



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION

MAR 08 2007

Dear Colleague:

As a recipient of a grant to support an alternative financing program (AFP) or an Access to Telework Program (Telework)¹ you provided an assurance that your AFP or Telework program would continue on a permanent basis. Because these grants are for one year only, it is expected that grantees and the community-based organizations (CBOs) that administer these programs for the grantees will generate funds to sustain their programs beyond their federal grant. This letter addresses the issues that grantees and CBOs may face in generating funds for the perpetuation of their programs through use of investment counselors and applications for state, local and private grants.

In addition to satisfying the statutory requirements and the regulatory requirements of both programs, AFP and Telework grantees must abide by the conditions in their grant awards, Office of Management and Budget (OMB) Circular A-87, which applies to State, Local, and Indian Tribal Governments, and applicable provisions of the Education Department General Administrative Regulations (EDGAR). EDGAR and OMB Circulars apply to these AFP and Telework grantees except to the extent they are inconsistent with the purposes or intent of the statute and regulations for these programs. The intent of both programs is for grantees to operate on a permanent basis using their grant as seed money.

Investment Counselors

Because grantees must continue their programs on a permanent basis, the regulations for AFP and Telework programs allow these programs to invest grant funds. In order to receive AFP or Telework grants, grantees provided an assurance that they would invest in low-risk securities in which a regulated insurance company may invest under the law of the State and that they will administer their funds with the same judgment and care that a person of prudence, discretion, and intelligence would exercise in the management of the financial affairs of such person.

¹ AFP grants are authorized either under title III of the Assistive Technology Act of 1998 (AT Act of 1998) or section 4(b)(2)(D) of the Assistive Technology Act of 1998, as amended (AT Act of 2004). Telework grants are authorized under section 303(b) of the Rehabilitation Act of 1973, as amended. The regulatory requirements for AFP grants authorized under title III of the AT Act of 1998 and Telework grants come from the Notice of Final Priorities published in the Federal Register on September 30, 2003. The regulatory requirements for AFP grants authorized under section 4(b)(2)(D) of the AT Act of 2004 come from the Notice of Final Priority published in the Federal Register on June 30, 2005.

Based on the investment policies of the State and the assurance to exercise prudence, some grantees may believe it is in the best interest of their program to pay for investment counsel to assist them or their CBOs in appropriately managing their investments. According to Attachment B, paragraph 17.b. of the Office of Management and Budget (OMB) Circular A-87, "Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable" under Federal awards.

However, because the program regulations authorize grantees to invest funds for the purpose of maintaining permanent programs and require that these investments be prudent, AFP and Telework grantees may charge the costs of investment counsel as direct costs to their grants to the extent that the costs are necessary and reasonable. Grantees may charge the costs of investment counsel as direct costs only to the extent that they are expended for the purpose of generating funds for AFP or Telework activities.

One of the factors that grantees must consider in determining whether the costs are necessary and reasonable is whether investment counseling is already available to the grantee through other State entities or to the CBO in its required contractual relationship with a commercial lending entity or State financing agency. Also, grantees should be aware that an analysis of whether investment counseling is necessary and reasonable should take into account the requirement that investments must be limited to low-risk securities in which a regulated insurance company may invest under the law of the State.

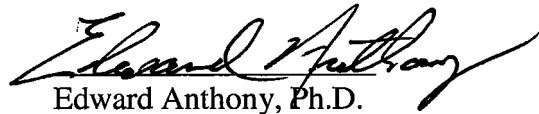
Applying for State, Local and Private Grants

In order to continue an AFP or Telework program, grantees may seek funds from many sources. Funds often are available from state and local governments or from private entities such as foundations. These funds normally are available through grants and applying for grants are likely to consume both grant labor and materials.

According to Attachment B, paragraph 33 of OMB Circular A-87, grantees should not count the cost of preparing grant proposals as a direct cost. According to this circular: "Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency."

Because the regulations for these programs require grantees to generate funds for the purpose of maintaining a permanent program, the Department will consider requests for approval from AFP and Telework grantees who want to charge as direct costs to their grants the costs of developing proposals for state, local and private grants to continue the work of their programs after the end of their Federal grants. Grantees interested in seeking the Department's approval for these direct costs should be prepared to justify these costs as being necessary and reasonable. Also, please be aware that upon approval from the Department for this action, grantees will be responsible for making appropriate adjustments to their indirect cost proposal.

If you have other questions or concerns about the information in this letter, contact Robert Groenendaal at (202) 245-7393 or Jeremy Buzzell at (202) 245-7319.

A handwritten signature in black ink, appearing to read "Edward Anthony". The signature is fluid and cursive, with a long horizontal stroke at the end.

Edward Anthony, Ph.D.
Delegated the Authority to Perform
the Functions of the Commissioner
for the Rehabilitation Services
Administration

cc: Rehabilitation Engineering and Assistive Technology Society of North America
Association of Assistive Technology Act Programs