

University of California, Berkeley

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Program Income Procedures

Responsible Executive: Assistant Vice Chancellor and Controller

Responsible Office: Contracts and Grants Accounting

Contact: Director, Contracts and Grants Accounting
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The University of California, Berkeley (University) is committed to ensuring that program income resulting from federally and non-federally sponsored awards is appropriately tracked and reported using methods in accordance with the terms and conditions of the sponsored agreement and federal regulations.

Administration

Contracts and Grants Accounting (CGA) provides training on the treatment of program income, assists with questions regarding the treatment of program income, reviews program income for compliance with the terms and conditions of the sponsored agreement and federal regulations, adds program income to award budget (if additive), reduces billing limit (if deductive), modifies cost sharing obligation (if matching), and reports program income to sponsors.

Departmental Administrators notify CGA when award activities will generate program income, including how that income will be recorded, deposit program income when generated to the assigned revenue account number, and report program income to CGA as required. Program income should be spent only on award activities and only according to the terms and conditions of the award or overarching deferral guidelines.

Federal and Sponsor Guidelines

The University receives a substantial portion of its funding from federally sponsored awards. As a condition of receiving this funding, the University agrees to follow federal policies, including *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (2 CFR, Part 200).

Uniform Guidance establishes administrative requirements for federal contracts and grants, including acceptable methods of accounting for program income. Uniform Guidance requires that income resulting from sponsor-funded activities earned during an award period be accounted for in accordance with the terms and conditions of the award and federal regulations.

Periodically, government and internal auditors review program income generated from sponsored awards to ensure that income is accounted for properly. Furthermore, The National Science Foundation (NSF) requires reporting of program income. Financial penalties, expenditure disallowances, and harm to the University's reputation could result from failure to properly account for and report program income.

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Responsibilities

Deans/Chairs/Directors:

- Ensure award administering units' compliance with sponsors' requirements for program income generation, accounting and reporting.

Principal Investigators:

- Identify sources of actual and potential program income at the proposal stage and check the "Program Income is anticipated" box on the Proposal Review Form.
- Develop budget for using program income.
- Generate program income.
- Monitor the receipt and recording of program income.

Controller's Office:

- Manages the University's Cash Deposit System.

Contracts and Grants Accounting:

- Updates award panel in BFS to reflect program income project type generation (additive or deductive).
- Creates program income project on new contract line.
- Establishes program income budget amount associated with the program income.
- Reduces billing limit of the award obligated funds (if deductive).
- Reviews program income for compliance with award terms and conditions.
- Prepares and submits financial reports (e.g., SF-425) to sponsors.
- Submit a Program Income Reporting Worksheet to NSF on an annual basis.

Research Administrator:

- Notifies CGA when award activities will generate program income, particularly when it was not included on the Proposal Review Form.
- Invoices the buyer or attendee for the product or service using the BFS non-student AR system.
- Receives program income and deposits it into the Cashier Deposit System using the appropriate program income ChartString.
- Accounts for program income according to the terms and conditions of the sponsored agreement and federal regulations.
- Reports program income to CGA.
- Retains supporting documentation for program income received.

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Definition of Program Income

Program income is defined as gross income earned by the award recipient that is directly generated by a supported activity or earned as a result of the award (see [Uniform Guidance](#)).

Program Income is the property of the sponsor and is to be accounted for in accordance with the terms and conditions of the award.

If authorized by federal awarding agency regulations or the terms and conditions of the award, costs incidental to the generation of program income may be deducted to determine net program income, provided these incidental costs have not been charged to the award.

The University requires Principal Investigators (PIs) 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 and expenses accounted for and recorded properly. This income must be administered through a program income account established by Contracts and Grants Accounting (CGA).

The guidelines and procedures that follow are intended to ensure compliance with federal regulations and sponsor terms and conditions.

Examples of Program Income

Program income includes, but is not limited to:

- Income from fees, such as registration fees for conferences and workshops, or fees for laboratory tests and analysis;
- License fees and royalties on patents and copyrights (exception: The University has no obligation to the National Science Foundation (NSF) with respect to license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions.);
- Interest on loans made with award funds;
- Fees garnered from the use or rental of real or personal property acquired using funds provided by sponsored awards; and,
- The proceeds from the sale of commodities or items fabricated using sponsored award funds, such as software, CDs, tapes, or publications produced during the award.

Program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of these, unless otherwise stipulated by federal awarding agency regulations or terms and conditions of the award.

