GUIDELINES ON PROGRAM INCOME

Purpose

This document establishes guidelines for identifying, managing, and reporting on program income generated from sponsored projects. Such income, as defined below, needs to be identified and tracked in accordance with federal and other sponsor requirements.

In particular, these guidelines promote DePaul's compliance with the federal requirements concerning program income included in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200.307).* These guidelines also promote effective stewardship of program income generated from non-federal grant awards.

Definition and Examples of Program Income

Program income is income that is directly generated by a sponsored project or earned as a result of the award during the project's period of performance.

The "period of performance" is the timeframe the sponsor establishes for project activity, typically defined by start and end dates included in the grant award or agreement. Unless agency regulations or award terms and conditions specify otherwise, there is no obligation to the sponsor for income earned after the end of the project period.

Examples of program income include, but are not limited to:

- Fees earned from services performed under the award, such as those resulting from laboratory testing.
- Rental or usage fees, such as those earned from fees charged for use of computer or laboratory equipment purchased with grant funds.
- Proceeds from the sale of commodities, items, or research materials fabricated with project funds.
- Proceeds from the sale of software, tapes, or publications created with the support of project funds.
- Admission fees to activities sponsored by a grant award.
- Registration fees charged to participants for a workshop or conference sponsored by a grant award.

Unless otherwise indicated by the sponsor, program income does not include:

- Proceeds from the sale of real property, equipment, or supplies purchased with grant funds.
- Income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions developed with the support of a grant award.

Income from these sources is governed by other federal regulations which may apply, depending upon the sponsor.

Options for Making Use of Program Income

In keeping with federal regulations and the principles of good stewardship, program income should be used to further the objectives of the sponsored project that generated it.

Expenditures of program income should conform to the same standards regarding allowability, allocability, and reasonableness established by the sponsor for the expenditure of grant funds. Within these parameters, there are generally three options for making use of program income:

Addition
Program income funds are added to the funds committed to the project by the sponsor, thus increasing the amount available to accomplish the project objectives. Under this option, the project budget increases.

> Example: The initial project budget was $100,000. $10,000 of program income is generated. The total project cost may now be $110,000.

Deduction
The program income is deducted from the total amount committed to the project by the sponsor and is used to cover current costs of the project. Under this option, the total funds available to the project remain the same while the sponsor's obligation decreases accordingly.

> Example: The initial project budget was $100,000. $10,000 of program income is earned. The adjusted project budget amount from the sponsor is reduced to $90,000 after gross program income is taken into account. Total project costs remain at $100,000.

Cost Sharing or Matching
The program income is used to meet (in full or in part) the cost sharing or matching requirements of the project.

> Example – The initial project budget was $100,000 with cost sharing committed at $20,000. $10,000 of program income is generated. The expenditure of the program income may be used to account for $10,000 of the committed cost sharing.

The options available may be determined by agency regulations or the terms of the grant award. The addition option is available for federal awards to universities if the agency does not specify in its regulations or award terms and conditions how program income is to be used (see 2 CFR 200.307). Prior approval of the awarding agency is needed to use program income to meet cost sharing or matching requirements on a federal grant award. At the point where program income is anticipated, the Office of Research Services and Restricted Accounting will assist the Principle Investigator in defining the options available.

Accounting Procedures for Program Income

The Principle Investigator should contact the Office of Research Services whenever program income is anticipated so that planning can begin in consultation with Restricted Accounting for the appropriate management and reporting of it. In doing so, the PI should identify the sponsored project affected, supplying the Project ID if already established; describe the nature of the program income (e.g., registration fee); and indicate the total anticipated amount and the method of collection. As part of this process, any prior approval needed can be obtained from the sponsor, and the options available for the use of the program income can be identified.

As the program income is earned, the following accounting procedures will be used, depending upon the options available:

Addition

- The PI or budget manager promptly deposits all program income received to the grant chartfields using the "other revenue" (400980) account number and notifies Restricted Accounting.
- Restricted Accounting reports the revenue to the sponsor when required, and offsets draw requests by program income received at the time of the request.
- After all program income is collected, or periodically while it is being collected, the Office of Research Services initiates a budget change, in consultation with the Principal Investigator, to increase the expenditure budget of the grant by the amount of program income collected. The increase to all grant expenses, including F&A, will equal the program income generated by the sponsor project.
- If the sponsor has specified an amount of program income that may be accounted for using the addition option, any program income above the specified amount will be accounted for using the deduction option.

Deduction

- The PI or budget manager promptly deposits all program income received to the grant chartfields using the "other revenue" (400980) account number and notifies Restricted Accounting.
- Restricted Accounting reports the revenue to the sponsor when required, and offsets draw requests by program income received at the time of the request.
- In contrast to the procedures for the addition option described above, no budget change is initiated. Instead, the sponsor's obligation is reduced in proportion to the program income received, keeping the overall project budget the same.

Cost Sharing or Matching

- A second grant account (cost sharing account) is established using fund 501 to manage the program income.
- The PI or budget manager promptly deposits all program income received to the cost sharing account chartfields using the "other revenue" (400980) account number and notifies Restricted Accounting.
- After all program income is collected, or periodically while it is being collected, the Office of Research Services initiates budget increases to the cost share account in consultation with the Principal Investigator.
- Restricted Accounting reports the program income expended from the cost share account to the sponsor as cost sharing. (Unspent program income cannot be counted as cost sharing.)
- If the sponsor has specified an amount of program income that may be accounted for as cost sharing or matching, any program income above the specified amount will be accounted for using the deduction option.

As a general rule, program income should be spent in advance of sponsor funds to help ensure that it is used in support of the sponsored project that generated it. Any resulting surplus of sponsor funds that remain upon the completion of the project will be addressed using DePaul's guidelines and procedures for the disposition of residual balances.