

Match, Maintenance of Effort & Reallotment

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Overview

Match, Maintenance of Effort (MOE) and Reallotment are interrelated processes under RSA awards.

This presentation provides details regarding each requirement or process and describes the interrelationships.

Part I: Match



Match Definition

2 C.F.R. § 200.29 - Cost sharing or matching.

34 C.F.R. § 361.60 – Matching requirements.

- Cost sharing or matching means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute).
- Compliance with the matching requirement is assessed on a State basis. When determining compliance in States with Blind and General agencies, the non-Federal share is calculated for both agencies individually and at the State level; however, compliance is determined only on the basis of the State level calculation.

Matching Example

- The matching requirement for \$100.00 in Federal Vocational Rehabilitation (VR) funds is calculated using the following formula:

$$(\text{Grant Award Amount}/\text{Federal Share}) \times (\text{State Match}) \\ (\$100/.787) \times (.213) = \$27.06$$

- In this example, total project costs are \$127.06: \$100 Federal and \$27.06 non-Federal

While the term “match” is used in the VR regulations, the process described in the statute is “cost sharing” as defined in 2 C.F.R. § 200.29.

Match Requirements

Match requirements for the State VR Services, State Supported Employment (SE) Services and Independent Living Services for Older Individuals who are Blind (OIB) programs differ.



Match Requirements (cont.)

- VR: Federal = 78.7%, non-Federal = 21.3%
Note: At least 50% match is required for construction of a facility for community rehabilitation program purposes (34 C.F.R. § 361.60(a)(2))
- SE: Supported Employment funds reserved and expended for supported employment services to youth with the most significant disabilities (CFDA 84.187B): Federal = 90%, non-Federal = 10%
- OIB: Federal = 90%, non-Federal = 10%

Match Requirements (cont.)

Uniform Guidance Requirements at 2 C.F.R. § 200.306

Expenditures reported as match are subject to the same requirements as Federal funds. Match must be:

- Verifiable from records
- Not reported as match for any other Federal award
- Allowable, necessary and reasonable
- Not paid by the Federal government under another Federal award (unless Federal authorizing statute permits the Federal funds to be used as match)

Match Requirements (cont.)

- Except for OIB (34 § C.F.R. 367.63), third party in-kind contributions specified in 2 C.F.R. § 200.306(b) may not be used as match
(34 C.F.R. §§ 361.4, 361.60(b)(2), 363.23(b))
- Program income cannot be used as match
(34 C.F.R §§ 361.63(c)(4), 363.24, 367.65(b)(3))
- Matching requirements must be met by the end of the year of appropriation (September 30/fourth quarter)

When Is Match Reportable?

Match can only be reported as such after an obligation has been incurred with non-Federal funds or the expenditure has been made.

Example 1: A grantee receives a State appropriation at the beginning of the State fiscal year for \$1,000,000. The \$1,000,000 may not be counted as non-Federal share until the funds have been obligated or expended for allowable program purposes.

When Is Match Reportable? (cont.)

Example 2: A VR grantee has a third-party cooperative arrangement that states the cooperating agency will certify \$45,000 in staff time on a yearly basis to be used as VR match. The \$45,000 in certified time is not reported as match until the time has been worked by cooperating agency staff and reported to the VR agency because an obligation for personnel time is not considered incurred until the work is performed (34 C.F.R. § 76.707).

Unliquidated Obligations

Agencies must track their unliquidated obligations reported on the SF-425, especially the fourth quarter, and if the unliquidated obligations reported on the fourth quarter SF-425, counted as match, are not liquidated, adjust the amount reported as unliquidated obligations as of the fourth quarter to reduce the obligations that were not liquidated.

Funds for obligations reported as match on the fourth quarter SF-425, cancelled during the carryover period, may not be reobligated or liquidated for expenditures during the carryover period and counted as match for the period of performance for the award.

Sources of Match - State Appropriations

Obligations and expenditures from funds appropriated by the State to the DSA or DSU to pay the State's share of program expenditures.

May include State expenditures made on behalf of the program from a central account. For example, a State pays for personnel fringe benefits and indirect costs from a central pool of State funds. The actual State expenditures from this pool for VR staff providing allowable VR services could be used as match.

Sources of VR Match (cont.)

Allowable VR expenditures incurred with funds contributed by a private entity, deposited into the State VR agency's account, and earmarked for meeting, in whole or in part, the agency's non-Federal share of expenditures for:

- Establishment or construction of a community rehabilitation program (CRP) (34 C.F.R. § 361.60(b)(3)(i));
- Particular geographic areas when the State cannot otherwise provide the non-Federal share (34 C.F.R. § 361.60(b)(3)(ii));
and
- Other VR purposes **provided the expenditures do not benefit the donor** in any way (34 C.F.R. § 361.60(b)(3)(iii)).

