FACT SHEET
Broadband Infrastructure Program

Program Income

Purpose

The purpose of this document is to provide Broadband Infrastructure Program (BIP) grant recipients with guidance on how to calculate program income pursuant to the methods listed in 2 CFR § 200.307(e). According to 2 CFR § 200.1, program income is defined as "gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in § 200.307(f)." This guidance is not a substitute for the terms and conditions of a specific BIP award, including those found in the Notice of Funding Opportunity, the Department of Commerce Financial Assistance Standard Terms and Conditions, applicable Federal regulations such as Title 2, Part 200 of the Code of Federal Regulations (CFR), and any Specific Award Conditions. Should this fact sheet and any BIP award terms conflict, the terms and conditions of a specific BIP award shall prevail in all cases.

Program Income Under the BIP

Calculating Revenue

The benefits of the BIP include providing affordable and high-speed internet access to previously unserved and underserved communities throughout the United States, as well as signing up newly connected households with low-cost subscriptions for internet service. In doing so, covered partnerships may begin to earn revenue because of the BIP-funded award. Recipients of BIP funds are encouraged to generate revenue during the period of performance of the award to defray costs. If a covered partnership begins accruing revenue because of the Federal award, the recipient or pass-through entity must report the amount of program income received as a part of the BIP during the award period on the Federal Financial Report (SF-425), and utilize the program income in one of the ways allowed by the award terms and conditions and/or Uniform Administrative Requirements, regardless of whether the originally-approved BIP project budget included anticipated program income.

To determine if your grant has Program Income to report, first assess the services being provided as a result of the BIP funds. The table below provides a list of areas wherein BIP recipients and their partners may accumulate revenue.

Table 1. Sources of Revenue Under the BIP

Potential Sources of Revenue Under the BIP
1. Income from sale of previously unavailable services provided through BIP-funded (including in-kind or match-funded) facilities, such as Internet access, voice over IP (VoIP), or point-to-point connections. 2. Incremental income from the sale of upgraded services provided through BIP-funded (including in-kind or match-funded) facilities. 3. Income from leasing BIP-funded (or match-funded) facilities, such as dark or lit fiber indefeasible rights-of-use (IRUs) for dark or lit fiber or conduit, tower space, or rights-of-way. 4. Income from installation charges including: provisioning fees, account set-up fees and/or internal wiring for new subscribers using BIP-funded infrastructure. ***Note:*** *This is not an exhaustive list of sources of revenue funded under the BIP. If you have any questions as to whether a potential source of revenue qualifies as a source of program income, please contact your Federal Program Officer (FPO).*

Deduction of Costs Incidental to Generating Revenue

In accord with 2 C.F.R. 200.307(b), with prior written approval from the NIST Grants Officer, recipients and subrecipients may deduct costs incidental to generating program income if those costs have not been charged to the award. Examples of costs incidental to generating program income include, but are not limited to, taxes and universal service fees (USF) incurred as a result of charging service fees to a new subscriber on a BIP-funded network. USFs are not an eligible use of BIP-funds but can offset income generated by the service when calculating program income. See Table 3 for other costs incidental to generating program income under the BIP.

Table 2. Costs Incidental to Generating Program Income

An Infrastructure-award recipient may incur taxes and universal service fees as a direct result of charging service fees to a new subscriber on the BIP-funded network. These taxes and fees may not be eligible expenses under the BIP award. However, grantees may be deducted from the income received from the subscriber to determine program income. An Infrastructure-award recipient may incur electricity costs to operate a BIP-funded microwave tower. This cost is an operating cost which is not an eligible expense to be charged to the award. However, a proportional share of the electricity cost may be deducted from the program income that the recipient receives from offering services on that tower. As a reminder, per subscriber cost models may be requested during monitoring engagements or closeout. **Recurring Costs** ● Taxes ● Universal Service Fees ● Employee Wages (Administrative, Maintenance, Network Support, etc.) ● Billing software costs **Non-recurring Costs** ● Installation Fees ● Setup Fees

Calculating Program Income

Some costs may be incurred only partially for the purpose of generating program income related to the BIP award. For example, a recipient may have certain fixed costs of operating a Network Operations Center that serves both the BIP-funded network and non-BIP facilities. In such cases, recipients must develop a consistent and justifiable methodology for allocating costs between BIP-related and non-BIP-related activities. Recipients and subrecipients should ensure that the methodology they use to determine program income is consistent with the accounting methodology used in their normal business operations, and that it is applied uniformly across the project.

