

Program Income under ONC Grants and Cooperative Agreements

NOTE: Grants Management Advisories (GMAs) provide guidance for ONC recipients in selected areas based on ONC's receipt of recurring questions or other factors. Their purpose is to provide a common interpretation for all ONC recipients of how ONC will apply existing policy as reflected in award terms and conditions. They do not replace or modify award terms and conditions.

ISSUES:

What does program income include?

What requirements apply to use of program income by grant and cooperative agreement recipients?

DEFINITION:

- "Program income" under ONC grants and cooperative agreements is defined as gross income, earned by a recipient of a grant or cooperative agreement or its subrecipients (subgrantees), that was directly generated by the grant (or cooperative agreement)-supported activity or earned as a result of the award. It includes, but is not limited to, fees received for services performed; payments resulting from use or rental of property acquired; and proceeds from the sale of commodities or items fabricated under an award. It does **not** include profit or fee received by an entity performing in a vendor relationship under a grant or cooperative agreement; rebates, credits, discounts, or interest earned in relation to program income; taxes, special assessments, levies, fines, or similar revenues raised by a governmental recipient or subrecipient; or interest earned on advances of Federal funds. License fees and royalties on patents and copyrights and proceeds from the sale of property are treated differently than other program income and are not covered by this GMA.
- Examples of program income under ONC awards include, but are not limited to: fees charged to register participants in a workshop if they exceed actual costs; the sale of videos, publications, or other media prepared with grant or cooperative agreement funding (note: computer programs [software] developed under the award may be considered intellectual property, in which case any revenues are subject to the copyright provisions of the award); and rental or usage fees resulting from charges for use of computer equipment purchased under the award. Program income does not generally include payments the recipient derives through its normal conduct of business, e.g., tuition payments.

KEY POINTS:

- Recipients retain any program income they earn. There are four potential ways in which ONC may require that a recipient apply program income as specified in Item 21 of the Notice of Grant Award (NGA): **deduct** it from total allowable project/program costs to determine the net allowable costs on which the Federal share of costs is based; **add** it to funds otherwise available for the project, generally resulting in an increase to the total approved budget; use it to meet a **matching or cost sharing** requirement; or a **combination** of these alternatives.
- If an NGA does not specify a program income alternative and program income is earned under the award, it will be **deducted** from total allowable project/program costs, which also is known as the "default" alternative.

- Recipients **must** report program income on the Federal Financial Report (SF-425) for the period(s) when earned and when used (in accordance with the program income alternative specified in the NGA). The information will be reported on Lines 10 l, m, n, and o, as applicable, for reporting program income that is subject to the addition or deduction alternatives. Program income subject to the cost-sharing or matching alternative is reported on Line 10.j.
- Costs defrayed by program income generally are subject to the applicable cost principles and other Federal requirements and must be disbursed for project purposes **before** requesting additional payments of Federal funds.
- There is no accountability for program income earned after the end of the project period unless specified in the terms or conditions of the NGA.
- To determine whether income is considered program income, ONC will apply the three primary elements of the definition: the income must be gross income (which determines the amount for which the recipient is accountable less allowable adjustments); it must be earned by a recipient (or subrecipient); and it must be derived from activities part or all of the cost of which is borne as a direct cost by the grant.

RECIPIENT RESPONSIBILITIES:

- Review your NGA to understand which alternative(s) applies to your use of program income during and, possibly, after the project period shown on the NGA.
- Ensure that the use of program income earned by subrecipients complies with the requirements of the ONC award.
- If you submit a non-competing continuation application or an application for a supplement, indicate, as part of the application budget, your estimate of the program income you expect to earn.
- Document and accurately report program income earned and used. The applicable program income alternative determines how program income used is reported.

REFERENCES:

45 CFR 74.24 and 74.22(g)
45 CFR 92.25 and 92.21(f)
HHS Grants Policy Statement
Principles of Federal Appropriations Law, Volume II, Chapter 10, E.3