

Questions and Answers

Adult Education and Family Literacy Act of 1998 Program Income Reporting Requirements for Federal Grants

Programmatic and Federal Regulations:

Question 1:

What are the reporting requirements for program income associated with the adult general education block tuition?

Answer 1:

Sub-recipients of a Federal grant funded through the Adult Education and Family Literacy Act of 1998 (AEFLA), who are also assessing the adult general education block tuition, are required to report any program income generated through the block tuition. This reporting must occur on the grant forms DOE 499 and DOE 499A, which must include Federal grant expenditures and program income calculations for the typical grant period (July 1 to June 30 of the fiscal year).

Addition vs. Deduction Methods:

The default method for addressing program income is to show it as a deduction from the Federal grant award. If an addition request is not received and approved by the Department of Education (DOE), Form DOE 499A should reflect a deduction in the Federal grant award equal to the program income reported.

If the sub-recipient of an award chooses to add program income generated through the grant to a Federal grant award, the sub-recipient must submit a request in writing to the Department. The request to add program income to the grant must be made prior to the end of the grant period. According to the Green Book, program income may be added to the project only when prior written approval is obtained from the Bureau Chief of Contracts, Grants, and Procurement Management Services. These requests should be sent to:

Florida Department of Education
Bureau Chief, Contracts, Grants, and Procurement Management Services
325 West Gaines Street, Room 344
Tallahassee, Florida 32399-0400

The request, on the sub-recipient's letterhead, should include the following information: sub-recipient name, Federal fund type, project number(s), and the signature of the agency head.

Question 2:

Could you clarify how program income from tuition is to be used?

Answer 2:

Tuition may be used for expenditures in accordance with all applicable state and federal requirements. All funds associated with the tuition must be spent on adult general education programs (Section 1009.22(3)(c), Florida Statutes).

Question 3: How does the program income calculation affect the state funding calculations for districts and colleges?

Answer 3:

The program income reporting requirements apply only to institutions that receive AEFLA funds. These requirements should not be confused with any state funding allocations. For questions about the effect of adult general education block tuition on state funding for school districts, please contact Tara Goodman at tara.goodman@fldoe.org. For questions about the effect on state funding for community or state colleges, please contact John Holdnak at john.holdnak@fldoe.org.

Question 4:

What Federal grants should be used in the calculation of total cost of adult education on Form DOE 499A? Can you provide a list of all of the grant funds with the project numbers that are a part of the Adult Education and Family Literacy Act?

Answer 4:

The calculation of total cost of adult education should include any project awarded through the AEFLA, including: Adult General Education, Career Pathways, Native American, Corrections Education, and English Literacy and Civics Education. Information on Federal grants funded through AEFLA is available at: <http://www.fldoe.org/workforce/dwdgrants/default.asp>.

Question 5:

On the Form DOE 499A, Step 1 requires us to calculate the total cost of the adult education program. What programs should be included under the Adult Education Program? Can you explain what costs should be included to determine the total cost of the adult education program?

Answer 5:

Below is a list of adult general education programs that are AEFLA and non-AEFLA supported. Only AEFLA supported programs should be included in the total cost calculation.

AEFLA Supported Programs	Program Code	CIP Number
Adult Basic Education	9900000	1532.010200
Adult High School Note: Does not include co-enrolled high school program (see below)	9900010	1532.010202
Pre-General Education Development	9900120	1532.010206
General Education Development	9900020	1532.010201
English for Speakers of Other Languages (ESOL)	9900040	1532.010300
English Literacy for Career and Technical Education (ELCATE)	9900050	1532.010301
Pre-Applied Academics for Adult Education	S990000	1532.010504
Non-AEFLA Supported Programs	Program Code	CIP Number
Adult High School co-enrollment	9900099	1532.019900
Adult General Education for Adults with Disabilities Plan	9900100	1532.010204
Literacy Skills of Adult ESOL Learners	9900300	1532.010303
Academic Skills for Adult ESOL Learners	9900051	1532.010302
Citizenship	9900090	1533.010200
Applied Academics for Adult Education	S990001	1532.010503
Workplace Readiness Skills for Adult ESOL Learners	9900080	1532.010502

Cont. Answer 5:

All costs related to AEFLA and the programs supported by AEFLA should be included when determining the total costs. All Federal costs related to AEFLA awards are included and all state costs of programs supported by AEFLA are included in the total program costs. If you are offering non-AEFLA programs (see list above), those costs should NOT be included in the calculation.

Question 6:

What happens if we do not use all of the program income in the same year that it is generated (some of these fees will be collected in June)? Is June 30 the absolute last day to obligate the funds or would we have until the final DOE 499 is reported to use the dollars?

Answer 6:

Program income must be used within the program period of the grant. All dates included on the Program Award Notification, Form DOE 200 (e.g., program period, last date for obligations, last date for liquidation) apply to program income. The total amount of any program income remaining after the grant period ends is deducted from the original grant award amount. Funds must be obligated and liquidated by the dates specified on the Program Award Notification, Form DOE 200, which are typically June 30 (to obligate) and August 20 (to liquidate).

Question 7:

Can you use your indirect cost rate as part of costs incurred?

