Procedure 7450-P(2): Federal Cash Management Policy - Federal Program Income **Status:** ADOPTED

Original Adopted Date: 08/21/2023 | **Last Revised Date:** 01/14/2026 | **Last Reviewed Date:**

Definition

Program income means gross income earned by a federal grant recipient that is directly generated by a supported activity or earned as a result of the federal award during the grant's period of performance.

Program Income must be used for the original purpose of the federal award. Program income earned during the period of performance may only be used for costs incurred during the period of performance or allowable closeout costs as required by 2 CFR 200.472. Program income must be expended prior to requesting additional federal funds. Program income exceeding amounts specified in the feral award may be added to or deducted from the total allowable costs in accordance with the terms and conditions of the feral 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 federal awards, the sale of commodities or items fabricated under a federal award, license fees and royalties on patents and copyrights, and principle and interest on loans made with federal award funds. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal statutes, regulations, or the terms and conditions of the federal award program, income does not include rebates, credits, discounts, and/or interest earned. Additionally, taxes, special assessments, levies, fines, and other such revenues raised by a recipient are not program income unless the revenues are specifically identified in the federal award or federal awarding agency regulations as program income. Finally, proceeds from the sale of real property, equipment, or supplies are not program income.

Use of Program Income

There are three methods of applying program income: deduction, addition, and cost-sharing. The federal agency should specify what program income method(s) will be used in the terms and conditions of the feral award. The deduction method will be used if the federal agency does not specify a method for applying program income. When no program income method is specified in the federal award, prior approval is required to use the addition or cost sharing methods.

The default method for the use of program income for the District is the deduction method. Under the deduction method, program income is deducted from total allowable costs to determine the net allowable costs. Program income will only be used for current costs unless the District is otherwise directed by the federal awarding agency or pass-through entity. The District may also request prior approval from the federal awarding agency to use the addition method. Under the addition method, program income may be added to the federal award by the federal agency and the non-federal entity. The program income must then be used for the purposes and under the conditions of the federal award.

While the deduction method is the default method, the District shall always refer to the grant award notification prior to determining the appropriate use of program income.

It is the policy of the District that no program income will be generated in federal programs. If program income is generated, the business manager shall account for it in accordance with the District's normal accounting procedures, utilizing the special revenue accounting codes of IFARMS, and track as program income attributable to a specific federal program.

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Legal References	**Description**
2 CFR § 200.305	Payment
2 CFR § 200.307	Program Income
31 CFR § 205	Rules and Procedures for Efficient Federal-State Funds Transfers
31 USC § 6503	Intergovernmental financing (Cash Management Improvement Act of 1990)

Other References	**Description**
ISBA Policy Services	https://www.idsba.org/member-services/policy/