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STARS USER MANUAL

PROGRAM INCOME FOR FEDERAL GRANTS

INTRODUCTION

Program income means gross income received by the grantee or subgrantee, directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. “During the grant period” is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

Examples of program income include:

- Income from fees for services performed.
- Income from the use or rental of real or personal property acquired with grant funds.
- Income from the sale of commodities or items fabricated under a grant agreement.
- Income from payments of principal and interest on loans made with grant funds.

Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them.

The following is not considered program income unless it is specifically identified in the grant agreement or Federal agency regulations as program income. See each federal agency’s Code of Federal Regulations.

- **Governmental revenues.** Taxes, special assessments, levies, fines, and other such revenues raised by a grantee or subgrantee.
- **Royalties.** Income from royalties and license fees for copyrighted material, patents, and inventions developed by a grantee or subgrantee.
- **Property.** Proceeds from the sale of real property or equipment.

Each individual program may identify their program-specific income types in the award. The [Catalog of Federal Domestic Assistance web site](#) may provide more information as well.

Cost of generating program income

If authorized by Federal regulations or the grant agreement, costs incidental to the generation of program income may be deducted from gross income to determine program income.

USE OF PROGRAM INCOME

State agencies are accountable for the use of program income in accordance with the Office of Management and Budget (OMB) Circulars A-102 or A110. Direct recipients of formula grants will be responsible for requiring subrecipients to comply with program income guidelines.

Program income may only be used for allowable program costs and must be expended prior to additional drawdowns. If the cost is allowable under the Federal grant program, then the cost would be allowable using program income.

Program income shall be deducted from outlays which may be both Federal and non-Federal as described below, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives). In specifying alternatives, the Federal agency may distinguish between income earned by the grantee and income earned by subgrantees and between the sources, kinds, or amounts of income.

Depending on the specific grant, the federal government provides three options for the expenditure of program income:

- **Deduction alternative – default used for program income.** Ordinarily program income shall be deducted from total allowable costs to determine the net allowable costs. Program income shall be used for current costs unless the Federal agency authorizes otherwise. Program income which the grantee did not anticipate at the time of the award shall be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project. The deduction alternative is the Federal default, except for research grants.
- **Addition alternative.** When authorized, program income may be added to the funds committed to the grant agreement by the Federal agency and the grantee. The program income shall be used for the purposes and under the conditions of the grant agreement.
- **Cost sharing or matching alternative.** When authorized, program income may be used to meet the cost sharing or matching requirement of the grant agreement. The amount of the Federal grant award remains the same.

When Federal agencies authorize the alternatives in Addition and Cost Sharing or Matching, program income in excess of any limits stipulated shall also be deducted from outlays.

Below are examples of applying program income on a \$100,000 program with a 25% match requirement, and \$10,000 program income.

PROGRAM INCOME AFFECT ON BILLABLE AND EXPENDABLE BUDGETING						
		Program Income expected	Billable Budget		Expendable Budget	
\$100,000 award - no Program Income						
75%	Federal fund	0.00	75,000.00		75,000.00	(75,000 federal \$)
25%	State fund	0.00			25,000.00	(25,000 state \$)
		<u>0.00</u>	<u>75,000.00</u>		<u>100,000.00</u>	
\$100,000 award w/\$10,000 program income - Deduction Alternative (NORMAL METHOD)						
75%	Federal fund	7,500.00	67,500.00 (Bill less PI)		75,000.00	(7,500 pgm inc + 67,500 federal \$)
25%	State fund	2,500.00			25,000.00	(2,500 pgm inc + 22,500 state \$)
		<u>10,000.00</u>	<u>67,500.00</u>		<u>100,000.00</u>	
\$100,000 award w/\$10,000 program income - Addition Alternative						
75%	Federal fund	7,500.00	75,000.00		82,500.00	(7,500 pgm inc + 75,000 federal \$)
25%	State fund	2,500.00			27,500.00	(2,500 pgm inc + 24,000 state \$)
		<u>10,000.00</u>	<u>75,000.00</u>		<u>110,000.00</u>	
\$100,000 award w/\$10,000 program income - Cost Sharing/Match Alternative						
75%	Federal fund	0.00	75,000.00		75,000.00	(75,000 federal \$)
25%	State fund	10,000.00			25,000.00	(10,000 pgm inc + 15,000 state \$)
		<u>10,000.00</u>	<u>75,000.00</u>		<u>100,000.00</u>	

- Deduction alternative does not increase the committed costs.
- Addition alternative does increase the committed amount of the grant.
- Cost sharing/Match alternative does not increase the committed costs, but replaces part of the state agency's share of the committed costs.

