



**UCDHSC FISCAL POLICY STATEMENT  
OFFICE OF GRANTS AND CONTRACTS**

**Title:** Fiscal Policy for Program Income, 4-11

**Source:** Office of Grants and Contracts

**Prepared by:** Director of the Office of Grants and Contracts, Health Sciences Center

**Approved by:** Vice Chancellor for Research, Health Sciences Center

**Effective Date:** July 1, 2006

**Replaces:** Fiscal Policy for Program Income 4-11, March 1, 2000

**Applies to:** Health Sciences Center Campuses

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**A. Introduction**

The purpose of this policy is to establish guidelines and procedures for the identification and reporting of grant and contract program income. Each UCDHSC department is responsible for complying with and enforcing the policies and procedures outlined herein. Any penalties, disallowances or losses of funding caused by noncompliance with this policy will be assessed against the department. This policy applies to all program income earned by the UCDHSC that is directly generated by or earned as a result of grant or contract sponsored program activity.

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## C. References

1. 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*, Subpart C – Post-Award Requirements, Financial and Program Management
2. National Institutes of Health Grants Policy Statement on Program Income, December 2003
3. National Science Foundation Grant General Conditions, June 15, 2005
4. Department of Health and Human Services CFR Title 45, Part 74, Uniform Administration Requirements, Subpart C

## D. Definitions

1. Federally Sponsored Agreement means any grant, contract, or other agreement between the University and the Federal Government, or any subgrant, subcontract, or other agreement received by the University and the original source of funding is from the Federal government.
2. Program Income means gross income earned by the UCDHSC that is directly generated by a supported activity or earned as a result of a sponsored program award. Program income includes but is not limited to:
  - a. income from fees for services performed;
  - b. charges for the use or rental of real or personal property acquired under federally-funded projects;
  - c. the sale of commodities or items fabricated under an award;
  - d. license fees and royalties on patents and copyrights;
  - e. interest on loans made with award funds.

Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

3. Sponsored Projects are research, instructional, or public service activities related to the mission of the UCDHSC and sponsored by external agencies or entities. Facilities and administrative cost recovery is not a factor in determining whether funding is a sponsored project. Application/award issues that require administration by Grants and Contracts include any one of the following:

- a. the award is a grant or contract from a governmental entity;
- b. sponsor support is directed to satisfy specific, programmatic objectives that are to be accomplished within a specific time and budget framework;
- c. the sponsor is entitled to receive some deliverable, such as a detailed technical report of research results or a report of expenditures;
- d. there is a provision for audits by or on behalf of the sponsor;
- e. the funding is for a project with compliance issues including, but not limited to: human subjects, animal use, biohazards, and biosafety;
- f. publication restrictions, patent, or licensing rights or rights to the use of research data are a condition of the award.

## **E. Policy Statement**

### 1. General

OMB Circular A-110 requires recipient organizations to account for program income related to projects financed in whole or in part with Federal funds and specifies three different methods for use of program income generated during the grant or contract award period.

### 2. Responsibilities Related to Program Income

#### a. Principal Investigator/Department

During the application development process, the Principal Investigator (“PI”) is responsible for identifying actual and/or potential program income from the sponsored program. Upon recognition of this potential, the PI or designee should contact the funding agency to determine whether it is permissible for the grant or contract funded activity to generate program income. The Grants and Contracts PreAward section should also be consulted.

Following awarding agency guidelines, the application/proposal should disclose anticipated program income. At the time of proposal routing, the PI is required to indicate in the “comments” section of the UCDHSC *Approval of Application for Grant or Contract* (“Routing Form”) that the award may result in program income and should include an estimate of the amount of program income expected to be generated during the time period of the award.

If program income was not anticipated but has resulted from program activities, the PI should contact his/her Grants and Contract PostAward administrator to ensure appropriate tracking and accounting of program income.

b. Grants and Contracts

If it is known at the time of the award that program income will be generated, Grants and Contracts will establish the appropriate program/project budget and/or accounting entries in the accounting system so that program income can be appropriately tracked and accounted for.

