



Title: Program Income Policy for Sponsored Projects
Effective Date: July 1, 2025
Issuing Authority: Senior Vice President for Administration and Finance
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Purpose

This policy outlines the procedures and regulations governing program income generated under sponsored grants and contracts. Adherence to this policy ensures compliance with federal, state, and private funding agency requirements, and promotes sound financial management of sponsored projects.

Scope

These policies and procedures apply to employees with external grants and contracts.

Exclusions

- Interest earned on advances of grant funds is NOT program income; it is treated as a reduction in the federal share of the award.
- Rebates, credits, discounts, or refunds on items previously charged to the grant are NOT program income; they are treated as reductions in allowable costs.

Definitions

As used in this policy, the following term(s) have the meaning specified below:

Program Income: gross income earned by a recipient organization or by a subrecipient under a grant or contract that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to, income from:

- Fees for services performed (e.g., laboratory tests, consultations).
- Charges for the use or rental of equipment or facilities acquired with grant funds.
- The sale of commodities or other tangible assets fabricated or purchased with grant funds.
- Payments from participants in a conference or training course directly funded by the award.
- Patent or copyright royalties.
- License fees for inventions or copyrighted materials developed under the award.
- Principal and interest on loans made with grant funds.

- Proceeds from the sale of software, publications, or research materials.

Policy Statement

Use of Program Income

Unless otherwise specified by the awarding agency, program income may be used in one of the following methods:

- **Addition Method (Additive):** Program income is added to the total funds committed to the project and used to further eligible project objectives. This is the most common method and is generally preferred by federal agencies. Under this method, program income is considered a supplement to the grant funds and can be spent on allowable costs that contribute to the project's scope.

Example: A grant for a research project generates income from selling a developed software tool. This income is added to the grant funds and used to purchase additional research equipment, furthering the project's goals.

- **Deduction Method (Reductive):** Program income is deducted from the total allowable costs of the project, thereby reducing the awarding agency's share of the costs. This method is less common and typically only used when explicitly required by the awarding agency.

Example: A grant funds a training program. Income generated from registration fees is used to offset the overall cost of the training, reducing the amount requested from the funding agency.

- **Matching Method (Cost Sharing):** Program income is used to finance the non-federal share of the project or program. This method requires specific approval or explicit provision in the grant award.

Example: A grant requires a 25% matching contribution. Income generated from services related to the project can be used to meet this matching requirement.

Important Considerations for Use

- Program income must be used for allowable costs consistent with the objectives of the grant or contract, and within the period of performance.
- Costs incurred in generating program income may be deducted from the gross income to arrive at the net program income, provided these costs are allowable under the grant and are not charged to the grant award.

Reporting Requirements

All program income must be accurately tracked and reported to the funding agency as required by the grant agreement.

- **Financial Reports:** Program income collected and expended must be reported on the SF-425 Federal Financial Report (FFR) or equivalent financial reports required by non-federal sponsors. This typically includes reporting both the amount earned and the amount expended.
- **Detailed Records:** Comprehensive records must be maintained, detailing:
 - The source and amount of all program income generated.
 - The date income was received.
 - How the income was used (expenditures).
 - Any unexpended balances.

Scenarios and Best Practices

- **Anticipated vs. Unanticipated Program Income:**
 - If program income is anticipated at the time of proposal submission, it should be clearly stated in the proposal, along with the proposed method of use (addition, deduction, or matching).
 - If program income is unanticipated, the Principal Investigator (PI) and the responsible administrative office should promptly inform the awarding agency to determine the appropriate treatment.
- **Closeout:** Any unexpended program income at the end of the project period must be handled according to the terms and conditions of the specific award. Often, it must be returned to the funding agency, or its use may be permitted for related activities if prior approval is obtained.
- **Separate Accounts:** While not always required, it is best practice to track program income in separate accounts or cost centers to facilitate accurate reporting and prevent commingling of funds.
- **Compliance:** PIs and project staff are responsible for identifying, collecting, and tracking program income in compliance with this policy and the specific terms of the award. The Office of Research and Sponsored Programs and Grants Accounting is responsible for providing guidance and ensuring institutional compliance.

This policy serves as a general guideline. Always refer to the specific terms and conditions of each grant or contract award and consult with the Office of Sponsored Programs and Grants Accounting for clarification on complex cases.