13.9 Program Income

Policy Statement
The University of Georgia requires Principal Investigators (PI) to identify and document program income on projects from both federal and non-federal sponsors. The nature of this income must be appropriately documented and the resulting revenue properly recorded. This income must be sent to the Post Award Accounting for deposit into the appropriate account. This policy and its procedures address the definition, management, reporting, and monitoring of program income, in accordance with federal and University requirements. Excluded from program income reporting requirements are:

- Revenue generated through programs funded by sources other than sponsored projects, royalty income resulting from copyrights unless addressed in the award terms, and royalties or license fees for unpatented, but potentially patentable discoveries that are disclosed to the Technology Commercialization Office.
- Income received on non-federal awards that are silent on program income.

Reason for policy
Sponsors provide funding to cover costs of conducting research, training, and public service-related activities. Program income may be generated as a result of these activities and in some cases must be reported to the sponsor. Federal sponsors have documented in OMB Uniform Guidance and the applicable Code of Federal Regulations (CFR) explicit processes to be used to identify, record, report, and monitor income that is generated during the project period. This policy was implemented to comply with sponsor and University policies and to ensure that program income is managed in a manner consistent with the University's overall missions and goals. To be consistent in managing program income, the University of Georgia extends the requirements to nonfederal sponsors.

Procedures
At Proposal for funding:

This procedure contains the appropriate steps to take in order to correctly identify and record program income in a proposal.

1. Identify revenue-generating activities

The Principal Investigator (PI) is responsible for identifying actual and potential program income at the proposal stage.

Even if the PI includes this income in the proposal budget calculations, it will be treated as program income and the Sponsored Programs Transmittal Form must be completed accordingly. For example, if conference fees are to be used to cover part of the cost of the project, this revenue is still program income. It may be appropriate to discuss first with the Office for Sponsored Programs (OSP) and, if necessary, the sponsor, whether funded activities might generate program income.

1. Answer 'yes' to question on Sponsored Program Transmittal Form regarding program income

If the PI believes that program income will be generated during the project, he or she must answer 'yes' to the related question on the Sponsored Programs Transmittal Form.
2. If required, complete program income statement to be included in proposal or include program income in the proposal budget

Some proposal applications provide a separate section for outlining anticipated program income. If this information is required, the PI must provide it. It may be appropriate to discuss first with Sponsored Programs personnel and, if necessary, OSP will contact the sponsor to determine whether funded activities might generate program income and whether it will be reportable.

3. Ensure that program income in proposal is correctly identified on the Sponsored Programs Transmittal Form

A. When department heads and deans review proposals developed in their units, they must ensure that any activity that could generate program income is correctly identified on the Sponsored Programs Transmittal Form.

B. When grant administrators in OSP review the budget section of the proposal, they will verify that anticipated program income has been correctly identified on the Sponsored Programs Transmittal Form. They will also review the proposal for inclusion of any required program income statements.

During the Project:

This procedure contains the appropriate steps to take in order to correctly identify, record, report, and monitor program income during the project period.

1. Identify potential program income and whether it is reportable to the sponsor

Any revenue that is associated with or generated by a sponsored project and does not come from the sponsor is potentially program income. The PI is responsible for contacting OSP in order to discuss potential and actual income-generating opportunities and how the revenue will be used.

OSP will also determine whether the program income will be reportable to the sponsor. Non-reportable program income is handled as Departmental Sales and Service activities.

2. Plan for using program income

Once the PI has set a price for the product or service that will generate the program income, he or she must contact Post Award Accounting to discuss the appropriate method of handling the revenue.

Post Award Accounting reviews sponsor policies to determine their requirements. It is important for PI's to know how program income will be used because additional award funds could result in work scope changes.

Reportable program income revenue can be handled in one of four ways, depending on sponsor policy:

A. Matching - income is used to finance the non-sponsor or non-federal share of the project.

B. Addition - income is added to the amount allowable for project costs.

C. Deduction - income is deducted from the amount reimbursed by the sponsor.

D. Add/Deduct - the addition method is used, up to an agency dollar limit. After that point, the deduction method is used.

How program income can be used:

Example: A sponsor awards $100,000 for a project. The project generates an income of $30,000.

- Matching: if the University were required to supply matching funds, e.g., $50,000, the University would now have to provide $20,000 because the $30,000 in program income is considered match.

- Addition: the total project cost would be $130,000.
Deduction: the sponsor will now only fund $70,000 of the project's costs.

Add/deduct: if the sponsor limit is $25,000, then $5,000 will be deducted from the sponsor's payment to reduce it to $95,000. The total amount available is $125,000.

Note: In most cases, program income is spent before funds awarded by the sponsor.

Which handling method is used for a particular project?

