A. General. This section explains program income and the proper use, accounting, and reporting of program income at the University of Idaho (University). Sponsors provide funding to cover the costs of conducting research, training, and public service related activities. The federal government encourages grantees to supplement federal project funding or defray program costs by earning program income (see B-1). Program income from federally-sponsored awards must be managed in accordance with the Code of Federal Regulations (2 CFR, §200), or such subsequent guidance as may become effective, which set out the processes to be used in the identification, use, recording, reporting, and monitoring of program income generated by sponsored projects. [rev. 1-12, 12-18]

B. Definitions, Examples, Exclusions, Accounting Methods. [ren. 1-12]

B-1. Program Income. Program income is revenue resulting from sponsored project activities that is earned from a third party during the active phase of a sponsored project. The federal definition of program income (2 CFR §200.800) is:

“...gross income earned by a non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance.”

Note that unless federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the federal government regarding program income earned after the end of the project period (2 CFR §200.307). [ed. 12-18]

a) Examples of program income include:
- Fees for services performed, such as laboratory tests,
- Money from the use, sale, or rental of equipment purchased with project funds,
- Sale of supplies or items fabricated with project funds, [ed. 1-12]
- Sale of software, tapes or publications,
- Sale of research materials, such as animals, models or reagents,
- Fees from participants at conferences or symposia, [ed. 9-09]
- Royalties from patents and copyrights (Although this federal definition includes royalties and copyrights as program income, unless otherwise restricted by the terms and conditions of the award, the University has no obligation to the federal government with respect to income derived from license fees and royalties.) (2 CFR §200.307). [ed. 12-18]

b) Exclusions from program income are the following:
- Patient care credits,
- 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.
- Proceeds from the sale of real property, equipment or supplies (other guidance applies) [add. 12-18]

B-2. Methods for Use of Program Income. Federal funding agencies may elect to use one of three methods to handle program income: additive; cost share/match; and deductive (2 CFR §200.307). In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, the additive method shall apply automatically to all projects. The following
examples define and illustrate the four methods for handling program income: [rev. 9-09, 12-18]

Example: A sponsor awards $100,000 for a project. The project generates an income of $30,000.

- **Additive.** Program income is added to the funds committed to the project by the federal awarding agency and recipient and used to further eligible project or program objectives.

  Example: The total project cost could be $130,000. [rev. 1-12]

- **Cost Share/Match.** Program income is used to finance the non-federal share of the project or program.

  Example: If the University was required to match project funds in the amount of $50,000, the University would now only have to provide an additional $20,000, using the $30,000 in program income as part of the match. The sponsor would still pay $100,000.

- **Deductive.** Program income is deducted from the total project or program allowable cost in determining the net allowable costs on which the federal share of cost is based.

  Example: The sponsor will now only fund $70,000 of the total project costs. The sponsor will deduct the $30,000 in program income from the $100,000 original award.

In each of the above-listed examples the additional funds must be kept in a separate sponsored project program income restricted fund and will be reported to the sponsor as required. [add. 1-12]

C. Roles and Responsibilities. The Principal Investigator (PI), unit, and the Office of Sponsored Programs (OSP) each have specific responsibilities with regard to program income as follows: [ren. 1-12]

C-1. Principal Investigators (PIs)/Units. [ren. & ed. 1-12]

- Understand and abide by the University’s program income policies and procedures. [ed. 1-12]
- Identify program income at the proposal stage or notify OSP if unanticipated program income is identified during the project. [rev. 1-12]
- Follow the grant award terms and conditions and charge only allowable expenses to the program income fund. [ed. 9-09, 1-12, 12-18]
- Follow guidelines for disposition of program income.
- Submit close-out information for program income with the close-out information for the main grant. [ed. 1-12]

C-2. Office of Sponsored Programs (OSP). [ren. 1-12]

- Help the PI determine whether program income will be generated under a specific sponsored project. [rev. 9-09, ed. 1-12]
- Identify and/or negotiate terms with the agency with respect to method of use regarding program income. [ed. 9-09]
- Establish the program income fund at award or upon request. [rev. 9-09, ed. 1-12, 12-18]
• Ensure that all agency and award guidelines are applied to the program income budget. [rev. 9-09, ed. 1-12, 12-18]
• Determine the program income reporting requirements and report program income to the sponsor.
• Confirm program income amounts with the unit. [ed. 1-12]
• Assist unit in transferring program income balances, if appropriate. [ed. 1-12]

D. Process/Procedures for Identifying, Recording, Accounting for, Reporting and Monitoring Program Income: While the University’s procedure is based upon the federal definition and treatment of program income, all sponsored funding is subject to the following procedures: [ren. 1-12]

D-1. Identifying Program Income. It is the responsibility of the Principal Investigator (PI) to identify sources of actual or potential program income at the proposal stage. For all proposals that include program income, the PI must: [ren. 1-12]

• Check “YES” to the program income question at proposal submission and briefly indicate how the income will be generated. [rev. 1-12, 12-18]
• Include how program income will be generated and used in the budget narrative to the sponsor, along with an estimated amount. [rev. 9-09, 1-12]

D-2. Recording Program Income. [ren. 1-12]

• If program income question was checked “YES“ at proposal submission OSP shall set up a separate program income fund at the time the main funding is set up. [rev. 9-09, 1-12, 12-18]
• If program income was not anticipated at the proposal stage of a project and the PI subsequently determines that he or she will begin to earn program income during an active project, it is the responsibility of the PI to identify the program income, notify OSP, request review of the sponsor guidelines, and initiate a request for set up of a program income fund. [rev. 9-09, 1-12, ed. 12-18]

D-3. Accounting for Program Income. [ren. 1-12]

• The unit/college is responsible for invoicing and/or receiving the program income. All program income funds received must be forwarded to OSP along with a GRT form and a budget breakdown. Upon receipt of these items, OSP will deposit the funds and an appropriate budget entry will be completed to reflect the income received. [rev. 1-12]
• As expenses related to the project are incurred, the unit should, as much as is feasible, charge the expenses against the program income budget before charging expenses against the grant fund (2 CFR 200.305). NOTE: Expenses that are unallowable (see APM 45.06) on the main grant budget are not allowable on the program income budget. [rev. 9-09, 1-12, ed. 12-18]
• Requirements for the retention of program income records are identical to those for the retention of records of sponsored program activities (APM 45.12): Source documentation must be retained by the unit for a period of three (3) years following final payment by the award sponsor, unless award indicates a longer retention period or there is an audit/litigation still in progress. [ed. 1-12]

D-4. Monitoring and Reporting Program Income. (Reporting requirements are determined by sponsor terms or agency specific regulations.) [ren. 1-12]

• OSP, with assistance from the unit, will ensure that all program income is identified and recorded properly in the correct fund. [rev. 9-09, ed. 1-12, 12-18]
• OSP will verify that only allowable costs are charged to the program income fund. [rev. 9-09, ed. 1-12, 12-18]
• The OSP Financial Unit is responsible for reporting program income as required to the sponsor on any financial reports. [rev. 9-09, 12-18]
• Reporting and disposition of any residual program income funds will be in accordance with the requirements of the individual sponsor, but in general, excess funds will reduce the amount of the sponsor obligation unless otherwise negotiated. [rev. 9-09]

E. Contact Information. For questions or additional information about program income please contact the Office of Sponsored Programs at 208-885-6651 or osp@uidaho.edu. [add. 1-12]