

University of Maine System

ADMINISTRATIVE PRACTICE LETTER

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Effective 01/23/2008

SUBJECT: PROGRAM INCOME

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Purpose of Guidelines

The University of Maine System receives program income generated from sponsored projects funded by Federal and State agencies, private and non-profit foundations, organizations, and industries. These guidelines explain administrative requirements and financial procedures for maintaining compliance with government and other regulations regarding program income.

Policy

Program income related to projects financed in whole or in part with Federal funds shall be administered in accordance with standards set forth in the Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non Profit Organizations," SUBPART C - Post-Award Requirements, Financial and Program Management, Section .24 Program income; and, OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," Section .205 and Section .320.

Program income earned on non-Federal awards must be administered according to the terms and conditions of the award.

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Who is Responsible

Responsibility for following program income guidelines lies primarily with Project Investigators and Project Directors, their Department Chairs or other direct supervisors, and unit-level fiscal personnel with general guidance and oversight of the colleges, schools and divisions.

Applicable University Sponsored Programs Office or other designated personnel are responsible for providing general guidance and technical assistance.

The University of Maine System administration is responsible for providing guidance through administrative practice letters and coordinating compliance monitoring through periodic internal and external audits.

Failure to follow these guidelines may have serious consequences, including disallowed costs, which would require reimbursement to the sponsor from unrestricted departmental funds; increased Federal oversight, monitoring, and audits; and loss of future Federal funding.

Definitions and Terms

Program Income: Program income is gross income that is directly generated by a sponsored activity or earned as a result of a sponsored activity. Program income includes, but is not limited to:

- Fees paid by, or on behalf of, participants at a workshop or conference.
- Fees for services performed, such as laboratory tests.
- Fees for use or rental of real or personal property acquired under federally-funded projects.
- Income from the sale of commodities or items fabricated under an award.
- License fees and royalties on patents and copyrights. Note, however, OMB Circular A-110, Section .24 Program income, (h) states:

Unless Federal awarding agency regulations or the terms and condition of the award provide otherwise, recipients shall have no obligation to the Federal Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

- Interest on loans made with award funds.

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Treatment Methods:

OMB Circular A-110 Section .24 Program income indicates program income shall be retained by the University and, in accordance with Federal awarding agency regulations or terms and conditions of the award, be used in one or more of the ways described below:

1. Additive Method: Income is added to the funds committed by the sponsor (and by the University if committed cost sharing is involved), and is used to further eligible project activities or objectives.

Terms of Agreement:	
Sponsor Commitment	\$150,000
Committed Cost Sharing	10,000
Program Income (estimated)	<u>15,000</u>
	\$175,000

Available for Project Expenses:	
Amount Received from Sponsor	\$150,000
Committed Cost Sharing	10,000
Program Income (actual)	<u>13,000</u>
	\$173,000

Use the Additive Method for research awards, unless the awarding agency indicates in the terms and conditions, another alternative on the award, or the University is subject to special award conditions, as indicated in OMB Circular A-110 Section .14 Special award conditions.

When an awarding agency authorizes the use of the Additive Method, program income in excess of limits stipulated in the award shall be returned to the awarding agency per Section .24 (c).

2. Matching Method: Income is used to finance the costs of a project not borne by the sponsor. It is used to fulfill the University's committed cost sharing requirements.

Terms of Agreement:	
Sponsor Commitment:	\$150,000
Program Income (estimated)	15,000
Committed Cost Sharing (maximum)	<u>[15,000]</u>
	\$165,000

Available for Project Expenses:	
Amount Received from Sponsor	\$150,000
Program Income (actual)	13,000
Committed Cost Sharing	<u>2,000</u>
	\$165,000

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When an awarding agency authorizes the use of the Matching Method, program income in excess of limits stipulated in the award shall be returned to the awarding agency per Section .24 (c).

3. Deductive Method: Income is deducted from the amount of project costs to be reimbursed by the sponsor.

Terms of Agreement:	
Sponsor Commitment (maximum)	\$150,000
Program Income (estimated)	<u>[15,000]</u>
	\$150,000

Available for Project Expenses:	
Amount Received from Sponsor	\$137,000
Program Income (actual)	<u>13,000</u>
	\$150,000

Use the Deductive Method for non-research awards, if the awarding agency does not specify the program income treatment method in its regulations or in the terms and conditions of the award.

Combination of Above Methods: Federal regulations allow the University to use one "or more" of the three treatment methods. Following is an example of combining the Additive Method and the Deductive Method.

