governing the cost category or categories concerned.

4. The rebudgeting action must neither impair the institution's ability to complete the project or activity as approved, nor increase the total cost to the grant.

5. The funds may not be used for any purpose disallowed as a condition of the award.

6. Decisions affecting rebudgeting must be well documented and retained in the institution's records available for inspection or audit for a period consistent with the records retention requirements of the NIH.
7. **SPECIFIC LIMITATIONS AND CONDITIONS IN REBUDGETING** The NIH requires that rebudgeting of certain items of cost must have prior approval by the NIH awarding unit and for other items prior approval by a designated grantee institution official(s). Grantee institutions may be more, but not less, restrictive concerning rebudgeting on the specified items. In addition, they may establish prior approval requirements within their own institution for cost categories other than those specified under 7 a., b., and c. below. Approval for rebudgeting in these "other" categories may be at any level set by the grantee institution. Approval authority, however, for rebudgeting of funds from NIH grants for the categories listed in 7 b. below may not be delegated below the level of the specifically designated grantee institution official(s). Requests to the NIH awarding unit must be in writing and signed or countersigned by the appropriate grantee institution official.

a. **Prior Approval by the NIH Awarding Unit**

The NIH requires prior approval by the appropriate awarding unit for rebudgeting for the following purposes:

1. Any purpose disapproved or restricted as a condition of the award.
2. Each foreign trip and attendant travel expenditure.
3. Purchase by foreign grantees of non-United States manufactured single item of equipment costing $2,000 or more.
4. Any item of general purpose equipment costing $200 or more, e.g., office equipment; air conditioning, reproduction, data processing equipment, etc.
5. Increase or decrease in the total amount budget for training stipends.

b. **Prior Approval by the Grantee Institution**

The NIH requires prior approval by the designated grantee institution official for rebudgeting for the following purposes and must be under the conditions set out below:

1. **Domestic travel** in any budget period in excess of $500 or 125% of the amount for domestic travel in the NIH approved budget, whichever is greater.

   **Conditions:**
   
   (a) For employees, the trip must provide direct benefit to the prosecution of the project or program funded by the grant to which the expenditure will be charged.
   
   (b) For trainees, in addition to the above, the trip must provide pertinent experience in the furtherance of their training on the grant to which the expenditure will be charged.

2. **Equipment**

   Individual items of equipment with acquisition costs of $1,000 or more, AND
Total expenditure for equipment in any budget period in excess of $1,000 or 125% of the amount for equipment in the NIH approved budget, whichever is greater.

Conditions: (a) The equipment is required for the conduct and productivity of the project funded by the grant to which the expenditure will be charged.

(b) Suitable, similar equipment is not available to the project from the sponsoring institution or other sources.

(3) Patient costs in excess of those originally approved by the NIH awarding unit.

Conditions: (a) Scientific need for patients and patient costs in the project must have had the approval of the NIH for the budget period involved.

(b) There is a need or unforeseen opportunity to add more experimental cases to the study to expedite scientific progress of the project supported by the grant to which the expenditure will be charged.

(c) Charges are consistent, where applicable, with rates established by the Office of Grants Administration Policy, DHEW.

(4) Alteration and renovation costs up to the lesser of $75,000 or 25% of the total direct costs (less exclusions) reasonably expected to be awarded for the entire project period.

Conditions: (a) The total direct costs against which the computation is made must exclude amounts for patient costs and trainee costs. (See Definitions, Section 5.)

(b) Rebudgeting by the institution into the alterations and renovations category must not increase the total of that category beyond the maximum allowable of $75,000 or 25% of direct costs, less exclusions.

(c) The alterations and renovations must be for space occupied or totally used by the project funded by the grant to which the expenditure will be charged.

(d) The space to be renovated must be structurally complete, have a usable remaining life consistent with program purposes, and be architecturally suitable for conversion.
(e) The rebudgeting must not impair the grantee's ability to accomplish the objectives of the project in the allotted time, or adversely affect the conduct of the project.

(f) Any rebudgeting into alterations and renovations must not contribute to an increase in the cost to NIH for support of the project.

c. General Limitations Concerning Indirect Costs in Rebudgeting

(1) Funds awarded and identified for indirect costs may not be rebudgeted into direct costs during the budget period for which the funds were awarded.

