

UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES  
REHABILITATION SERVICES ADMINISTRATION  
WASHINGTON, DC 20202

POLICY DIRECTIVE  
RSA-PD-01-01  
DATE: OCTOBER 26, 2000

TO : 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 : REQUIREMENTS FOR CARRYING OVER FEDERAL FUNDS AND  
PROGRAM INCOME UNDER RSA'S FORMULA GRANTS

BACKGROUND: This Policy Directive supersedes Policy Directive RSA-PD-94-05 entitled,  
"Obligation Requirements for Formula Grants."

Section 19 of the Rehabilitation Act (the Act), as amended, permits unobligated formula grant funds appropriated for one Federal fiscal year to be carried over for obligation by the end of the next Federal fiscal year provided that any applicable matching requirement for the carryover funds has been met in the year of the appropriation. Section 19 also permits any program income that is received during the fiscal year under a formula grant, and that is not obligated within that year, to be carried over for obligation during the succeeding fiscal year.

The programs to which Section 19 applies are the formula grant programs under the Rehabilitation Act and are listed in the policy statement of this document.

The uniform administrative requirements for determining costs and obligating funds for all grantees are contained in the Education Department General Administrative Regulations (EDGAR). In general, State agencies follow Parts 76 and 80 and non-profit agencies administering CAP/PAIR grants follow Part 74 and Section 76.707 in Part

76. With respect to obligating Federal funds (allotted and reallocated funds), non-Federal funds, and program income, the rules governing what constitutes an obligation and when it arises are detailed in EDGAR (34 CFR 74.2(Definition of Obligations), 76.707, and 80.3(Definition of Obligations)).

#### Reallotted Funds

Federal funds reallocated to a State are considered to be an increase in that State's allotment for the fiscal year for which the funds were appropriated.

As required by the Act [Sections 110(b)(3), 112(e)(2), 509(e), 622(b), 711(c), and 721(d)], reallocated funds are to be regarded as a part of the grantee's allotment.

#### Program Income

Program income is defined in EDGAR. The specific reference is dependent on the type of grantee organization. The requirements for program income earned by State and local government grantees and subgrantees are in 34 CFR 80.25 and the requirements for program income earned by nonprofit grantee and subgrantee organizations are in 34 CFR 74.24.

#### POLICY

#### STATEMENT

: This policy directive sets forth the requirements for carrying over to the subsequent fiscal year unobligated Federal grant funds (allotted and reallocated funds) and program income for the following formula grant programs covered by Section 19 of the Act:

- State Vocational Rehabilitation (VR) Services Program - - Section 110;
- Client Assistance Program (CAP) - - Section 112;
- Protection and Advocacy of Individual Rights Program - - Section 509;
- Supported Employment (SE) Program - - Section 622;
- Independent Living (IL) Services Program, Part B - - Section 711;

- Independent Living (IL), Part C, Centers for Independent Living (CIL) Program - - Section 721, if administered by a State agency pursuant to Section 723.<sup>1</sup>
- Independent Living, Chapter 2, Independent Living Services for Older Individuals Who Are Blind - - Section 752.

To carry over any unobligated Federal grant funds, the grantee must fully meet the applicable matching requirements for the Federal funds being carried over through the obligation of non-federal funds in the Federal fiscal year for which the Federal funds were appropriated. To be considered obligated, funds must be obligated in accordance with the standards set forth in 34 CFR 76.707. Furthermore, any Federal funds which are carried over from the year of appropriation must be obligated by the end of the succeeding Federal fiscal year. Matching requirements apply only to the vocational rehabilitation services program and the Title VII, Chapter 1, Part B, and Chapter 2 independent living services programs.

Required non-Federal funds, obligated in the year of the appropriation and used as match, must subsequently be liquidated in order for the matching requirement to be considered met for purposes of carryover.

