



DEPARTMENT OF
CAREER SERVICES

Workforce Issuance

100 DCS 01.104

☒ Policy ☐ Information

To: MassHire Workforce Board Chairs
MassHire Workforce Board Directors
MassHire Career Center Directors
MassHire Fiscal Officers
MDCS Operations Managers

cc: WIOA State Partners

From: Diane Hurley, Acting Director
MassHire Department of Career Services

Date: February 7, 2025

Subject: **Program Income Under WIOA**

Purpose: The notify Local MassHire Workforce Boards, MassHire Career Center Operators and other local workforce partners of policy to set forth the requirements concerning the use and treatment of program income for all grants provided through the MassHire Department of Career Services (MDCS). This includes the identification of program income, determination of amounts, reporting requirements and applicability of cost categories.

Background: The requirements for Program Income under the Workforce Innovation and Opportunity Act (WIOA) are set forth at 20 CFR 683.200(c)(6) through (8), WIOA Sec. 194(7)(A) through (C) and 2 CFR 200.307. Recipients and program operators are allowed to retain program income only if it is added to the funds committed to the particular WIOA grant or subgrant and title under which it was earned and such income is used for that title's purposes, under the terms and conditions applicable to the use of the grant funds. Program income must be used in accordance with Federal regulations to the U.S. Department of Labor.

Policy: All programs funded with Federal grants through DCS shall utilize this policy in determining the use of program income earned and expended.

Action

Required: All operators are required to record, report and utilize program income earned and expended in accordance with this policy. All operators must incorporate this policy into their operating and accounting procedures within 30 days.

Effective: Immediately

Inquiries: Please email all questions to PolicyQA@mass.gov. Also, indicate Issuance number and description.

References: 2 CFR 200.80
2 CFR 200.307
2 CFR 200.311 (c)(2)
20 CFR 683.200 (c)(6)-(8)
20 CFR Part 675
20 CFR 683.300(c)(5)
WIOA Sec. 194(7)(A)-(C)

PROGRAM INCOME

INTRODUCTION

Grantees are encouraged to earn income to defray program costs. Program income includes income from fee for services performed, excess of revenue over costs and interest income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, refunds, etc. and interest earned on any of them.

Each entity receiving financial assistance under Federally funded programs is required to maintain records sufficient to determine the amount of income received and the purposes for which such income is expended.

Procurements shall not provide excess program income (for nonprofit and governmental entities) or excess profit (for private for-profit

entities). All procurement must be analyzed to ensure that such program income or profit is not excessive.

DEFINITIONS

Applicable credits refer to those receipts or reduction-of-expenditure transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges.

Fees are funds received based on a direct result of the Federally-funded program's supported activity. Contributions and donations are not fees.

Fund Raising means financial campaigns, endowment drives, solicitation of gifts and bequest, and similar expenses incurred to raise capital and obtain contributions. Fund raising costs for the purposes of meeting the Federal program objectives are allowable only with prior written approval from MDCS.

Conference income means any amount of funds received resulting from a meeting/conference supported by Federal funds. Examples include, but are not limited to, the following:

- Registration fees
- Fees collected to cover training materials
- Fees assessed to cover costs associated with attendance

Netting means the offset of expenditures against gross program income. It is the mathematical exercise associated with reducing gross program income by the amount of expenses involved in generating the program income.

PROGRAM INCOME

Program income means gross income received by the grantee or sub-grantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period of performance. Program income does not increase the sub-award, but rather is considered as additional revenue to be used to support allowable grant activities during the grant period. The grant period of performance is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

Program Income includes, but is not limited to:

- Fees for Service - Income from fees for services performed. This includes income from conferences.
- User or Rental Income - Income from the use or rental of real or personal property acquired with grant or subgrant funds.
- Sale of Products - Income from the sale of commodities or items fabricated under a grant.
- Revenues in Excess of Expenditures - Revenues earned by a governmental or private non-profit service provider under either a fixed price or reimbursable award that are in excess of the actual costs incurred in providing the services.
- License Fees and Royalties – Income from royalties and license fees for copyrighted material, patents, patent applications, trademarks, and inventions developed by a recipient or subrecipient, unless the Federal statute, regulations, or terms and conditions for the Federal award provide otherwise.

