Purpose

The University receives a substantial portion of its funding in the form of contracts, grants and other agreements with federal government. As a condition of receiving this funding, the University agrees to follow federal policies. Proper management of program income is essential to meet the fiduciary responsibilities of the University. Program income must be correctly accounted for, used and reported in accordance with federal regulations and terms and conditions of each sponsored agreement.

Definitions

Cost Sharing

Cost sharing is a commitment of University resources or funding that supplements externally sponsored projects. Mandatory cost sharing is that which is required by the sponsor and also quantified and committed in the proposal. Voluntary committed cost sharing is not formally required by the sponsor but is committed in the proposal and becomes mandatory once the award is made, requiring administrative tracking and reporting. These costs are not reimbursed by the sponsor or charged to the sponsored project and therefore must be supported by University funds.

External Sale of Education-Related Activities

The assessment and collection of external revenue by a University unit for products or services provided to external users. If the products or services also are provided to internal users, the activity is a Recharge (see definition below) rather than an External Sale of Education-Related Activities. For additional information on this topic see the UCSF Guidelines and Requirements for Funds Received from Extramural Sources. External revenue is defined as funding that cannot be generated through a recharge in the UCSF general ledger system. Program Income revenue is realized by cash, check or credit card and the Program Income fund credited via a deposit.

Facilities & Administrative (F&A) Costs
(formerly Indirect Costs) Costs that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project. These include costs of supporting activities such as maintenance and operation of the physical plant, depreciation allowance for buildings and equipment, central, departmental, and sponsored projects administration and expenses, and library and student services. F&A cost rates are predetermined and listed on the Office of Research website.

Material Transfer Agreements (MTA)

Contractual documents for the transfer of institutionally developed proprietary materials to other parties or the receipt of materials from an outside entity. When UCSF receives revenue under an MTA associated with a sponsored award, all revenue realized must be treated as program income in accordance with this policy.

Program Income

Gross income earned by the University that is either directly generated by the sponsored project or earned as a result of a sponsored project during the period of time the sponsored project is active. Federal policy for program income is set forth in the Office of Management and Budget (OMB) Circular No. A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations and applies to federal, federal pass through, and other sponsor-funded programs. Examples of program income include, but are not limited to, income from: Registration fees charged to participants for a workshop or conference funded under a sponsored award; services provided under an award such as selling the test performed by a Program Project core laboratory to outside groups; and rental or usage fees such as those earned from fees charged for use of computer or laboratory equipment purchased with sponsored award funds. See Program Income FAQ’s for a more extensive list of examples of program income.

Federal regulations define the following four methods for recording program income:

Additive Alternative: Program income realized is added to (i.e., supplements) the funds committed to the project by the federal or other awarding agency. The program income funds shall be used to support related project or program objectives.

Deductive Alternative: Program income realized is deducted from the total project allowable costs in determining the net allowable costs on which the federal or other sponsor share of costs is based. Under the deductive method, the total amount available to support the project remains unchanged from the original federal or other sponsor award.

Combination Alternative: Program income realized up to (and including) $25,000 is used as specified for the additive alternative and any amount of program income realized above $25,000 is used as specified by the deductive alternative.

Matching Alternative: Program income realized is used to finance the non-federal share of the project (i.e., meet cost sharing commitments).
Recharge

The assessment and collection by one University unit of income for products or services provided to other University units (internal users). Recharges are direct costs to users as defined in OMB Circular No. A-21 Cost Principles for Educational Institutions and the UCSF recharge policy 250-11 Recharges and Common Cost Allocations. Recharges also may provide products or services to external users, as defined below.

Internal Users: Funding sources that can be recharged on the UCSF general ledger including other UC campuses. For program income activities acting as recharges, the program income fund is credited via a recharge journal.

External Users: Funding sources that cannot be recharged on the UCSF general ledger. The Program Income fund is credited via a deposit (cash, check, or credit card).

Sponsored Project

Programs, both research and scholarly activity, supported by an external source that has a defined scope of work or set of objectives, which provides a basis for sponsor expectations. This includes research, demonstration, professional development, instruction, training, curriculum development, community and public service, or other scholarly activity involving funds, materials, other forms of compensation, or exchanges of in-kind efforts under awards or agreements. A deficit on a sponsored project represents the amount that total expense exceeds total revenue at the award level at any point in the life cycle of the project.

Policy

A. Program income must be correctly accounted for, used, and reported in accordance with federal regulations and the terms and conditions of each sponsored agreement. When program income is incurred, the responsible UCSF department should record income, from either external revenue or internal transfers, to the sponsored project which generated the income. Any sales/use tax collected must be properly recorded in accordance with the UCSF Controller's Office website.

B. If internal only or both internal and external charges are anticipated: The program income activity acts as a ?Recharge? and must comply with campus recharge policies.

C. If external only charges are anticipated: The program income activity acts as an ?External Sale of Education Related Activities? and must comply with applicable campus costing polices (See Administrative Policy 250-11, Sales & Services Center(s) Recharges, External Sales & Services of Education Related Activities, & Common Cost Allocations).

D. When two or more funding sources are involved in the generation of program income (e.g., two sponsored programs, or a sponsored program and a non-sponsored program), the program income must be prorated based on the direct participation of the funding sources.

E. All expenses funded through program income (e.g., labor, services, products, etc.) should be charged to the sponsored project fund only and must comply with all federal regulations
and University policies and procedures on direct costing.

F. Facilities and administrative (F&A) costs must be assessed against the program income fund project direct expenses at the same rate as applied to the associated sponsored award.

G. Program income must be expended prior to expending federal or other sponsor funds. Upon termination of the sponsored project all program income earned during the project period (life) must be used on the project.

H. Unless agency regulations or award terms and conditions specify otherwise, there is no obligation to the sponsor for program income earned after the end of the award period. Income earned after award expiration is subject to University policies (See Administrative Policy 250-11, Sales & Service Center(s) Recharges, External Sales & Services of Education Related Activities, & Common Cost Allocations).

Responsibilities

A. Principal Investigators (PIs)

- Assure that cost in proposal budgets are appropriate for the scope of work and justified.
- Responsible for ensuring the funds generated by the project are treated according to sponsor's requirements.
- Work with department personnel to discuss the activity that will generate program income and its relationship to the grant or contract.

Controller's Office - Contract and Grant Accounting

- Monitors cost charged to sponsored awards for compliance with sponsor and University policy.
- Monitors program income earned from sponsored award ensuring it is used in accordance with federal regulations and terms of award document.
- Provides guidance on policy interpretation and implementation.
- For federally sponsored activities, prepare an analysis of the program income account in determining the amount to request for reimbursement from the sponsor.
- Responsible for any budgetary adjustments resulting from generating program income.

C. Budget & Resource Management Office

- Advising PIs on the University program income policy and procedures.
- Review of sponsor terms and conditions to determine the allowability of costs incident to the generation of program income such as supplies, materials, services and labor related to the production, marketing and distribution of the goods or services being sold.
- When program income is incurred, the responsible UCSF department should record to the project the income and any sales/use tax collected in accordance with Controller's Office policies.
- Maintains documentation supporting the generation of program income and associated costs.

Related Policies

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250-11 - Sales & Service Center(s) Recharges, External Sales & Services of Education Related Activities, & Common Cost Allocations [3]
- 400-17 - Cost Sharing [4]

References

- Office of Management and Budget (OMB) Circular Nos.:
- UC Business and Finance Manuals, UC, Office of the President:
- University of California Accounting Manual [8]
- UCSF Controller’s Office Website [9]