

Program Income on Federally Sponsored Awards - Procedures

For the purposes of these procedures, program income is defined as gross income earned by a recipient from activities where part or all of the cost is either borne as a direct cost by an award or counted as a direct cost towards meeting a cost sharing or matching requirement of an award.

Examples of program income include fees for services, usage or rental fees, proceeds from sale of tangible personal property (such as books, manual, video materials, etc.), and patent or copyright royalties. Some sponsoring agencies allow grantees to exempt royalty income from treatment as program income.

Proposals for projects should indicate whether program income is anticipated during the project period. In addition, once an award is funded where it is anticipated that program related income will be received, the department must indicate this expectation when the award is established so a separate project can be setup to track the program income activity.

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, then the first alternative method listed below is used. The second or third alternative may be authorized by the sponsoring agency, either as stated in the grant or upon written request by Vanderbilt.

These procedures are complementary to the Program Income on Federally Sponsored Awards Policy and define the processes and procedures surrounding the proper steps to take when receiving program income on an active federal sponsored award to ensure that the University meets the requirements imposed by the sponsoring agencies.

Alternative Methods and Procedures

Deduction Alternative (offset to sponsor's costs)

Requirements: All program income will be deposited when received but the budget will not be increased. Consequently, for federal awards funded by the letter of credit, the maximum amount of federal funds that will be requested is the total of the federal award **less** the program income received. 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 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 award budget. Program income is used for costs during the award period unless the sponsor authorizes deferral to a later period.

Procedures: All program income will be deposited when received. Total program income received will be reported on the appropriate federal financial report forms.

Additional Cost Alternative (increase in the available budget)

Requirement: Program income is used for costs over and above the allowable costs of the award, over and above the costs supported by the sponsor. These costs should further the objectives of the statute under which the federal grant was made.

Procedures: Procedures will be directed by the sponsor. A separate 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 source and used in accordance with the institutional policy. The sponsor may elect to apply the deduction alternative to program income received in excess of a specified amount (e.g., see PHS default method below). In those cases, a combination of both the additional costs and alternatives will be used.

Total program income received may have to be reported on the appropriate federal financial report forms when submitted.

Default Treatment for Program Income

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

Federal Agency	Research (expanded authorities)	Research (other)	All Other
PHS	Addition	< \$25,000 - Addition > \$25,000 - Deduction	Deduction
NSF	-----Addition-----		
NASA	-----Addition-----		
DOE	-----Deduction-----		
ED	-----Deduction-----		
NEH	-----Refer to Article 20 of the NEH General Grant Provision-----		
DOD: ONR AFOSR ARMY	-----Deduction-----		

Key Terms

Program Income – refers to the gross income earned by a recipient from activities where part or all of the cost is either borne as a direct cost by an award or counted as a direct cost towards meeting a cost sharing or matching requirement of an award.

Related Policies/Documents

Federal Uniform Guidance – <https://www.ecfr.gov>

NIH Grants Policy Statement – <https://grants.nih.gov/policy/index.htm>

NSF Requirements – <https://www.nsf.gov/bfa/dias/policy/>