



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



SEP 14 2018

In Reply Refer To:
FWS/WSFR/AWSR/067715

To: Regional Chiefs, Wildlife and Sport Fish Restoration Program

From: Assistant Director, Wildlife and Sport Fish Restoration Program

Subject: Maximizing Benefits of Using the Cost Sharing Method for Program Income

This memorandum clarifies the eligibility of using the cost sharing method for program income earned under awards administered by the Service's Wildlife and Sport Fish Restoration Program (WSFR). Under the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200, 78 FR 78590, December 23, 2013) program income is defined as allowable under an award, and three methods are described as to how program income may be applied, including the cost sharing method. The governing regulations at 50 CFR 80 (75 FR 46150, August 1, 2011) also support all three methods, but according to 50 CFR 80 *Subpart 1 – Program Income*, cost sharing for program income may be used only with the approval of the Regional Director and only when certain other criteria are met.

In 2004, a Director's Order was published that restricted using the cost sharing method for program income under WSFR awards to only defined extraordinary circumstances. Prior financial assistance regulations supported the decisions that led to this limiting approach. The regulations at 2 CFR 200, effective 2014, clarify how to apply the cost sharing method and led WSFR to reconsider our approach. The cost sharing method allows States to use program income as matching funds under the award. States are facing increasing challenges in securing sufficient matching funds, especially considering the increased Federal funds available during recent years in the Wildlife Restoration Program. Therefore, WSFR is updating our policy and allowing States to propose using the cost sharing method for program income for current and future awards.

Following is guidance for WSFR staff to support States in applying the cost sharing method for program income. The major concern for WSFR is ensuring that earning program income is incidental and not the primary purpose of the award. The project must clearly focus on eligible activities under the grant program. We welcome further interactions on this topic and are hopeful that allowing this method as a viable option for States to address cost share needs will improve overall efficiency and effectiveness of the programs. Following a period of applying this approach and receiving feedback, WSFR will update Service Manual chapter 522 FW 19.

Please contact Lisa Van Alstyne, Chief, WSFR Policy Branch at 703-358-1942 if you have questions or feedback.



Using the Cost sharing or Matching Method for Program Income

Document ID: 2018_12Sept_BPOL_007
 Document Type: Guidance Interpretation Briefing White paper Best practices
 Date Issued: 09/12/2018
 Date Expires: Interim Guidance, pending update to 522 FW 19
 Status: Interim - Supersedes prior guidance on this topic
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Summary: This guidance clarifies that the cost sharing or matching method for program income earned under an award is allowable for awards administered under the Wildlife and Sport Fish Restoration Program.

Notes: The regulations at 2 CFR 200 define this method for using program income as “cost sharing or matching.” For ease of reading in this document, we will use the term “cost sharing,” with the understanding that the term is interchangeable with “matching.” 50 CFR 80.123 is being revised to indicate both terms.

When referencing questions and answers specific to 50 CFR 80, we may use the term “State” instead of “recipient” because the State fish and wildlife agency is the primary award recipient under these programs and subprograms. When using the term “recipient” it also refers to subrecipients, as applicable under regulations.

Audience: WSFR Staff/Recipients

Programs: This guidance applies to Wildlife Restoration, Sport Fish Restoration, Basic and Enhanced Hunter Education, and other programs administered under the regulations at 50 CFR 80. Therefore, citations in the guidance include references to 50 CFR 80 as an authority. 50 CFR 80.54(c) specifically disallows activities conducted for the primary purpose of producing income, which is relevant to this guidance. The ability to use the cost sharing method for program income is allowable under 2 CFR 200, so portions of this guidance not specific to 50 CFR 80 applies to other WSFR-administered mandatory programs, and to discretionary programs except as described in paragraph K., unless otherwise restricted under statute or program specific regulations.

Background: Under the regulations at 2 CFR 200 that govern financial assistance, there are three methods that recipients may use when disposing of program income. These are: Deduction, Addition, and Cost sharing. The cost sharing method allows recipients to use program income to meet the cost sharing or matching requirements of the Federal award. Under regulations at 50 CFR 80 that implement the Wildlife Restoration and Sport Fish Restoration Programs, the cost sharing method is listed as allowable, but only with the approval of the Regional Director and additional requirements at 50 CFR 80.123.

