Reservation Requirement Considerations

The requirement for pre-employment transition services is to both **reserve** and **expend** not less than 15% of the lessor of the maximum amount of Federal VR award funds matched or the amount of the Federal award at the end of the period of performance. This document will walk through how to ensure VR agencies are appropriately accounting for what they are required to **reserve.** The reserve amount required for pre-employment transition services is based on Federal funds but with multiple considerations that may result in different minimum reserve amounts required. These considerations include:

- If there is one VR agency in the State that is a Combined agency,
- If there are two VR agencies in the State (a Blind and a General agency),
- If the agency fully matched the grant award, or if they did not.
    - If the agency fully matched the Federal funds received under that grant award the amount required to reserve for the provision of pre-ETS is 15% of the net award amount of Federal funds received.

The “net award amount” accounts for changes due to reallotment, relinquishment, and MOE penalties and any other Federal award amount adjustments. It would also include any transfers between General and Blind agencies when there are two in a State. However, since the reservation requirement is a State requirement the increase/decrease from the transfer would be included in the **agency's** reservation requirement, but doesn't affect the **State** level requirement as stated above.

Examples of what 15% of the Net Award amount may look like:

What constitutes the Net Award Amount **if the agency fully matched** their Federal award amount?

> **Example 1:** A VR agency receives $1,000,000 in Federal funds at the beginning of the Federal fiscal year of appropriation, fully matches those funds, and does not participate in reallotment or any transfers. The net award amount total is the amount of funds received, and as a result the agency’s minimum amount to be reserved is $150,000.

Example 2: The VR agency receives $1,000,000 in Federal funds, however, the agency subsequently relinquishes (gives up) $25,000 during the reallotment period. Now, if the agency fully matched the Federal funds, the net Federal award amount is $975,000 and as a result the agency's minimum amount to be reserved is $146,250.

Example 3: The VR agency receives $1,000,000 in Federal funds at the beginning of the Federal fiscal year of appropriation; however, the agency received an additional $25,000 in Federal funds in reallotment. Now the net award amount is $1,025,000 in Federal funds and, assuming those Federal funds were fully matched, the new 15% reserve is $153,750.

Example 4: Blind agency's Federal allotment is $1,000,000. In the year of appropriation, they request RSA transfer $25,000 to the General agency. Once this transfer of funds is complete, the Blind agency's net award amount is now $975,000 and, if all funds were matched, the reservation requirement would now be $146,250. However, the **State's** minimum reserve requirement remains unchanged.

Pursuant to Section 111(a)(1) of the Rehabilitation Act and 34 C.F.R. § 361.60, compliance with the match requirement is determined on a Statewide basis, not on an individual VR agency basis. Similar to the match and maintenance of effort requirements, the reservation requirement is a State requirement.

For purposes of calculating the pre-ETS reservation requirements at the State level, the calculation becomes the lesser of the maximum amount of Federal VR award funds matched by the State or the total Federal net award amount to the State at the end of the period of performance.

This means that when there are two VR agencies in the State, if one agency didn't fully match its grant award, but the other agency overmatched its grant award, the reservation requirement is based upon the total Federal funds matched as a State. All Federal funds matched in the State have to be accounted for, up to the total net Federal award amount for the State. Therefore, when there are two VR agencies in the State, it is critical that the two agencies coordinate to ensure the pre-ETS requirement is met at the State level.

Example 5: Combined agency: Agency was allotted $1,000,000 in Federal funds. The match requirement is $270,648.00. Agency was only able to spend $250,000 in non-Federal match expenditures. As a result of what they were able to match, the Federal

funds the agency was entitled to drawdown was $923,709. Therefore, the reservation requirement is $138,556.

Example 6: General and Blind Agency: Blind agency received $1,000,000 in Federal VR funds and the General agency received $1,000,000 in Federal VR funds. At the State level, this equates to a total of $2,000,000 in Federal funds received. Assuming the $2,000,000 in State VR funds is matched, each agency should reserve not less than $150,000 for the provision of pre-ETS to meet the State's reservation requirement ($300,000).

Example 7: General and Blind Agency: Same Federal award totals as the example above, but one agency did not fully match their Federal award.
The Blind agency was required to spend $270,648 in non-Federal funds to fully match the grant award. However, the Blind agency was only able to spend $200,000 in non-Federal funds.

To determine the amount required to reserve for pre-ETS , the Blind agency needs to coordinate with the General agency to determine if the General agency spent more than its non-Federal share requirement, and by how much. This information is needed to determine the total amount of Federal funds matched as a State. Based on the amount of non-Federal match funds spent, the Blind agency's reservation requirement may look like Example 7A or 7B (below). Ultimately, the pre-ETS requirement is a State requirement, so the General agency could spend more than the minimum amount of Federal funds reserved for pre-ETS, but coordination between the two agencies has to occur to determine how the requirement will be met.

Example 7A: General agency spent in non-Federal funds only what was necessary to fully match its Federal VR award. In this instance, the Blind agency's reservation requirement is based upon the Federal portion of what the Blind agency matched. Since the Blind agency was only able to spend $200,000 in non-Federal funds, it only matched $738,967 in Federal funds. The Blind agency's 15% reserve requirement is now based on the $738,967 which is $110,845. The State requirement for 15% is a combined total of: $260,845 ($110,845-Blind plus $150,000-General).

Example 7B: General agency spent more in non-Federal funds for the VR program than was necessary to fully match its Federal award. In this example, the Blind agency was still only able to spend $200,000 in non-Federal funds, so it did not fully match its

Federal award amount. In this example, even though the General agency spent more non-Federal share than it was required to, if the agency calculates the amount it has to reserve only using its data, the minimum amount to be reserved for pre-employment transition services appears to remain unchanged. However, as a State, the calculation incorporates all Federal funds matched at the State level, this includes any overmatch.

If the General agency spent a total of $341,296 in non-Federal funds in support of the VR program; then the State's total non-Federal share amount is $562,986 ($341,296-General plus $110,845-Blind). This means the State fully matched its $2,000,000 in VR Federal funds. As a result, the State was required to reserve and expend the full $300,000 to meet the 15% requirement.

The State would likely not meet its pre-ETS requirement if it didn't look at the State calculation. As indicated above, if the VR agencies just calculated the reserve requirement level, the data would incorrectly indicate that each agency only had to reserve:

- Blind Agency = $110,845 based on the amount of its award it was able to match (undermatched)
- General Agency = $150,000 based on the amount it was able to match up to its grant award amount (overmatched).

Based on the individual agency calculations, the total amount required for both agencies to reserve is $260,845 ($110,845-Blind plus $150,000-General). If the agencies reserved this amount, the State would NOT be in compliance with the reservation requirement because the State calculation demonstrated that $300,000 was required to be reserved in order for the State to meet its reservation requirement. Blind and General agencies are responsible for working together to determine how the State requirement is met. This may mean that one agency is required to reserve more than 15 percent at the agency level for the State to be in compliance.