All sponsors:

The sponsor may address anticipated program income revenue as part of the award. For example, conference fee revenue might be included as part of the awarded budget. Even if the sponsor does not label this revenue as "program income," it is program income according to University and federal definitions of the term. If it is reportable, Post Award Accounting deposits this revenue into a program income account.

When multiple sponsored awards generate program income, the income and expenses will be prorated among the accounts based on the individual awards. When non-sponsored funds are used in connection with sponsored funds, program income will be distributed following the same method used to prorate it.

Federal sponsors:

Individual agency policies determine how the income will be handled. However, most federal agencies specify that:

- Research awards will use the addition method.
- Non-research awards will use the deduction method.

Non-federal sponsors:

In many cases, the sponsor does not have an established program income policy. If the sponsor is silent on this issue, the income is not reportable and is handled as a departmental sales or service activity.

3. Discuss anticipated program income with the department administrator

The PI must ensure that the department administrator knows that program income is expected on the project and the nature of that revenue. The PI also informs the department administrator regarding how program income is to be handled in the project budget.

4. Invoice for the product or service

When the program income is generated, the department administrator documents the activity that generated the income (e.g., excess material is sold) and instructs the buyer where to send the payment. The department is responsible for invoicing, tracking, and collecting payments related to program income account activities.

5. Receive program income

Customers should refer to the departmental invoice when they send program income checks, money orders, or bank drafts.

All customer payments are to be sent to the servicing department, matched up with a copy of the department-generated invoice and forwarded to Post Award Accounting with a completed deposit transmittal form for deposit. The deposit transmittal form must include the invoice number from the department's invoice, as well as any other relevant information in the comment section of the form.

In accordance with University policy, all checks should be made payable to the University of Georgia and deposited within 5 working days of their receipt.

If program income arrives at Post Award Accounting without reference to the invoice, Post Award Accounting will contact the department to identify the nature of the program income and the sponsored account from which the program income was generated.
6. First program income receipt only:

Post Award Accounting establishes the account as follows:

A. Set up restricted account, if necessary.
   - activate the same summary object codes that are set up in the main account.
   - deposit the program income received by the department.
   - establish budget after receipt of funds in the amount received.

B. Monitor receipt of revenue.

The department administrator monitors monthly account status reports to verify that program income revenue has been received and recorded.

C. Redistribute budget among object codes.

Post Award Accounting will budget program income following its receipt into the operating expense (71000) summary object code. Departments must submit budget amendments to redistribute the funds among existing objects or request object code additions, as needed.

7. Use program income

In general, sponsors require program income revenue to be used before sponsor funds. Department administrators must monitor expenses in the program income account to ensure that it is spent first. Program income must be spent following the terms and conditions of the sponsored award.

Program income must be utilized in a manner that is allocable, allowable, and reasonable to the project. Expenses that are unallowable on the main project account are also unallowable on the program income account.

F&A cost and fringe benefit rates will be charged on program income at the same rate as the primary sponsored project.

8. Verify and monitor program income on reports

Program income must be processed and monitored in accordance with the terms and conditions of each award. The principal investigator and/or department administrator uses the University's account status reports and accounting system to monitor receipt of program income.

The PI and the department are responsible for verifying program income on account status reports. If any discrepancies are discovered, contact Post Award Accounting for assistance.

9. Report program income, if required

OSP determines whether the program income must be reported to the sponsor by verification of the program income information on the Sponsored Programs Transmittal Form. If required, Post Award Accounting prepares these reports or includes the necessary information in the financial reports sent to the sponsor.

At Project termination:

According to federal regulations, project-related revenue that is earned on or before project termination is considered program income. If it is earned after project termination, it is a departmental sales and service activity.
In general, for cost reimbursement accounts, funds in the primary account will revert to the sponsor. In addition, if funds remain in the program income account or the primary project account upon final project termination the following applies:

Federal sponsors:

Federal regulations require the University to use program income funds before sponsor funds. If funds remain in the project or program income account after the project has terminated, balances will revert to sponsor. If the Principal Investigator (PI) wishes to retain these funds, he or she must write a letter to the sponsor requesting to use these funds, and outlining a plan for their use. This letter must be sent to the Office for Sponsored Programs for endorsement and forwarding to the sponsors.

Non-federal sponsors:

How leftover program income funds are to be handled depends on the sponsor and contract involved. In the absence of a non-federal sponsor's policy, program income is non-reportable. For further questions, call Post Award Accounting for assistance.

After Project termination:

If the PI expects to continue generating income after the project has terminated, income earned after the project period end date would be considered a departmental sales and service activity and captured in a departmental account.

The restricted program income account tied to the sponsoring restricted account will be closed at the same time as the restricted sponsored account.