As referenced above, there are multiple potential sources for generating program income. It is incumbent on the grant recipient or pass-through entity to ensure that program income is accurately reported. Program income does not originate from vendors or third parties, but only from recipients and subrecipients. As such, determining how to calculate program income falls on the recipient and subrecipient to ensure that a robust model exists for calculating program income as accurately as possible. When reporting program income, it may be necessary for recipients and/or subrecipients to provide a financial accounting of the income generated as a result of the grant funds. An accurate accounting of program income also helps recipients and subrecipients determine which methodology would best fit their needs and the needs of their obligated award or grant-funded project. To better understand the generalized formula for calculating program income, please see the chart below.

Table 3. Formula for Program Income

Total BIP-funded revenue realized to date up to the end of the period of performance (POP)	-	Costs incidental to generating program income	=	Program Income

Program income is gross income earned by the recipient that is directly generated by a supported activity or earned as a result of a BIP award. Program income excludes interest earned on advances and includes, but is not limited to, income from service fees, conference fees, sale of commodities, usage or rental fees, and royalties on patents and copyrights.

There are no Federal requirements governing the disposition of income earned after the period of performance. See 2 C.F.R. § 200.307(f).

Program Income Methodology

Regulations Governing Program Income

A recipient or subrecipient shall retain any program income generated during the award period and use it in one of the following ways: **(1)** add it to the funds committed to the project by NTIA and the recipient for eligible project costs; **(2)** use it to finance the non-Federal share of the project; or **(3)** deduct it from the total allowable project costs, reducing the Federal and non-Federal dollars required for the project

Recipients must calculate program income according to a methodology listed in 2 CFR § 200.307(e):

2 CFR § 200.307(e)(1) - ***Deduction.*** Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than increase the funds committed to the project.

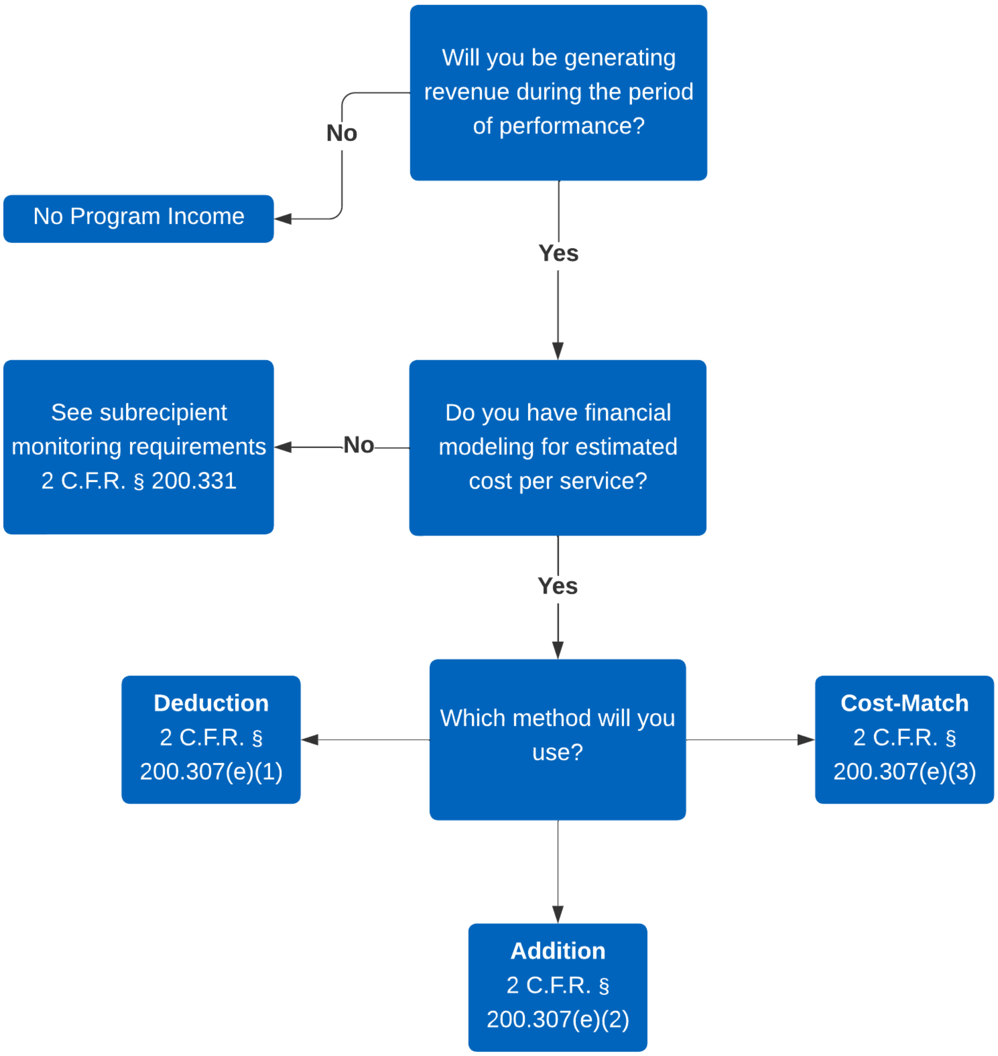
2 CFR § 200.307(e)(2) - ***Addition.*** With prior approval from the Federal awarding agency (except for IHEs [Institutions of Higher Education] and nonprofit research institutions, as described in this paragraph (e)), program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.