(2) When the direct cost base upon which indirect costs are calculated is increased by any rebudgeting of direct cost funds, no additional funds for indirect cost resulting from such action will be provided by the NIH. The institution must effect an appropriate reduction in the direct costs of the grant to provide for any additional indirect cost that may be due as a result of the rebudgeting, based on the rate currently in effect.

8. REFERRAL OF PROBLEMS TO THE NIH AWARDING UNIT

It is not mandatory that decisions regarding rebudgeting of funds be made without recourse to the NIH awarding unit. If, in the opinion of the responsible grantee institution official, no procedure, policy, or precedent clearly applies to the rebudgeting question, he should seek advice from the awarding unit. If a request for a budget change may lead to a significant change in the direction or to a departure from the project as approved, the question should be referred to the NIH awarding unit for determination. This does not constitute a mechanism for appeal by the principal investigator or program director directly to the awarding unit. Issues may be referred by the responsible official of the grantee institution if they cannot be decided internally in the grantee institution.

If during the budget period it becomes apparent to the grantee institution or the principal investigator that a restriction made by the awarding unit at the time of award is working to the disadvantage of the project, the responsible grantee institution official may request in writing that the awarding unit rescind the restriction in question. If the awarding unit approves the request in writing, subsequent budget changes permitted by the removal of the restriction may be authorized by the grantee official.

9. EFFECTIVE DATE

This policy is effective July 1, 1972.

References


(4) DHEW Grants Administration Manual, Chapter 3-60, Training Cost Principles for Educational Institutions.

(5) DHEW Grants Administration Manual, Chapter 1-44, Alterations and Renovations of Facilities with DHEW Grant Funds--.

COST SHARING IN RESEARCH GRANTS (NIH 4209)

1. PURPOSE This issuance states the NIH policy concerning cost-sharing requirements applicable to research project grants. It is based on Office of Management and Budget (OMB) Circular A-100, December 18, 1970, and implements DHEW Grants Administration Manual Chapter 2-140 (Revised), July 22, 1971. It supersedes PPO #135 and NIH implementation of cost-sharing policy published in Bureau of Budget Circular A-74, DHEW Grants Administration Manual Chapter 2-150, March 6, 1969, and other instructions inconsistent with the present policy and instructions.

2. APPLICABILITY This policy is applicable to all research projects supported by NIH grants.

3. BACKGROUND Beginning with the 1966 DHEW Appropriation Act (August 31, 1965) and continuing each year since, cost sharing has been required by statute on all research projects supported by DHEW grants. The Act states "None of the funds provided herein shall be used to pay any recipient of a grant for the conduct of a research project an amount equal to as much as the entire cost of the project." Implementation of the cost-sharing section of the 1966 DHEW Appropriation Act was as follows: For projects initiated between October 18, 1965 and February 28, 1966, cost sharing was accomplished by limiting the indirect cost to 20% of total direct costs (TDC) or 90% of actual indirect costs, whichever was lesser. For new and renewal projects with beginning dates on or after March 1, 1966, cost sharing has been accomplished either through individual grant or institutional cost-sharing agreements with the DHEW and under guidelines of BOB Circular No. A-74. In part, because of changes in statutory cost-sharing provisions affecting other Federal agencies, the OMB issued new guidelines December 18, 1970, in Circular No. A-100, superseding Circular No. A-74.

4. DEFINITION - COST SHARING In general, cost sharing represents the portion of project costs which is not borne by the Federal Government. Cost sharing is a contribution by the grantee which may be in cash, in kind, or both, derived from either the grantee institution or from third-party institutions, organizations, or individuals.

5. POLICY Cost sharing shall be required on every NIH grant-supported research project. Grantee institutions may share in the costs of grant-supported research either through an institutional agreement negotiated for all such DHEW grants or on a project-by-project basis. Cost-sharing requirements on foreign grants and grants to individuals are met through nonpayment of indirect costs. Authorized Federal agencies receiving NIH research grants share costs through provision of facilities and services by that agency.

