What is Program Income?

According to 2 CFR 200 (Uniform Guidance), Program Income means gross income earned by the University that is directly generated by a supported activity or earned as a result of an award during the period of performance. If a product or service is developed during the course of a sponsored project and the development of that product or service was funded by a sponsoring agency, then the net income received is considered program income.

Formula: Price for Product or Service – Costs of Producing Product or Service = Program Income

Examples of Program Income include:
• Fee for services performed, such as laboratory tests.
• Money earned from the use, sale or rental of equipment purchased with project funds.
• Sale of software, tapes or publications.
• Sale of research materials, such as animal models, tissue cultures or reagents.
• Registration fee paid by participants at workshops, conferences or symposia.
• Sale of products with an accompanying material transfer agreement.

Exclusions from Program Income are the following:
• Interest earned on advances of federal funds.
• Receipt of principal on loans, credits, discounts, etc. or interest earned on them.
• Taxes, special assessments, levies and fines raised by government recipients.
• Unless otherwise stated, the University has no obligation to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements” is applicable.

Treatment of Program Income

Sponsored Programs Administration will determine whether the program income associated with an award must be reported to the sponsor and will determine the appropriate method to be used. If required, program income information will be included in the official financial report and/or invoices submitted to the sponsor.

Reportable program income can be handled in one of 3 methods, depending on the sponsor’s policies or the terms and conditions of the awards.

1) Additive Method – Income is added to the funds obligated by the sponsor (and the University if cost sharing is involved), therefore increasing the total project budget available to further eligible project activities and objectives.

<table>
<thead>
<tr>
<th>Award Amount</th>
<th>$150,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus Estimated Program Income</td>
<td>+ $10,000.00</td>
</tr>
<tr>
<td>Equals Total Available Funds for Project Expenses</td>
<td>= $160,000.00</td>
</tr>
</tbody>
</table>
2) Deductive Method – Income is deducted from the amount of project cost to be reimbursed by the sponsor therefore reducing the funds obligated by the sponsor.

<table>
<thead>
<tr>
<th>Award Amount</th>
<th>$150,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minus Estimated Program Income</td>
<td>- $10,000.00</td>
</tr>
<tr>
<td>Equals Adjusted Award Amount</td>
<td>= $140,000.00</td>
</tr>
<tr>
<td>Total Funds Available for Project Expenses</td>
<td>$150,000.00</td>
</tr>
</tbody>
</table>

3) Matching Method – Income is used to finance the cost of the project not borne by the sponsor (i.e. used to fulfill match or cost share requirements).

<table>
<thead>
<tr>
<th>Award Amount</th>
<th>$150,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Cost Share, which will be satisfied by generated Program Income estimated at $10,000.00</td>
<td>+ $10,000.00</td>
</tr>
<tr>
<td>Equals Total Funds Available for Project Expenses</td>
<td>= $160,000.00</td>
</tr>
</tbody>
</table>

Use of Program Income

In general, **program income should be used before sponsor-obligated funds are used**. Program income must be spent in accordance with the terms and conditions of the sponsor award. Most importantly, the program income must be used for the purposes under the award and for allowable costs under the federal guidelines and conditions in the federal award. The program income takes on the properties of federal funds, so costs that are allowable in the award would be allowable; and conversely, costs that are unallowable under the award would be unallowable as program income.

Setup for Program Income Accounts

All **program income funds** will be setup with the same F&A rate as the sponsor grant and fund it is associated with. In other words, F&A costs will be charged to the program income accounts at the same F&A rate applied to the sponsored agreement which generates the income. F&A costs should be included when determining the registration fee, price of materials, etc.

Monitoring Program Income

Program income accounts should be monitored and reconciled on the same schedule as any other sponsored activity. In general, sponsored projects should be monitored and reconciled on a monthly basis to ensure project expenses are properly charged and the rate of spending is on track.

Closing out Program Income Accounts

All revenue and expenses charged to a program income should be incurred during the project period. For program income funds with residual balances at the end of the project, the Business Service Center may transfer expenses from the sponsor fund to the program income account to absorb the residual funds. For program income funds with a deficit, the Business Service Center must transfer expenses from the program income fund to the sponsor fund or an unrestricted fund to relieve the deficit. All program income accounts will close with revenue equal to expenses.
Program Income Generated after the Sponsored Project is Closed

As specified in 2 CFR 200 §200.307(f) “there is no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or terms and conditions of the Federal award provide otherwise.” This clause will also be applied to program income generated after a non-Federal award expires, unless the terms and conditions of the award specify otherwise.

SPA will advise the RC Unit/PI on the appropriate method of accounting for the program income earned after the award has expired.