Program Income Associated with Federal Grants

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01. Policy Statement

Pace University is responsible for the programmatic and financial monitoring of program income. The terms governing program income are generally documented in the notice of grant award or contract. This document outlines the general procedure for managing program income on federally sponsored awards. The intent of this document is to provide guidance as to what constitutes program income and to ensure consistent treatment across the University.

02. Reason for Policy

The Federal Government is the largest sponsor of externally funded activity at the University. The cost principles relating to expenditures on federal awards are contained in the Office of Management of Budget’s (OMB) Circular A-21 *The Cost Principles for Institutions of Higher Education*. The purpose of this policy is to ensure the University’s compliance with the terms and conditions of an award as it relates to the treatment of program income.

Web Address for OMB: [http://www.whitehouse.gov/omb/circulars/index.html](http://www.whitehouse.gov/omb/circulars/index.html)

03. Who Needs to Know This Policy

Any employee who is involved with the administration of sponsored agreements should be familiar with this policy. This includes central and departmental sponsored project administrators, deans, chairs, principal investigators and other research personnel who are involved with sponsored awards.

04. Definitions

**Program Income**
Program Income is the gross income directly generated by a supported activity or earned as a result of the award and earned by the recipient during the period of a sponsored award.

**Personal Property**
Personal property is defined as property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities.

**Real Property**
Real property is considered land, including land improvements, structures and appurtenances thereto, but excludes movable machinery and equipment.

**Recipient**
An organization receiving an award directly from awarding agencies to carry out a project or program is defined as a recipient.

05. Overview

Program income includes:
- income from fees for services performed such as laboratory tests;
- money generated from the use or rental of real or personal property purchased with project funds;
- proceeds from the sale of software, tapes, or publications;
- income from the sale of research materials such as animal models;
fees from participants at conferences or symposia;
- sales of products with an accompanying material transfer agreement.

Program income does not include:
- 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.

Unless awarding agency regulations or the terms and conditions of the award provide otherwise, program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions is under no obligation to the federal government.

06. Treatment of Program Income for Grants and Contracts

The treatment of program income on federal grants is stipulated by the administrative requirements of the awarding agency. Similarly, non-federal sponsors may have terms and conditions that govern the treatment of program income.

Treatment of program income earned under contracts will be handled on a case by case basis under the terms and conditions of a particular contract.

Program income earned during a project period shall be retained by the University and will be treated using one of the three methods, depending on policy, sponsor type, and/or terms and conditions of award:

- **Additive**: Program income funds are added to committed funds of the project by the awarding agency and recipient, thus increasing the amount available to accomplish program objectives (increase in available budget).

- **Matching**: Program income is used to finance the non-federal share of the project (offset to cost sharing or matching). Program income is used for costs during the project period unless the sponsor authorizes deferral to a later period.

- **Deductive**: Total funds available to the project remain the same and the funds generated through program income are deducted from the financial commitment of the sponsor (offset to sponsor's funding).

Although these default treatments apply, the institution may request permission from the sponsor to treat program income by applying a completely different alternative.
Examples of how the National Institutes of Health (NIH) and National Science Foundation (NSF) specifically treat program income are outlined below:

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<th>Sponsor</th>
<th>How Program Income is Treated</th>
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| NIH     | **Expanded Authorities**<br>Under expanded authorities, the institution may use the Additive alternative for the use of general program income unless regulations or the Notice of Grant Award specify another alternative or a combination of alternatives.  
**Non-Expanded Authorities under Research Grants**<br>If not under expanded authorities, the first $25,000 of program income is to be used in accordance with the Additive alternative and shall be reported on lines 10r and 10s of the Financial Status Report (FSR – Long Form). Amounts in excess of $25,000 are to be used in accordance with the Deductive alternative, unless another alternative is specified on the notice of grant award, and shall be reported on lines 10c and 10q of the FSR (Long Form). |
| NSF     | **Standard Treatment**<br>Unless otherwise specified in the grant, program income received or accruing to the grantee during the period of the grant is to be retained by the grantee, added to the funds committed to the project by NSF, and thus used to further project objectives. The grantee has no obligation to NSF with respect to:  
1. license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions; or  
2. program income received beyond the period of the grant.  
**Special Treatment**<br>In exceptional circumstances, the NSF Grants office, in collaboration with Program Officers and other appropriate NSF offices may approve use of a special grant provision to restrict or eliminate a grantee’s control of income earned through NSF supported activities if it determines that this would best serve the purposes of a particular program or grant. The special provisions may require the federal share of program income be kept in a separate account, reported on and/or remitted for such periods as may be reasonable under the circumstances. |

**07. Program Income and Proposal Preparation**

Consider whether any program income will be generated during the project period and complete the proposal based on funding agency guidelines.

**08. Recording Program Income**

Each sponsored project that generates program income must record the revenue in a manner that allows accurate and appropriate reporting.
09. Receiving Program Income

When program income payments are received, they should be deposited with the Office of Student Assistance (OSA) or the Finance and Planning Office.

10. Treatment of Excess Program Income

In the event the awarding agency authorizes the treatment of program income either using the Additive or Matching alternative method and there is excess program income over a stipulated limit, the overage will be treated using the Deductive alternative method.

11. Program Income after Project End Date

All program income earned after the end date of a project period is under no obligation to the sponsor, unless the Federal awarding agency regulations or the terms and conditions of the award provide otherwise.

12. Costs Incident to Program Income Generation

If authorized by awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

Expenditures posted against program income must be in compliance with terms and conditions of the designated parent grant.

13. Reporting Program Income to Sponsors

Total program income received should be reported to the sponsor in accordance with the grant agreement (i.e., SF269, SF270, sponsor invoice, or other reporting format).