Applying the cost sharing method for program income for programs regulated at 50 CFR 80 was addressed by WSFR Chiefs and the Joint Federal/State Task Force for Federal Assistance Policy (JTF) considering the Acts and cost principles at 43 CFR 12. A JTF recommendation led to Director’s Order 168, Program Income from Federal

Assistance Grants (see Attachment), which was signed by the Director on March 11, 2004 outlining limited circumstances under which the cost sharing method could be considered. A major JTF discussion point focused on the view that all program income was treated as Federal funds and thus violated the required non-Federal match requirement under many WSFR-administered financial assistance programs. Director’s Order 168 was superseded by Service Manual Chapter 522 FW 19, issued December 19, 2005. Updated regulations at 2 CFR 200, issued December 26, 2013 clarifies that program income used under the cost sharing method is treated as non-Federal funds (See paragraph H.) and led WSFR to reconsider our approach. This guidance emphasizes that the cost sharing method for program income is allowable and gives supporting information for using it. We will issue this as interim guidance and update the Service Manual chapter.

Authorities: Financial Assistance: Wildlife Restoration, Sport Fish Restoration, Hunter Education and Safety, [50 CFR 80](#), 76 FR 46150, August 1, 2011

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, [2 CFR 200](#)

Definitions:

Cost sharing or matching means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute). (2 CFR 200.29)

Program income means 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. (2 CFR 200.80)

Guidance:

A. Would this approach be limited to only sport fish- or wildlife-related projects? No, this approach is allowable for all eligible activities under 50 CFR 80 (Ex: boating access, hunter/angler/shooter education, aquatic education, facilities, etc.), as long as the project is not for the primary purpose of generating income and meets all other legal and program requirements. This approach is allowable for all financial assistance programs, unless prohibited or restricted by statute, regulation, or policy.

B. How must a recipient treat program income? The recipient must account for income received from these activities in the project records and dispose of it according to the terms of the award. (50 CFR 80.121) Examples of program income are at 2 CFR 200.80 and 50 CFR 80.120.

C. May a recipient deduct costs associated with generating program income? If authorized by Federal regulations or the Federal award, recipients may deduct costs incidental to generating program income from gross income to determine program income, provided these costs have not been charged to the Federal award. (2 CFR 200.307(b)) You may deduct these costs using the requirements at 50 CFR 80.122(a).

D. What methods are allowable for using program income? There are three methods allowed under the regulations at 2 CFR 200.307(e) and 50 CFR 80.123 - Deduction, Addition, and Cost sharing:

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.
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	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 to increase the funds committed to the project.
Addition	With prior approval of the Federal awarding agency, 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.
Cost sharing	With prior approval of the Federal awarding agency, program income may be used to meet the matching requirement of the Federal award. The amount of the Federal award remains the same.

E. What program income actions are ineligible under 50 CFR 80? Activities conducted for the primary purpose of producing income are not eligible. (50 CFR 80.54) The primary purpose must support eligible activities and the grant programs' establishing authorities.

F. What conditions apply to program income under other WSFR-administered program regulations? See the Appendix for other WSFR-administered program regulations and how they address program income.

G. What requirements apply to match? Match must be in the form of cash or in-kind contributions. Unless authorized by Federal law, the non-Federal entity must not: (1) Use as match Federal funds or the value of an in-kind contribution acquired with Federal funds; or (2) Use the cost or value of an in-kind contribution to satisfy a match requirement if the cost or value has been or will be used to satisfy a match requirement of another Federal award, cooperative agreement, or contract, unless specifically authorized by Federal statute. (50 CFR 80.85) Additional requirements for match are found at 2 CFR 200.29 and 200.306.

H. Is program income treated as non-Federal or Federal funds? Program income is applied according to the method used. When using the cost sharing method, the entire amount of the program income may be used as match and is therefore treated as non-Federal funds.

