

JACKSONVILLE STATE UNIVERSITY
Manual of Policies and Procedures

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REVIEW/REVISION DATES: Oct. 2020, June 2026

SUBJECT: Program Income from Federal Awards

APPROVED: Dr. Don C. Killingsworth, Jr., President

PURPOSE

Affirming the commitment of Jacksonville State University (JSU) to appropriate identification, documentation and expenditure of program income from federal awards, this policy provides guidance for all Principal Investigators (PIs)/Project Directors (PDs) and administrators at JSU within all schools, units, divisions, University-wide initiatives, labs, and centers who are involved with the administration and conduct of federally sponsored awards. [2 CFR 200.1](#) defines program income as gross income earned by the recipient or subrecipient that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Treatment of program income is further governed by 2 CFR 200.307(c)-(f). 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, royalties on patents and copyrights, and principal and interest on loans made with Federal award funds.

OVERVIEW

Program income is only subject to federal requirements when earned during the period of performance as defined in 2 CFR 200.1. Program income earned outside the period of performance is generally not subject to federal requirements unless the awarding agency specifies otherwise. Examples of program income include the following when the source of funding is a sponsored award or when the revenue is directly generated by a sponsored activity:

- Fees earned from services performed under the project, such as laboratory tests.
- Income generated from sales of commodities and research materials, such as tissue cultures, cell lines, and research animals.
- Registration fees from participants attending conferences or workshops.
- Income from sales of educational materials.

- Sale, rental, or usage fees, such as fees charged for the use of computing or laboratory equipment.
- Income generated from the sale of software, digital media, or publications.

Note: Royalties and license fees from patents, copyrights, and inventions are excluded from program income unless the federal awarding agency specifies otherwise in the terms and conditions of the award as noted in 2 CFR 200.307(f). In the event of such income, the PI/PD should consult with the Grant Accountant (GA) for a determination of the status of such funds.

In an effort to ensure compliance with federal regulations, PIs/PDs and departments must identify program income on federal sponsored awards. Such income will be administered by the University to further ensure compliance with federal regulations.

POLICY

Program income revenue may be accounted for in one of the following four ways, depending on sponsored award terms and conditions. Regardless of the accounting method used, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the sponsored award per 2 CFR § 200.403. The PI/PD, after reading the terms and conditions of the grant, in consultation with the Program Office and conjunction with the Grant Accountant (GA), will implement the proper accounting method. (Note: For Institutions of Higher Education (IHEs) and nonprofit research institutions, the additive method is the most commonly used method by federal sponsors for utilizing the program income generated from federal grants).

Additive Method

Program income funds are added to the sponsored award commitment and used to further eligible project or program objectives. Funds may be retained and used to further eligible project or program objectives during the term of the award. For IHEs, the additive method is the default unless the federal awarding agency regulations or the terms and conditions specify otherwise (see 2 CFR 200.307(e)(2)).

Deductive Method

Program income funds are deducted, or off-set, from the total award's allowable costs to determine the net allowable costs on which the sponsor's share of costs is based.

Program income must be used for current costs unless the federal awarding agency authorizes otherwise. Unanticipated program income must be used to reduce the federal share of the award and may not be used to increase the total funds available for the project unless expressly authorized by the federal awarding agency (see 2 CFR 200.307(e)(1)).

PIs/PDs should keep this in mind when disbursing funds throughout the award period. If unused funds remain in the program income account when final reporting is submitted for the grant, these funds may be used to reduce the federal share of project costs.

Matching Method

Use of program income as cost sharing requires prior written approval from the federal awarding agency (see 2 CFR 200.307(e)(3), 2 CFR 200.306(b)).

Add/Deduct Method

A portion of program income is added to the funds committed to the project as specified by the awarding agency; any remaining program income funds are deducted from the total funds available for the project. This method may be used only when expressly required or authorized by the federal awarding agency. The federal awarding agency must specify the proportion of program income to be added versus deducted (see 2 CFR 200.307(e)(4)).

Responsibilities for management of program income on sponsored awards are shared among the following:

PI/PD & Departments

- Identify sources of potential program income at the proposal stage and during the award.
- Submit a request to the Controller's Office to establish a program income fund upon receipt of award or during the award when program income is identified.
- Deposit the program income to the designated program income fund.

- Post the appropriate expenses related to the generation of the program to the designated program income fund.
- In partnership with the GA, ensure program income related expenses comply with the allowability of costs in accordance with the sponsored award and federal regulations in accordance with 2 CFR 200 Subpart E.
- Understand and comply with sponsor-approved program income accounting method
- Verify and confirm the total program income earned and the amount expended to be included in the financial report prepared by the GA.

Office for Sponsored Programs (OSP) and Grant Accountant (GA)

- Review proposal for potential program income and determine whether it is appropriate to include or exclude program income in the proposal submission.
- Discuss with PI/PD and department/local level managing units potential shortfall of funding if the program income is identified in the proposal as a source of cost sharing commitment for the project.
- Negotiate program income terms in sponsored awards and understand the sponsor approved program income accounting method.
- Review and determine the program income sponsor reporting requirements.
- Coordinate with the PI/PD and departments to confirm the allowable program income amount to be reported to the sponsor.
- Reconcile program income account for award closeout.
- Return unspent program income balance to the sponsor according to the sponsored award terms and conditions.

