

University of South Alabama Policy on Program Income

I. Purpose

To define general Federal policies that govern the definition of program income, and the allowable uses and disposition of program income on Federally sponsored projects. The Federal regulations that govern program income are identified in Office of Management and Budget (OMB) Circular A-110. Principal Investigators and Project Directors (PI/PD) are responsible for reviewing their specific awards and consulting the guidelines of the sponsoring agency and A-110, and reporting any potential program income to the Office of Grants and Contract Accounting (OGCA).

II. Definition of Program Income

Program income means gross income earned by the University of South Alabama (University) that is directly generated by a supported activity or earned as a result of the award.

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 federally funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and 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.

PI/PD shall apply the standards set forth herein in determining and accounting for program income related to projects financed in whole or in part with Federal funds.

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III. Utilization of Program Income

Program income earned during the project period is normally retained by the University and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.

- Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- Used to finance the non-Federal share of the project or program.
- Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used it should be used in the ways listed in the following:

Non-research supported projects - program income shall be deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

Research supported projects - added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.

IV. Special Utilization Dollar Caps

When an agency authorizes the disposition of program income, as described in the ways listed in the following, program income in excess of any limits stipulated shall be deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

- Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- Used to finance the non-Federal share of the project or program.

V. Program Income Outside of Project Period

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

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VI. Deducting Costs

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

VII. Royalties and License Fees Exclusion

Unless Federal awarding agency regulations or the terms and condition of the award provide otherwise, the University shall 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. [However, Patent and Trademark Amendments (35 U.S.C 18) apply to inventions made under an experimental, developmental, or research award.]

VIII. Sale of Property

Proceeds from the sale of property shall be handled in accordance with the requirements of the University property policies.