

U.S. DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION & REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION
WASHINGTON, D.C. 20202

INFORMATION MEMORANDUM
RSA-IM-91-15
RSM-1050 1/
DATE: April 12, 1991

ADDRESSEES: STATE VOCATIONAL REHABILITATION AGENCIES (GENERAL)
STATE VOCATIONAL REHABILITATION AGENCIES (BLIND)
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 361.86, and related policy statements, e.g., PPD-89-1, 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."

Section 111(a)(2)(B) of the Act, as amended, requires the reduction of Federal funds awarded to a state in the current fiscal year by the amount it failed to meet its prior year's MOE. The prior year's MOE level is the calculation of the average of its three previous years' non-Federal expenditures. It is, therefore, critical that all appropriate expenditures be reported on the Financial Status Report (SF-269). This guidance material concerning reporting of non-Federal expenditures is based upon OMB Circular A-87, as cited in 34 CFR 80.22(b), as well as previously cited authorities.

CONTENT : "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.

1/ Under Development

1) 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 361.76 of the Title I implementing regulations defines the four 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 (refer to Program Policy Directive (PPD) 89-02). In addition, revenue under a cooperative program, program regulations Section 361.13; through program income, Education Department General Administrative Regulations (EDGAR) Sections 80.25(g) and (h); and by a sole local agency, program regulations Section 361.9, must be reported. All these sources of revenue are permissible.

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

2) Allowability of Expenditures

The second requirement to be applied in determining whether or not 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.

3) 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, -3-

but any expenditure charged 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.2.b., 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.

Reported Title I non-Federal expenditures from the three appropriate fiscal years' SF-269s are used by the Rehabilitation Services Administration to determine two statutory compliance requirements for States: MOE per Section 111(a)(2)(B) of the Act and match per Sections 7(7) and 101(a)(3) of the Act. Note that these are requirements for the State, so that where there is also a separate State agency for the blind, per Section 361.5(c), the expenditures shall be the combined total from both State agencies' SF-269s.

If a State is determined not to have met one of these statutory 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 111 of the Rehabilitation Act of 1973, as amended

CITATIONS

IN

REGULATIONS:34 CFR Parts 80.22, 80.25 and 34 CFR Parts 361.5, 361.9, 361.13, 361.76, and 361.86

CITATIONS

IN POLICY :PPD 89-01 and PPD 89-02

EFFECTIVE

DATE : Upon Receipt

INQUIRIES :Director, Management Services Staff, RSA (202) 732-1358

Nell C. Carney
Commissioner, RSA