Sources of VR Match – Funds under Control of VR Agency with Respect to the Allocation and Expenditure of Those Funds

Non-Federal funds transferred to or otherwise under the control of the VR agency, so long as the VR agency maintains control over the determination of eligibility, the provision of services and the allocation and expenditure of the funds.

Sources of VR Match – Business Enterprise Program (BEP)

- For purposes of the VR program, the BEP includes the vending facility program conducted by the State in accordance with the Randolph-Sheppard Act (20 U.S.C. § 701, et. seq.).
- The Designated State Unit (DSU) for the VR program that serves individuals who are blind or visually-impaired is also typically the State Licensing Agency (SLA) under the BEP. The SLA is the agency that has the authority to issue licenses to blind individuals to operate vending facilities on Federal and other properties (34 C.F.R. § 395.1(v)).

Sources of VR Match – Business Enterprise Program (BEP) (cont.)

Congress authorized the VR program to use title I VR funds to cover many of the costs incurred in establishing vending facilities under the Randolph-Sheppard Act. Therefore, you must read the VR program requirements in conjunction with those under the Randolph-Sheppard Act to give meaning to both.

Sources of VR Match – Business Enterprise Program (BEP) (cont.)

VR regulations at 34 C.F.R. § 361.49(a)(5) permit the following BEP-related services as “services to groups” under the VR program:

- Management services and supervision provided by the State unit;
- The acquisition by the State unit of vending facilities or other equipment (including costs incurred to ready the site or equipment to serve its purpose or additional space acquired to expand a vending facility);
- Initial stocks and supplies not to exceed six months; and
- Initial operating expenses. (e.g., rent and utilities) not to exceed six months.

These VR activities may be paid with Federal VR grant funds or non-Federal funds used for match purposes under the VR program.



BEP Set-Aside Funds

- Regulations implementing the Randolph-Sheppard Act at 34 C.F.R. § 395.1(s) define *Set-aside funds* as those funds which accrue to a SLA from an assessment against the net proceeds of each vending facility in the State's vending facility program and any income from vending machines on Federal property which accrues to the SLA.

BEP Set-Aside Funds (cont.)

Under the Randolph-Sheppard regulations at 34 C.F.R. § 395.9(b), set-aside funds may be used only for the following purposes:

- Maintenance and replacement of equipment;
- The purchase of new equipment;
- Management services;
- Assuring a fair minimum of return to vendors; or
- The establishment and maintenance of retirement or pension funds, health insurance contributions, and provision for paid sick leave and vacation time.

Expenditures with Set-Aside Funds Allowable as Match under the VR Program

The following expenditures, if incurred with set-aside funds under the Randolph-Sheppard program, may be used for match purposes under the VR program:

- Maintenance and replacement of equipment;
- The purchase of new equipment; and
- Management services.

Source: RSA PD-99-05 and RSA PAC-89-02.

Expenditures with Set-Aside Funds that May NOT be Used for Match under the VR Program

RSA-PAC-89-02, as revised by RSA PD-99-05, makes clear that the following activities incurred under the Randolph-Sheppard Act may NOT be used for match purposes under the VR program, regardless of whether they are paid with set-aside funds or other non-Federal funds:

- Establishment of retirement or pension funds;
- Health insurance contributions;
- Provision for paid leave (e.g., vacation) for blind vendors;
- Liability insurance; and
- Fair minimum return.

These activities also may NOT be paid with Federal VR grant funds.



Expenditures with Set-Aside Funds that May NOT be Used for Match under the VR Program (cont.)

Arbitration Expenses under the Randolph-Sheppard Act

- Any damages awards ordered by arbitration panels under the Randolph-Sheppard Act are not allowable costs under either the VR program or the BEP.
- The prohibition against using Federal funds to share in the award also would cover any voluntary payment made by a SLA to settle arbitration disputes, as well as panel-ordered SLA payments of vendor attorney fees.

Expenditures

- As with any expenditure incurred under the VR program, BEP-related vending facility expenditures incurred pursuant to 34 C.F.R. § 361.49(a)(5) must satisfy the Federal cost principles at 2 C.F.R. § 200.402.
- This means the expenditures must be allowable under the VR program (as described in this presentation), reasonable, necessary, and allocable to the VR program.

Applicability to BEP Expenditures

If the licensee/facility agreement or State or Federal laws require that another entity be responsible for a particular cost, that cost may not be charged to the VR program or used for match purposes under the VR program because such costs would not be reasonable or necessary for the VR program.

