**Program Income**

This advisory has been developed to ensure subgrantees are aware of the federal requirements governing program income generated by federally funded programs.

***(New) Awards made on or after 12/26/14:***

*For these awards, program income is governed by Title 2 of the Code of Federal Regulations Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200).*

In general, agencies are encouraged to earn income where appropriate to help defray the costs of programs. Program income is specifically defined in 2 CFR 200.80 as “gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance.”[[1]](#footnote-1) It includes, but is not limited to, income from:

* Fees for services performed
* Use or rental of property (real or personal) acquired under the grant
* Sale of commodities or items fabricated under a federal award
* License fees and royalties on patents and copyrights[[2]](#footnote-2)
* Principal and interest on loans made with federal award funds

The following is **not** considered program income:

* Interest earned on advances of Federal funds
* Rebates, credits, discounts, and interest earned on any of them except as noted otherwise in Federal statutes, regulations, or the terms and conditions of the Federal award awards
* Governmental revenues such as taxes, special assessments, levies, fines and other revenue raised by a non-federal entity unless such items are specifically identified as program income in the federal award or in the federal awarding agency’s regulations
* Proceeds from the sale of real property, equipment or supplies

Use of program income:

Unless specified in the federal awarding agency’s regulations or in the terms and conditions of the Federal award or there is prior approval on how it is to be used, program income must be deducted from the total allowable costs to determine the net allowable costs to the federal grant. In addition, it must be used for current costs unless specifically authorized by the federal awarding agency,

Only with prior approval of the Federal awarding agency can program income be:

* added to the Federal award where it must be used for the same purposes and conditions of the federal award; or
* used to meet any cost sharing/matching requirements of the Federal award.

***Awards made prior to 12/26/14:***

For federal awards made prior to 12/26/14, Parts 74 & 80 of the Education Department General Administrative Regulations (EDGAR)[[3]](#footnote-3) apply*.* Please note that many of the provisions from 34 CFR 74.24 and 34 CFR 80.25 were carried into 2 CFR 200.307.

If you have questions regarding this policy or program income in general, please contact Grants Finance.

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1. 2 CFR 200.307 explains that “there are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or the terms and conditions of the Federal award provide otherwise.” However, “the Federal awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process.” [↑](#footnote-ref-1)
2. “Unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise, the non-Federal entity has no obligation to the Federal awarding agency with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under a Federal award to which 37 CFR part 401,“Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Awards, Contracts and Cooperative Agreements” is applicable.”

   [↑](#footnote-ref-2)
3. 34 CFR 74 (Administration of Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-profit Organizations) & 34 CFR 80 (Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments) [↑](#footnote-ref-3)