Program Income on Sponsored Projects
Policy No. GSU: 4.00.13
University Research Services and Administration

POLICY

Issued: July 2006
Revised:

Contacts for questions about this policy, click here

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 Office of Management and Budget Circular A-110 (OMB Circular A-110) 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. To be consistent in managing program income, Georgia State University extends the requirements to non-Federal sponsors.

Georgia State University 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 deposited into an 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.
- income received on non-Federal awards that are silent on program income.

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.

DEFINITIONS

Term	Definition
Office of Management and Budget Circular A-110 (OMB Circular A-110)	The Office of Management and Budget Circular A-110, 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	Gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (OMB Circular A-110). 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	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.

PROCEDURES

Revised: September 25, 2013

In support of the program income policy, the following procedures are provided:
1. Procedure - Handling Program Income at Proposal Time
2. Procedure - Handling Program Income During the Project Period
3. Procedure - Handling Program Income at Final Project Termination

Handling Project-Related Income at the Time of Proposal Submission

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

1. <u>Identify revenue-generating activities</u>
   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 Proposal Approval 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 of Sponsored Proposals and Awards

(OSPA) and, if necessary, the sponsor, whether funded activities might generate program income.

2. Answer 'yes' to question on Proposal Approval 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 Proposal Approval Form.

3. 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 OSPA personnel and, if necessary, OSPA will contact the sponsor to determine whether funded activities might generate program income and whether it will be reportable.

4. Ensure that program income in proposal is correctly identified on the Proposal Approval 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 Proposal Approval Form.
   B. When grant administrators in OSPA review the budget section of the proposal, they will verify that anticipated program income has been correctly identified on the Proposal Approval Form. They will also review the proposal for inclusion of any required program income statements.

Handling Program Income during the Project Period
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 Principal Investigator (PI) is responsible for contacting the Office for Sponsored Proposals and Awards (OSPA) in order to discuss potential and actual income-generating opportunities and how the revenue will be used.
OSPA will also determine whether the program income will be reportable to the sponsor. Non-reportable program income is handled according to the policy on Departmental Sales and Recharge Activities [see "exclusions" in policy].

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 OSPA to discuss the appropriate method of handling the revenue.

OSPA 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, RFS 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 sale or recharge activity.

3. <u>Discuss anticipated program income with the department administrator</u>
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. <u>Invoice for the product or service</u>
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. <u>Receive program income</u>
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 RFS with a completed deposit form for deposit. The deposit 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 Georgia State University and deposited within 5 working days of their receipt.

   If program income arrives at OSPA without reference to the invoice, OSPA will contact the department to identify the nature of the program income and the sponsored account from which the program income was generated.

6. <u>First program income receipt only:</u>
OSPA establishes an 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.
   - OSPA will budget program income following its receipt into the Operating supply (71400) account code. Departments must submit budget amendments to redistribute the funds among existing budget lines or request additional lines, 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 RFS for assistance.

9. Report program income, if required

   OSPA determines whether the program income must be reported to the sponsor by verification of the program income information on the Proposal Approval Form. If required, OSPA prepares these reports or includes the necessary information in the financial reports sent to the sponsor.

Handling Project-Related Income 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 sale and service activity.

In general, for cost reimbursable accounts, unspent 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 OSP for endorsement and forwarding to the sponsors.
- *Non-Federal sponsors:*
  How leftover program income funds are to be handled depends on the sponsor and terms of the contract involved. In the absence of a non-Federal sponsor's policy, program income is non-reportable. For further questions, call RFS for assistance.

Handling Project-Related Income Generated 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 sale and service activity and captured in a departmental account.

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

RESPONSIBILITIES

Position or Office	Responsibilities
Principle Investigator / Project Director	Identifies sources of actual and potential program income at the proposal stage and mark 'yes' to the program income question on the Proposal Approval Form; Initiates processes for recording program income in the accounting system and proposes allocation, as needed; Monitors receipt of program income; Reviews program income reported to sponsor by OSPA.
Departmental Grant Administrator	Prepares and processes documents for recording program income in the accounting system and provides information required; Verifies receipt of program income.
Dean of College / School	Provides local oversight of program income activity.
Office for Sponsored Proposals and Awards (OSPA)	Reviews proposal and Proposal Routing form for anticipated program income, and determines whether it is reportable or non-reportable. Establishes the program income account and informs PI/PD, Dept. Chair or Unit Head and Dean of affiliated College/School; Monitors program income levels; Deposits program income; Reports program income on all interim and final financial reports to the sponsor.

Accounting Services	Provides institutional oversight over recording and reporting of all program income in accordance with university, state and federal laws and regulations.

CONTACTS

Subject	Office	Telephone	Email
Policy authority, administration and interpretation	Office of Sponsored Proposals and Awards (OSPA)	404-413-3502	Click here for list with your OSPA contact