



## Office of Sponsored Projects Policy on Program Income

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### 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/agency sponsor. Program income from projects supported by federal contracts will be accounted for according to the terms of the contract.

### Definitions

Program income is defined as gross income earned by a recipient from activities part or all of the cost of which is either borne as a direct cost towards meeting a cost sharing or matching requirement of a grant. (Uniform Guidance Part CFR Title 2, Chapter II, part 200.307)

Examples of program income include fees for services, usage or rental fees, proceeds from sale of tangible personal property (such as books, manuals, video materials, etc.) and patent or copyright royalties. Some sponsoring agencies allow grantees to exempt royalty income from treatment as program income. Program income can also be interest earned on pre-paid agreements provided by the sponsor.

Proposals for projects must indicate whether or not program income is anticipated during the project period. This indication must also be made on the internal transmittal form, either as a checklist item or under the remarks section. In addition, funded projects that anticipated receiving program related income must indicate this expectation when a restricted center is established.

There are three methods for treating program income, as described below. The method applicable for a given project will be either the method prescribed by the sponsor's grant policy, the terms of the grant, or if no specific guidance is provided by the award terms, the first alternative method below. The second or third alternative may be authorized by the sponsoring agency, either as stated in the grant or upon written request by Northern Arizona University (NAU).

## **Alternative Methods and Procedures**

### **Deduction Alternative** (offset to sponsor's costs)

**Requirements:** All program income will be used to reduce the amount of the federal award. For federal projects funded by letter of credit, the maximum amount of federal funds that will be requested is the total of the federal award less the program income deposited. For federal projects not funded through letter of credit, the amount of program income received will be deducted from the amount billed to the agency. Total program income received will be reported on the appropriate federal/agency financial report form.

### **Matching Alternative** (offset to cost sharing or matching)

**Requirements:** 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 for costs during the project period unless the sponsor authorizes deferral to a later period.

**Procedures:** All program income will be deposited to account 739135 in the unrestricted center funds used for cost sharing expenditures. Total program income received will be reports on the appropriate federal financial forms.

### **Additional Cost Alternative** (increase in the available budget)

**Requirement:** Program income is used for costs over and above the allowable costs of the project, over and above the costs supported by the sponsor. If these costs further the objectives of the statute under which the federal grant was made, the costs supported by the program income need not be specifically permissible as charges to federal grants.

**Procedures:** The sponsor will direct Procedures. A separate restricted People associated project will be established to account for program income and expenses. Indirect costs will not be applied to these expenditures. Once the project has ended and been financially closed, unspent income and any future income received will be deposited in an unrestricted funds and used in accordance with the institutional policy established in each school or center. The sponsor may elect to apply the deductive alternative to program income received in excess of a specified amount (see PHS default method below). In those cases, a combination a combination of both the additional costs and alternatives will be used.

Total program income received will be reported on the appropriate federal/agency financial forms.

Federal Program Income  
 Default Treatment When Earned During the Grant Period  
 (When No Method is Specified in Award Document)

<b>Federal Agency</b>	<b>Research (expanded authorities)</b>	<b>Research (other)</b>	<b>All Other</b>
PHS	Addition	<\$25,000 Addition >\$25,000 Deduction (applied on an exception basis)	Deduction (applied on an exception basis)
NSF	Addition	Addition	Addition
NASA	Addition	Addition	Addition
DOE	Refer to the grant	Refer to the grant	Refer to the grant
ED	Deduction	Deduction	Deduction
NEH	Refer to Article 28 of the NEH General Provisions	Refer to Article 28 of the NEH General Provisions	Refer to Article 28 of the NEH General Provisions
DOD: ONR AFOSR Army	Deduction	Deduction	Deduction

**NOTES:**

Approval may be requested from a sponsor to treat program income by applying a different alternative.

Contracts from federal agencies will define the treatment of program income in the contractual terms and conditions.

Income earned after the grant period is not subject to federal reporting requirements (except for NEH – see article 20 of the NEH General Grant Provisions) and should be expended in accordance with institutional policy.

If there are questions regarding this policy, please contact Kerri Byrd at 3 – 6466 or [kerri.byrd@nau.edu](mailto:kerri.byrd@nau.edu).