

Policy 1308 Program Income Associated with Sponsored Projects

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Scope

This document sets forth requirements for identifying, treating, recording, and reporting program income. It applies to all University departments and offices that are involved in the conduct of sponsored projects.

Policy Statement

Yale University is responsible for the programmatic and financial monitoring of program income. The terms governing program income are generally documented in the notice of grant award or contract.

Reason for the Policy

The purpose of this policy is to ensure the University's compliance with the terms and conditions of an award as it relates to the treatment of program income.

Definitions

Program Income

Program Income is the gross income directly generated by a supported activity or earned as a result of the award and earned by the recipient during the period of a sponsored award.

Personal Property

Personal property is defined as property of any kind except real property. It may be tangible, having physical existence, or intangible, having no physical existence, such as copyrights, patents, or securities.

Real Property

Real property is considered land, including land improvements, structures and appurtenances thereto, but excludes movable machinery and equipment.

Recipient

An organization receiving an award directly from awarding agencies to carry out a project or program is defined as a recipient.

Policy Sections

1308.1 Overview

Program income includes:

- income from fees for services performed such as laboratory tests;
- money generated from the use, sale, or rental of real or personal property purchased with project funds;
- proceeds from the sale of supplies or equipment purchased or fabricated with project funds;
- proceeds from the sale of software, tapes, or publications;
- income from the sale of research materials such as animal models;
- fees from participants at conferences or symposia;
- sales of products with an accompanying material transfer agreement.

Program income does not include:

- patient care credits;
- interest earned on advances of federal funds;
- receipt of principal on loans, credits, discounts, etc. or interest earned on them;
- taxes, special assessments, levies, and fines raised by government recipients.

Unless awarding agency regulations or the terms and conditions of the award provide otherwise, program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions is under no obligation to the federal government.

1308.2 Treatment of Program Income for Grants and Contracts

The treatment of program income on federal grants is stipulated by the administrative requirements of the awarding agency. Similarly, non-federal sponsors may have terms and conditions that govern the treatment of program income.

Treatment of program income earned under contracts will be handled on a case by case basis under the terms and conditions of a particular contract.

Program income earned during a project period shall be retained by the University and will be treated using one of three methods, depending on policy, sponsor type, and/or terms and conditions of award:

- **Additive:** Program income funds are added to committed funds of the project by the awarding agency and recipient, thus increasing the amount available to accomplish program objectives (increase in available budget).
- **Matching:** Program income is used to finance the non-federal share of the project (offset to cost sharing or matching). Program income is used for costs during the project period unless the sponsor authorizes deferral to a later period.
- **Deductive:** Total funds available to the project remain the same and the funds generated through program income are deducted from the financial commitment of the sponsor (offset to sponsor's funding).

For research awards, the Additive method should be applied, unless the awarding agency indicates otherwise or the recipient is subject to special award conditions.

For non-research projects and programs, the Deductive method should be applied to program income unless the terms and conditions of the award state otherwise.

Although these default treatments apply, the institution may request permission from the sponsor to treat program income by applying a completely different alternative.

Examples of how the National Institutes of Health (NIH) and National Science Foundation (NSF) specifically treat program income are outlined below:

Sponsor	How Program Income is Treated
NIH	<p>Expanded Authorities – Under expanded authorities, the institution may use the Additive alternative for the use of general program income unless regulations or the Notice of Grant Award specify another alternative or a combination of alternatives.</p> <p>Non-Expanded Authorities under Research Grants – If not under expanded authorities, the first \$25,000 of program income is to be used in accordance with the Additive alternative and shall be reported on lines 10r and 10s of the Financial Status Report (FSR- Long Form). Amounts in excess of \$25,000 are to be used in accordance with the Deductive alternative, unless another alternative is specified on the notice of grant award, and shall be reported on lines 10c and 10q of the FSR (Long Form).</p>
NSF	<p>Standard Treatment – Unless otherwise specified in the grant, program income received or accruing to the grantee during the period of the grant is to be retained by the grantee, added to the funds committed to the project by NSF, and thus used to further project objectives. The grantee has no obligation to NSF with respect to:</p> <ol style="list-style-type: none"> 1) license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions; or 2) program income received beyond the period of the grant. <p>Special Treatment – In exceptional circumstances, the NSF Grants Officer, in collaboration with Program Officers and other appropriate NSF offices, may approve use of a special grant provision to restrict or eliminate a grantee’s control of income earned through NSF supported activities if it determines that this would best serve the purposes of a particular program or grant. The special provisions may require the federal share of program income be kept in a separate account, reported on and/or remitted for such periods as may be reasonable under the circumstances.</p>

