

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

POLICY DIRECTIVE
RSA-PD-01-02
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 (RRCEPS)
AMERICAN INDIAN VOCATIONAL REHABILITATION PROGRAMS
RSA SENIOR MANAGEMENT TEAM

SUBJECT: DEFINITION, RECOGNITION, AND OBLIGATION OF PROGRAM
INCOME EARNED BY GRANTEES COVERED UNDER THE
FORMULA GRANT PROGRAMS AUTHORIZED BY THE
REHABILITATION ACT OF 1973, AS AMENDED

BACKGROUND: The purpose of this document is to update and consolidate policy
directives applicable to program income. Accordingly, this Policy
Directive **supersedes** PD-92-04 dated December 6, 1991, PD 92-08 dated
June 26, 1992, and IM 93-09 dated January 12, 1993.

Topics addressed under applicable programs include: sources of program
income; time periods for earning and subsequent obligation of program
income; methodology used to expend program income, transfer of certain
program income (Social Security Administration reimbursements only)
between applicable programs, and program income as it relates to match
and maintenance of effort requirements.

Education Department General Administrative Regulations (EDGAR),
which apply to grants to State and local governments, define program
income in 34 CFR 80.25(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."

34 CFR 80.25(g) describes the permissible uses of program income.
Program income must be used as an offset to total allowable costs charged
to the grant (deduction alternative) unless the granting agency in program

regulations or in the grant agreement specifies a different use. 34 CFR 80.25(g)(2) also permits the granting agency to determine that program income may be used for additional allowable program expenditures.

Grants to non-government entities are subject to 34 CFR 74.24, which authorizes the same uses of program income as those prescribed in 34 CFR 80.25 for grants to State and local government agencies.

POLICY

STATEMENT:

A. APPLICABLE PROGRAMS

This policy applies to payments received by State Vocational Rehabilitation (VR) agencies and other grantees as applicable under the following formula grant programs authorized under the Rehabilitation Act: Title I State VR Services; Title VI, Part B, Supported Employment Services; Title VII, Part B, Independent Living Services, Title VII, Part C, Centers for Independent Living Program (if administered by a State agency pursuant to Section 723 of the Act), the State Client Assistance Program, and the State Protection and Advocacy of Individual Rights Program.

B. SOURCES OF PROGRAM INCOME

Typically, there are five sources of payments received by State VR agencies operating the Title I Vocational Rehabilitation Services program that meet the definition of program income. These five sources are: reimbursement payments from the Social Security Administration for rehabilitating Social Security disability beneficiaries; payments received from insurance carriers; payments received from workers' compensation funds; fees for services to defray part or all of the costs of services provided to individuals with disabilities; and income generated by State VR agency operated community rehabilitation programs. Income generated by State VR agencies or other entities from sources not listed above may also be considered program income if this income meets the criteria specified in 34 CFR 80.25(b).

C. TIME PERIODS FOR EARNING/OBLIGATING PROGRAM INCOME

Program income, whenever earned, is considered accrued when it is **received** by the grantee. For example, program income earned as a result of Social Security reimbursements (Title I program only) may not be received for many months, or possibly years since the reimbursement might cover the cost of VR services provided to an individual with a disability over a period of several years. Therefore, it is RSA policy that

program income requirements apply when the funds are actually received and become available for use by the grantee.

The grant period for obligating program income is that period of time associated with the current grant when the funds become available (or are received). In accordance with Section 19 of the Act, program income funds must be obligated by the end of the Federal fiscal year succeeding the year in which the funds were received.

D. METHODOLOGY FOR EXPENDING PROGRAM INCOME

There are two methods for expending program income. The deduction method, defined in 34 CFR 80.25(g)(1), requires that program income be used to reduce the Federal agency and grantee contributions unless the Federal agency authorizes otherwise. The addition method, defined in 34 CFR 80.25(g)(2) specifies that program income may be added to the funds committed to the grant agreement when authorized by the Federal agency.

With regard to non-profit organizations, 34 CFR 74.24 prescribes the methods used to expend program income. These methods parallel those found in 34 CFR 80.25 for State and local government grantees.

The Rehabilitation Services Administration, in accordance with 34 CFR 74.24(b) and 80.25(g), authorizes the use of the addition method in expending program income earned under any formula grant program authorized by the Act.

E. TRANSFER OF PROGRAM INCOME TO OTHER PROGRAMS

Section 108 of the Act permits program income **in the form of SSA reimbursements** for expenditures by State agencies under the Title I VR services program to be used in support of certain other programs. Specifically, SSA reimbursements received under Title I of the Act may be used for purposes of carrying out programs for which the State receives financial assistance under Title I, under the Title VI, Part B, or under the Title VII, Independent Living programs (including centers funded directly by a State VR Agency).

F. MAINTENANCE OF EFFORT AND MATCH

State agencies that receive grants under the Title I Basic Support program must meet a maintenance of effort requirement by expending non-Federal funds for the current fiscal year at the level of non-Federal funds expended for the second fiscal year preceding the current fiscal year (Maintenance of effort shortfalls are reduced from the State's allotment for the following

fiscal year). For State agencies utilizing the addition alternative method, Title I expenditures made from program income funds may not be used to meet the States matching requirement and therefore, are **not** considered in determining whether the State has fulfilled its maintenance of effort requirement or in calculating the State's future maintenance of effort obligation. (34 CFR 74.24(b)(2), 34 CFR 80.25(g)(3) and 361.63(c)(4))

CITATION IN

REGULATIONS: 34 CFR 80.25; 34 CFR 74.24; Sections 19, 108, and 723 of the Act

RELATED POLICY

ISSUANCES: PD-01-01

INQUIRIES : RSA Regional Commissioners

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