



## Guidelines for Program Income

---

These guidelines are a companion to RO policy 19-003 “Program Income”, and provide additional detail on responsibilities and processes. Definitions are re-stated from the policy for ease of use.

Oregon State University (OSU) must identify and document program income generated on projects from both federal and non-federal sponsors in accordance with sponsor requirements. The nature of this income must be appropriately documented and the resulting revenue properly recorded. This responsibility is shared between the Office for Sponsored Research and Award Administration (OSRAA), Business Centers, Principal Investigator (PI), and other administrative and/or project personnel.

### Definitions

- **Allocable Cost** –A cost assigned to a sponsored award or other cost objective where the goods or services involved are chargeable or assignable to that sponsored award or cost objective in accordance with relative benefits received.
- **Allowable Cost** – A reasonable cost that is allocable to the sponsored award. The cost must conform to any limitations or exclusions set forth in federal regulations or the sponsored award agreement.
- **IUCRC** – National Science Foundation’s (NSF) Industry-University Cooperative Research Center program established by Congress in 1973 to contribute to the nation’s research infrastructure base by developing and supporting multi-member, sustained partnerships among industry, academe and government. Centers are catalyzed by an investment from NSF and are primarily supported by industry Center members.
- **IUCRC Industry Membership Fees** – fees or dues paid by industry members of an IUCRC. Previously identified as cost-share, industry membership fees are now classified by NSF as program income. These funds must be accounted for and reported in accordance with NSF guidelines.
- **Methods for Use of Program Income** – Required accounting method for program income, as defined in the terms and conditions of a specific sponsored award. Some sponsored awards may dictate a combination of these methods for program income.
  - **Additive Method** – Program income funds are added to the funds committed by the sponsoring agency and used to further project or program objectives, as long as expenses covered by program income are allowable and allocable to the sponsored award.

## Guidelines for Program Income

- **Add/Deduct Method** - the addition method is used up to an agency dollar limit. After that point, the deduction method is used.
- **Deductive Method** – Program income must be deducted from the total allowable project costs to determine the sponsor share of project costs.
- **Matching Method** – Program income may be used to meet the cost sharing or matching requirement of the award.
- **Program income** - Gross income earned by OSU that is directly generated by a supported activity or earned as a result of a sponsored award during the period of performance. Program income includes, but is not limited to:
  - Industry membership fees associated with Industry-University Cooperative Research Centers (IUCRC)
  - Income from fees for service performed or use of resources such as laboratory tests during the project period
  - Income generated from the use, or rental of equipment purchased or fabricated with project funds during the project period.
  - Proceeds from the sale of software, CDs, or publications during the project period
  - Income from the sale of research materials such as animal models during the project period.
  - Fees from participants at conferences or symposia during the project period

## Guidelines and Procedures

### General

Program income from sponsored awards must be used in accordance with sponsor conditions. The sponsor terms will dictate which usage method OSU must apply to any program income –additive, deductive, matching, or add/deduct. (see definitions)

**Examples:** A sponsor awards \$100,000 for a project. The project generates an income of \$30,000.

- Matching: if OSU were required to supply matching funds, e.g., \$50,000, the institution would now have to provide \$20,000 since the program income makes up the remaining match.
- Additive: the total project cost could be \$130,000.
- Deductive: the sponsor will now only fund \$70,000 of the project's costs.
- Add/deduct: if the sponsor limit is \$25,000, then \$25,000 will be added to the total project cost, but \$5,000 will be deducted from the sponsor's payment to reduce it to \$95,000. The total amount available is \$125,000.

## **Guidelines for Program Income**

When a project is expected to generate program income, this should be noted within the proposal to the sponsor and OSU's Cayuse SP proposal approval system.

Once an award is made, OSRAA will review the specific award terms and conditions to determine which method is allowable for use of the program income funds.