The awarding agency will be contacted as necessary to discuss management and reporting of the program income in accordance with all applicable regulations. In all cases, program income shall be deposited into the University's accounting system. Incoming monies will be deposited promptly in accordance with University fiscal policies and procedures for effective cash management.

3. Use of Program Income

Program income shall be used in accordance with the applicable rules and regulations of the awarding agency and the terms and conditions of the award. Program income earned during the project period shall be retained by the recipient and used in one or more of the following ways:

- a. Additive Method: Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- b. Matching Method: Used to finance the non-Federal share of the project or program.
- c. Deduction Alternative: Deducted from the total project or program allowable costs in determining the net allowable costs on which the Federal share of costs is based.

The additive method will normally apply to program income resulting from research awards.

The awarding agency may have separate rules and regulations that specify the time frame during which the program income must be used, e.g., during the effective period of the award or after the award has ended. Consult the terms and conditions of the award or the Federal awarding agency regulations for guidance.

#### 4. Reporting of Program Income

##### a. Generally

Grants and Contracts will report program income as required by the awarding agency. When appropriate, Grants and Contracts will initiate refunds to those agencies that require reductions in the monies provided by the agency (generally in those instances where program income is to be used to offset awarding agency funding) and full funding has already been received by the UCDHSC. Unless the regulations of a Federal awarding agency state otherwise, UCDHSC shall have no obligation to the Federal government for program income earned after the project period.

##### b. License Fees and Royalties

Although license fees and royalties are considered program income, award recipients 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. Award recipients are not required to report program income earned from license fees or royalties to the sponsor unless the Federal awarding agency or the terms and conditions of the award provide otherwise. The University of Colorado is otherwise required to comply with the Bayh-Dole Act reporting requirements for income derived from inventions and patents. The University of Colorado Technology Transfer Office should be consulted for guidance on this requirement.

<b>PROGRAM INCOME PROCESS</b>	
<b>Performed By:</b>	<b>Action:</b>
Requestor/Department	<ol style="list-style-type: none"> <li>1. Prepare proposal budget. <ul style="list-style-type: none"> <li>• If the proposal budget includes program income that will or may be generated if an award is made, contact the funding agency and Grants and Contracts to determine allowability of program income. Complete proposal following agency guidelines.</li> </ul> </li> <li>2. Document the potential for program income in the comments section of the Routing Form. Provide estimate of anticipated program income.</li> <li>3. Submit this form as part of the proposal approval process to Grants and Contracts.</li> </ol>
Grants and Contracts	<ol style="list-style-type: none"> <li>4. Coordinate with the applicable department when the award has been received regarding establishment of program income program/project. <ul style="list-style-type: none"> <li>• Assist the department as appropriate in completing necessary forms and/or answering questions regarding policy and procedure.</li> </ul> </li> </ol>
Requestor/Department	<ol style="list-style-type: none"> <li>5. Follow established procedures for the deposit of program income. See Fiscal Policy 2.2, Cash Receipts and Deposits. <ul style="list-style-type: none"> <li>• If program income was not anticipated but the award is generating income, contact the Grants and Contracts PostAward administrator to establish appropriate tracking and handling procedures.</li> </ul> </li> </ol>
Grants and Contracts	<ol style="list-style-type: none"> <li>6. Review agency award document and/or agency communication concerning use of program income, and communicate with department/agency. <ul style="list-style-type: none"> <li>• The sponsor determines program income use.</li> <li>• Agency may restrict the time frame during which the money is available for use. Refer to Federal awarding agency regulations or the terms and conditions of the award for guidance.</li> </ul> </li> </ol>
Requestor/Department	<ol style="list-style-type: none"> <li>7. For program income monies available for expenditure, process expenditure documents and monitor program income program/project budget status.</li> </ol>
Grants and Contracts	<ol style="list-style-type: none"> <li>8. Report program income as required. <ul style="list-style-type: none"> <li>• Initiate refunds to those agencies requiring reduction in monies provided by the agency when program income is used to offset funding from the awarding agency and full funding has already been received by the UCDHSC.</li> <li>• Take other action as appropriate.</li> </ul> </li> </ol>