6. RESPONSIBILITY DHEW has assigned the responsibility for cost-sharing administration as follows:
   a. The Health Service and Mental Health Administration (HSMHA) is responsible for negotiating and administering institutional cost-sharing agreements on behalf of all DHEW agencies. The HSMHA shall provide the operating agencies with current listings of all institutions having a cost-sharing agreement, indicating the types of grant programs covered by those agreements and the effective dates.
Grantee institutions submitting institutional cost-sharing proposals should direct them to:

Chief, Grants Operations Branch  
Office of Grants Management, HSMHA  
5600 Fishers Lane  
Rockville, Maryland 20852  
Telephone: 301-443-1874

NIH awarding units needing information concerning institutional cost-sharing agreements should contact the NIH liaison representative:

Chief of Grants Management Branch  
Office of Contracts and Grants, NIH  
Bldg. 31, Rm. 1B 23, Extension 66431

b. The NIH awarding units are responsible for:

(1) ascertaining prior to an award whether the proposed grant is covered by an institutional cost-sharing agreement, as shown on the list provided by the HSMHA:

(2) in the absence of an institutional agreement, the negotiation and administration of a cost-sharing agreement for that project; and

(3) notifying the NIH liaison representative (see 6 a. above) about new types of NIH grant programs which will be subject to cost sharing, and new grantee institutions who may be given timely advice concerning the cost-sharing options available to them.

7. IMPLEMENTATION

a. Institutional cost-sharing agreements

An institutional cost-sharing agreement covering the aggregate of all research projects supported by the DHEW at the institution will be negotiated and administered by the HSMHA. This agreement establishes the average level of cost sharing for all grants covered on the basis of the grantee's fiscal year and provides a basis for assessing the over-all extent to which non-Federal sources contribute to the cost of research at a given institution.

b. Project-by-project cost-sharing agreements

In the absence of an institutional cost-sharing agreement, project-by-project agreements will be negotiated and administered by the NIH awarding unit within the following guidelines:

(1) The awarding unit shall request the research grant applicant to submit an individual cost-sharing proposal for the entire project period at the time it is notified that a project will be funded. HEM Form 490, Grant Cost Sharing Proposal, with covering memorandum, shall be provided the applicant for this purpose. (See Illustration No. 1.)
The proposal will cover the entire project period and will state the percentage of total allowable project costs (i.e., the combined Federal and grantee shares) which the applicant proposes to contribute to the planned research. A proposal of less than 5% of non-Federal contribution for the project period requires special justification prior to acceptance. The grant will not be awarded until the applicant and the awarding unit have agreed to a cost-sharing percentage. This percentage shall be specified on the grant award statement to signify the awarding unit's acceptance of the applicant's proposal.

There may be no contribution, or only a token contribution, in some years of the project period provided that the agreed over-all percentage for the project as a whole is met. Separate cost-sharing proposals will not be required for non-competing continuations and supplements. If there is an early termination of the project period, the negotiated cost-sharing percentage will apply to the actual period of Federal support.

The grantee contribution must be project related and may be from any non-Federal source. Grantees will not be required to obtain prior awarding unit approval of the budget categories in which costs are to be contributed. The contribution may be in any allowable budget category or combination of categories such as salaries, equipment, supplies, travel, or indirect costs.

Expenditure of the Federal share of grant-related income will not be allowed to meet cost-sharing agreements except for grants under those programs where it is clear that legislative intent was to permit such income to be used for that purpose.

At the termination of the project period, the awarding unit will verify the amount of cost sharing reported against the percentage agreed to at the initiation of the project period. If the cost-sharing percentage is less than that agreed to but still 5% or greater, the awarding unit shall review the contributing factors and make the determination as to its acceptability. If the cost-sharing percentage is less than that agreed to and is less than 5%, the problem shall be referred to the Director, Office of Contracts and Grants, ODA, NIH, for resolution.

c. Reporting requirements

Grantees are required to report cost sharing for each budget period on HEW Form 489, Report of Research Grant Expenditures, as follows:

1. For institutional agreements, show the word "institutional" in item 8.a. and the effective date of the agreement in item 8.b. No other information is required.