PROCEDURES

The following procedures outline the process for managing program income on sponsored awards.

Proposal Process

The PI/PD and department/local level managing units should review the proposal to identify sources of actual or potential program income from the project. If program income is identified, the PI/PD must notify the OSP and GA.

If there is program income that will fund a portion of the project as committed cost sharing, the PI/PD must consult with OSP or GA to determine an alternative funding source to cover any potential shortfall in program income revenue.

See [II.05.01-Grant/Sponsored Program Approval](#) for more information.

Award Initiation

Upon award acceptance, the PI/PD and department/local level managing unit should submit a request to OSP/GA to establish a program income account for tracking the program income generated during the project period if program income was included in the proposal budget/narrative. If program income is identified after the award is initiated, a request for setting up a program income account should be submitted to OSP/GA as soon as the actual or potential program income revenue is identified.

The following information should be included in the request:

- Description of the activity and relationship to the sponsored award.
- Approximate annual level of income for each award budget period.
- A proposed fee schedule for the services to be performed, or cost of commodities to be sold, together with a breakdown of the major fee or cost components.
- Assurance that the service or commodity is not being provided to non-JSU customers at a price that lower than that charged to outside vendors for the same goods or services.
- Budget estimate for utilizing the program income.
- Proposed beginning and end dates of the program income account, which must fall within the sponsored award period of performance.

Upon receipt and approval of the request, OSP/GA will contact the Controller's Office to establish a program income fund under the award segment (using the same fund value and activity value as the main account).

Generally, a single program income fund will be used over the entire period of the award.

Program Income and Associated Expenses Coding/Recording

The department/local level managing units are responsible for depositing and posting award generated revenue to the designated income fund. Program income should only be posted to the designated income fund and should not be posted as an expense credit.

In addition, the department/local level managing units are responsible for posting any expenses associated with the generation of the gross program income to the designated program income fund using appropriate expenses object codes as used for other expenses on the project.

Examples of expenses include supplies and travel expenses for hosting a conference or labor and materials costs for the distribution of the goods or services being sold. Program income expenses are not subject to indirect costs.

Use of Program Income

Program income funds should be used to cover project expenditures according to the program income treatment required by the award. If a portion of the income is the result of activities that are not directly related to the sponsored award, it is necessary to prorate the program income to determine the proportion attributable to the sponsored award. The program income funds should be expended prior to sponsored program funds during the sponsored award period of performance unless the terms and conditions of the award specify otherwise (see 2 CFR 200.307(e)).

Additionally, PIs/PDs and departments must coordinate with OSP/GA in order to understand and comply with the sponsored award terms and conditions regarding allowability of costs (as required in 2 CFR 200 Subpart E) and the required sponsor-approved program income accounting method.

Sponsor Reporting

As required in the sponsored award, program income is reported to the sponsor annually and/or at the end of the award via a standard financial report (e.g., federal financial report) or a separate program income report (e.g., NSF annual consolidated program income report). Prior to the financial reporting due date, the GA will coordinate with the department/local level managing unit and PI/PD to verify the total program income amount to be reported according to the sponsor-required program income accounting method.

Federal regulations define program income as “gross income” which must be reported as gross income in the financial reports, except when the awarding agency authorizes reporting of net program income under the deductive method. Some federal agencies may allow costs associated with the generation of the gross amount of program income that is not charged to the grant to be deducted from the gross income earned. Net program income may only be reported when the awarding agency authorizes it and only when the costs of generating the income were not charged to the federal award (see 2 CFR 200.307(b), 2 CFR 200.307(e)(1)).

Award Closeout

All program income earned during the period of performance must be reported in the final Federal Financial Report (see 2 CFR 200.344(a), 2 CFR 200.307(f)). Unless specified otherwise in the award, federal regulations require JSU to expend program income funds before spending award funds. Program income earned during the period of performance must be used for allowable project costs prior to closeout (see 2 CFR 200.307(f), 2 CFR 200.344(a)). For federal awards, funds remaining in the project or program income fund after the project has terminated will be returned to the sponsor. If the funds are needed to further project or program objectives after the expiration of the award, a no-cost extension should be requested to the sponsor.

Program Income Account Reconciliation and Closeout

When an award is expired, as the final financial report is being prepared, the GA will reconcile the program income fund and allocate the program income balance to the main account and other accounts to cover project expenses depending on the required accounting method.

Program Income Generated *After* Award Expiration

Program income earned after the period of performance is generally not subject to federal requirements unless the awarding agency specifies otherwise.

See [I.01.24-Grant Closeout Policy](#) for more information.

References

[2 CFR 200](#)

RESPONSIBILITY

The Senior Vice President for Finance and Administration and CFO is responsible for this policy.

EVALUATION

This policy will be reviewed every five (5) years by the University Controller.