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<th>Forms/Instructions</th>
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<td>OSP Transmittal Form <a href="https://www.ovpr.uga.edu/osp/transmittal/docs/OTF1-5.pdf">https://www.ovpr.uga.edu/osp/transmittal/docs/OTF1-5.pdf</a></td>
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<td>Gail Chester</td>
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**Phone Number:** 706-542-9230

Policy definitions

OMB Uniform Guidance, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations) establishes uniform regulations for each federal agency to follow regarding the administration of projects sponsored by the federal government. In addition, each federal agency has its own regulations that are listed in the CFR and explained in its policy handbook, if available.

Program Income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (OMB Uniform Guidance). Examples of program income include:

- income from fees for services performed, such as laboratory tests.
- money generated from the use, sale, or rental of equipment 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 (MTA).
- royalties from patents and copyrights (NOTE: Royalty income from copyrights, while defined as program income, is not reportable unless the terms and conditions of the award indicate otherwise. Royalties resulting from patents are program income but are reported following the University policy on Reporting Inventions.)

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.

Sponsored Project is an externally funded activity that is governed by specific terms and conditions. Sponsored projects must be separately budgeted and accounted for subject to terms of the sponsoring organization. Sponsored projects may include grants, contracts, and cooperative agreements for research, training, and other public service activities.

Responsibilities

Responsible University Senior Administrator: Vice President for Finance & Administration
Responsible University Administrator: Associate Vice President and Controller
Policy Owner: Post Award Accounting
Policy Contact: Gail Chester
Phone Number: 706-542-9230

Responsibilities:
Principal Investigator - Identify sources of actual and potential program income at the proposal stage and mark ‘yes’ to the program income question on the Sponsored Program Transmittal Form. Complete required program income sections in application. Determine whether it is reportable to the sponsor and seek advice, if necessary, from the Office for Sponsored Programs. Prepare plan for using program income. Discuss anticipated program income with the department administrator. Provide information regarding budget categories for program income account establishment. Verify program income on reports. At final project termination, address account balance issues.

Department Administrator - Invoice for product or service. For cash, deliver to Post Award Accounting for deposit. Verify program income receipt on financial reports. Redistribute program income revenue in spending categories. Monitor expenditure levels in project to ensure that program income is spent first. Provide administrative assistance to the Principal Investigator, including initiating collections actions for unpaid invoices. Verify program income reported on financial reports submitted by Post Award Accounting to the sponsor. At project termination, handle revenue earned after the grant period has ended as a departmental sales and service activity.

Office for Sponsored Programs - Review proposal and Transmittal Form for anticipated program income, and determine whether it is reportable or non-reportable.
Post Award Accounting - Set up appropriate restricted program income account. Monitor levels of program income in account and any limits that are set by the sponsor. Deposit program income checks and prepare necessary budget documents. Monitor spending to ensure program income is spent first. Report program income as required by sponsor.

Record Retention
This series provides a record of the establishment and administration of individually sponsored grant and contract restricted funds accounts, documents compliance with fiscal reporting requirements, and includes billing information for accounts receivable from sponsoring agencies and from departments for gift account fees. Grants may be federal, state, corporate, or private. This series may include but is not limited to: project summaries; grant authorizations; contract documents; project budget change and adjustment forms; invoices; receipts; cashier's receipts; equipment purchase orders; prior approval request forms; account request forms; vendor telephone contact logs;
subcontracts; sponsored programs post award accounting monthly budget summary statements; institution billings balance sheets; reports for sponsored programs post award accounting that are operating on direct payments; final financial reports; property reports; patent/invention reports; contractor's release report; assignment of refunds and rebates documents; equipment disposition reports; and related documentation and correspondence.

**Record Copy:** Institutional Archives; Post Award Accounting

**Retention:** Contracts, patents, and agreements for use of research outcomes: Permanent. All other accounting records: 7 years after final financial report is submitted and the account is closed, unless otherwise specified as longer by the terms of the contract

**Citation or Reference:** OMB Uniform Guidance; BOR Research Grant Records 0472-09-006

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**FAQs**

**What is “program income” and how is it accounted for on University records?**

Program income is any income resulting as a by-product of a sponsored project. An example might be a sponsored project funded to conduct a specific workshop. The sponsor could authorize the University to charge the participant a fee, which would be used to offset the total costs of the workshop. The sponsor should commit to covering any cost which exceeds the workshop fees (program income). When developing the project budget, that income would be estimated and considered when anticipating total expenditures. The program income account would be established along with the regular sponsored account by Post Award Accounting at the time of the award. All fee income would be deposited to the program income account and expended prior to the funds provided by the sponsor. The income and disbursements for the regular sponsored and program income accounts would be maintained separately.

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**Related information**

Departmental Sales and Service

Sales & Service Activity

[Research Participant Incentive Payments] | [Fixed Price Contracts - Residual Balance]

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**Policy Dates**

**Effective Date:**

Date Last Updated: 06/13/2017

Date of Last Review:

Date of Approval:

Previous Version of Policy: