



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 65.05, **Program Income**

PURPOSE: The purpose of this Health Sciences Center El Paso Operating Policy and Procedure (HSCEP OP) is to ensure that program income is correctly earned, recorded, utilized, and reported in accordance with the program requirements for programs receiving financial support from external sources (sponsored programs).

REVIEW: This HSCEP OP will be reviewed May 15 of every odd-numbered year by the Director of Contracts and Grants Accounting (CGA) and the Senior Director of the Office of Sponsored Programs (OSP), with recommendations for revisions submitted to the Vice President for Research and the Chief Financial Officer, or his/her designee, by June 1.

POLICY/PROCEDURES:

1. **Definition:**

The Federal Office of Management and Budget (OMB) 2 CFR Part 200.80 defines Program Income 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. Program income includes but is not limited to income from fees for 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, and principal and interest on loans made with Federal award funds."

2. **Program Income Treatment:**

Program income on federal projects can be handled in one of three ways as defined by 2 CFR Part 200.307:

A. Addition Method

- 1) Income is added to committed funds of the project and increasing the available budget.
- 2) Income is used to finance program objectives.

B. Cost Sharing or Matching Method

- 1) Income is used to comply with cost sharing or matching requirements of the award agreement.
- 2) Income is used to finance the non-federal portion of the project.

C. Deduction Method

- 1) Income is to be deducted from total allowable costs to determine the net allowable costs.
- 2) Income is used for current costs of the project unless the sponsor specifies otherwise.

- 3) This method is the default method for federal research awards unless the awarding agency specifies another method in its regulations or the terms and conditions of the award. In addition, this method applies to all non-research awards unless the awarding agency specifies otherwise.

3. **Responsibilities:**

- A. Department - Program Principal Investigator (PI) or other designated departmental personnel:
 - 1) Identify sources of actual or potential program income during the proposal stage and document program income on the OSP route sheet.
 - 2) Ensure program income is properly determined and calculated.
 - 3) Request or prepare invoices timely for products or services which produce program income.
 - 4) Ensure program income is collected from allowable sources.
 - 5) Verify that program income is properly included on financial reports.
 - 6) Ensure that program income is used in accordance with the program requirements as well as Administrative Rules as defined in 2 CFR Part 200.307.
 - 7) Identify the sponsor's required reporting treatment of program income per Section 2.
- B. OSP Responsibilities
 - 1) Review the proposal for anticipated program income.
 - 2) Verify identification of program income and treatment method on route sheet.
 - 3) Contact the sponsor to verify anticipated program income and appropriate treatment, if necessary.
 - 4) Determine or verify use of program income.
- C. CGA Responsibilities
 - 1) Establish separate funds for the sponsored project and its associated program income, if necessary.
 - 2) Include any reportable program income on appropriate financial reports submitted to sponsor and in accordance with the treatment method identified on the route sheet and/or award terms and conditions.