

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

PROHIBITION AGAINST SUBGRANTING

Applicable Programs:

- State Vocational Rehabilitation Services (VR) (CFDA 84.126A)
- Client Assistance Program (CAP) (CFDA 84.161A)
- State Supported Employment Services (SE-A) (CFDA 84.187A)
- State Supported Employment Services (SE-B) (CFDA 84.187B)
- Protection and Advocacy of Individual Rights (PAIR) (CFDA 84.240A)

Requirements:

A State agency may NOT subgrant awards made under the Rehabilitation Act of 1973, as amended (Rehabilitation Act), for the VR and SE programs. The Education Department General Administrative Regulations (EDGAR) at 34 CFR §76.50(b) state:

- (b) The authorizing statute determines the extent to which a State may:
 - (1) Use grant funds directly; and
 - (2) Make subgrants to eligible applicants.

This means that the authorizing statute must specifically permit subgranting in order for the subgranting of Federal funds to be permissible. Because neither the Rehabilitation Act nor the implementing program regulations for the VR, CAP, SE, and PAIR programs specifically permit subgranting, such subgranting is not allowable. Consequently, when a State contracts with entities to provide services, those entities are considered vendors or contractors – not subgrantees or subrecipients.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), codified at 2 CFR part 200, does not include the term “subgrant.” However, in accordance with 34 CFR § 77.1(b) of EDGAR, the term “subgrant” has the same meaning as “subaward” in 2 CFR § 200.92.