2 CFR § 200.307(e)(3) - ***Cost sharing or matching.*** With prior approval from the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.

Point of Clarification

Though **2 CFR § 200.307(e)(2)** and **2 CFR § 200.307(e)(3)** state that prior approval is required for utilizing addition or cost sharing, the Department of Commerce Financial Assistance Standard Terms and Conditions states in Section B.05 that "unless otherwise indicated in the award terms, program income may be used for any required cost sharing or added to the project budget, consistent with 2 C.F.R. § 200.307 (Program income)." Since the DOC Financial Assistance Standard Terms and Conditions were made a part of each award's Specific Award Conditions (SACs), the prior approval clause within the regulatory guidance is implied. Thus, recipients may use program income in whichever way they deem most appropriate without having to receive prior approval from NTIA and the NIST Grants Office. For further guidance on which methodology best suits your needs, see the sections below.

Table 4. Determining Program Income Decision Tree



Use of Alternative Program Income Methods

According to the process outlined in Sections 2 and 3 of the 2 CFR § 200.307(e), a grant recipient must request prior approval before using the addition or cost-match methods and consult with their FPO in advance of submitting a request. Though this process is not required for recipients of this award, as specified earlier in this document and in the Department of Commerce Financial Assistance Standard Terms and Conditions, recipients are still encouraged to consult with their FPOs to ensure that the methodology they use to determine program income is consistent with the accounting methodology used in their normal business operations, and that it is applied uniformly across the project. This consultation can be done either by email, phone, or on such occasion as permits the direct correspondence between the recipient and the FPO including regular standing meetings and ad hoc meetings. This will ensure that the recipient has the requisite financial management systems to accurately estimate and track the accrual and subsequent use of program income under the methodology requested.

In order to utilize the Addition or Cost-Match methods, recipients much submit an Award Action Request (AAR) for a budget modification to indicate where the program income will be spent.

When the Grants Office begins to close out the Federal grant, they may request additional financial information in order to reconcile costs incurred and offset by program income depending on the methodology utilized by the recipient.