INCOME AFTER THE AWARD PERIOD

Follow any special conditions on the award agreement or in the Federal agency regulations governing the disposition of program income earned after the end of the award period (the ending date of the final financial report).

If required, program income earned on a discretionary grant during the grant period remaining at the end of the grant period, the recipient should request a no-cost extension of the grant period to provide the recipient with ample time to expend the program income for allowable project purposes.

If there are no special conditions, then such program income can be used at the discretion of the recipient.

PROGRAM INCOME REQUIREMENTS – LOCATION

The requirements for program income are found in the A-102 Common Rule (§____.21 (payment) and §____.25 (program income)); OMB Circular A-110 (2 CFR section 215.2 (program income definition), 2 CFR section 215.22 (payment), and 2 CFR section 215.24 (program income)), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

TRANSACTION CODES FOR PROGRAM INCOME

Program Income transaction codes are described below. These will post to the Grant and Project files if there is a Grant and/or Project entered on the transaction, or if looked up by the PCA or Index used on the transaction.

These transaction codes allow your agency to keep the program income expenditures organized by the expenditure subobject. (Alternatively, you could use the regular STARS cash expenditure TCs, and later move the amount “in total” on a monthly, quarterly, or reporting basis. To do this use the TC 270 to move the expenditure from the Fund/Grant posted to the Cash Expenditures field, and a TC 2P1 to repost this amount to the Program Income Expended field.)

The 1PI transaction code allows you to account for program income receipts as program income earned instead of receipts/collection on the Grant. The 2Px transaction code allows you to account for program income expenditures without combining it with the cash expenditures on the Grant.

<u>Transaction Code</u>	<u>Description</u>
1PI	CASH RECEIPT OF PROGRAM INCOME REVENUE Record the receipt of program income. The data entry on TC 1PI is the same as the TC 101, TC 440 or TC 441. Posts to Program Income Earned instead of Receipt/Collections. Use this TC if the program income amount is identified in the grant award and already added to the expendable budget.

<u>Transaction Code</u>	<u>Description</u>
1PB	<p>CASH RECEIPT OF PROGRAM INCOME REVENUE AND INCREASE EXPENDABLE BUDGET</p> <p>Record the receipt of program income and increase the expendable budget. The data entry on TC 1PB is the same as the TC 101, TC 440 or TC 441. Posts to Program Income Earned instead of Receipt/Collections. Use this TC if the program income is identified in the grant award, but there is no set amount AND you have the Budget Control Type at '0', no control, unless you are setting the Object Post Level and the Revenue Post Level at '0'. This will increase the expendable budget at the same time the program income revenue is recorded.</p>
2PI	<p>PROGRAM INCOME EXPENDITURE NOT ENCUMBERED</p> <p>Record an expenditure of program income. The data entry on TC 2PI is the same as the TC 230. Posts to Program Income Expended instead of Cash Expenditures.</p>
2P6	<p>PROGRAM INCOME EXPENDITURE PREVIOUSLY ENCUMBERED</p> <p>Record an expenditure of program income posting to an encumbrance. The data entry on TC 2P6 is the same as the TC 236. Reduces Encumbrances and posts to Program Income Expended instead of Cash Expenditures.</p>
2PJ	<p>PRG INC PMT OF INTERAGY BILL NOT ENC (DUE TO-PROG INC)</p> <p>Record an interagency bill payment of program income. The data entry on TC 2PJ is the same as the TC 240. Posts to Program Income Expended instead of Cash Expenditures.</p>
2PK	<p>PRG INC PMT OF INTERAGY BILL PREV ENC (DUE TO-PROG INC)</p> <p>Record an interagency bill payment of program income posting to an encumbrance. The data entry on the TC 2PK is the same as the TC 241. Reduces Encumbrances and posts to Program Income Expended instead of Cash Expenditures.</p>
2P0	<p>PRG INC EXP ADJ-REVERSE PMT (NO VP POST-PROGRAM INCOME)</p> <p>Record an expenditure adjustment reversal of program income not posting to a vendor. The data entry on the TC 2P0 is the same as the TC 270. Posts to Program Income Expended instead of Cash Expenditures.</p>