Accounting for Program Income

Per Uniform Guidance, program income may be accounted for in one of three ways (per Uniform Guidance) depending on sponsor policies. Regardless of the accounting method used, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the award.

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Additive Method:

Program income funds are added to the funds provided by the sponsor and used to further eligible award objectives.

Example: a research award has \$100,000 of initial funds and \$10,000 of program income, increasing the total budget to \$110,000. Total expenditures may now be up to \$110,000; however, the sponsor would fund only up to initial committed amount of \$100,000.

Deductive Method:

Total funds available to the award remain the same because funds generated by program income are deducted from the financial commitment of the sponsor.

Example: a non-research award has \$100,000 of initial funds and \$10,000 of program income. The sponsor's committed funding is reduced to \$90,000 after taking gross program income into account. Total award budget remains at \$100,000.

Matching Method:

Program income funds are used to finance the non-sponsor share of the award (mandatory or committed cost sharing).

Example: a research award has \$100,000 of initial funds, \$25,000 is committed in cost sharing, program income is \$10,000 and total expenditures are \$125,000. \$10,000 of program income would be reported and fully spent thereby reducing the University's commitment to \$15,000 and the sponsor commitment would remain at \$100,000.

Although sponsor policies vary, program income generated by research awards typically increases the award's total budget (additive method), and income generated by non-research awards typically does not increase the total budget but decreases the portion funded by the sponsor (deductive method).

Alternative methods of accounting for program income exist for certain federal sponsors:

The National Science Foundation (NSF) may approve use of special grant provision to restrict or eliminate a grantee's control of income earned through NSF-supported activities if the sponsor determines that this would best serve the purposes of a particular program or grant. These special provisions may require the Federal share of program income be kept in a separate account, reported on and/or remitted for such periods as may be reasonable under the circumstances.

Furthermore, the National Institute of Health (NIH) may require the use of an alternative method of program income accounting in specific circumstances, as described below:

Add/Deduct Method:

A portion of program income, as specified by the awarding agency, is added to the committed funding, thereby increasing the total funds available for the award; the remaining portion of program income funds are deducted from the sponsor's committed funding.

Example: An award has \$100,000 of initial sponsored funds. \$35,000 of program income is earned, and the sponsor allows the first \$25,000 to be added to the award budget, bringing the total amount that may be spent to \$125,000. The amount of program income in excess of this "additive" portion -- \$10,000 in this case -- is "deducted" from the sponsor's funding commitment. Thus, the sponsor provides \$90,000 of the original \$100,000 commitment, and program income provides \$25,000 for a total award amount of \$125,000.

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Regardless of the method, program income may be used only for eligible expenses as specified in the governing statute, regulations, cost principles, award documents, and the University's policies and procedures on direct costing.

The expenses should be recorded to the ChartString assigned to the program income. CGA will assess indirect costs to the expenses recorded against the program income at the same rate and base as the sponsored fund with which that income is associated.

Certain NSF awards stipulate that program income earned during the award's period should be expended prior to requesting reimbursement against the award.

Reporting of Program Income

Program income on federal awards is reported by CGA on Federal Financial Report Standard Form 425 (SF-425). As required by the sponsor, CGA will report program income to the sponsoring agency on the SF-425 based on the information provided by the administering unit and revenue and expenses recorded in the General Ledger. The University's use of program income is subject to audit and may be reviewed for compliance with the award terms and conditions, including allowability of costs.

Any unexpended program income remaining at the expiration of the award shall be remitted to the sponsor.

Unless the federal awarding agency regulations or the terms and conditions of the award state otherwise, the campus has no obligation to the federal government for income earned from license fees and royalties for copyrighted material, patents, trademarks, and inventions created using award funds.

Program Income after the End of Award Period

Unless the federal awarding agency regulations or the terms and conditions of the award provide otherwise, the campus has no obligation to the federal government regarding program income earned after the expiration of the award.

Program Income from Non-Federal Awards:

Income generated through non-federal awards is handled according to specific sponsor rules as referenced in the award document. If the sponsor is silent on this issue of program income, the income is not reportable and therefore not considered program income. The revenue is handled according to the University policy for non-grant related income, found in the [Non-student Billing Guidelines](#) of the UCB Controller's website.

Related Documents

- [Uniform Guidance](#)
- [University of California Contracts and Grants Manual](#)
- [UC BUS-49, Policy for Cash and Cash Equivalents Received](#)
- [UCB Cost Principles for Sponsored Agreements \(Contracts and Grants\)](#)