



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF VOCATIONAL AND ADULT EDUCATION

THE ASSISTANT SECRETARY

PROGRAM MEMORANDUM OVAE/DAEL 99 - 5

DEC 21 1998

SENT BY : Patricia W. McNeil *Patricia W. McNeil*

SENT TO : State Directors of Adult Education

SUBJECT : Use of Carryover Funds Awarded Under the Adult Education Act

The purpose of this memorandum is to provide guidance and options regarding a State's obligation and expenditure of any grant funds awarded under the Adult Education Act (AEA) that may remain available for obligation and expenditure on the effective date of its new State Plan under the Adult Education and Family Literacy Act (AEFLA). Consistent with section 506 of the Workforce Investment Act of 1998 and to promote the orderly transition from AEA to AEFLA, we are providing a State with considerable flexibility as to how it obligates these funds.

The statutory authority for the period for obligating and expending carryover funds is the so-called "Tydings Amendment," section 412(b) of the General Education Provisions Act, 20 U.S.C. 1225(b). In general, under this provision, any funds not obligated and expended during the period for which they were awarded become carryover funds and may be obligated and expended during the succeeding fiscal year. Any such carryover funds must be obligated and expended in accordance with the Federal statutory and regulatory provisions in effect during the period in which such funds are to be expended and the State plan approved for such program for this period (that is, the carryover period) rather than the requirements in effect when the funds were awarded.

FY 1997 Adult Education Funds

Funds from a State's Fiscal Year (FY) 1997 grant (that first became available on July 1, 1997) that were not expended by September 30, 1998 became carryover funds on October 1, 1998. FY 1998 funds remain available for obligation through September 30, 1999.

A State has three options for how it and its subgrantees obligate these FY 1997 carryover funds:

(1) The State may continue to treat these carryover funds as AEA funds through September 30, 1999, consistent with the AEA, including AEA requirements on set-asides. (This option is not available for FY 1998 carryover funds because AEFLA became effective before those funds will become carryover funds.)

(2) A State may spend FY 1997 carryover funds under the authority in AEFLA that is the same or most similar to the purpose for which the funds were reserved under the AEA, beginning on the date that its new State Plan under AEFLA becomes effective. For example, a State carrying over funds reserved for teacher training under Section 353 of the AEA could spend those funds in combination with funds used under Section 223 of AEFLA for State leadership activities because Section 223 authorizes professional development programs.

(3) A State may begin to treat FY 1997 carryover funds as AEFLA funds on the date its new State Plan under AEFLA become effective (generally July 1, 1999). In this case, the State may treat these FY 1997 carryover funds as a supplemental appropriation under AEFLA. These carryover funds must be obligated only for specific costs that are allowable under AEFLA and are subject to AEFLA requirements. For example, a State might receive an FY 1999 AEFLA allotment of \$1,000,000, to which it would add \$100,000 in carryover funds as a supplement. The total of \$1,100,000 would be spent under AEFLA requirements, including the requirements on set-asides for specific purposes.

For either option 2 or 3 above, the State would be considered to be in compliance with the AEA with respect to its FY 1997 funds as long as it had not exceeded the cap on any AEA set-aside prior to the date that its new State Plan under AEFLA becomes effective.

FY 1998 Adult Education Funds

Funds from a State's FY 1998 grant first became available on July 1, 1998, and remain available for obligation through September 30, 2000. Although FY 1998 funds will not become carryover funds until October 1, 1999, and therefore are not required to be obligated under AEFLA until that date, a State may choose to treat available FY 1998 grant funds as AEFLA funds on the date its new State Plan under AEFLA becomes effective. In this case, a State would obligate FY 1998 funds under AEFLA and its new State Plan--even before those funds will become carryover funds.

A State has two options for how it and its subgrantees obligate any FY 1999 funds, whether or not it begins to treat those funds as carryover funds before October 1, 1999.

(1) A State may spend FY 1998 funds under the authority in AEFLA that is the same or most similar to the purpose for which the funds were reserved under the AEA, as discussed above with respect to option 2 for FY 1997 funds.

(2) A State may treat such carryover funds as if they were a supplemental appropriation to the FY 1999 grant award as discussed above with respect to option 3 for FY 1997 funds.

Under either option 1 or 2 for FY 1998 carryover funds, the State would be considered to be in compliance with the AEA with respect to its FY 1998 funds as long as it had not exceeded the cap on any AEA set-aside prior to the date its new State Plan becomes effective.

Regardless of which options a State chooses for FY 1997 and FY 1998 carryover funds, the State must document its choices and maintain accounting records that reflect the choices. Further, regardless of the options a State chooses, it must obligate FY 1997 funds no later than September 30, 1999 and FY 1998 funds no later than September 30, 2000. Please feel free to contact Ron Pugsley of my staff at (202) 205-8270, or your Area Coordinator for any assistance you may need.