



Policy: Program Income on Sponsored Programs	Policy No: S3.5
Policy Developer(s): Office of Sponsored Research	Original Date: May 18, 2018
Last Review Date:	Approval Date: October 17, 2019

- I. **POLICY:** All [program income](#) on sponsored programs must be appropriately identified, documented, expended and reported according to the terms and conditions of the sponsored program and to comply with best practices and applicable laws and regulations including [45 CFR 75 Uniform Administrative Requirements, Cost Principles and Audit Requirements for HHS Awards](#) and [2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) and requirements of other sponsoring agencies, as applicable.
- II. **PURPOSE:** This policy is to provide guidance for the identifying, documenting, expending and reporting of [program income](#) on sponsored programs.
- III. **SCOPE:** This policy applies to all John Carroll University faculty and staff involved in the fiscal operations and administration of sponsored programs with [program income](#).
- IV. **PROCEDURES:** [Program Income](#) must be identified, documented, and reported to the sponsor when earned, according to the terms and conditions of the sponsored project. If authorized by Federal regulations or the Federal 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 Federal award.

The uses of program income associated with a Federal award are specified in [45 CFR 75.307](#) and [2 CFR 200.307](#) as follows:

(e) *Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

(1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must

S3.5 Program Income on Sponsored Programs

be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

(2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.

(3) *Cost sharing or matching.* With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.

In some cases the awarding agency may use a combination of methods. The principal investigator is responsible for working with the Office of Sponsored Research (OSR) and the Business Office when Program Income is earned in order to properly record, expend and report the income to the funding agency.

For grants with multiple non-competing segments, departments should work with the fiscal officer to detail the earned and expended Program Income for the non-competing continuation request.

If Program Income is anticipated at the time of proposal submission, this information must be included in the proposal submission. Any questions regarding this process should be directed to OSR.

When Program Income is not anticipated during the proposal preparation process and arises out of opportunities that occur during the life of the award, the principal investigator is responsible for notifying OSR and the fiscal officer.

Per [OMB 2 CFR part 200.305](#), when Program Income is earned in association with a Federal award, all available Program Income funds are to be expended to support project expenses prior to drawing Federal award funds.

Even in cases when the Program Income will be added to the Federal award to increase the total project budget, received Program Income funds must be expended prior to drawing Federal award funds.

Most agencies identify the method for accounting for Program Income in the award notice or have default rules for accounting for Program Income. Regulations of the awarding agency or the terms and conditions of the award should be reviewed for any specific language regarding Program Income for the project. Unless otherwise required by the awarding agency, recipients shall have no obligation to report Program Income earned after the end of the project period.

S3.5 Program Income on Sponsored Programs

Awards under NIH Expanded Authorities are given the following additional requirements:

- Treatment of program income will be stated in the NIH Notice of Grant Award.
- Program income is to be reported annually on the Federal Financial Status Report (SF-425).
- For awards under the Simplified Non-competing Application Process (SNAP), the amount of program income earned must be reported in the non-competing continuation progress report. The Federal Financial Report for the competing segment must include the aggregate amounts earned and spent.

A. Sanctions: Failure to adhere to the principles and processes in this policy may result in the requirement to use non-sponsored program funds to cover program income obligations, and other appropriate actions.

V. DEFINITIONS:

A. Program Income: Defined in [Federal OMB 2 CFR part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) as gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in [2 CFR part 200.307](#) paragraph (f). (200.307 paragraph (f) stipulates the conditions under which the Federal awarding agency may specify the uses of program income after the end of the period of performance.)

Program Income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them.

Unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise, the non-Federal entity has no obligation to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements” is applicable. (2CFR part 200.307 paragraph (g))

VI. CROSS REFERENCES:

- A. [University Policies](#)**, including but not limited to
1. Sponsored Research Policies
 2. Bank Account Reconciliation
- B. Federal Regulations, Statement, and Mandates**
1. [45 CFR 75.307](#)
 2. [2 CFR 200.307](#)
 3. [HHS Grants Policy Statement](#)

S3.5 Program Income on Sponsored Programs

4. [HRSA Legislative Mandates in Grants Management for FY 2018](#)
5. [NIH Grants Policy Statement](#)
6. [NSF Proposal and Award Policies and Procedures Guide](#)

This policy will next be reviewed five years from the date of last review.