<u>Transaction Code</u>	<u>Description</u>
2P1	<p>PRG INC EXP ADJ-POST PMT (NO VP POST-PROG INCOME)</p> <p>Record an expenditure adjustment charge of program income not posting to a vendor. The data entry on the TC 2P0 is the same as the TC 271. Posts to Program Income Expended instead of Cash Expenditures.</p>
2P3	<p>PRG INC ENC EXP ADJ - POST PMT (NO VP POST-PGM INCOME)</p> <p>Record an expenditure adjustment charge of program income to an encumbrance not posting to a vendor. The data entry on the TC 2P3 is the same as the TC 273. Reduces Encumbrances and posts to Program Income Expended instead of Cash Expenditures.</p>
2PA	<p>PRG INC EXP ADJ-REVERSE PMT (VP POST-PROG INCOME)</p> <p>Record an expenditure adjustment reversal of program income that does post to a vendor. The data entry on the TC 2PA is the same as the TC 27A. Posts to Program Income Expended instead of Cash Expenditures.</p>
2PB	<p>PRG INC EXP ADJ - POST PMT (VP POST - PROG INCOME)</p> <p>Record an expenditure adjustment charge of program income that does post to a vendor. The data entry on the TC 2PB is the same as the TC 27B. Posts to Program Income Expended instead of Cash Expenditures.</p>
2PC	<p>PRG INCOME ENCUMBR ADJ-POST PMT (VP POST-PRG INCOME)</p> <p>Record an expenditure adjustment charge of program income to an encumbrance that does post to a vendor. The data entry on the TC 2PC is the same as the TC 27C. Reduces Encumbrances and posts to Program Income Expended instead of Cash Expenditures.</p>

Comparison of Regular TCs versus Program Income TCs.

	REGULAR TCs		PROGRAM INCOME	
	Rev & Exp	Gen TC	Rev & Exp	Gen TC
			clone of regular w/bucket ch	
Revenue Deposit	101		1PI & 1PB	
Regular Expenditures	230		2PI	
Expenditure with Encumbrance	236		2P6	
IAB Expenditure	240	170	2PJ	170
IAB Expenditure with Encumbrance	241	170	2PK	170
Adj Expenditure - Rvs Pmt - no VP Post	270		2P0	
Adj Expenditure - Post Pmt - no VP Post	271		2P1	
Adj Expenditure - Post Encumb Pmt - no VP Post	273		2P3	
Adj Expenditure - Rvs Pmt - VP Post	27A		2PA	
Adj Expenditure - Post Pmt - VP Post	27B		2PB	
Adj Expenditure - Post Encumb Pmt - VP Post	27C		2PC	

FUNDS

Use the federal or other funds, depending on the nature of the program income. If you have something like an 75% federal – 25% state match split, you would want to put the 75% amount in the fund where the federal expenditures are made and 25% in the match fund.

REVENUE SUBOBJECTS

Use 2060 (Federal Grants & Contributions – Program Income-Federal) for grants received from the federal government.

Use 2155 (State Grants & Contributions – Program Income-State) for grants received from a state agency, where the federal government is not involved.

EXPENDITURE SUBOBJECTS

Use the normal expenditure subobjects.

Program Income posts on the Grant and Project files to the 'Program Income Expended' and the 'Program Income Earned' buckets on STARS S066 screen. The 1PB transaction code also posts as an increase to the Expendable Budget.

VERSION 3.1	STARS--GRANT FILE RECORD INQUIRY	S066
AGENCY: 000 GRANT/PHASE:	PCA:	FUND: FUND DET:
EXP-OBJECT/DET:		
REV OBJECT/DET:		
CM: PM: CP: PP: PY: PPY:		CUM: ACTV:
EXP SOBJ/DET:	REV SOBJ/DET:	GRANT TYPE: CAT:
CREATE DATE:	CLOSE DATE:	FEDERAL ID:
BILLABLE BUDGET	EXPENDABLE BUDGET	
AMOUNT BILLED	UNITS BUDGETED	
BILLABLE BALANCE	ENCUMBRANCES	
RECEIPTS/COLLECTNS	CASH EXPENDITURES	
UNCOLLECTED BILLS	UNITS EXPENDED	
PROG INC EARN(MEMO)	PROG INC EXPEND	
COST ALLOC IN(MEMO)	EXPENDABLE BALANCE	
COST ALLOC OUT(MEMO)	ACCRD EXPEND(MEMO)	
PRE-ENCUMB(MEMO)	ADVANCES(MEMO)	

The STARS S077 screen nets the two together in the 'Net Program Income' bucket.

