

# **UNIVERSITY OF CALIFORNIA, SAN FRANCISCO**

## **PROGRAM INCOME FAQs**

### **1. What is program income?**

Program income is revenue received and/or recharge credits realized by UCSF that are directly generated or earned as a result of a sponsored project. Examples of program income include, but are not limited to:

- Fees charged to register participants for a workshop or conference funded under a sponsored award;
- The sale of commodities or research materials such as tissue cultures, cell lines, blood samples, and/or research animals developed under a sponsored project;
- Services provided under an award such as selling the testing of a Program Project core laboratory to outside groups;
- Rental or usage fees such as those earned from fees charged for use of computer or laboratory equipment purchased with sponsored award funds;
- The sale of items fabricated under a sponsored project;
- The sale of software, tapes, brochures, or publications produced under a sponsored award;
- 3rd party reimbursement, such as insurance payments for professional services performed only for grant purposes. Note: insurance companies should only be billed for standard of care;
- Revenue captured for professional services related to the grant billing such as an Office/Lab coded as separate billing area for professional services provided under a grant;
- Revenue generated through federally sponsored clinical trials of vaccines, drugs, or devices;
- Revenue realized through the sale of products made under a service grant for vocational training.

### **2. To what funds does the Program Income Policy apply?**

Generally the Program Income Policy will apply to federal and federal flow through funds however, because program income must be correctly accounted for, used, and reported in accordance with not only federal regulations but also the terms and conditions of each sponsored agreement, there may be cases where a nonfederal award will require the same accounting treatment. Nonfederal awards will be handled on a case by case basis.

### **3. How does program income affect the project budget?**

Unless the sponsor specifically instructs differently, program income generated by research projects increases the project's budget (additive method) and program income generated by non-research projects lowers the portion of the budget funded by the sponsor (deductive method).

# **UNIVERSITY OF CALIFORNIA, SAN FRANCISCO**

## **PROGRAM INCOME FAQs**

4. **What happens when I have program income remaining at the end of the project's period of performance?**  
Program income must be expended before sponsor funds are expended therefore there should seldom, if ever, be remaining program income. If, for some reason, there are remaining program income funds they must be returned to the sponsor as unspent funds.
  
5. **How is program income accounted for in PeopleSoft?**  
A sponsored project program income account is established in the 67xxx fund range. All program income revenue and recharge credits are deposited (recorded) in this fund. The program income budget is appropriated equal to the program income revenue/recharge credits generated by the project. In non-research projects (deductive method) where the program income reduces the funding from the sponsor, the sponsored fund budget is reduced by the amount of program income.
  
6. **Who determines what requirements apply to the use of program income?**  
The sponsor and sponsored award determines the treatment of program income. The award may also incorporate project-specific or program-specific requirements, such as program regulations, that may address program income accountability. If the award does not specify the required treatment of program income, the additive alternative will be applied to research programs and the deductive alternative for non research programs. The award may also specify whether a grantee is accountable for program income earned after the end of grant support. If the award is silent on that point, the UCSF's accountability ends at the conclusion of the project period and associated final reporting.
  
7. **How does UCSF demonstrate that it has met program income accounting and use requirements?**  
UCSF (i.e. the PI) must maintain records that adequately identify program income and controls that ensure the timing of use and eligible uses comply with award terms and conditions. In most cases, UCSF must also report to the sponsor in its financial, cash management, and other reports when program income is earned and spent. If UCSF is accountable for program income earned after the end of the project period, the PI should consult with the sponsor on how to account for and report the program income unless it is specified in the award (e.g., income from patents and copyrights).
  
8. **Is the use of program income subject to audit?**  
Yes. Under **Office of Management and Budget Circular A-133, Section J.** or other HHS audit requirements, a grantee's use of program income will be

# **UNIVERSITY OF CALIFORNIA, SAN FRANCISCO**

## **PROGRAM INCOME FAQs**

reviewed for compliance with the terms and conditions of award, including allowability of costs, financial management, and reporting.

**9. How does UCSF report when it earns and spends program income?**

In general, program income is reported as earned and used on the SF-269, Financial Status Report Long Form (for NIH grants) for the applicable period. If the SF-272, Federal Cash Transactions Report, is used in lieu of the SF-269, program income would be reported on the SF-272 when spent. For other awards program income is reported on the sponsor financial report or equivalent. Reporting of program income resulting from patents and inventions is handled differently. (See FAQ # 12 below.)

**10. If I sell a piece of equipment or other property acquired with grant support, are monies received considered program income?**

Money that would be payable to the sponsor as compensation for its share in the original acquisition cost of the property is usually treated as an offset to expense on the sponsored project. Although, in these cases, the effect would be the same as the deductive alternative during or after the period of grant support.

**11. How important is it to accurately project anticipated program income in a grant application?**

It is very important, particularly in projects that generate (or have the potential to generate) significant amounts of program income. If income is to be used under either the deductive or matching alternatives, the sponsor will determine its funding based on these projections. Overfunding or underfunding a particular project can have an adverse impact on that project or on the program, in general, if later adjustments are necessary and amounts must be paid back or funds are not available or their use is otherwise restricted.

**12. If a particular program income alternative applies to a program or a class of awards, such as research, can a different alternative be applied to an individual award?**

Yes. The awarding office must always review the specific aspects of a given project and organization to determine the terms and conditions of that award. For example, if a grantee has been designated "high risk/special award conditions," an award may include program income provisions that differ from those that might otherwise apply.

**13. Are there limits on how program income can be used under the various alternatives?**

Under any of the program income alternatives, funds may be used only for eligible costs as specified in the governing statute, regulations, costs

# **UNIVERSITY OF CALIFORNIA, SAN FRANCISCO**

## **PROGRAM INCOME FAQs**

principles, notice of grant award, as well as University of California policies and procedures on direct costing (see University [Direct Costing Procedures, References, Introduction, A-47](#)). However, under the additive alternative, the awarding office may allow a grantee to use program income for eligible costs that might not be expressly allowable under the terms and conditions of the award. This is a case-by-case determination based on a grantee's documented request and review by the awarding office. An approval will indicate if there are conditions associated with the level, timing, or reporting of the expenditures.

**14. Do the cash management requirements of 45 CFR 74.22 (g) and 92.21 (f) apply equally to the three program income alternatives?**

Yes. Regardless of the applicable alternative, a grantee must use program income on hand to defray eligible program costs rather than drawing funds from the HHS payment system for those costs. This would be the case for matching or cost sharing met from program income sources although if the grantee were meeting a matching or cost sharing requirement from other sources, it would not be required to provide its matching or cost sharing prior to drawing HHS funds.

**15. Can you provide an example of how to prorate program income when more than one funding source is involved in generating the program income?**

For example, a sponsored fund provides \$90,000 support and additional support of \$10,000 is provided from a department budget (not the full department budget). In this case the sponsored fund would stand on its own however, a separate fund would be established to record the department contribution of \$10,000. The program income would then be prorated 90% sponsored and 10% department.

**16. What about income generated from license fees and royalties?**

The federal definition of program income includes income generated from license fees and royalties on patents and copyrights. Unless the terms of the sponsored project to UCSF specifically state that income generated from license fees and royalties on patents must be reported as program income, UCSF has no obligation to account for such income as program income.