



## Department Administrative Policy and Procedures

**Subject:** Program Income for Sponsored Programs

**Effective Date:** July 1, 2019

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### I. PURPOSE

The purpose of this policy is to set forth the circumstances for identifying and tracking program income in accordance with Federal and other sponsor requirements.

This policy is applicable to all schools, departments, units, and personnel of the University involved in administering sponsored awards.

### II. POLICY

Sponsored projects funded by grants and receiving program income during the project period must account for such income in a manner that will permit its identification and treatment consistent with the requirements of the federal sponsor. Program income from federal contracts will be accounted for according to the terms of the contract.

Program income is the gross income earned that is directly generated by a grant or contract and is earned as a result of the funded grant or contract during the period of performance. (see OMB Uniform Guidance 200.307).

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.

Proposals for projects must indicate whether or not program income is anticipated during the project period. In addition, funded projects that anticipate receiving program income must indicate this expectation when the sponsored project is established.

For Federal awards, program income should be handled in one of three ways:

- **Additional Cost Alternative** – Program income is added to funds committed to the project by the Federal awarding sponsor and used to further eligible project or program objectives.

- **Matching Alternative** – Program income is used to pay for allowable matching or cost sharing expenses, if matching or cost sharing is a feature of the project budget. Program income is used for costs during the project period unless the sponsor authorizes deferral to a later period.
- **Deduction Alternative** – Program income is deducted from the total project cost in determining the net allowable costs on which the Federal share of costs is based.

**Use of program income** – For Federal awards 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 then the additional cost alternative will apply. The Federal awarding agency may distinguish between income earned by UW and income earned by subrecipients and between the sources, kinds, or amounts of income and apply different alternatives as described above. When the Federal awarding agency authorizes the additional cost alternative or matching alternative program, income in excess of any amounts specified must also be deducted from expenditures. (OMB Uniform Guidance 200.307).

If authorized by the Federal awarding sponsor 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.

Unless Federal awarding sponsor regulations or terms and conditions of the award provide otherwise, UW shall have no obligation to the Federal Government regarding program income earned after the end of the project period.

For non-Federal awards, stipulations around program income should be addressed in the sponsor’s terms and conditions or by contacting the sponsor through the Office of Research and Economic Development, Research Services.

Proceeds from the sale of property shall be handled in accordance with the requirements of the Property Standards available at OMB Uniform Guidance 200.310-316.

### **III. PROCEDURES FOR IMPLEMENTATION**

- The PI’s and Department Administrator (DA) will determine which activities on the award may generate program income. The Office of Research and Economic Development, Research Services should be consulted when determining the inclusion of program income in the proposal.
- The department/unit will notify OSP of the revenue and expenditures associated with the activity that generated program income.
- The revenue and expense associated with program income must be identified and tracked in a separate account. OSP will establish this account.

- If required by the sponsor, prior to using surplus funds, the PI and/or DA should confer with OSP. OSP will then obtain permission from the funding sponsor.
- OSP will ensure that all necessary steps have been followed when preparing the financial status report and closing out the award.

#### **IV. ROLES AND RESPONSIBILITIES**

##### **Principal Investigators**

- Identify any program income requirements or opportunities within the proposal
- Collect and account for program income generated from an award
- Spend program income in compliance with award terms and conditions
- Respond to any audit requests regarding program income

##### **Department Chairs/Center Directors**

- Provide oversight to PI and department/center administrators to ensure compliance with this policy

##### **Departmental/Center Administrators**

- Assist the PI with collection and accounting for program income generated from an award
- Assist the PI with spending program income in compliance with award terms and conditions
- Maintain supporting documentation for charging decisions
- Respond to any audit requests regarding program income

##### **Office of Research and Economic Development, Research Services**

- Provide guidance for proposal budgets and budget justifications for program income consistent with OMB Uniform Guidance and the applicable funding opportunity
- Inform the PI of any needed changes to proposal budgets

## **Vice President of Finance and Administration, Office of Sponsored Programs**

- Develop appropriate internal controls for the treatment of program income
- Create projects for the accounting of program income and any associated expenses
- Report program income and any associated expenses per sponsor guidelines
- Manage audits of sponsored award expenses

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**Responsible Division/Unit:** Administration / Office of Research and Economic Development,  
Office of Sponsored Programs

**Links:**

OMB Uniform Guidance

<https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=be741dc530e207bb09e8f15f250df806&mc=true&n=pt2.1.200&r=PART&ty=HTML>

**Associated Regulations, Policies, and Forms:**

**Approved:**