

## Federal Program Income Policy

### I. PURPOSE

The Sonoma County Human Services Department enacts the following policy for Subrecipients' use of program income earned from the expenditure of federal funds to ensure compliance with the Uniform Guidance, including, but not limited to, [2 C.F.R. § 200.307](#), the terms of the specific Federal award, and all applicable Federal regulations governing the use of program income. The Human Services Department agrees to ensure that Subrecipients administer program income according to the requirements set forth in this policy and as required by Federal regulations and State law.

### II. PROGRAM INCOME OVERVIEW

For purposes of this policy, program income is the gross income earned by the 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, the following sources of income:

- The collection of fees for services performed, including voluntary contributions received from a program participant for services received
- Payments for the use or rental of real or personal property.
- The sale of commodities or items fabricated under the Federal award.
- The payment of principal and interest on loans made under the Federal award.

Program income does not include fees or revenue from the following:

- The use of rebates, credits, discounts, and interest earned on any of them.
- Governmental revenues, such as taxes, special assessments, levies, or fines.
- Proceeds from the sale of real property, equipment, or supplies.<sup>1</sup>

### III. USE OF PROGRAM INCOME

[2 C.F.R. § 200.307\(e\)](#) sets forth three (3) methods for how program income may be used:

- A. The Addition Method: Program income is added to funds committed to the project or program and used to further eligible project or program objectives. The Subrecipient shall only expend program income on costs that are reasonable, allocable, and allowable under the terms of the federal award.<sup>2</sup> To adhere to these requirements, the Subrecipient shall comply with the cost principles included in [2 C.F.R. § 200](#). The Subrecipient shall allocate program income to the award in proportion to the pro rata

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<sup>1</sup> 2 C.F.R. 200.1 and 2 C.F.R. 200.307 each define and limit the sources of program income.

<sup>2</sup> 2 C.F.R. § § 200.404, 408.

share of the total funding (e.g., if federal funds cover half of a project's cost, with general revenue covering the other half, the Subrecipient shall allocate 50% of any program income earned to the federal award and account for its use pursuant to [2 C.F.R. § 200.307](#)).

- B. The Deduction Method: Program income is deducted from total allowable costs of the project or program to determine the net allowable costs on which the Federal share of costs will be based.
- C. The Cost Sharing/Matching Method: Program income is used to satisfy all or part of the non-Federal share of a project or program.

The Human Services Department will confirm the terms and conditions of the federal award specifying how program income should be used. In rare cases where the application of program income is not defined in the terms and conditions of the award, the *Addition Method* will be used.

#### IV. ADDITIONAL PROGRAM INCOME REQUIREMENTS

##### A. Identifying, Documenting, Reporting, and Tracking

To ensure compliance with the requirements of program income as outlined by the Federal regulations, the terms and conditions of the specific federal award, and the requirements set forth herein, each Subrecipient shall identify potential sources of program income and properly report the program income for the period in which it was earned and dispersed.

Program income shall be accounted for separately. The Subrecipient shall not commingle program income earned from the program supported by the specific federal award with any other funds. Any costs associated with generating program income revenue shall be charged as expenditures to the specific federal award.

##### B. Program Income Earned After the Period of Performance

The Subrecipient shall have no obligation to report program income earned after the period of performance. However, the Subrecipient shall report program income expended after the period of performance if that program income was earned on or before the final date of performance.

##### C. Compliance with State Law

Program income shall not be expended for purposes prohibited under State law.

##### D. Subject to Audit

The Subrecipient should recognize that its use of program income may be audited and reviewed for compliance with Federal laws and regulations, State law, and the terms of the specific federal award.