



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF VOCATIONAL AND ADULT EDUCATION

THE ASSISTANT SECRETARY

JUN 14 2006

PROGRAM MEMORANDUM

TO: State Directors of Vocational Education
State Directors of Adult Education

FROM: Richard T. LaPointe
Acting Assistant Secretary for
Vocational and Adult Education

SUBJECT: Guidance on Federal Funds that May Lapse from Availability or
Revert to the Federal Treasury

The Office of Vocational and Adult Education issued Program Memoranda FY 2005-1, dated January 17, 2005, and FY 2005-09, dated September 2, 2005, regarding unspent federal grant funds that may lapse or revert back to the Federal Treasury. The memoranda outlined procedures that are aligned with the Chief Financial Officer's guidance in an effort to help ensure that grant funds are used as they were intended to be when authorized by Congress.

This memo will serve to remind state directors of the issues and actions that must be taken before October 1, 2006. Federal funds awarded to your state from the U.S. Department of Education appropriation for Fiscal Year (FY) 2004 will become unavailable for your state to make any further obligations after September 30, 2006, *the end of the 27-month time period established by the Tydings Amendment*. Moreover, federal funds awarded to your state from the U.S. Department of Education appropriation for FY 2000 will become unavailable for your state to draw down and pay for otherwise allowable and timely obligations after September 30, 2006. Each of these issues is discussed separately below. This office cannot grant an extension past September 30, 2006, for your state to obligate FY 2004 funds or to draw down FY 2000 funds, so it is vital that your state take timely action if either issue applies.

Federal FY 2004 Funds that May Lapse from Availability

Several states currently hold substantial balances in the Grant Administration and Payment System (GAPS) of FY 2004 funds awarded under the Carl D. Perkins Vocational and Technical Education Act (Perkins III) or the Adult Education and Family Literacy Act (AEFLA). These funds first became available for your state to obligate on July 1, 2004, or, in a supplemental grant to Perkins III vocational education state grants on October 1, 2004. Regardless of whether these funds became available to your state in

July or October 2004, they are available for your state and its subrecipients to obligate only through September 30, 2006, the end of the 27-month Tydings period. On October 1, 2006, the FY 2004 funds will no longer be available for your state or its local recipients to obligate.

Federal FY 2000 Funds that May Revert to the Treasury

Several states currently hold substantial balances in GAPS of FY 2000 funds awarded under the Carl D. Perkins Vocational and Applied Technology Education Act (Perkins III) or the Adult Education and Family Literacy Act (AEFLA). These funds first became available for your state to obligate on July 1, 2000. You were able to obligate these funds through September 30, 2002; i.e., the 27-month period allowed under the Tydings Amendment. Under the account-closing provisions in federal law, these funds cease to be available for drawdown and liquidation after September 30, 2006. If your state made valid obligations for these funds within the period allowed, your state may still draw down funds from GAPS to liquidate these otherwise timely and allowable obligations. You might need to contact your program liaison in OVAE to extend the liquidation period in GAPS in order to do so.

If you have any questions concerning the above guidance, please do not hesitate to contact Lois Davis, Program Specialist (for grants made under Perkins III), at (202) 245-7784 or lois.davis@ed.gov; or Gloria Shade, Program Specialist (for grants made under the AEFLA), at (202) 245-7829 or gloria.shade@ed.gov.