



# TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

## Operating Policy and Procedure

**HSCEP OP:** 65.05, **Program Income**

**PURPOSE:** The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to ensure that program income is correctly earned, recorded, utilized, and reported in accordance with the program requirements for programs receiving financial support from external sources (sponsored programs).

**REVIEW:** This HSCEP OP will be reviewed May 15 of every odd-numbered year by the director of Accounting Services and directors of Sponsored Programs (SP), with recommendations for revisions submitted to the vice president for research and the chief financial officer, or designee by June 1.

### **POLICY/PROCEDURES:**

- I. **Definition:**  
As defined by the Federal Office of Management and Budget (OMB) 2 CFR Part 200.1, Program Income is:  
“Gross income earned by the recipient or subrecipient that is directly generated by a supported activity or earned as a result of the federal award during the period of performance. 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 federal awards, the sale of commodities or items fabricated under a federal award, license fees, and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds.”
- II. **Program Income Treatment:**  
  
In accordance with 2 CFR Part 200.307, the recipient or subrecipient is encouraged to earn income to offset program costs. This income must be used for the original purpose of the award and spent before requesting additional agency funds.  
  
Methods of Applying Program Income:
  - A. *Deduction Method* – Program income is deducted from the total allowable costs, reducing the overall amount of the federal award.
  - B. *Addition Method* – Program income is added to the total allowable costs, increasing the overall total amount of the federal award. This method is the default method for institutions of higher education and nonprofit research institutions unless specified in the terms and conditions of the federal award.
  - C. *Cost Sharing* – Income is used to meet the federal award’s cost sharing requirement.
- III. **Responsibilities:**
  - A. Department - Program Principal Investigator (PI) or other designated departmental personnel:
    1. Identify sources of actual or potential program income during the proposal stage and document program income on the SP route sheet.
    2. Ensure program income is properly determined and calculated.

3. Request or prepare invoices timely for products or services which produce program income.
4. Ensure program income is collected from allowable sources.
5. Verify that program income is properly included on financial reports.
6. Ensure that program income is used in accordance with the program requirements as well as Administrative Rules as defined in 2 CFR Part 200.307.
7. Identify the sponsor's required reporting treatment of program income per Section II.

B. Sponsored Programs Responsibilities

1. Review the proposal for anticipated program income.
2. Inform Contracts and Grants Accounting of anticipated program income at award time.
3. Contact the sponsor to verify anticipated program income and appropriate treatment, if necessary.

C. Contracts and Grants Accounting Responsibilities

1. Ensure separate funds are established for the sponsored project and its associated program income, if necessary or if required by the grant agency. The requirements can vary depending on the specific terms of the SP and the funding agency.
2. Include any reportable program income on appropriate financial reports submitted to the sponsor and in accordance with the treatment method identified on the route sheet and/or award terms and conditions.
3. Verify the use of program income.