If unexpected program income is collected during the project period, contact OSRAA right away to review the award requirements to confirm additional action necessary. This action could include notification to the sponsor and/or set up of a program income companion index to the award index.

### **Program Income Accounting**

In order to appropriately track program income, OSRAA will establish a companion index to the sponsored award index. The program income companion index will be assigned by setting up a grant fund consistent with the number of the corresponding sponsored award index but ending in "P". This grant will have the same org and program codes used for the sponsored award but will not be set up under the Grants Billing module in the Banner financial system.

**Example:** Sponsored award index P1234A would have program income companion index P1234P

Program revenue must be posted directly to the program income index. Since the program income grant is not set up in the Grants Billing module, all revenue will be deposited directly to the proper 0xxxx revenue code.

The expenditures funded with program income must be posted directly to the program income index and be used for program purposes only. Additionally, the expenditures posted to a program income index must adhere to the sponsor's requirements for allowable project costs.

As with the restricted funds, all charges should be posted to the program income index by the end date of the sponsored award. This will ensure that the costs are not billed to the sponsoring agency and final financial and program income reports can be prepared in a timely manner.

Program Income expenses must follow the same OSU documentation standards required for sponsored award expenditures. Information about documentation requirements for financial transactions may be found in OSU's [Documentation Standards](#) policy and [Fiscal Operations \(FIS\) Manual](#).

Unless specified otherwise in the sponsored award, program income funds must be expended prior to spending sponsor funds. For most sponsored awards, funds remaining in the program income index after the project has terminated are required to be returned to the sponsor. If the PI wishes to use these funds to further project or program objectives, a no-cost extension may be requested. Most sponsors will not allow a no-cost extension for use of program income funds if the sponsored award funds are fully expended. If an extension is not granted, program income funds are remitted to the sponsor.

Some sponsoring agencies allow costs incident to the generation of program income to offset the gross income to arrive at a net program income. Such costs may include supplies, materials, services and labor

## Guidelines for Program Income

related to the production, marketing and distribution of the goods or services being sold, or facility and service fees related to a sponsored workshop or conference. A careful review of the sponsor terms and conditions is required to determine the allowability of these costs.

### IUCRC Industry Membership Fees

IUCRC industry membership fees collected from industry partners under an IUCRC award from NSF are program income and must be accounted for and reported to NSF.

At least 90% of the IUCRC program income must be used to support direct costs of the research, and up to 10% may be used to support indirect costs.

Any unexpended program income remaining at the end of the grant must be remitted to NSF by crediting costs otherwise chargeable against the grant or, if that is not possible, returned to NSF.

IUCRC membership fees cannot be transferred from Phase to Phase but can be spent if a no cost extension is requested while NSF funds are still available.

## Responsibilities

A comprehensive list of OSU Roles and Responsibilities may be viewed at:

<http://research.oregonstate.edu/osraa/osraa-organization/roles-and-responsibilities>

- **Office for Sponsored Research and Award Administration**
  - Assist the PI in determining whether program income will be generated under a specific sponsored project
  - Interpret terms of sponsored awards and provide guidance to PI and Business Center regarding sponsor requirements
  - Set up the program income companion index
  - Determine the program income reporting requirements and report program income activity in financial reports to the sponsor (including IUCRC reporting)
  - Remit unspent program income to the sponsor, as applicable
  
- **Business Center**
  - Notify OSRAA if unanticipated program income is received for a sponsored award
  - Deposit funds derived from program income into the appropriate program income index
  - Process expenditures for allowable, project-related expenditures against the program income index
  - Monitor program income revenue and expenses
  - Assist with final accounting of program income during project close-out
  
- **Principal Investigator**

## Guidelines for Program Income

- Identify program income at the proposal stage or notify the Business Center and OSRAA if unanticipated program income is identified during the project period of performance
- Be aware of the sponsored award terms and conditions and charge only allowable expenses to the program income index
- Approve expenditures charged against the program income index
- Confirm final program income activity at project close-out