

What is program income?

When appropriate, grantees are encouraged to earn program income to defray costs of Federally funded programs. Program income can only be used for allowable costs. Program income is required to be spent first and before drawing down funds from the Federal grant. Program income is money an entity earns:

- ◆ Through an activity funded by a Federal grant award, and
- ◆ During the period of performance for the Federal grant award

What is not program income?

- ◆ Rebates, credits, discounts, and interest earned on any of them
- ◆ Interest earned on advances of Federal funds

What are examples of entity program income?

- ◆ Use of Federal grant funds to host a conference. Conference participants pay a registration fee. The fees are considered program income.
- ◆ Charging clients a fee for services provided through a Federally funded program. The fees are considered program income.
- ◆ Producing an educational curriculum or pamphlets using Federal grant funds and selling the curriculum or pamphlets. The money from the sales is considered program income.
- ◆ Developing and delivering a training, using Federal grant funds, and participants pay a fee to attend the training. The fees are considered program income.

How does program income affect the project budget?

Each grantee will have specific guidance from its Federal Awarding Agency about how to use program income. Depending on what method is required in the grantee's Notice of Award, program income might be used to:

- ◆ Reduce the amount of Federal funds to be drawn down
- ◆ Reimburse the Federal funding agency for allowable costs it previously paid
- ◆ Provide cost sharing or matching funds (the grantee's share of the project costs)
- ◆ Expand a project budget when approved to do so

Can program income be used to purchase unallowable items using Federal grant funds?

No. Program income must be treated the same as Federal funds and must be spent on project-related activities approved in the Federal grant award. Program income cannot be used to purchase anything considered unallowable.

- ◆ Example - if food is an unallowable cost under the Federal grant, program income cannot be used to purchase food.

What is the process to report and use program income?

It is important grantees review their Notice of Award to determine what **method** of accounting for program income is required for specific Federal awards.

Deductive Method

Most Federal awards, including many Department of Justice (DOJ) awards, use the deductive method of accounting for program income. With this method, the amount of Federal funds drawn down and the amount of program income, added together, cannot be more than the total Federal award.

- ◆ Example – the original federal grant is awarded for a project budget of \$100,000 and an entity earns \$5,000 in program revenue. The amount of Federal funds available to draw down is reduced to \$95,000. The Federal project budget remains \$100,000.
- ◆ If a grantee is required to use the deductive method to account for program income and wants to increase their Federal budget with program income earned, they must first receive approval in writing from their Grant Manager before using the program income to increase their budget.

Additive Method

- ◆ Some Federal awards, including some DOJ awards, allow what is called the additive method, where program income can be used to increase the funds available for a Federally funded program. With this method, the amount of Federal funds drawn down and the amount of program income, added together, is more than the total Federal award.
- ◆ Example – the original federal grant budget is \$50,000 and an entity earns \$10,000 in program revenue, the project budget expands to \$60,000.

Cost Sharing or Matching Method

Grantees who have a cost sharing or match requirement for their award should follow the same process to account for matching funds when accounting for program income.

- ◆ Example – if the grantee’s award requires 75% Federal and 25% non-Federal dollars to support the program, the grantee would report 75% of the program income generated. The additional 25% can be used to meet the grantee’s match requirement. The total award remains the same.
- ◆ Using the example above, if a grantee is awarded a project budget of \$100,000 and earns \$10,000 in program income, \$7,500 would be reported as program income. The amount of Federal funds available would be reduced to \$92,500 and \$2,500 would be used toward the grantee’s match requirement. The project budget remains \$100,000.

References

- ◆ [2 CFR 200.29 Cost sharing or matching.](#)
- ◆ [2 CFR 200.80 Program income.](#)
- ◆ [2 CFR 200.306 Cost sharing or matching.](#)
- ◆ [2 CFR 200.307 Program income.](#)

Resources

- ◆ [DOJ Grants Financial Guide](#)



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Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

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