



Program Income

Program income is gross income earned by the University that is directly generated by a grant supported activity or earned as a result of an award (2 CFR §200.80 Program income). The University requires principal investigators (PIs) to identify program income on both federal and non-federal sponsored projects. The nature of this income must be appropriately documented and the resulting revenue and expenses properly recorded and accounted for.

It is essential to remember that program income is the property of the program sponsor and is to be accounted for in accordance with the terms and conditions of each federal and non-federal award.

Examples of program income include the following when the source of funding is a sponsored award:

- Fees earned from services performed under the project, such as laboratory tests
- Funds generated from sales of commodities and research materials, such as tissue cultures, cell lines, and research animals
- Conference fees
- Income from registration fees, consulting, and sales of educational materials
- Sale, rental, or usage fees, such as fees charged for the use of computing or laboratory equipment
- Funds generated from the sale of software, tapes, or publications

Note: Royalties from patents, copyrights, etc. are generally not reportable as program income. Purchase discounts, rebates, credits, etc. must reduce applicable expenses and are not program income.

Accounting Requirements for Program Income

PI's Responsibility: The PI must inform ORSSP and the Grant & Financial Accountant when any income results from a grant project. Regardless of the accounting methods used, the PI must ensure that program income only be used for allowable project costs, in accordance with the applicable terms and conditions of the award.

Controller's Office Responsibility: The Grant & Financial Accountant will review the sponsor's requirements and determine the appropriate accounting method. Federal regulations (2 CFR 200.307 Program Income) outline three specific accounting methods for program income, depending on the sponsor policy requirements.

The three methods are as follows:

Additive Method - Program income may be added to the award by the funding agency and the University. The program income must be used for the purposes, and under the same terms and conditions of the original award.

Example: The initial project budget was \$100,000. \$10,000 of program income is generated. The total project cost budget is now \$110,000. The program income is considered spent first.

Deductive Method - Program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the awarding agency authorizes otherwise. Program income that the University did not anticipate at the time of the award must be used to reduce the award and University contributions rather than to increase the funds committed to the project.

Example: The initial project budget was \$100,000. \$10,000 of program income is earned. The adjusted project budget amount received from the sponsor is reduced to \$90,000 after gross program income is taken into account. Total project costs remain at \$100,000 *Matching Method* - Program income funds are used to finance the University share of the project or program (mandatory or committed cost sharing).

Example: The initial project budget was \$100,000 with cost sharing committed at \$20,000. \$10,000 of program income is generated. The expenditure of the program income may be used to account for \$10,000 of the committed cost sharing.

NOTE: *Income after the period of performance (2 CFR 200.307(f))*. There are 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 the terms and conditions of the Federal award provide otherwise. The Federal awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process. See also §200.343 Closeout.