

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

RESERVATION AND MATCH REQUIREMENTS

Applicable Program:

- State Supported Employment Services (CFDA 84.187A)

Requirements:

Title VI of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by the Workforce Innovation and Opportunity Act (WIOA), which took effect on July 22, 2014, makes several significant changes to the State Supported Employment Services (SE) program.

I. Reservation of Funds

First, States must reserve and expend half of their SE allotment to provide SE services, including extended services, to eligible youth with the most significant disabilities in order to assist them in achieving an employment outcome of SE. Section 603(d) reads as follows:

SEC. 603. ALLOTMENTS.

- (d) Services for Youth with the Most Significant Disabilities. – A State that receives an allotment under this title shall reserve and expend half of such allotment for the provision of supported employment services, including extended services, to youth with the most significant disabilities in order to assist those youth in achieving an employment outcome in supported employment.

The State allotment, which forms the basis for the 50 percent reservation, refers to the funds awarded pursuant to section 603 of the Rehabilitation Act. State allotment, in this context, does not refer to an allotment of State funds awarded by the State, nor does it refer to any title I State Vocational Rehabilitation Services (VR) funds that the State elects to use in providing SE services.

This means that the State – not RSA – must reserve and expend half of the State’s total Federal SE allotment for the provision of SE services to youth with the most significant disabilities under title VI. In other words, States will not receive a separate grant award for this 50 percent reservation since the State is required to reserve the funds from its total SE allotment.

In calculating the 50 percent amount to be reserved, RSA recommends that States – regardless of whether the State has one or two designated State units (DSUs) -- base the percentage on the total amount allotted to the State in each SE Grant Award Notification it receives in the fiscal year. In so doing, the State can be sure it has reserved half of its total SE allotment (as described in section 603 of the Rehabilitation Act) for this purpose, taking into account adjustments made

throughout the year for continuing resolutions and reallocations, as appropriate.

The reservation of funds for the provision of SE services for youth with the most significant disabilities is a State matter that must be resolved at the State level when there are two agencies. For this reason, RSA encourages agencies to coordinate to ensure State compliance. While RSA recommends that each DSU, particularly when a State has two DSUs, reserve 50 percent of its allotment to facilitate tracking of State compliance of the reservation requirement, there is no statutory requirement that this be done. If one agency (when a State has two DSUs) uses more of its funds than the other, the State would be in compliance so long as the State's total funds reserved for the provision of SE services for youth with the most significant disabilities is 50 percent of the State's total Federal SE allotment, including any additional funds received during reallocation by one or both agencies.

The State must use its reserved funds to provide SE services to youth with the most significant disabilities that meet both the definition of "youth with a disability" and "individual with a most significant disability."

An individual with a most significant disability is defined at section 7(21)(E) of the Rehabilitation Act:

(21) INDIVIDUAL WITH A SIGNIFICANT DISABILITY –

(E) INDIVIDUAL WITH A MOST SIGNIFICANT DISABILITY.-

- (i) IN GENERAL.-The term "individual with a most significant disability" used with respect to an individual in a State, means an individual with a significant disability who meets criteria established by the State under section 101(a)(5)(C).
- (ii) INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES.-The term "individuals with the most significant disabilities" means more than one individual with a most significant disability."

A youth with a disability is an individual who is between 14 and 24 years old, as defined at section 7(42) of the Rehabilitation Act:

(42) YOUTH WITH A DISABILITY.-

- (A) IN GENERAL.-The term 'youth with a disability' means an individual with a disability who-
 - (i) is not younger than 14 years of age; and
 - (ii) is not older than 24 years of age.
- (B) YOUTH WITH DISABILITIES.-The term 'youth with disabilities' means more than 1 youth with a disability.

II. State Match

Second, the State must provide a match of at least 10 percent in non-Federal expenditures for the total amount of expenditures incurred with the half of the allotment reserved to provide SE services to youth with the most significant disabilities, including extended services.

Section 606 of the Rehabilitation Act, in pertinent part, reads as follows:

SEC. 606. STATE PLAN.

(b) CONTENTS.—Each such plan supplement shall—

(7) provide assurances that—

(I) with respect to supported employment services provided to youth with the most significant disabilities pursuant to section 603(d), the designated State agency will provide directly, or indirectly through public or private entities, non-Federal contributions in an amount that is not less than 10 percent of the costs of carrying out such services;

In calculating the match requirement for the half of the State's SE allotment reserved for serving youth with the most significant disabilities, the State would provide a match of \$10 in non-Federal funds for every \$100 in total SE costs incurred for this purpose (including both Federal and non-Federal funds) and, therefore, would draw down \$90 in Federal SE funds. For example, if a State's total SE allotment equals \$2 million, and it expends and draws down \$1 million for the provision of SE services to youth with the most significant disabilities, representing the 50 percent reserved for this purpose, the State would have to provide a match of \$111,111 in non-Federal expenditures.

In the event that a State uses more than 50 percent of its allotment under this part to provide SE services to youth with the most significant disabilities, there is no requirement that the State provide non-Federal expenditures to match the Federal funds in excess of the reserved amount spent for this purpose. For this reason, RSA encourages agencies (when a State has two DSUs) to coordinate to ensure State compliance. The State may use non-Federal expenditures for allowable SE purposes paid directly by the designated State agency (DSA) or agencies, regardless of whether these funds were obtained by State appropriations, interagency transfers from other public agencies, or private donations paid to the VR agency, or by another public agency on behalf of the DSA (e.g., paid indirectly by the VR agency) under a third-party cooperative arrangement. Third-party in-kind contributions are not an allowable source of match under the SE program, just as they are not an allowable source of match under the VR program.

III. Administrative Costs

Third, States may not use more than 2.5 percent of their SE allotment to pay for administrative costs. This amount is reduced from the 5 percent previously allowed. Section 603(c) reads as follows:

(c) LIMITATIONS ON ADMINISTRATIVE COSTS.—A State that receives an allotment under this title shall not use more than 2.5 percent of such allotment to pay for administrative costs.

IV. Extended Services

Finally, States may use the funds reserved for youth with the most significant disabilities to provide SE services, including extended services, for a period not to exceed four years. Previously, SE funds could not be used to provide extended services. States are still prohibited from using SE funds to provide extended services to adults with the most significant disabilities. Section 604 reads as follows:

SEC. 604. AVAILABILITY OF SERVICES.

- (a) SUPPORTED EMPLOYMENT SERVICES.-Funds provided under this title may be used to provide supported employment services to individuals who are eligible under this title.
- (b) EXTENDED SERVICES.-
 - (1) IN GENERAL -- Except as provided in paragraph (2), funds provided under this title, or title I, may not be used to provide extended services to individuals under this title or title I.
 - (2) EXTENDED SERVICES FOR YOUTH WITH THE MOST SIGNIFICANT DISABILITIES – Funds allotted under this title, or title I, and used for the provision of services under this title to youth with the most significant disabilities pursuant to section 603(d), may be used to provide extended services to youth with the most significant disabilities. Such extended services shall be available for a period not to exceed 4 years.

V. Financial Management

Because title VI of the Rehabilitation Act is clear that the State must reserve and expend half of its SE allotment for providing SE services, including extended services, to a specific population, namely youth with the most significant disabilities, it is critical that the DSU implement administrative methods and procedures that will ensure proper data collection and financial accountability of these reserved funds, so that the DSU will be able to complete accurately all required forms, including financial reports, that show the reservation and use of these funds for this purpose, as required by 2 CFR 200.302(a) of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards:

§200.302 Financial management.

- (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.