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 Office of Management and Budget (OMB) Circular A-110, (Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations) and the applicable Code of Federal Regulations (245 CFR, §Part 74200), 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. [repa. 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 (according to OMB Circular A-110 and incorporated in 45 CFR, Part 74 [OMB A-110, Section A.2(x) and 2 CFR §200.800 45 CFR 74.2 (2008)]) is:

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

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 [(OMB A-110, Section C24(a), 2 CFR §200.307)(f)]. [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 [OMB A-110, Section 24(h), 2 CFR §200.307](g)). [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 four methods to handle program income: additive; cost share/match; and deductive, and additive/deductive. (2 OMB A-110, §24 (b-d) 2CFR §200.307(e)). 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 deductive method shall apply automatically to all projects or programs except research. For awards that support research, the additive method shall apply automatically unless the awarding agency indicates in the terms and conditions another alternative on the award or the recipient is subject to special award conditions, as indicated in OMB Circular A-110, §14. 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.

• **Additive/Deductive.** When an agency authorizes the disposition of program income as either additive or match, program income in excess of any limits stipulated shall be used in accordance with the deductive method.

  *Example:* If the sponsor limit is $25,000, then $25,000 can be added to the total project cost and $5,000 will be deducted from the total award to reduce the award to $95,000. The total amount available is $125,000.

  In each of the above-listed examples the additional funds should-must be kept in a separate sponsored project ("K")-program income budget (XXX99P) restricted fund and will need-to 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 main grant award terms and conditions and charge only allowable expenses to the program income budget 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 budget fund at award or upon request. [rev. 9-09, ed. 1-12, 12-18]
- Ensure that all agency and award guidelines for the main grant budget are also 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 on the Review Boards Tab in the Electronic Internal Proposal Routing System (EIPRS) found on the OSP website 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 was checked in EIPRS in answer to the program income query, OSP shall set up a separate program income budget fund ending in “P” 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 budget. [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 main grant fund (2 CFR 200.305(b)(5). (OMB Circular A-110 §C22g). 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-B-5): 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 budget fund. [rev. 9-09, ed. 1-12, 12-18]

- OSP will verify that only allowable costs are charged to the program income budget. [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]