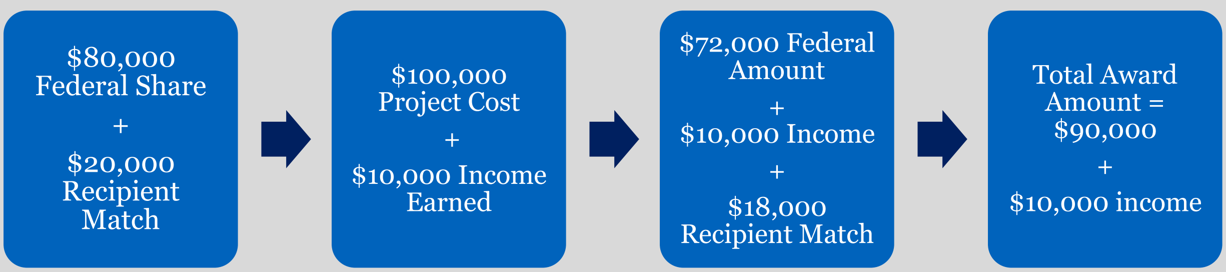
Notably, the responsibility to report program income does not extend to vendors or third parties who earn income because of BIP funds. The responsibility to determine and report program income extends only to recipients and subrecipients of the Federal award. Once you have determined the sources of revenue generated by BIP funding, you should consider which method of using program income you wish to use. Use the examples below to help determine which methods best suit your needs.

Deduction

The recipients and pass-through entities may use the deduction method. Deduction requires that the Federal obligation be reduced by the amount of program income generated by grant-funded sources. Example 1 below illustrates this process.

Example 1. Deduction Method

In this example, the recipient has received an $80,000 Federal award and has a cost-match of $20,000 bringing the total award value to $100,000. As a result of the grant funds, whether Federal funds or recipient cost-match, the recipient or subrecipient generated $10,000 worth of program income. Using the method of deduction, the Federal award amount is, proportionally, offset by the amount of gross income generated during the period of performance. Notably, this does not reduce the total disbursement of funds since the amount of program income received would offset the amount of Federal obligation reduced as a result. Thus, the total amount of funds available to the recipient remains $100,000.

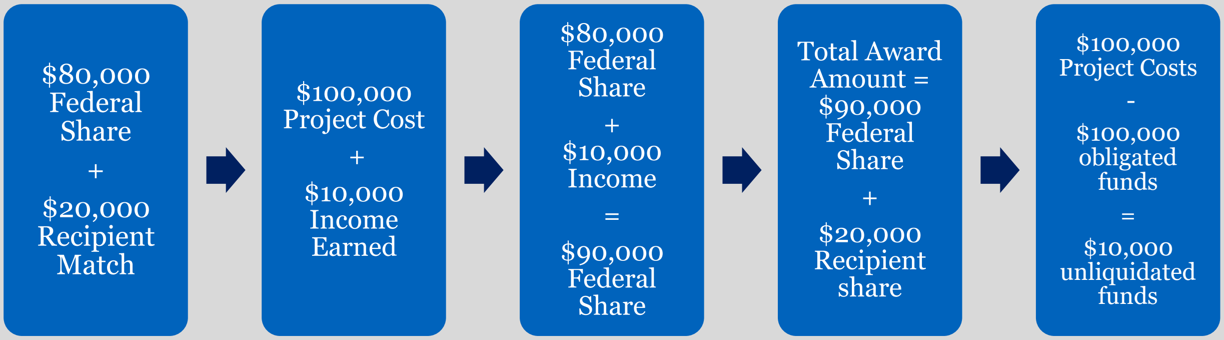


Addition

Recipients and pass-through entities may use the addition method. Addition requires that the program income resulting from the Federal award be added to the Federal obligation. It is important to note that program income added to the Federal award may only be used for the purposes and under the conditions of the BIP award. Furthermore, unliquidated Federal funds may be required to be returned to the Federal agency if they remain unliquidated by the end of the period of performance, and that program income added to the Federal obligation may be lost as a result. Example 2 below illustrates this process.

Example 2. Addition Method

In this example, the recipient has received an $80,000 Federal award and has a cost-match of $20,000, bringing the total award value to $100,000. As a result of the grant funds, whether Federal funds or recipient cost-match, the recipient or subrecipient generated $10,000 worth of program income. Using the method of addition, the Federal award amount is increased by the amount of gross income generated during the period of performance. The amount of program income added to the Federal award may be used in a manner consistent with the guidelines and regulations set forth in the Uniform Guidance. While this method increases the Federal obligation, unliquidated Federal funds must be returned to the Federal agency at closeout or upon completion of the period of performance.

