

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

PROGRAM INCOME GUIDANCE FOR SUBRECIPIENTS OF FEDERAL AWARDS

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1. What grants does this guidance apply to?

This document contains answers to Frequently Asked Questions (FAQs) regarding treatment and reporting of program income by subrecipients of Federal awards granted by the Nebraska Department of Economic Development (DED), Economic Recovery Division. These include, but are not limited to, the following DED grant programs:

- Building Mental Health Treatment Facilities Program
- EDA Tourism Grant Program
- Financial Literacy Grant Program
- Internships and Crime Prevention Grant Program
- Qualified Census Tract Recovery Grant Program
- Multi-Purpose Community Facilities Program
- Regional Development Initiative Program

2. What is program income?

Federal regulations define “program income” as “gross income earned by the recipient or subrecipient that is directly generated by a supported activity or earned as a result of a Federal award during the period of performance.”¹

Program income includes but is not limited to income from fees or 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.²

3. What are some examples of program income?

- **Sale of commodities or items fabricated under a Federal award**
 - Example: Federal award subrecipient uses grant funds to manufacture cakes. Small Business sells 100 cakes. Revenue from the sale of the cakes is program income.
- **License fees and royalties on patents and copyrights**
 - Example: Federal award subrecipient uses grant funds to make a film about sandhill cranes. Subrecipient collects \$3 million in royalties from movie theaters screening the film and sign a \$1 million deal to stream the film on Netflix. The fees and royalties are program income.
- **Principal and interest on loans made with Federal awards**
 - Example: Federal award subrecipient uses grant money to operate a small business loan program. Interest owed to the subrecipient on the loans is program income.

¹ 2 C.F.R. § 200.1, “Program income,” emphasis added.

² 2 C.F.R. § 200.1, “Program income.”

- **Fees for services performed**
 - Example: Federal award subrecipient uses grant money to conduct a financial literacy course and charges a \$100 enrollment fee for the course. The enrollment fees are program income.
- **Use or rental of real or personal property acquired under a Federal award**
 - Example: Federal award subrecipient uses grant money to acquire apartments and rent them at a fixed affordable housing rate. Rent due to the subrecipient is program income.

DED has determined that the following common income sources are program income:

- **Sale of tickets to events funded by a Federal award**
 - Example: Federal award subrecipient uses grant funds to rent a ballroom and serve refreshments for an annual Nebraska Art Exhibition. It charges \$25 per ticket for admission. Income from ticket sales is program income because that income was directly generated by a supported activity or earned as a result of the Federal award.
- **Sponsorships at events funded by a Federal award**
 - Example: Federal award subrecipient uses grant funds to rent seating and sound equipment for an annual Nebraska Music Festival. It solicits and receives sponsorships for the event. Income from sponsorships is program income because that income was directly generated by a supported activity or earned as a result of the Federal award.

If you aren't certain whether you have program income, contact DED.

4. How can program income be used?

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.³

Federal law provides for three methods of applying program income: deduction; addition; and cost-sharing.⁴ **DED requires use of the addition method** for awards funded through State and Local Fiscal Recovery Funds (SLFRF), the Coronavirus Capital Projects Fund, and the U.S. Economic Development Administration (EDA) Travel, Tourism, and Outdoor Recreation (TTOR) program.

Under the addition method, program income is added to the total allowable costs for the award, increasing the overall total amount of the federal award.⁵ In plain language, the addition method **adds** program income to the amount the subrecipient can spend on the grant-funded project. Program income must be expended prior to requesting additional Federal funds.⁶

³ 2 C.F.R. § 200.307(a).

⁴ 2 C.F.R. § 200.307(b).

⁵ 2 C.F.R. § 200.307(b)(2).

⁶ 2 C.F.R. § 200.307(a).

- Example: Federal award subrecipient uses grant funding to lease space, buy supplies, and promote an annual Nebraska Pizza Beats Chicago Pizza Festival. Subrecipient sells \$25,000 worth of tickets and generates \$50,000 worth of sponsorships from the festival. \$75,000 in program income is added to the total allowable costs for the award.

The subrecipient is scheduled to request reimbursement of \$100,000 for eligible costs incurred while hosting the festival. The subrecipient must apply the \$75,000 in program income to its costs before requesting any portion of the \$100,000.

IMPORTANT: Using the addition method for program income, the subrecipient is still eligible to receive the full amount of funding described in the grant agreement. In this example, the subrecipient may still receive the remaining \$100,000, as long as that funding is spent on eligible expenses for the project.

5. What income is specifically excluded from program income?

- Governmental revenues, including taxes, special assessments, levies, fines, and similar revenues raised by a governmental entity that is the recipient or subrecipient of a Federal award.⁷
- Proceeds from the sale of real property, equipment, or supplies.⁸
- License fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions.⁹
- Interest earned on advances of Federal funds is not program income.¹⁰
- With certain exceptions, program income does not include rebates, credits, discounts, or interest earned on any of them.¹¹
- Income earned after the end of the period of performance.¹²

6. How do I report program income to DED?

Grant recipients with program income can report through DED's grant management system, AmpliFund. DED has a help article explaining how to report program income: <https://dednebraska.zendesk.com/hc/en-us/articles/14284641231003-How-do-I-Enter-Program-Income-or-Revolving-Loan-Funds-on-Expenses>

⁷ 2 C.F.R. § 200.307(e)(1).

⁸ 2 C.F.R. § 200.307(e)(2). These proceeds must be handled in accordance with the Property Standards found at 2 C.F.R. §§ 200.311, 200.313, 200.314, or other federal law.

⁹ 2 C.F.R. § 200.307(e)(3). These fees and royalties are subject to 37 C.F.R. part 401.

¹⁰ 2 C.F.R. § 200.1, "Program income."

¹¹ 2 C.F.R. § 200.1, "Program income."

¹² 2 C.F.R. § 200.307(c). The period of performance is identified in your grant agreement with DED.