2. For project-by-project agreements, show the amount of the grantee's cost sharing for the period covered by the Report of Expenditures. If there was no cost sharing during the reported period, the grantee should write "no c.s." in item 8.a. on the form.
(3) If a grantee wishes to provide cost sharing in the indirect cost category, he should reduce his claim for indirect costs to which he would otherwise be entitled and include an explanation in the "Remarks" section of the Report of Expenditures showing that the reduced indirect cost claim is intentional and for the purpose of cost sharing.

d. Application review process

The extent of cost sharing proposed by applicants shall not be a factor in the competition for research grant funds. Application forms will not request information on cost sharing, and cost sharing levels will not be made available to consultants engaged by the NIH to evaluate the merit of research grant applications.

8. EFFECTIVE DATE This policy is effective for all research grants with budget period beginning dates on or after July 1, 1972. For non-competing continuation grants (Type 5) with individual cost-sharing agreements, a single agreement will be obtained by the awarding unit which covers all the remaining budget periods within the project period.

References
(1) DHEW Grants Administration Manual, Chapter 2-140, Cost Sharing in Research Grants.
(2) DHEW Publication No. (HSM) 72-10, A Guide to Institutional Cost Sharing Agreements for Research Grants Supported by the DHEW.
(3) OMB Circular No. A-100, December 18, 1970, Cost Sharing on Research Supported by Federal Agencies.
(4) DHEW Appropriations Act FY 1966, Section 203.
TO :

FROM:

SUBJECT: Cost sharing in research grants

In keeping with the Department of Health, Education, and Welfare policy on cost sharing in research grants, and the NIH implementation of that policy which was announced in NIH Guide for Grants and Contracts No. 19, dated May 15, 1972, it is necessary to establish in advance of an award the extent of cost participation by the applicant institution. Since your institution has not developed an institutional cost-sharing agreement with the DHEW, a separate proposal will be required for each research project to be supported by an NIH grant.

Please complete the enclosed form HEW 490 for the research project identified above which has been recommended for approval for the project period indicated and in amounts not to exceed those shown for direct costs to which related indirect cost at a rate not to exceed that accepted by the DHEW-OGAP may be added.

In completing the form, it is important to note (1) that the cost-sharing percentage proposed applies to the total project period rather than to annual grants, as in the past, and (2) that any proposed contribution of less than five percent of the total project cost should be accompanied by an explanation and justification of the reason therefor.
GRANTEE COST SHARING PROPOSAL

(Return original to Awarding Unit)

1. AGENCY
   National Institutes of Health
   Bethesda, Maryland 20014

2. NIH GRANT NUMBER

3. ADDRESS OF APPLICANT ORGANIZATION

4. PROJECT PERIOD
   From__________ To__________

5. TITLE OF PROJECT

6. ___________________________ PROPOSES TO SHARE IN THE COSTS OF THIS
   (Name of applicant organization)
   PROJECT DURING THE PROJECT PERIOD SPECIFIED ABOVE (OR ANY SUBSEQUENT REVISION OF THAT PROJECT
   PERIOD) TO THE MINIMUM EXTENT OF _______ PERCENT OF THE TOTAL ALLOWABLE COSTS OF THE PROJECT. 2/

   IT IS UNDERSTOOD THAT IF THE PROJECT PERIOD CONSISTS OF MORE THAN ONE BUDGET PERIOD, THIS
   MINIMUM PERCENTAGE WILL APPLY TO THE PROJECT PERIOD AS A WHOLE, BUT NOT NECESSARILY TO
   EACH BUDGET PERIOD.

7. SIGNATURE AND TITLE OF AUTHORIZED GRANTEE OFFICIAL
   DATE

1/ THE PROJECT PERIOD INCLUDES THE INITIAL BUDGET PERIOD AND THE BUDGET PERIOD(S)
   OF ANY NON-COMPETING CONTINUATION GRANT(S).

2/ TOTAL ALLOWABLE COSTS OF THE PROJECT INCLUDE BOTH COSTS CHARGED TO THE FEDERAL
   GRANT FUNDS AND COSTS CONTRIBUTED BY THE GRANTEE ORGANIZATION, AND WILL BE
   DETERMINED IN ACCORDANCE WITH THE COST PRINCIPLES DESIGNATED BY THE GRANTING
   AGENCY.
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