

# UNIVERSITY OF ALASKA SOUTHEAST

## Information Manual for Research and Other Sponsored Projects Updated: October 2007

### GM 12: Budgets (Including Program Income)

#### **I. Preparation of Budgets and Budget Revisions for Awards**

Initial budgets and budget revisions are prepared and entered by the Budget and Grants Office based upon the award documentation and or/revision requests.

#### **II. Budgeting of Cost Sharing - Matching Funds**

Some awards require UAS share the cost of the project. The amount of cost sharing, as well as the type of cost sharing required or permitted, varies.

A specific "fund 14" needs to be set up to track expenditures that will be reported as match/cost-share. Cost share is a commitment to share the cost of the project overall, and by the time the project is over, both the agency portion and the UAS portion must be expended. Matching funds are more restrictive, in that, for every dollar of the award the unit spends, a proportionate share of the unit's match fund must be expended at the same time. The match need not be 1:1; the call for proposal will have specified exactly how the match will be expended.

The cost sharing or matching funds expenditures must be as explicitly identified as the direct charges to the restricted funds. OMB Circular A-110, Sec.23, contains standards for cost sharing and matching as they apply to Federal grants and other agreements.

See the Statewide Accounting Manual, Section G-14 , for matching and cost-sharing concepts.

#### **III. Program Income**

Program income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them. Subpart A, Section \_\_.2, Paragraph (x), U. S. Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, November 29, 1993 revision.

##### **A. General Accounting Requirements for Program Income**

Circular A-110 requires recipients to retain the income and lists these alternate uses:

Alternative (1): added to the total project budget,

Alternative (2): used to finance the non-Federal portion of the project, or

Alternative (3): deducted from the total costs in determining the Federal share.

The terms and conditions of the award and/or the agency's regulations should be consulted in determining the proper use. If the use of program income is not specified, A-110 specifies these defaults:

- research projects: add to the total project budget and
- all other projects: deduct from the total costs in determining the Federal share.

If at the end of the award's period of performance there is an excess of revenues over expenditures the excess must be deducted from the total costs in determining the Federal share. Circular A-110 requires recipients to disburse program income before requesting additional federal funds.

All sponsored projects funded directly or indirectly with Federal funds that generate income from the activities being sponsored will be required to establish a restricted fund to account for the program revenues and expenditures.

The restricted fund used to account for program income will be assigned to the Grant Administrator that administers the parent grant. It will be assigned its own Grant Number but will have the same Predecessor Fund (or within the same group) as the parent Grant Number. The program income fund will be classified as a miscellaneous type fund and will not automatically accrue revenue. The department will have university cashier's deposit the cash receipts directly to the revenue account code.

#### **B. Direct Cost Requirements for Program Income Funds**

For Alternatives (1) and (2): The same requirements as the sponsored project that generated the program income. All source documentation requires the proper authorizing signatures. All agency prior approvals and cost type or amount limitations that are applicable to the sponsored project would be imposed upon the program income account.

All incurred costs must be allowable under A-21 as well as other federal laws and regulations that may be applicable. Specific federal statutes such as Fly American or Buy American would not apply. For Alternative (3): Only costs incidental to the generation of the gross income may be deducted to arrive at program income.

#### **C. Indirect Cost Requirements**

For Alternatives (1) and (2): The same rate as is the negotiated rate for the type of sponsored program that generated the program income. Unless prohibited by federal statute, indirect costs can't be waived. For Alternative (3): Not applicable.

#### **D. Responsibilities**

The program income revenue and expenditures must be identified in the proposal narrative and/or budget. Primary responsibility for identifying proposals that may generate program income lies with the unit. The unit should inform GCO any time it receives funding for a proposal that will generate program income. GCO is ultimately responsible for ensuring University compliance with A-110. The person reviewing the award document will check for potential program income generating activities in the scope of work. If it appears that

the activity will generate program income the reviewer will discuss the issue with the fiscal manager of the unit.

Examples of activities that would generate program income:

- Participants' fees when a direct or indirectly federally funded award is used to put on the conference (not to be confused with an award that pays for the participants' costs).
  
- Revenue from the sale of publications when the cost of producing the publication is charged to a federally assisted program.