- (1) If program income is used under the deduction method, it would be used to reduce both the Federal award and the non-Federal cost sharing, in proportion to their share of total project costs.
- (2) If program income is used under the addition method, both the Federal award and the non-Federal cost share are increased in proportion to their share of total project costs, with the percentage of minimum match still being satisfied, even with the additional funds.
- (3) If program income is used under the cost sharing method, the entire amount of program income may be used to meet the cost sharing or matching requirement of the Federal award. (2 CFR 200.307(e))

I. Does allowing recipients to use program income as match violate the Wildlife Restoration Act, Sport Fish Restoration Act, or other cost share requirements by removing recipient responsibility for contributing to the project (maintenance of effort)? No. For financial assistance programs that require a cost share, the Acts or regulations will address the requirements for the amount or percentage that the recipient is required to contribute to the award. However, in the context of the cost sharing method, the funds received as program income are treated as matching funds, not Federal funds (See paragraph H). Recipients have a responsibility to make sure that the primary purpose of the award is met and they must assume responsibility for accounting

for, monitoring, documenting, and reporting program income. The Federal government allows the method as part of the grantor/recipient partnership for the greater good.

J. What is the greatest challenge to using this method for projects regulated under 50 CFR 80? The greatest challenge is ensuring that projects remain focused on the eligible purposes of the award. WSFR staff must review proposals ensuring that proposals submitted for WR and SFR funding do not have the primary purpose of creating match, with conservation or recreation objectives incidental to revenue production. States and other applicants must clearly demonstrate the primary conservation/recreation objectives and program income as a secondary benefit. (50 CFR 80.54(c))

K. May an applicant use the cost sharing method for program income toward overmatch when applying to a competitive grant program that awards points for additional non-Federal match? No. Program income is projected and must not be used to garner additional points in a competitive ranking process. The uncertainty of program income creates an unfair and potentially unattainable advantage when used toward criteria that may ultimately determine if a project is awarded. If an award is approved and the recipient earns incidental program income during the period of performance, they may use the cost sharing method to replace any non-Federal funds offered as required match during the application process.

L. May recipients apply more than one method for using program income in an award? Yes, with prior approval from WSFR. Recipients may propose using a combination of methods for applying program income to an award, but must describe how they intend to use each method and receive prior approval from WSFR. Recipients must follow any associated terms and conditions in an award.

M. Why would an applicant want to request approval to apply more than one method for using program income in an award? The option to apply more than one method for using program income would be potentially beneficial if actual program income earned exceeds the projected amount and what is needed to as match for the award. 2 CFR 200.307(e) states that when the Federal awarding agency authorizes the additive or cost sharing approaches, program income in excess of any amounts specified in the proposal must be applied using the deductive method to overall total expenditures.

When program income is disbursed using the deductive method, the recipient uses the program income to reduce the Federal award and non-Federal entity contributions, rather than to increase the funds committed to the project. This means that both the Federal and non-Federal share would be reduced by the program income in the same proportion as dictated by the program, in most cases 75% Federal and 25% non-Federal. This would result in leaving some amount of the obligated Federal share unliquidated at the close of the award. Under the Wildlife Restoration and Sport Fish Restoration programs, these unliquidated Federal dollars either recover to the State Fish and Wildlife Agency for re-obligation to a future, subsequent award, or they revert. For States with low or zero safety margins, this process is not ideal and may result in the State reverting Federal program funds, which is what States and WSFR are trying to avoid.

Applicants may request approval to use the cost sharing method for program income earned up to the amount of the required cost share, and to use the additive method for any program income earned in excess of that amount that is earned under the award. The additive method allows for any additional program income to be used to increase the overall amount of funds committed to the award, resulting in no Federal program dollars being left unliquidated at the close of the award.

N. Are their requirements for when program income is applied to an award? Yes. For States, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 CFR Part 205 “Rules and Procedures for Efficient Federal-State Funds Transfers” and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies. (2 CFR 200.305(a)) For other recipients, to the extent available, the non-Federal entity must disburse funds available from program income before requesting additional cash payments. (2 CFR 200.305(b)(5))

O. Are there additional resources available to assist in considering how to apply program income and how to correctly complete standard reporting forms at the close of an award? Yes. Additional resources are being developed and are available at: <https://fawiki.fws.gov/display/WSFR/Program+Income+Cost+Share+Guidance>