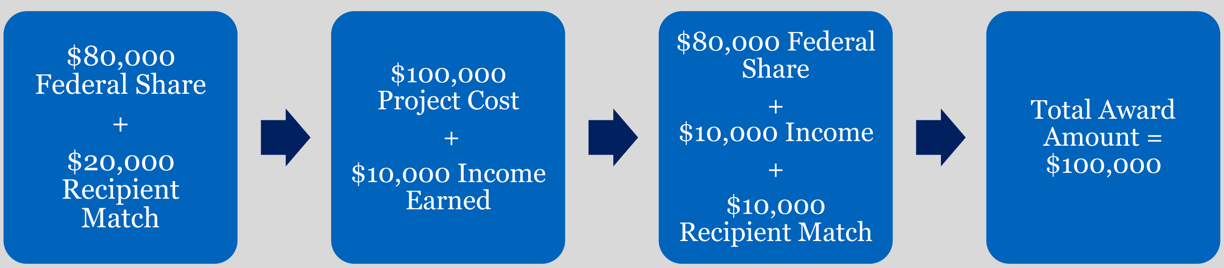


Cost-Match

Recipients and pass-through entities may use the cost-match method. The cost-match method allows recipients and pass-through entities to offset their cost-match by the amount of program income generated. In this way, it is similar to deduction but only applied to the recipient cost match. It is important to note that program income used as cost-match may only be expended on costs considered eligible. Use of program income is limited to general guidance for eligible expenses outlined within the grant and the Uniform Cost Principles. Example 3 below illustrates the cost-match process.

Example 3. Cost-Match Method

In this example, the recipient has received an $80,000 Federal award and has a cost-match of $20,000, bringing the total award amount to $100,000. As a result of the grant funds, whether Federal funds or recipient cost-match, the recipient or subrecipient generated $10,000 worth of program income. Using the cost-match method, the recipient match is reduced by the amount of program income incurred during the period of performance, but the cost-match must remain consistent with the cost-match established in the cooperative agreement and Federal award. Notably, the total award amount does not change as a result of the program income, but the program income is used in lieu of direct recipient or subrecipient contributions to the total award.



Appendix A: Program Income for Subawards

Requirements for Pass-Through Entities

For awards that include subawards, recipients of the award have specific requirements for monitoring that have direct ramifications on reporting program income. Under 2 CFR 200.332, each pass-through entity must ensure that every subaward be documented and include several required data elements, including:

- 2 CFR 200.332(a)(1)(i): Subrecipient name (which must match the name associated with its unique entity identifier);
- 2 CFR 200.332(a)(1)(ii): Subrecipient's unique entity identifier;
- 2 CFR 200.332(a)(1)(iii): Federal Award Identification Number (FAIN);
- 2 CFR 200.332(a)(1)(iv): Federal Award Date (see the definition of *Federal award date* in § 200.1 of this part) of award to the recipient by the Federal agency;
- 2 CFR 200.332(a)(1)(v): Subaward Period of Performance Start and End Date;
- 2 CFR 200.332(a)(1)(vi): Subaward Budget Period Start and End Date;
- 2 CFR 200.332(a)(1)(vii): Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- 2 CFR 200.332(a)(1)(viii): Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
- 2 CFR 200.332(a)(1)(ix): Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- 2 CFR 200.332(a)(1)(x): Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- 2 CFR 200.332(a)(1)(xi): Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- 2 CFR 200.332(a)(1)(xii): Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
- 2 CFR 200.332(a)(1)(xiii): Identification of whether the award is R&D; and
- 2 CFR 200.332(a)(1)(xiv): Indirect cost rate for the Federal award (including if the de minimis rate is charged) per § 200.414.

Under 2 CFR 200.307(f), "[t]here are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award..." Thus, the applicability of program income hinges on when the income was earned. According to 2 CFR 200.332(a)(1)(v) the pass-through entity identifies the period of performance in the subaward. Taken in conjunction, once the period of performance for the subaward has ended the requirements for the subrecipient to report program income no longer apply. Therefore, the pass-through entity must only report program income for subrecipients during the duration of the subaward.