INTEREST INCOME

Income earned from the interest paid on grant funds is treated differently for WIOA Title I programs from most other Federal grant programs and ETA-funded required partner programs such as Wagner-Peyser. The Act and the Regulations both specify that interest earnings are to be treated as program income and are subject to the rules applicable to program income referenced at 2 CFR 200.307. Interest income earned on funds received under Title I of WIOA and the Wagner-Peyser Act must be included in program income. This applies to all programs funded under WIOA Title I, including Adult, Youth, Dislocated Worker, Job Corps, Native American, Migrant and Seasonal Farmworkers, National Dislocated Worker grants, YouthBuild, and Veterans' Programs. However, they do not apply to non-WIOA Title programs such as UI, WtW, Older American, Trade, and NAFTA.

PROGRAM INCOME EXCLUSIONS

Program Income does not include:

- Applicable Credits – Rebates, credits, discounts, refunds, etc., or interest earned on any of them. These amounts must be credited as a reduction of costs or returned to MDCS.
- Interest earned on advances of Federal funds.
- Sale of Property – Proceeds from the sale of real property, equipment, or supplies are not program income; such proceeds will be handled in accordance with the requirements of 2 CFR 200 Subpart D, 2 CFR 200.311(c) (real property), 2 CFR 200.313 (equipment), and 2 CFR 200.314 (supplies) or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.
- Income Earned after the Grant Period of Performance has Ended – there are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or the terms and conditions of the Federal award provide otherwise.
- Donations – contributions and donations are voluntarily given to programs, not generated by the use of grant funds. Therefore, these revenues do not constitute program income.
- Profits of Commercial Organizations – Profits earned by commercial for-profit organizations are not considered program income. Care should be taken to minimize the amount of profit generated by grants.
- Cost Sharing and Matching – Program income generated through federal funded grants may only be used to satisfy cost sharing or match requirements if prior approval has been obtained from MDCS. The amount of the Federal award remains the same.

REVENUE AND COSTS OF GENERATING PROGRAM INCOME

There are two methods used in accounting for revenue and costs of generating program income, the net income method and the gross income method.

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, provided these costs have not been charged to the Federal award. For WIOA, the

addition method, described at 2 CFR 200.307 must be used for all program income earned. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIOA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIOA program.

Net Income Method

Costs incidental to the generation of program income are netted against or deducted from gross program income to determine the amount of net program income. The expenditures and revenues associated with performing the activity that generates program income are tracked separately in the accounting records. Periodically, revenues and expenses are netted to determine the amount of net program income. Net program income is then recorded in the appropriate income account. If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.

Gross Income Method

All gross revenues derived from program income activities are accounted for as program income when using this method. The grantee's share of the allocable costs associated with generating the revenue are charged to the appropriate program activities and/or cost categories. In the accounting records, the entire amount of gross revenues would be recorded in the program income account for the funding period. The same funding period is assigned to the expenditures of program income as the funding period to which the program income is assigned. Expenditures incurred in generating the program income are charged to the appropriate cost categories and/or program activity.

EXPENDITURE OF PROGRAM INCOME

Once the amount of program income has been determined and the funding period identified, two alternative approaches may be used to account for the expenditure of program income. The additional services may be separately accounted for in the program income account, or already recorded expenditures may be transferred to the program income account.

Separate Accounting

Program income is treated as additional funds committed to the grant agreement for which separately identifiable services are performed, and the expenditure of program income is accounted for separately from the original agreement. For accounting purposes, the program income is treated as if it was a separate grant or cost objective.

Transfer of Expenditures

Expenditures are initially recorded in the accounts of the original agreement and are subsequently transferred to the program income account to offset the amount of program income earned. The result is that the program income is accounted for as fully expended, while expenditures charged under the grant are reduced by the amount of expenditures that have not been applied to program income.

WIOA Regulations at 20 CFR 683.200(c)(6) require that the net program income **MUST** be added to the total funds available for the program. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the program in which it was earned. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grant when these costs have not been charged to the program.

USES OF PROGRAM INCOME

20 CFR 683.200(c)(6) specifies that program income must be added to the grant award and used to provide the same services as the original grant agreement. Neither the WIOA Final Rule nor the Uniform Guidance specifies any requirements for the disposition of program income that is earned after the period of performance. However, 20 CFR 200.307 requires program income to be expended according to the terms and conditions of the grant, including provision related to the period of performance or fund availability. ETA requires program income to be wholly expended within the three-year period of availability for WIOA formula grants of the period of performance specified in individual grant agreements. Any program income funds remaining must be used to reduce the report grant expenditures when the grant closeout is submitted.