Unliquidated non-Federal obligations reported in the year of the appropriation and subsequently canceled will not qualify as valid non-Federal expenditures for match and therefore cannot meet match for carryover purposes. The failure to liquidate sufficient first year non-Federal obligations will invalidate a grantee's authority to carry over Federal funds and this may result in RSA seeking the recovery of the Federal funds that were carried over.

Obligations incurred with Federal funds in the year of the appropriation which are canceled after the end of the year of the appropriation, may be reobligated in the carryover year as long as the matching requirement for those Federal funds was met in the year of the appropriation. Federal funds must be matched in the year of the appropriation in order to be carried over.

All obligations must be liquidated within 90 days after the end of the funding period or the termination of the grant, as required in EDGAR [34

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<sup>1</sup>The Rehabilitation Act provides that if State funding for the general operations of CILs in the State for a preceding fiscal year equals or exceeds the Federal funds allotted under the Part C program, the State, if it so chooses, may administer the Part C program as a formula grant program in accordance with Section 723.

CFR 74.52(a)(iv)<sup>2</sup> or 34 CFR 80.23(b)], unless the grantee carries over grant funds for obligation in the succeeding year. In that case, the grantee must liquidate its obligations within 90 days after the end of the carryover period. (RSA may extend this deadline at the request of the grantee.)

### Reallotted Funds

The Section 19 carryover provision is also applicable to reallotted funds.

### Program Income

The requirements for carrying over program income earned by State VR agencies and other grantees under the formula grant programs listed above are as follows. Regardless of the type of program income generated by the grantees, program income, whenever earned, is accounted for in the Federal fiscal year (FFY) in which it is received. For example, program income received in FFY 2000 is reported on the FFY 2000 Financial Status Report (SF-269) as undisbursed program income whether obligated or unobligated and is reported on the FFY 2000 SF-269 as disbursed program income when used in the program.

Section 19 of the Act permits unobligated program income to be carried over to the next fiscal year. All program income received but not obligated by a grant recipient during a Federal fiscal year may be carried over to the following fiscal year.

Program income may be obligated in the year in which it is received or in the subsequent year (the carry-over year), whether or not Federal funds have been carried over during that same time period. However, by the close of the carryover year, the carried-over program income must be either deducted from total outlays to be claimed under the formula grant for the fiscal year that generated the income or obligated for additional program expenditures, whichever alternative applies.

All program income must be used in the program in which the income was received (34 CFR 74.24 and 34 CFR 80.25). There is one exception to this EDGAR requirement. As authorized by Section 108 of the Act, payments provided to a State from the Social Security Administration (SSA) for

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<sup>2</sup> 34 CFR 74.52(a)(iv) requires a grantee subject to Part 74 to submit a final financial report 90 days after the end of the grant's funding period. A financial report, however, is not considered final until all unliquidated obligations are zero. Consequently, in order to comply with this final report submission requirement, the grantee must liquidate its obligations within 90 days of the close of the grant's funding period.

rehabilitating Social Security beneficiaries under the VR program may also be used to carry out programs for which the State receives financial assistance under:

- Part B of Title I (CAP);
- Part B of Title VI (Supported Employment); and
- Title VII (IL, Part B; IL, Part C, Section 723; and Chapter 2).

If the State VR agency elects to use the SSA funds for any program specified in Section 108 other than the VR program, those funds can be used only for additional allowable expenditures. Because the SSA funds are received but not used in the VR program, the deduction alternative is not available under the other program(s).

**CITATIONS**

**IN LAW** : Sections 19, 108, 110, 112, and 509; Title VI, Part B and Title VII of the Rehabilitation Act of 1973, as amended.

**CITATIONS IN**

**REGULATIONS** : 34 CFR 74.2, 74.24, 74.52(a)(iv), and 74.73; 34 CFR 76.707; and 34 CFR 80.3, 80.23(b) and 80.25

**RELATED POLICY**

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

**INQUIRIES** : RSA Regional Commissioners

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Fredric K. Schroeder, Ph.D.  
Commissioner, RSA

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