UNITED STATES DEPARTMENT OF EDUCATION
Office of Special Education and Rehabilitative Services
Rehabilitation Services Administration

CARRYOVER OF FEDERAL VR GRANT FUNDS

Applicable Program:

- State Vocational Rehabilitation (VR) Services (ALN 84.126A)

Requirements:

Federal VR awards have a one-year grant period, as specified in Box 6 ("Federal Funding Period") on the Grant Award Notification (GAN).

Section 19(a)(1) of the Rehabilitation Act of 1973 (Rehabilitation Act) permits States to carry over Federal VR grant funds for obligation and expenditure in the subsequent Federal fiscal year (FFY).[1] Section 19(b) of the Rehabilitation Act makes clear that Federal VR grant funds remain available for obligation and use in the subsequent FFY (i.e., the carryover year) only if the State satisfied its match requirement (21.3 percent) under the VR program during the FFY of appropriation. This means, to carry over unused grant funds for obligation in the next FFY, States must –

1. Satisfy the VR program match requirement by the end of the FFY of appropriation (i.e., by September 30), as specified in Box 6 on the GAN; and
2. Have an unobligated balance of Federal funds of which at least some portion was matched.

The FFY of appropriation refers to the FFY in which funds were appropriated (from October 1 of year one until September 30 of the following year).

When a State satisfies its match requirement under the VR program by September 30 of the FFY of appropriation and it has matched unobligated Federal funds remaining, it may carry over those Federal VR funds for obligation and expenditure for one additional FFY beyond the FFY of appropriation, which is the Federal Funding Period listed in Box 6 on the GAN. For example, the year of appropriation for the FFY 2024 VR awards began on October 1, 2023, and ended on September 30, 2024. The subsequent year, or carryover year, for FFY 2024 awards started on October 1, 2024, and ended on September 30, 2025.

For States with two VR agencies, pursuant to Section 19(b) of the Rehabilitation Act and 34 C.F.R. § 361.64(b), whether a recipient of Federal VR funds has matched any available unobligated funds

[1] VR Federal funds are subject to Section 19 of the Rehabilitation Act regarding the carryover of funds, not Section 421(b) of the General Education Provisions Act (20 U.S.C. 1225(b)), commonly referred to as the "Tydings period" or the "period permitted by the Tydings Amendment."

and, therefore may carry them over to the subsequent fiscal year, will be determined at the State level. This means, for example, that if a State satisfied the match requirement for the State in FFY 2024 by one VR agency providing sufficient match for both VR agencies by September 30, 2024, pursuant to Section 101(a)(3) of the Rehabilitation Act (29 U.S.C. § 721(a)(3)) and 34 C.F.R. § 361.60(a), and a matched balance of unobligated FFY 2024 Federal funds remain available for obligation under both VR awards at this time, then both VR agencies in the State may carry over those FFY 2024 funds. The opposite is also true. For example, if the General VR agency only matches the obligation for the portion of the State's VR funds designated to it, and the Blind agency does not meet its match for the portion of the State's VR funds administered by it, under Section 19 of the Rehabilitation Act the State will have not matched its total VR funds for carryover purposes. This may result in less funds being available for carryover or neither agency's VR award qualifying for carryover under the VR program.

To satisfy the carryover requirement of Section 19(b) of the Rehabilitation Act, non-Federal obligations counted toward satisfying a State's match requirement must be –

1. Incurred during the FFY of appropriation; and
2. Liquidated in the FFY of appropriation, the subsequent FFY, or the 120-day liquidation period.

This means that non-Federal obligations that are cancelled, or otherwise fail to liquidate, after the FFY of appropriation may not be used toward satisfying the match requirement. In such instances, the State VR agency must report only the portion of non-Federal obligations that were liquidated after the FFY of appropriation in the appropriate data element on its Federal Financial Report (RSA-17). In the alternative, the State could make accounting adjustments if it has other expenditures that were paid during the year of appropriation with Federal funds that could have been paid with non-Federal funds that were available at that time to substitute for the obligations that "fell through." Such accounting adjustments must be made in the State's and agency's accounting systems to ensure the RSA-17 financial data is consistent with the State's and agency's accounting records. This action requires the State VR agency to revise its financial reports to report the adjustment on the RSA-17 reports during the FFY of appropriation. Failure to liquidate sufficient non-Federal obligations or make the necessary accounting adjustments could result in more Federal VR funds being carried over than were authorized, which could result in a match deficit for the State and the Rehabilitation Services Administration (RSA) seeking recovery of those funds.

Carryover of VR Program Income:

Section 19(a)(2) of the Rehabilitation Act permits State VR grant recipients to carry over program income, if any remains undisbursed, for expenditure in the subsequent FFY. This is regardless of whether the State met the requirements to carry over Federal VR funds. Because program income is not subject to a match requirement, Section 19(b) of the Rehabilitation Act is not applicable; therefore, State VR agency recipients do not need to satisfy a non-Federal share

requirement to carry over program income funds. However, to the extent that program income funds are available, grantees must disburse those funds (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting (i.e., drawing down) additional funds from RSA (see Grant Award Notification Attachment RSA-2, Program Income, for additional details).