

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, D.C. 20202

INFORMATION MEMORANDUM
RSA-IM-01-07
DATE: OCTOBER 26, 2000

ADDRESSEES: STATE VOCATIONAL REHABILITATION AGENCIES
(GENERAL)
STATE VOCATIONAL REHABILITATION AGENCIES
(BLIND)
CLIENT ASSISTANCE PROGRAMS
PROTECTION AND ADVOCACY OF INDIVIDUAL RIGHTS
PROGRAMS
REGIONAL REHABILITATION CONTINUING EDUCATION
PROGRAMS (RRCEP)
AMERICAN INDIAN VOCATIONAL REHABILITATION
PROGRAMS
RSA SENIOR MANAGEMENT TEAM

SUBJECT: DEFINITION AND DOCUMENTATION OF “EXPENDITURES
FROM NON-FEDERAL SOURCES UNDER THE STATE
PLAN” IN THE TITLE I VOCATIONAL REHABILITATION
(VR) SERVICES PROGRAM

BACKGROUND: The Maintenance of Effort (MOE) provision in Section
111(a)(2)(B) of the Rehabilitation Act of 1973, as amended (the
Act), the implementing regulation in 34 CFR 361.62 and related
policy statements, cite the phrase “expenditures from non-Federal
sources under the State Plan,” with respect to the Title I VR
Program. Numerous questions have arisen as to the interpretation
of “expenditures from non-Federal sources under the State Plan.”

CONTENT: This Information Memorandum supersedes RSA-IM-91-15, dated
April 12, 1991.

“Expenditures from non-Federal sources under the State Plan”
include only those expenditures that (1) are made from permissible
revenue sources, (2) meet allowability requirements, and (3) are
allocable to the Title I program.

An “expenditure” (outlay) is defined as an appropriate charge to the program; reported on a cash or accrual basis (EDGAR 80.3). An expenditure is determined to be made when the State agency formally obligates itself to payment and it is considered valid until the obligation is paid, amended or cancelled.

Permissible Revenue Sources

The first requirement to be met in determining whether a non-Federal expenditure must be reported is if it was made from a permissible revenue source. Section 361.60 of the implementing regulations defines the basic non-Federal revenue sources. Note that these funds are those that have been appropriated, allotted, transferred, or contributed to a State agency. The State agency is that organizational entity designated in Section 1, Item 1.2 of the approved Title I State Plan. In addition, certified expenditures from third-party cooperative arrangements meeting the requirements in 34 CFR 361.28 are a permissible source of non-Federal income, as are appropriate expenditures from Randolph-Sheppard set-aside funds (395.9). Both must be reported on the Financial Status Report (SF-269).

Program income received from the Social Security Administration for rehabilitating Social Security beneficiaries, or any other income meeting the requirements outlined in 34 CFR 80.25 or 361.63, must be reported on lines r, s, and t of the SF-269 report; cannot be used to meet the non-Federal share and will not be used in determining compliance with the maintenance of effort requirement (361.62).

Non-Federal expenditures from revenue sources other than those identified above are not to be reported as expenditures under Title I.

Allowability of Expenditures

The second requirement to be applied in determining whether an expenditure must be reported is if it is allowable under Title I of the Act. The concept of allowability includes whether the expenditure is reasonable and necessary for the proper and efficient administration of the program. In line with this, a State agency must report expenditures for the administration of the State Plan, costs in determining applicant eligibility and in providing services to eligible clients, as well as costs of other services and activities delineated under the nature and scope of services in its approved Title I State Plan.

Allocability of Expenditures

The final requirement as to whether or not an expenditure is to be reported concerns its allocability. To be reported the expenditure must benefit the Title I program and not be allocable to another title of the Act, another Federal grant, or some other non-Title I activity.

This means that State expenditures for Section 110 Federal programs must be reported on the SF-269, but any expenditure to another Federal grant, for example, the In-Service Training Grant, or charged to a State-only program, would not be reported under the Section 110 program. It is important to remember OMB Circular A-87, Section C.3.c, which states, “Any cost allocable to a particular grant or cost objective under the principles provided for in the Circular may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons.”

In summary, reporting non-Federal expenditures is restricted by statutes and implementing regulations and policies. A non-Federal expenditure, to be reported on the SF-269 for Title I of the Act, must meet all three of the foregoing requirements and not just appear to be a Title I supported activity. Conversely, a non-Federal expenditure that meets all three of the foregoing requirements must be reported.

If a State is determined not to have met the above requirements, a liability to the U.S. Government will be incurred. Repayment will then be sought in line with appropriate procedures under the Act and Departmental regulations.

CITATIONS

IN LAW : Sections 7, 101, and 104 of the Rehabilitation Act of 1973, as amended.

CITATIONS

IN

REGULATIONS: 34 CFR Parts 80.22, 80.24, 80.25 and 34 CFR Parts 361.5, 361.28, 361.60, 361.62, and 361.63

RELATED POLICY

ISSUANCES : IM-01-06, IM-01-08, PD-01-01, and PD-01-02

INQUIRIES TO: RSA Regional Commissioners

Fredric K. Schroeder, Ph.D.
Commissioner

cc: Council of State Administrators of Vocational Rehabilitation
National Association of Protection and Advocacy Systems
National Council for Independent Living
National Rehabilitation Facilities Coalition