



Downstate Health Sciences University  
Office of Research Administration

**The Research Foundation for SUNY**  
Policy and Procedure

**Subject: Program Income on Sponsored Projects**

**Effective Date: October 01, 2014**

**Issued By: The Office of Research Administration (ORA)**

**Responsible parties:**

- Principal Investigators / Researchers
- Department Administrators
- Deans / Department Chairs
- Grant Managers, Office of Research Administration (Sponsored Programs Administration)
- Financial Analysts, Office of Research Administration (Sponsored Programs Finance)
- RFCO – Research Foundation Central Office

**Background:**

While most sponsored projects are entirely funded by awards made by the sponsors of those projects, some projects generate income as a by-product of the work performed under the project. Federal regulations refer to this as 'program income' and set forth the alternatives for how that income is to be treated and accounted for. This policy communicates the accounting policy for program income earned on sponsored projects.

**Primary Guidance to Which This Policy Responds:**

OMB Code of Federal Regulations, 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards), sections § 200.80 and § 200.307

**Policy:**

In carrying out a sponsored project, certain projects generate program income. Principal Investigators and Department Administrators are responsible for identifying and accounting for program income throughout the lifecycle of a sponsored project.

Program income includes, but is not limited to:

- income from fees or services performed;
- the use or rental of real or personal property acquired under Federal awards;
- the sale of commodities or items fabricated under a Federal award;

- license fees and royalties on patents and copyrights;
- principal and interest on loans made with Federal award funds; and
- income generated on another project, sponsored or otherwise, that benefits a sponsored project.

When a sponsored project generates program income, the treatment of that income must comply with Federal regulations. Those regulations generally provide three alternatives for accounting for program income:

- Additive, whereby the income is added to the funds committed to the project to further the objectives of the award,
- Matching, used to finance the non-federal share of the project, or
- Deductive, whereby the income is used to reduce the federal share of the funding of the project.

Each sponsoring agency has the discretion to select one of the three methods above. For both NIH and NSF, which comprise the two largest funders of Downstate's sponsored projects, unless otherwise specified in the Notice of Award, program income is to be treated as *Additive*. If the sponsoring agency does not specify which method should be used, Federal regulations state that recipients shall follow the Additive method.

If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

When there is program income generated for a sponsored project, the Principal Investigator and department personnel are ultimately responsible for the scope and source of the income. It is the PI and departments responsibility to appropriately monitor, budget and account for the income. The PI and/or department personnel must notify the Grant Manager and Financial Analyst of any and all program income information required to satisfy reporting requirements.

The treatment of program income may necessitate various accounting actions, including the transfer of income to the sponsored project, budget adjustments and/or cash refunds. While the PI and/or department personnel are responsible for ensuring these tasks are performed, s/he may reach out to the Grant Manager and/or Financial Analyst for guidance on transaction processing. Refunds, specifically, must be requested by RFCO, who will initiate the return and ensure funds are issued to the sponsor.

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



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Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, there is 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.

Questions related to the method used for a specific project should be directed to:

- Grant Managers (Sponsored Programs Administration)
- Financial Analyst (Sponsored Projects Finance)