P. What are the benefits of using the cost sharing method? Benefits include:

- (1) Greatly enhancing the recipient’s ability to match Federal funds. Reduces the amount of funds lost to the programs due to insufficient match.
- (2) Responding to real-world challenges faced by recipients.
- (3) Encouraging full disclosure, disposal, and reporting of program income.
- (4) Encouraging applicants to submit proposals that include match that is clearly allowable, reducing the need and/or desire to propose overly creative match arrangements that cannot be sustained under current regulations and for which WSFR staff must deny use.
- (5) Implementing a recommendation from the DOI Office of Inspector General to encourage and support recipients using the cost sharing method.
- (6) Enhancing the ability for WSFR to work more effectively with our partners.
- (7) Allowing WSFR to be proactively engaged as a partner in assisting recipients, as much as we can, in addressing emerging challenges.
- (8) Asserting that there are no legal or regulatory barriers to endorsing this method.
- (9) Allowing recipient direct contributions for match to be reduced, allowing recipients to increase funds available for other allowable activities under the program.

Q. What are concerns of using the cost sharing method and WSFR’s response? We objectively considered what negative impacts might occur with increased use of this method. Most concerns are recipient-centric and would be addressed on a recipient-by-recipient basis. However, we support increasing the flexibility in using this method and assisting recipients in these or other concerns that may arise. Concerns identified are that using the cost sharing method for program income:

- (1) Creates an increased workload by establishing that program income is not the primary purpose, documenting program income, ensuring budgets and numbers match, and monitoring.
 - We feel that the benefits of flexibility and openly supporting recipients ability to consider using another source of eligible match, outweighs the burdens.
- (2) WSFR, States, and other recipients have not been actively supporting using this method in the past, so there is a learning curve and obstacles to accepting this method as a viable alternative.
 - If challenges are identified that WSFR can assist with, we do so through guidance or other available and relevant means.

- (3)** Using the cost sharing method may create an advantage to those recipients with the ability to generate program income over those recipients that may lack similar abilities.
- We are hoping that announcing this change in allowing the flexibility to use the cost sharing program income method will encourage all recipients to consider this option.
- (4)** If States begin charging for services that are now provided for free in order to generate revenue to use as match, there could be a public outcry.
- This is an issue for States to consider when making decisions. WSFR has no role in those decisions.

APPENDIX

WSFR-administered program	Current regulatory citations regarding program income
Boating Infrastructure Grant Program	<p>50 CFR 86: § 86.77 How must I treat program income? (a) You must follow the applicable program income requirements at 2 CFR 200.80 and 200.307 if you earn program income during the period of performance. (b) We authorize the following options in the regulations cited at paragraph (a) of this section: (1) You may deduct the costs of generating program income from the gross income if you did not charge these costs to the grant. An example of costs that may qualify for deduction is maintenance of the BIG-funded facility that generated the program income. (2) Use the addition alternative for program income only if: (i) You describe the source and amount of program income in the project statement according to § 86.43(k)(2); and (ii) We approve your proposed use of the program income, which must be for one or more of the actions eligible for funding at § 86.11. (3) Use the deduction alternative for program income that does not qualify under paragraph (b)(2) of this section. (c) We do not authorize the cost sharing or matching alternative in the regulations cited at paragraph (a) of this section. (d) For BIG Tier 1-State grants with multiple projects that you may complete at different times, we recommend that States seek our advice on how to apply for and manage grants to reduce unintended program income. (e) If your project is completed before the end of the period of performance, we recommend you notify us and ask for advice on how to adjust the period of performance to manage potential program income.</p>
Clean Vessel Act Program	<p>50 CFR 85: § 85.44 Fee charges for use of facilities. A maximum of a \$5.00 fee may be charged, with no justification, for use of pumpout facilities constructed, operated or maintained with grant funds. If higher fees are charged, they must be justified before the proposal can be approved. Such</p>

