Program Income Requirements and Guidance

The Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section 2 CFR 200.307 ("Uniform Guidance") defines program income as "**gross income earned by a recipient that is directly generated by a sponsored activity or earned as a result of the award**". Program income must be identified, appropriately documented, and the resulting revenue and expenses properly recorded and accounted for. Additionally, non-federal sponsored awards generally require similar diligence to identify, document, and account for program income. As a result, program income on federal and non-federal sponsored awards is subject to this guidance. However, if a non-federal sponsor, is silent on the issue of program income, the income is not reportable and therefore not considered program income.

**Requirements**

Program income earned during the project period must be maintained in a dedicated account, separate from any other funds and should be expended prior to expending sponsored funds during period of performance.

Examples of program income include the following when the source of funding is a sponsored award or the revenue is directly generated by a sponsored activity:

- Income from fees for services performed, such as laboratory tests
- Registration fees from participants attending conferences or workshops
- Sale, rental, or usage fees, such as fees charged for the use of computing or laboratory equipment
- The sale of commodities or items fabricated under a federal award
  - Income from sales of educational materials
  - Income generated from the sale of software, digital media, or publications
  - Income generated from sales of research materials, such as tissue cultures, cell lines, and research animals

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.

Program Income revenue may be accounted for in one of three ways as determined by **sponsor requirements**. If the Award or federal agency does not specify the method to be used, the Additive Method must be applied (see 2 CFR 200.307(e)). Regardless of the accounting method used, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the sponsored award.

**Additive Method**

Program Income funds are **added** to the amount of the Award. The **program income** must be used for the purposes and under the conditions of the Federal award.

**Example:**
The Award Budget = $100,000
The net Program Income generated = $10,000
The total amount available to expend on the Award objectives = $110,000
Deductive Method
Program Income funds are deducted from the amount of funding provided by the sponsor to complete the terms of the Award.

EXAMPLE:
The Award Budget = $100,000
The net Program Income generated = $10,000
The maximum amount provided by the Sponsor = $90,000
The total amount available to expend on the Award objectives = $100,000

Matching (Cost Share) Method
Program Income funds are used to meet a Cost Share commitment. (NOTE: only expenses incurred to further project/program objectives qualify as cost share. Costs incurred to generate the Program Income may not qualify.)

EXAMPLE:
The Award Budget = $100,000
The Cost Share commitment = $15,000
The total amount required to achieve the Award objectives = $115,000
The net Program Income generated and expended = $10,000
Cost Share commitment met = $10,000
Cost Share commitment to still be met = $5,000

RESPONSIBILITIES
The Principal Investigator (PI) or his/her designee, Department Administrator and Financial Officer (FO) are responsible for ensuring program income is accounted for appropriately

Principal Investigator (PI)
  • Identifies sources of actual and potential program income at the proposal stage and during the award.
  • Develops a plan for using program income.
  • Discusses anticipated program income with the departmental administrator.
  • Spends down program income before the federally awarded funds are expended.
  • Ensures program income-related expenses comply with the allowability of costs in accordance with the sponsored award and federal regulations.

Financial Officer (FO)
  • Bills for products or services which produce program income.
  • Monitors levels of program income in the account and any limits that are set by the sponsor.
  • Properly deposits income received into the designated program income account in accordance with University procedure.
  • Reviews program income-related expenses to ensure they comply with the allowability of costs in accordance with the sponsored award and federal regulations.

Sponsored Programs Services
  • Reviews and determining program income sponsor reporting requirements.
  • Submits program income reports as required by the sponsor.
  • Reconciles the program income account for award closeout.
  • Returns unspent program income to the sponsor according to the sponsored award terms and conditions.

Contact
For additional information on this guidance, please contact: SPS@uconn.edu
Related
UConn Storrs Award Management Website: https://ovpr.uconn.edu/services/sps/award-management/expenditures/

Governing and Cost Accounting Standards Policy

HISTORY
This Guidance was created in current format and approved on 5/8/20 to consolidate and document program income requirements