Augusta University
Policy Library

Program Income

Policy Owner: Sponsored Program Administration

POLICY STATEMENT

This policy establishes requirements for the tracking, usage, and disposition of Program Income. The federal government encourages universities and other entities to earn Program Income to defray project costs where appropriate. However special rules apply to these funds and care must be taken to understand what constitutes Program Income and under what circumstances it may be used.

In accordance with 2 CFR Part 200, the Uniform Guidance (A-81), it is necessary for the University to track, properly use and dispose of Program Income in accordance with these regulations, or other specific grant terms and conditions. Failure to do so may result in audit findings and financial penalties to the University.

AFFECTED STAKEHOLDERS

Indicate all entities and persons within the Enterprise that are affected by this policy:

☐ Alumni ☒ Faculty ☐ Graduate Students ☐ Health Professional Students
☐ Staff ☐ Undergraduate Students ☐ Vendors/Contractors ☐ Visitors
☐ Other:

DEFINITIONS

"Program Income" is the gross income earned by the University that is directly generated by a supported activity or earned as a result of a sponsored award during the period of performance of the award.

PROCESS & PROCEDURES

Examples of Program Income

Program Income includes but is not limited to the following:

- Fees earned from services performed under the project such as assays, lab tests or analyses;
- Funds generated from the sale of research materials including tissue cultures, cell lines and research animals;
- Conference fees when a grant funds a conference;
- The use or rental of real or personal property acquired under Federal awards;
- Sale, rental or use fees such as those paid to core lab and other facilities for computing or equipment use;
- Principal and interest on loans made with Federal award funds;

- Funds generated from the sale of software or publications
- License fees and royalties on patents and copyrights;
    - While considered program income, the University is exempt from sponsor reporting requirements, however it must still be accounted for separately by the University during the term of the award.

Program income does not include:
- Interest earned on advances of Federal funds;
- Rebates, credits, discounts, and interest earned on any of them, Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award; or
- Proceeds from the sale of real property, equipment, or supplies;[i]

Uses of Program Income

Program income must be used in accordance with one of the four prescribed alternatives described below. If the awarding agency does not specify in its regulations or terms and conditions of the award, or give prior approval for how program income is to be used, the additive method must be used.

1) Additive alternative – Program income is used to increase the available budget. The program income must be used for purposes under the conditions of the award. In accordance with Uniform Guidance 200.407 Prior sponsor approval must be sought prior to expending.
2) Deductive alternative – Program income is used to offset costs on the project.
3) Cost sharing or matching alternative – Program income is used to offset cost sharing or matching commitments.
4) Add/Deduct (Combination) alternative – The first $25,000 of earned program income are used under the additive alternative, and any program income in excess of the first $25,000 are used under the deductive alternative.

Examples: A sponsor awards $100,000 for a project. The project generates program income of $30,000. How will the $30,000 be treated under each of the 4 methods?

1) Additive alternative – The $30,000 is added to the award amount, so now the award is $130,000.
2) Deductive alternative – The $30,000 is subtracted from the award amount, so the sponsor will only fund $70,000 for the award ($100,000 - $30,000 = $70,000) and the $30,000 will be used for project costs.
3) Cost sharing or matching alternative – The $30,000 is used towards the cost sharing requirement.
4) Add/Deduct (Combination) alternative – The first $25,000 is used to increase the award amount to $125,000 and the remaining $5,000 will be deducted from the sponsor's payment.

After the award considerations

After the end of the period of performance; unless the awarding agency regulations or the terms and conditions provide otherwise, there are no Federal regulations concerning how program income may be spent. However, the awarding agency may negotiate agreements with the University regarding appropriate uses of income earned after the period of performance as part of the grant closeout process.

Other considerations

If authorized by Federal or other agency regulations or the award, costs incidental 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.

Non Federal Awards

Income generated through non-federal awards is treated in accordance with the terms set forth by the sponsor. If the sponsor is silent on this issue of program income, the income is not reportable and therefore not considered program income.

Fixed Price Contracts

Program income generated through fixed price contracts is managed in accordance with any specific sponsor rules as referenced in the contract agreement or other sponsor terms and conditions. If the sponsor is silent on this issue, the income is not reportable and therefore not considered program income.

Program Income Procedures

What should the PI and department do when Program Income is earned?

The PI should be cognizant if program income will be generated and should indicate this on the proposal and routing. As with everything else, it is better to address program income up front rather than have sponsors or auditors find issues after the fact. However, there are times where it is not readily apparent at the beginning of a project that program income will arise. Therefore, it is important that the PI and all involved in sponsored projects be aware of the program income policies and procedures. When program income is generated, the PI should:

- Request that a sponsored project (CFC) be established in PeopleSoft;
- Include all necessary routing materials; and
- Ensure that any payments considered program income are router Department of Sponsored Program Administration (DSPA) first.

All involved should be aware of the sponsor's policies involving program income, including how to treat the income generated. Program income will be deposited into a separate project ID from the prime grant and must be monitored to insure compliance. In all cases, program income must be used for allowable costs in accordance with the applicable cost principles and the terms and conditions of the award.

If program income is generated, Pre-Award will request an account number from Post-Award. This will allow for separate accounting of the program income from the sponsor's committed funds. Post-Award sets up program income projects with a "PI" behind the prime grant's project ID (i.e. NHLBI00076PI) so that it is easily identifiable. The fund will match the prime grant, and typically the department and program will match, too. However, program income projects will have a class of 64072.

Special Note:

When the Ryan White HIV/AIDS Program (RWHAP) is the Covered Entity, rebates earned form 340B Drug Pricing Program, are tracked and reported to HRSA as program income. Accordingly, prior approval to spend these funds, which are treated as Additive Alternate is required and funds must be spent in alignment with Ryan White program per HRSA Policy Notice 15-04 dated 11-17-15: Utilization and Reporting of Pharmaceutical Rebates

REFERENCES & SUPPORTING DOCUMENTS
Uniform Guidance: Subpart D—Post Federal Award Equipment, and 200.314 Supplies, or as specifically identified in the Federal statutes, regulations, or the terms and conditions of the award.

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RELATED POLICIES
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APPROVED BY:
President, Augusta University and CEO, AU Health System   Date: 06/09/2017