	<p>proceeds shall be retained, accounted for, and used by the operator to defray operation and maintenance costs as long as the facility is needed and it serves its intended purpose. The maximum fee shall be evaluated for inflation, etc., each year.</p>
<p>Endangered Species Act grants</p>	<p>No specific requirements in regulation. Follow 2 CFR 200.</p>
<p>National Coastal Wetlands Conservation Grant Program</p>	<p>Program income is limited to \$15 million per year by the Coastal Wetlands Planning, Protection and Restoration Act.</p> <p>50 CFR 84 § 84.48 What are the procedures for acquiring, maintaining, and disposing of real property? (a)(5) If rights or interests obtained with the acquisition of coastal wetlands generate revenue during the Grant Agreement period, the State will treat the revenue as program income and use it to manage the acquired properties. If the State sells or leases real property, the State must treat the proceeds as program income and return the money to the Federal Aid program regardless of the grant period.</p>

ATTACHMENT



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240

IN REPLY REFER TO:

DIRECTOR'S ORDER NO: 168

Subject: Program Income from Federal Assistance Grants

Sec. 1 What is the purpose of this Order? This Order provides guidance on what constitutes program income and how a State fish and wildlife agency must calculate and use program income generated by Federal Assistance grants funded under the Wildlife and Sport Fish Restoration Programs.

Sec. 2 To whom does this Order apply? This Order applies to all Service personnel who administer grants funded through the Wildlife and Sport Fish Restoration Programs.

Sec. 3 What are the authorities for taking this action?

- a. 16 U.S.C. 777.
- b. 16 U.S.C. 669.
- c. 43 CFR 12.65.
- d. 50 CFR 80.14(c).

Sec. 4 What is the definition of program income? Program income is defined in 43 CFR 12.65(b) as "...gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. "During the grant period" is the time between the effective date of the award and the ending date of the award reflected in the final financial report." To be considered program income, the income must be received by the grantee or a subgrantee. Income not received by a State or subgrantee is not subject to Federal oversight. Exhibit 1 provides a partial list of what may be considered program income. The list is intended to help prompt discussion during the development of the grant agreement.

Sec. 5 Are activities that produce program income allowable under Federal Assistance grants? Yes, if the income producing activities are incidental to the accomplishment of approved grant purposes.

Sec. 6 Should "net" or "gross" income be used when calculating program income? 43 CFR 12.65(b) defines program income as "gross" income. However, 43 CFR 12.65(c) provides that "If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income." Therefore, States may include a provision in the grant agreement that allows program income to be reduced by an amount equal to costs incident to the generation of the program income. The grant agreement should identify these costs. Exhibit 2 provides some examples of costs that may be deducted and costs that may not be deducted from gross income when calculating program income. As with Exhibit 1,



Exhibit 2 is included to help prompt discussion during the development of the grant agreement. Failure to specify in the grant agreement how program income will be calculated will result (by default) in the use of "gross" income as equal to program income.

Sec. 7 How may the State use program income? 43 CFR 12.65(g) identifies three methods (deduction, addition, and cost sharing or matching) for applying program income to Federal and non-Federal outlays. All three methods are acceptable. However, if the State fish and wildlife agency wishes to use any method other than deduction, it must identify the method in the grant agreement.

a. If a State fish and wildlife agency wishes to use the deduction or addition methods, the Service will authorize such use.

b. If a State fish and wildlife agency wants to use the cost sharing method of applying program income to the outlays, the Service must review the reasoning provided by the State and make the final decision based on a variety of factors related to the intent of the Wildlife and Sport Fish Restoration Programs. Examples of acceptable factors might include situations where program income is incidental to the accomplishments of the approved purposes of the grant, and would:

(1) Allow the State share of funds to be used on additional fish or wildlife related projects that otherwise could not be sufficiently funded;

(2) Allow State's Federal Assistance funds saved by using this method to be targeted for additional qualified Program activities; or

(3) Result in a net benefit to the Program.

How is this tracked?

Sec. 8 What may a State do with program income if it exceeds the amount that can be applied to the grant from which it was earned? If more program income is generated by the grantee during the grant period than can be deducted, added, or applied to meeting cost sharing requirements, then that excess program income balance may be applied, as appropriate, to a subsequent grant that has purposes consistent with the grant that generated the excess program income.

