

Section 7.1.5: Program Income

PURPOSE AND POLICY

Program income (PI) in federal awards is regulated under Uniform Guidance [§200.307](#) and is defined as “gross income earned by a recipient that is directly generated by a sponsored activity or earned as a result of the award.” Grantees that generate program income as a direct result of their grant must report program income and program expenditures. Some examples of PI include income from services or products, lease/sale of property and revenue from intellectual property. Interest earned on grant funds is also program income and is subject to terms and conditions of the grant agreement and potentially federal regulation (see [Section 7.1.3 Interest Earned](#)). Industry-specific income may be generated and otherwise regulated as well.

Most grant agreements have three methods for accounting for and expending PI:

Deduction. Under this method, PI is deducted from the allowable costs in the grant (reducing the amount of the federal award). This method keeps the total amount of the program the same.

Addition. In some cases, the grant agreement will allow for PI to be added to the total award, increasing the amount of funding for the program or project. Adding program income to the award total requires prior approval from the federal funding agency. The PI funds must be used for the purposes included in the grant agreement.

Cost sharing or matching. Some grant agreements are structured to allow PI to be used to meet the cost sharing or matching requirement of the grant. The total amount of the grant remains unchanged.

If any part of the award includes federal funding, grant program managers will need to check with the federal funding agency to make sure the federal program allows for program income. If the funded program or project will generate PI, the grant program manager must ensure the grant agreement is structured according to the reporting and expenditure requirements of the federal funding agency and in compliance with Uniform Guidance.