



Community Oriented Policing Services  
U.S. Department of Justice

# Fact Sheet

[www.cops.usdoj.gov](http://www.cops.usdoj.gov)

## Program Income

### What is program income?

Program income means gross income earned by the recipient or subrecipient that is directly generated by an award-supported activity or earned as a result of a federal award during the award period.<sup>1</sup> Program income includes 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.

Examples of program income that has been generated from some COPS Office-funded activities include fees collected for conference registration, exhibit booths, and website advertisements. Interest earned on advances of federal funds is not program income. Except as otherwise provided for in federal statutes, regulations, or the award terms and conditions, program income does not include rebates, credits, discounts, and interest earned on any of them.

The recipient may not earn or keep any profit resulting from a federal award unless expressly authorized, in writing, by the COPS Office.<sup>2</sup>

1. Program income is defined by 2 CFR § 200.80 in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards as adopted by the U.S. Department of Justice in 2 CFR § 2800.101 for awards made after December 26, 2014. Prior awards would follow 28 CFR §§ 66.25 and 70.24.

2 See 28 CFR § 200.400(g), as adopted by the U.S. Department of Justice in 2 CFR § 2800.101.

### How do I know if my COPS Office award generates program income?

Although recipients are encouraged to earn program income to defray program costs where appropriate, most COPS Office awards are not conducive to generating program income. Contact your COPS Office program manager to determine if revenue generated from your COPS Office award constitutes program income. The program manager will help you assess whether or not the income is generated as a result of the award-supported activity.

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### How can program income be used?

Program income must be used in accordance with the standards set forth in 2 CFR § 200.307 as adopted by the U.S. Department of Justice in 2 CFR § 2800.101. Program income generated from an award can be

1. deducted from total allowable project costs to determine net allowable costs to reduce the federal award;
2. added to the federal award to increase funds committed to the project;
3. used to meet the cost sharing or matching requirement of the federal award.

### COPS Office Contact

If you have any questions regarding the federal requirements on program income, please contact your COPS Office program manager or COPS Office state accountant.

For more information about COPS Office programs and resources, please contact the COPS Office Response Center at 800-421-6770 or via e-mail at [AskCopsRC@usdoj.gov](mailto:AskCopsRC@usdoj.gov), or visit the COPS Office online at [www.cops.usdoj.gov](http://www.cops.usdoj.gov).

Unless otherwise specified in the award terms and conditions or approved by the COPS Office, program income will be used to defray program costs and reduce the federal share of the project. Program income not anticipated at the time of the award must be used to reduce the federal award and recipient contributions rather than to increase funds committed to the project. For example, if you were awarded \$100,000 in COPS Office funding with no local match requirement to support a conference and earned \$5,000 in program income from registration fees generated from that conference, an excess of \$5,000 would remain in award funds at the completion of the project. The \$5,000 would be returned to the Federal Government, thereby reducing the federal share of the project.

In some cases, with prior approval, recipients may be able to work with their COPS Office program manager to identify additional project-related allowable costs that could be supported with program income.

Earned program income can be spent only on allowable project costs incurred during the award period. Program income cannot be commingled with other awards and cannot be used for purposes outside of the scope of the award that generated the income.

There are a variety of circumstances that can affect how program income is treated. If you anticipate generating program income, please contact your COPS Office program manager or COPS Office state accountant for guidance.

**How should recipients report program income?**

You are required to report gross program income earned and expended on the Federal Financial Report (SF-425)<sup>3</sup> submitted each quarter. How you complete the report depends on when you earn and spend the program income, as well as what the status of your award is. Using the example above where you earned \$5,000 from registration fees, you would enter the total amount of program income earned (\$5,000) on 10.l and the total amount of program income expended on line 10.m.<sup>4</sup>

Program income earned and expended must be reported on a cumulative basis. You must manually enter these cumulative amounts each quarter, as the SF-425 form does not automatically calculate these amounts. For example, if \$5,000 in program income was earned in the 1st quarter and \$10,000 was earned in the 2nd quarter, you would add those amounts together and enter \$15,000 as earned on line 10.l of the 2nd quarter's SF-425. Similarly, if you spent \$5,000 in program income in the 1st quarter and an additional \$10,000 of program income in the 2nd quarter, you would enter \$15,000 as expended on line 10.m of the 2nd quarter's SF-425.

3. To access this form, visit [http://www.cops.usdoj.gov/pdf/SF-425\\_Form.pdf](http://www.cops.usdoj.gov/pdf/SF-425_Form.pdf).

4. For examples of when lines 10.n and 10.o on the SF-425 are used, contact your COPS Office program manager.

**Table 1. Program income on the SF-425**

*Note: Use lines 10.d–10.o for single award reporting only. Do not complete these lines if reporting on multiple awards.*

| LINE | TRANSACTIONS   | DESCRIPTION  |
|------|--|--|
| 10.l | Total federal program income earned                                  | Enter the amount of federal program income earned. Do not report any program income here that is being allocated as part of the recipient's cost-sharing amount included in line 10.j. |
| 10.m | Program income expended in accordance with the deduction alternative | Enter the amount of program income that was used to reduce the federal share of the total project costs.   |
| 10.n | Program income expended in accordance with the addition alternative  | Enter the amount of program income that was approved and expended on the project.  |
| 10.o | Unexpended program income (Line l minus line m or line n)            | Enter the remaining amount of unexpended program income by taking line l and either subtracting line m or line n, depending on which method you are using.                             |

In the event of an audit or other award compliance review, your agency should maintain detailed records that identify the specific project activity source (e.g., conference registration fees) and the amount of all program income generated. Line 12 (“Remarks”) on the SF-425 can be useful to provide narrative explanations supporting the financial information entered.

### **Can recipients keep program income as a cash reserve for future project costs?**

No. Recipients should expend earned program income before drawing down award funds.<sup>5</sup>

### **How much time is available to spend program income?**

Allowable project expenses can be supported by earned program income during the open award period. Funds cannot be drawn down for expenses that are incurred after the award end date.

Avoid retaining earned program income for extended periods of time. If you anticipate a significant lapse of time occurring between earning and spending program income, contact your COPS Office program manager. Unused program income should be deposited into your COPS Office award account to reduce your federal share.<sup>6</sup> These funds remain available for future use on allowable costs, incurred before award expiration, to fully implement your project.

If you anticipate having unused program income remaining toward the end of the award period, you may submit a request to your COPS Office program manager for a no-cost extension to provide additional time for your agency to spend program income on allowable costs to fully implement your project. No-cost extension requests must be submitted prior to the award end date and are approved on a case-by-case basis based on reasonable justification.

Unused program income remaining 90 days after the award end date must be promptly returned to the COPS Office. Please contact your COPS Office program manager for guidance on how to return excess program income and complete your final SF-425.

In the event that you earn interest on program income, please contact your COPS Office program manager or COPS Office state accountant for guidance on how to complete your final SF-425 to account for interest earned.

**Important: Awards must be open and active to incur project expenses paid for by program income.**

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5. See 2 CFR § 200.305 as adopted by the U.S. Department of Justice in 2 CFR § 2800.101 for awards made after December 26, 2014. Prior awards would follow 28 CFR §§ 66.21 and 70.22.

6. It can take up to six weeks for the returned program income to appear in your COPS Office account.