VERSION 3.1	STARS--GRANT FILE FINANCIAL INQUIRY	S077
AGENCY: 000 GRANT/PH:		
EXP OBJECT/DET:		
REV OBJECT/DET:		
CM: PM: CP: PP: PY: PPY:		CUM: ACTV:
FUND/DET:		
PCA:		
CAT:		FEDERAL ID:
CREATE DATE:	CLOSE DATE:	GRANT TYPE:
BILLABLE BUDGET	TOTAL BUDGET	
AMOUNT BILLED	ENCUMBRANCES	
BILLABLE BALANCE	TOTAL EXPENDED	
RECEIPTS/COLLECTIONS	EXPENDABLE BALANCE	
UNCOLLECTED BILLS	ADVANCES(MEMO)	
NET PROGRAM INCOME	PRE-ENCUMB(MEMO)	

FEDERAL FINANCIAL REPORT DATA FOR INDIRECT COSTS

These transactions will be included in the Federal Financial Report in the Program Income areas.

IBIS REPORTING

GRANT REVENUE AND EXPENDITURE REPORTS – GRANT RECAP

Program Income received, expended and the balance shows in the GRANT RECAP section of the Grant Revenue and Expenditure reports. It is not included in the Revenues and Expenditures detail section.

GRANT RECAP				
REVENUES GREATER THAN/(LESS THAN) EXPENDITURES			Excludes program income received, units expended (indirect or in-kind) and indirect costs transfers in/out.	
Revenues (Rpts/Coll)	Cash Expenditures	Total Revenues LESS Expenditures	Encumbrances	Total LESS Encumbr
49,376.59	88,879.20	-39,502.61	0.00	-39,502.61
PROGRAM INCOME Includes program income TCs for receipts 1PI and expenditures 2PI,2PB, 2FJ, 2FK, 2FO, 2PI, 2P3, 2PA, 2PB, 2PC.				
Program Income Received	Program Income Expended	Program Income Balance		
0.00	0.00	0.00		

GRANT PROGRAM INCOME REPORT

The Grant Program Income Reports shows the status of any Grant that has Program Income Earned or Program Income Expended amounts.

Dec 27, 2013		IDAHO BUSINESS INTELLIGENCE SOLUTION				10:05:48 AM	
Grant Program Income Report							
Agency	Grant	GPh	Fund	FDI	Program Income Earned	Program Income Expended	Net Program Income
190	ARM001	12	0349		5,879.87	5,879.87	0.00
		13	0348 83		0.00	0.00	0.00
			0349		27,296.59	27,296.59	0.00
		14	0348 83		0.00	0.00	0.00
			0349		3,478.15	180.00	3,298.15
	COM005	12	0348 83		0.00	0.00	0.00
			0349		264.98	264.98	0.00
		13	0349		4,319.04	4,319.04	0.00
		14	0349		600.00	0.00	600.00
	RTLPO7	12	0349		1,500.45	1,500.45	0.00
		13	0349		10,238.68	10,238.68	0.00

Effect on STARS Reports

Program Income does not post to the revenues and expenditures detail section on the DAFR7850, but shows in a Net Program Income total. There is no separation between amount received and amount expended. The report program also adds the Program Income Earned amount to the Total Budget regardless whether the TC is a 1PI or 1PB, which would **overstate the Total Budget** when the TC 1PB is used.

SCO recommends the IBIS Grant reports when using program income.

***** GRANT RECAP *****				
BILLABLE BALANCE		.00	TOTAL BUDGET	.00
RECEIPTS/COLLECTIONS	49,376.59		TOTAL EXPENDED	93,202.89
UNCOLLECTED BILLS		.00	EXPENDABLE BALANCE	93,202.89
NET PROGRAM INCOME		.00	ADVANCES	.00
PRE-ENCUMBRANCE		.00		