1308.3 Program Income and Proposal Preparation

Consider whether any program income will be generated during the project period and complete the proposal based on funding agency guidelines.

1308.4 Program Income Pricing

Pricing of goods and services to generate program income should incorporate all associated labor and non-labor costs and include Facilities and Administrative costs (indirect costs). Federally sponsored awards must always be provided with the lowest fee available.

1308.5 Recording Program Income

Each sponsored project that generates program income must record the revenue as a contra-expense (credit) in the program income expenditure type 911601. Indirect costs and fringe benefits will be charged on expenses related to program income at the same rate and basis as the prime sponsored award.

1308.6 Receiving Program Income

When program income payments are received, they should be handled in accordance with the University [Policy](#) and [Procedure](#) on Depositing and Recording University Funds.

1308.7 Treatment of Excess Program Income

In the event the awarding agency authorizes the treatment of program income either using the Additive or Matching alternative method and there is excess program income over a stipulated limit, the overage will be treated using the Deductive alternative method.

1308.8 Program Income after Project End Date

All program income earned after the end date of a project period is under no obligation to the sponsor, unless the Federal awarding agency regulations or the terms and conditions of the award provide otherwise.

1308.9 Costs Incident to Program Income Generation

If authorized by awarding agency 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.

Expenditures posted against program income must be in compliance with terms and conditions of the designated parent grant.

1308.10 Reporting Program Income to Sponsors

Total program income received should be reported on the appropriate financial report form (e.g., SF269 or SF270).

Related Information

[OMB Circular A-110](#), Subpart C, Financial and Program Management, Section 24:

NIH Grants Policy Statement [Part II Subpart A](#)

NSF Grant Policy Manual [Section 750](#)

Contacts

Subject	Contact	Phone
Interpretation	Grant & Contract Administration	YSM: 785-4689 Central: 432-2460
	Grant and Contract Financial Administration	432-3060

Roles and Responsibilities

Principal Investigators

- identify sources of actual and potential program income at the proposal stage;
- complete required program income sections in grant proposal, as necessary;
- develop plan for using program income;
- discuss anticipated program income with the department administrator / business support center;

- verify program income on reports;
- address account balance issues at final project termination.

Department Administrator/Business Support Center

- assist Principal Investigator in calculating prices;
- bill for products or services which produce program income;
- reconcile revenue invoiced or submitted against financial reports;
- monitor levels of program income in account and any limits that are set by the sponsor;
- properly deposit income received in accordance with University's revenue policy;
- monitor expenditure levels in project to ensure that program income is spent first;
- verify program income receipt on financial report.

Grant and Contract Administration (Central Campus / School of Medicine)

- review proposal for anticipated program income;
- contact sponsor to discuss anticipated program income, if necessary;
- determine use of reportable program income;
- notify PI, Grant and Contract Financial Administration, and department of possible program income.

Grant and Contract Financial Administration

- verify that program income is recorded correctly;
- make decisions about how to handle situations when total program income offset is greater than total expenditures;
- determine whether program income is reportable or non-reportable;
- report program income to sponsor in financial reports;
- advise Principal Investigators, department administrators and business support centers on the proper pricing, accounting and tracking of program income;
- if necessary, assist departmental personnel in the collections of outstanding program income receivables.

Revision History

New revised Draft posted on 10/12/06 on the Draft site. Original Draft was posted on the Draft site on 7/14/06

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