Example: If a lease agreement states the landlord is responsible for ensuring the facility meets State or local code and a building inspector determines the wiring in the kitchen area needs to be upgraded to meet new code requirements, the building owner must pay the cost incurred for that upgrade. Neither Federal VR funds nor non-Federal VR funds used for match purposes under the VR program may be used to pay that cost. Such cost would not be considered reasonable or necessary under the Federal cost principles.

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Supported Employment Match

- The FFY 2018 SE awards were issued as two separate awards for administrative purposes. One grant award was for the half of the SE Federal allotment not requiring match (CFDA 84.187A) (SE-A) and the other grant award was for the half of the SE Federal allotment that requires match and must be reserved and expended to provide supported employment services, including extended services, to youth with the most significant disabilities (CFDA 84.187B)(SE-B). While RSA has divided a State's SE allotment into separate grants, each constituting 50 percent of the allotment (SE-A and SE-B), the State's SE allotment is considered the total of both those grants.

Supported Employment Match

- The statutorily required 10 percent match requirement applies to the costs of carrying out the provision of SE services, including extended services, to youth with the most significant disabilities. This means that the 10 percent is applied to total expenditures, including both the Federal and non-Federal shares, incurred for this purpose, and that the non-Federal share **MUST** also be spent on the provision of SE services, including extended services, to youth with the most significant disabilities.

Supported Employment Match Frequently Asked Question

- Q. Does the amount of funds a State matches in the SE-B award to provide supported employment services, including extended services, to youth with the most significant disabilities affect the amount of SE-A State funds an agency may expend?
- A. Yes. A State may obligate and expend funds from the SE-A award only in proportion to the amount of SE-B funds the State is able to match by the end of the FFY of the appropriation (September 30). In other words, if a VR agency is able to match and expend enough SE-B funds to draw down 80 percent of its SE-B award, then the State may only expend 80 percent of its SE-A award.

Supported Employment Match Frequently Asked Question (cont.)

Q. If a VR Blind agency transfers its SE-B funds to the General agency how does that affect the VR Blind agency's ability to expend its SE-A funds?

A. The VR Blind agency would only be able to obligate and expend its SE-A funds in proportion to the amount of transferred SE-B funds that the General agency was able to match and expend.

Part II: Maintenance of Effort (MOE)

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MOE: Overview

- The Secretary reduces the amount otherwise payable to a State for any fiscal year by the amount by which the total expenditures from non-Federal sources under the vocational rehabilitation services portion of the Unified or Combined State Plan for any previous fiscal year were less than the total of those expenditures for the fiscal year two years prior to that previous fiscal year (34 C.F.R. § 361.62(a)).
- If the State provides for the construction of a facility for community rehabilitation program purposes, the amount of the State's share of expenditures for vocational rehabilitation services under the plan, other than for the construction of a facility for community rehabilitation program purposes or the establishment of a facility for community rehabilitation purposes, must be at least equal to the expenditures for those services for the second prior fiscal year (34 C.F.R. § 361.62(a)).

MOE

- If the State reports an increase in non-Federal program expenditures on its SF-425 during the carryover year of an award, the State will need to revise the SF-425 form so that the increase is reflected in the subsequent year's SF-425s because all non-Federal expenditures incurred for match and MOE purposes must be incurred during the FFY of appropriation for determining compliance with MOE. This prohibits agencies from increasing non-Federal expenditures during the carryover year of an award and not having the increase counted toward MOE.

Non-Federal Share Reporting – Example 1

A DSA provides financial services to assist the VR agency (DSU) in paying VR program invoices; staff members are paid by the DSA using State appropriations. If the staff provides services to support the VR program, the staff costs, proportional to the benefit received by the VR program, must be reported on the agency's SF-425 as non-Federal expenditures.

Non-Federal Share Reporting – Example 2

The State office in charge of centralized billing for indirect costs has not billed the VR agency for indirect costs in several years.

The other State agency pays the VR indirect costs with State funds; however the VR agency doesn't report the costs as non-Federal share. This would be a violation of the MOE requirement as such expenditures must be reported.

MOE – Frequently Asked Question

Q. Does a MOE deficit affect the amount of a grantee's future formula VR allotment?

A. No. The Federal VR formula allotments are based on the statutory formula requirements and are recalculated annually. However, if a State has a MOE deficit for a prior FFY, RSA will reduce the State's grant in a subsequent year by that deficit amount.

Part III: Reallotment

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Reallotment

- The Rehabilitation Act authorizes the Commissioner of RSA to reallot to other grant recipients that portion of a recipient's annual grant that cannot be used (Section 110(b)(1) of the Rehabilitation Act).
- The reallotment process maximizes the use of appropriated funds under the VR, IL-OIB, SE, CAP, and PAIR formula grant programs.

Reallotment (cont.)

