

Florida Atlantic University Program Income Policies and Procedures

VI. Three Approaches for Administering and Spending Program Income

OMB Circular A-110, Section 24 states that Program Income will be used (spent) in one of the following ways:

- (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
- (2) Used to finance the non-Federal share of the project or program.
- (3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

FAU interprets OMB Circular A-110 to mean that the Program Income will be spent and administered by applying one of the following approaches:

1. The Additive Approach: Program Income is added to the project budget to further project or program objectives. The amount of Program Income increases the amount available for the PI to accomplish the scope of work of the project.

For example, if the amount awarded by the sponsor is \$100,000 and the project generates Program Income from conference registration fees in the amount of \$5,000, the amount available for the project is \$105,000. The Program Income generated will be accounted for in a separate Banner Fund and the funding from the sponsor will be accounted for in a separate Banner Fund.

2. The Cost Share / Matching Approach: Program Income earned is used to finance the Non-Federal share of the project or program.

For example, FAU receives an award from a Federal sponsor in the amount of \$50,000. The sponsor requires a matching amount from FAU of \$10,000. The sponsor allows Program Income to be used to meet the matching requirement. In the example, the project generates Program Income in the amount of \$10,000. This \$10,000 in Program Income is accounted for in a separate Banner Fund. The \$50,000 from the sponsor is accounted for in a separate Banner Fund. The entire \$10,000 in Program Income is spent on the project. FAU has met the Cost Share / Matching obligation for this project.

3. The Deductive Approach: Program Income is deducted from the amount awarded by the sponsor to determine the net allowable federal share of costs. In other words, the total funds available to the project remain the same as the amount awarded by the sponsor. The funds generated by the Program Income reduce the amount that can be requested from the sponsor.

For example, the sponsor has awarded FAU an amount of \$75,000. The award terms and conditions state that any Program Income earned and spent on the project will reduce the amount that FAU can request from the sponsor. During the project period, there is Program Income generated and spent in the amount of \$3,000. The \$3,000 in Program Income is accounted for in a separate Banner Fund. FAU must report the Program Income earned and spent on the project to the sponsor. FAU accounts for the funds from the sponsor in a separate Banner Fund. FAU can request reimbursement from the sponsor for an amount up to \$72,000 (\$75,000 less \$3,000).

If the award document is not clear as to which approach FAU is to apply in spending and reporting Program Income, the Research Accounting Coordinator will contact the sponsor for guidance and communicate the approach to the PI and Department Budget Coordinator.