Sec. 9 How is income generated outside the grant period handled? Grant agreements must contain specific language that income generated by the grantee outside of the grant period from Federal Assistance supported acquisitions or other activities will either be (1) treated as license revenue and used to support the administration of the State fish and wildlife agency, or, (2) if the State so requests, used as additional funding for purposes consistent with the grant or the Program that generated the income. For existing grant agreements (both open and closed) that do not contain specific language regarding the disposition of income outside the grant period, income generated by the grantee outside of the grant period is to be treated as if it were license revenue. Lacking specific language requested by the grantee in the grant agreement, there are no requirements to account for income generated by a subgrantee outside of the grant period unless provided for by the grantee in the award to the subgrantee. However, the grantee and subgrantee may enter into subsequent contractual agreements that require accounting of income generated outside the grant period in order to comply with separate obligations (e.g., maintenance of a facility during its useful life, oversight of allowable commercial activities, etc.).

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Sec. 10 What is the effective date of this Order? This Order is effective immediately. We will include the contents of this Order in Part 522 of the Fish and Wildlife Service Manual. This Order will expire on March 31, 2005, unless amended, superseded, or revoked.

A handwritten signature in black ink, appearing to read "Steve Williams". The signature is written in a cursive, flowing style.

DIRECTOR

Date: March 11, 2004

EXAMPLES OF PROGRAM INCOME

This exhibit is a guidance document to help Service and State fish and wildlife agency staff identify activities that may generate program income. This is a dynamic list.

1. Examples of income that should be treated as program income include:

a. Income received by the State fish and wildlife agency from contractors that provide a service that supports grant objectives on lands purchased or managed with Federal Assistance funds (e.g., activities that assist sport fish and wildlife users, boat dock operators, agricultural producers).

b. Income generated during the grant period from the harvest of assets that contribute to grant objectives on lands purchased or managed with Federal Assistance funds (e.g., timber revenue, hay field revenue, grazing revenue).

c. Fees charged directly by the State fish and wildlife agency (not considered a part of a concessionaire's income or payment) for use of facilities purchased or managed with Federal Assistance funds. This category could include fees paid by the user to launch a boat, fees to access a shooting range, waterfowl blind access fees (when not considered license revenue), camping fees, and parking fees.

d. Income from the sale of products (e.g., posters, brochures, pamphlets, books) that were produced using Federal Assistance funds.

e. Other income that is directly generated by a grant supported activity or earned only as a result of the grant agreement during the grant period.

2. Examples of income that should not be treated as program income include:

a. License revenues collected by the State fish and wildlife agency for hunting or fishing, including fees for special area access or recreation (50 CFR 80.4(a)(1)).

b. Income generated and retained by a contractor as a result of an arrangement with the State fish and wildlife agency to provide a service. For example, a private company contracts with the State to operate and maintain a shooting range on an existing wildlife management area (purchased many years earlier with Federal Assistance funds). The contractor's income is from range fees collected, supplies equipment and refreshments sold, or instruction offered. In return, the contractor maintains the facility at no cost to the State. The income collected by the contractor is not considered program income and no financial reporting requirements are necessary from the contractor. However, if the contract was negotiated such that the contractor made a payment to the State which was based on net proceeds and allowed a deduction for operation and maintenance of the facility, then the funds collected by the State would be considered program income and financial documentation sufficient to justify and support the payment amount would have to be retained by the contractor.

c. Any revenues received by a State fish and wildlife agency or volunteer hunter education instructors to cover incidental costs for a hunter education class is a special assessment and is not considered program income (43 CFR 12.65(d)).

What about aquatic ed classes?

ADJUSTMENTS TO PROGRAM INCOME

This exhibit is a guidance document to help the Service and State fish and wildlife agency staff identify costs associated with generating program income that may be deducted from gross income when calculating program income. This is a dynamic list.

1. Examples of costs that may be deducted from gross income when calculating program income include:

- a. Costs not included as part of a grant that are used to maintain or otherwise support facilities that generate program income (e.g., building maintenance on a concessionaire operated boat dock).
- b. Costs not included as part of a grant that are used for the purchase of goods or services used to generate program income (e.g., cost of producing pamphlets).
- c. Costs not included as part of a grant that are used to facilitate timber harvest (e.g., cost of timber cruising and marking for sale) or administer agricultural, grazing, or hay leases and/or contracts.

2. Examples of costs that may not be deducted from gross income when calculating program income include:

- a. Volunteer services or donations of any of the deductions identified above.
- b. Costs charged to any Federal Assistance grant as an eligible activity.