- Each formula grant recipient submits a Grant Reallotment Form (RSA-692) to RSA by August 15 of the FFY in which the funds were awarded to determine whether the grantee is relinquishing grant funds, requesting additional grant funds, or seeking no change in the current award amount.
- If enough funds are not relinquished for program, RSA will exercise its discretion to cancel reallotment for that program. RSA notifies grantees if a reallotment has been cancelled.

Reallotment - Requesting Funds

- If requesting additional funds during the reallotment process, the State must be capable of providing the required match.
- Match for the additional reallotment funds must be obligated or expended by September 30th of the year of the appropriation (45 days after the August 15th due date for reallotment requests).

Reallotment – Effect on Reserve Requirements

Any funds received or relinquished during reallotment will affect a State's calculation of the amount of funds to be reserved and expended for the provision of:

- Pre-employment Transition Services under the VR program; and
- SE services, including extended services, to youth with the most significant disabilities under the SE program.

Reallotment - Availability

The availability of realloted funds is never guaranteed. RSA continues to encourage agencies not to rely on funds received through reallotment for recurring program expenditures.

Not receiving funds requested through reallotment is NOT a reduction to the State's VR allotment. It is up to the grantee to use reallotment funds in a fiscally responsible manner with the understanding that such funds may not be available in subsequent FFYs.

Reallotment – Funds Available

The total amount of funds available for reallotment in the VR program are dependent upon the amount of:

- Funds relinquished by VR agencies for the current FFY; and
- MOE deficits incurred by States that are not waived by the Secretary during the current FFY.

Reallotment Process

- Since FFY 2000, it has been RSA's policy to award funds available during the reallotment process to States receiving less VR funds under the current FFY formula than in the prior year's formula allotment. This process ensures that States requesting funds that fall below the Consumer Price Index for All Urban Consumers (CPI-U) are raised to the CPI-U percentage increase.

Reallotment Process (cont.)

- No State receives more in reallotment than their requested amount.
- States with a current year MOE deficit will have the MOE deficit amount deducted from the available pool of reallotment funds before determining the amount of additional VR funds awarded to the State through the reallotment process. This process ensures that a State cannot share in its own MOE deficit reduction amount.

Reallotment Process (cont.)

- RSA's long-standing practice has been to follow a process that is consistent with the statutory formula for allocating VR funds when allocating the remaining reallotment funds.

Supported Employment Reallotment

- Because a State's Supported Employment allotment refers to the total amount of CFDA 84.187A and CFDA 84.187B funds awarded pursuant to Section 603 of the Rehabilitation Act, the total allotment amount is used as the basis for determining whether a State has complied with the statutory requirements for reserving and expending half of the allotment for the provision of supported employment services for youth with the most significant disabilities and the requirement to provide match for the half of the allotment reserved for youth with the most significant disabilities (50 percent of award in the combined total of CFDA 84.187A and CFDA 84.187B).

Reallotment – Questions and Answers

Q. Can a State relinquish only pre-employment transition service reserve funds during reallotment and have the returned funds reduce the pre-employment transition service requirement dollar for dollar?

A. No. The funds relinquished will be reflected as a reduction to the State's total VR grant award amount which, in turn, will reduce proportionally the amount that must be reserved for the provision of pre-employment transition services. The State will still be responsible for reserving and expending 15 percent of the new allotment amount for pre-employment transition services.

Reallotment – Questions and Answers (cont.)

Q. Does submitting the RSA-692 form early or increasing the amount of money requested in reallotment improve the chance of a State receiving reallotment funds?

A. No. The determination of how much a State will receive is typically based upon the process described above.

Part IV: Program Considerations

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Question and Answer

Q. How can I best ensure continuity of administrative functions for my agency in the event of unexpected turnover of key personnel?

A. We recommend VR agencies consider the following as a best practice when reviewing their internal control policies and procedures:

- Does the agency have detailed written fiscal procedures, including reporting requirements and due dates for fiscal reports, to enable a person unfamiliar with the processes to ensure requirements are met in the event of unexpected turnover of key personnel?

Question and Answer (cont.)

- As required by the Uniform Guidance, does your agency have written internal control processes for ensuring that the agency expends program funds -- both Federal and non-Federal funds used for match purposes -- only for allowable activities?
- Does your agency have written procedures that would enable an individual to know readily the amount of non-Federal expenditures that were incurred in prior years so the individual could ensure MOE requirements are satisfied in subsequent years?
- Does your agency have written procedures for the considerations it will take into account when determining whether and how much to request during reallocation or relinquish during reallocation so that an individual unfamiliar with the process could assume the responsibility?

Questions?

If you have any additional questions, please email them to RSAfiscal@ed.gov.