Combination Alternative Method: Income received up to a maximum amount specified by the sponsor (e.g. \$25,000) is added to the funds obligated by the sponsor and used to further eligible project activities or objectives (e.g. \$150,000), for a total of \$175,000. After the maximum is reached (e.g. \$175,000), the additional income (e.g. \$10,000 if actual income was \$35,000) is deducted from the amount obligated by the sponsor (\$150,000 less \$10,000) to determine the amount the sponsor will reimburse, \$140,000.

Terms of Agreement:	
Sponsor Maximum Commitment:	\$150,000
Program Income (estimated)	<u>25,000</u>
	\$175,000

Available for Project Expenses:	
Amount Received from Sponsor	\$140,000
(\$150,000 less \$10,000 over limit)	
Program Income (actual)	<u>35,000</u>
	\$175,000

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Responsibilities and Procedures

University of Maine System Administration:

- Provides an administrative practice letter with guidance on managing program income.
- Provides procedures for program income accounting.
- Provides guidance in handling income earned after the project is closed.

Office of Research, or other responsible department:

- Guides Principal Investigator or Project Manager regarding licensing agreements, marketing of inventions, and copyrights. Income earned from license fees and royalties on patents and copyrighted material is not considered program income for Federal awards unless agency regulations or the terms and conditions of the award provide otherwise.

Sponsored Programs Office, or other responsible department:

- Advises Principal Investigator or Project Manager on appropriate method(s) for proposing program income.
- Reviews the proposal for anticipated program income to ensure the budget correctly presents program income and sponsor application forms are completed accurately. Facilities and administrative (F&A) costs must be assessed against the program income direct expenses at the same rate as applied to the associated sponsor funds.
- Provides general coordination and guidance, in conjunction with the System Accounting Department, on the proper accounting for program income.
- Reports program income as required by the sponsor
- Adjusts sponsor invoices to properly account for program income per OMB Circular A-110, Section .22 Payment, paragraph (g).
- If program income is to continue beyond the end date of a sponsored project, refers the Principal Investigator or Project Manager to appropriate offices for assistance in recording the additional income.

Principal Investigator or Project Manager of a sponsored project:

- Proposes the allocation of program income in accordance with guidelines in OMB Circular A-110, Section .24 Program income.
- Identifies all program income and ensures such funds are deposited and recorded in accordance with University of Maine System procedures
- Monitors the receipt of program income.
- Monitors project expenditure levels to ensure program income is spent first when required by the project sponsor.

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- Reviews program income reported to the project sponsor by the Sponsored Programs Office, or other responsible department.
- Consults with Department Chair or Dean on the use of program income generated beyond the end date of a sponsored project.

Frequently Asked Questions

1. Does the Program Income policy apply to ALL projects?

The Program Income policy applies to ALL projects funded in whole or in part with Federal or Federal pass-through funds. It applies to a nonfederally-funded project if the sponsor agreement so requires.

2. Is the use of program income subject to audit?

Yes. Under OMB Circular A-133, Section J, a grantee's program income will be reviewed for compliance with the terms and conditions of award, including allowability of costs, financial management, and reporting.

3. How does program income affect the project funding?

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

4. When preparing a proposal budget, do I assess F&A costs against program income?

Yes, assess F&A costs against program income at the same rate you assess F&A costs against sponsor funds.

5. What happens when I have program income remaining at the end of the project's period of performance?

Spend program income before spending sponsor funds. If program income funds remain at the end of the project's period of performance, they must be returned to the sponsor as unspent funds.

6. How do I handle program income earned after the end of the grant period?

Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients have no obligation to the Federal Government regarding program income earned after the end of the grant period.

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If the activity generating the program income continues after the grant ends, income and expenses are recorded in a different fund.

7. Is income from the sale of property considered “program income”?

No, proceeds from the sale of property shall be handled in accordance with the requirements of the Property Standards in OMB Circular A-110, Sections .30 through .37.

8. Where can I access NSF (National Science Foundation) requirements related to program income?

Click [750 Program Income](#) to link to the Program Income section in the NSF Grant Policy Manual.

9. Where can I access NIH (National Institutes of Health) requirements related to program income?

Click [Program Income](#) to link to the Program Income section in the NIH Grants Policy Statement (12/03).

History of Policy

Issue 1: Effective 04/02/2007

Related Documents

[Accounting for Grants and Contracts](#) - business process document

[APL VIII-B Restricted Expendable Funds Guidelines](#)

APL VIII-F Service/Recharge Centers (APL not available at this time)

Approved by the Treasurer of the University of Maine System. Official copy on file in the Treasurer’s Office.

Chief Financial Officer and Treasurer