Answer 7:

No. The indirect cost rate is intended to recover a portion of the administrative costs related to a Federal program. For additional information, see Question #13.

Question 8:

If a district or college elects to use the addition method, which indicates that the Federal program income amount calculated will be added to the total grant award, are expenditures made from that program income eligible for application of the indirect cost rate?

Answer 8:

Yes.

Question 9:

Will we have to justify any money spent for scholarships and tuition from our Federal grant awards?

Answer 9:

Any Federal funds spent in support of the adult education program will require adequate documentation (see Green Book for additional guidance) for all expenditures associated with the program, including scholarships and block tuition.

Question 10:

The total amount of tuition and the total cost of the adult program will be unknown until the end of the fiscal year, when all revenues and expenditures have been recorded (including year-end accruals). This presents a dilemma in that it will not be possible to accurately determine the amount of tuition to be recorded as Federal program income until after the end of the fiscal year. Should the districts and colleges estimate the amount of program income and spend that amount prior to the end of the fiscal year?

Answer 10:

Sub-recipients are required to record program income received between July 1 and June 30 of each year and have until August 20 to liquidate and/or pay expenses incurred up to June 30.

Information regarding the timeline of expenditures and liquidation of funds is located in Box 9 (Timelines) on the Florida Department of Education Project Award Notification, Form DOE 200.

Since only a percentage of tuition will be calculated as program income, the agency will have to document expenditures in proportion to the percentage of the total program costs that are Federal. For example, if 10 percent of the total program cost is from Federal funds and the tuition collected is \$100,000, the agency would need to document expenditure of only 10 percent of the tuition, or \$10,000. Documentation of all expenditures must be maintained, even though the proportionate share is used in the program income calculation.

Question 11:

Our institution has chosen to pay the tuition for some students using the Federal grant funds. Should the program income that came from the Federal grant be excluded from the gross program income total?

Answer 11:

If the funds from a Federal adult education grant are authorized to be expended to provide “scholarships” to low-income adults in lieu of the block tuition required by Proviso, Items 96 and 99, Ch. 2011-69, Laws of Florida (L.O.F.), then those funds are part of the Federal grant award and should not be separately considered as tuition for purposes of calculating program income. The

Cont. Answer 11:

Federal grant funds should be included as the Federal portion of the Total Cost of Adult Education Programs (line 12, Form DOE 499A), but not as Gross Program Income (line 14, Form DOE 499A).

Question 12:

Our institution has chosen to pay the salaries of teachers using the Federal grant funds. Should the expenses paid out of the Federal grant be excluded from the total cost of adult education program?

Answer 12:

No. Expenses paid out of the Federal grant must be reported on Form DOE 499 and on Step 1 for Form DOE 499A.

Question 13:

Can you use the indirect cost rate against the gross income to determine the costs incurred to generate program income? If not, what are the guidelines to decide what costs to include in determining the costs incurred to generate program revenue?

Answer 13:

No. In accordance with Education Department General Administrative Regulations (EDGAR) §80.25, Subsection (a) *General*, grantees are encouraged to earn income to defray program costs. Program income includes income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds. Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them. Subsection (b) *Definition of program income*, means gross income received by the grantee or sub-grantee directly generated by a grant-supported activity, or earned only as a result of the grant agreement during the grant period. Subsection (c) *Cost of generating program income*, indicates that, if authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. For further information regarding Program Income, read EDGAR §80.25 in its entirety.

Program income is the gross income minus the cost to generate the program income. Some examples of costs to generate program income include: hiring personnel to collect the tuition and fees (admission officers, registrars, accounting staff, etc.), credit card bank fees, and any cost associated with the collection of adult education tuition and fees. If the sub-recipient had already employed such staff, then the cost should be pro-rated, as it relates to the additional workload – due to collecting the tuition and fees.

Question 14:

What supporting documentation should be maintained for calculation of net adult education program income in Step 2 on Form DOE 499A?

Answer 14:

Sub-recipients should have detailed work papers that support the program cost calculations (such as accounting ledgers, journal entries, personnel activity reports, etc.).

Question 15:

What if the cost incurred is greater than the gross program income?

Answer 15:

There would be no amount to report as Federal program income on Form DOE 499 because there is no Federal program income. All sub-recipients must still complete and submit the required Form DOE 499A.

Annual Financial Report and Program Cost Report – School Districts:**Question 16:**

In the past, FDOE provided a uniform program analysis cost report that reflected a standard cost for adult education. Is it possible to use that standard report so that all districts are using the same guidelines to determine the cost of the adult education program?

Answer 16:

The standardized program cost report analysis is available in January, following the close of the current actual fiscal year on June 30, which does not provide the cost information in time for district staff to perform the necessary program revenue calculations at the end of the year. District finance personnel who prepare the program cost report in conjunction with district adult education staff provide the best resources for calculating district costs. Guidelines for reporting standardized costs for education programs, including adult education, are addressed in the *Financial and Program Cost Accounting and Reporting for Florida Schools, 2011 (Red Book)* at <http://www.fldoe.org/fefp/redtoc.asp>, Chapters 4 and 5.

Question 17:

The instructions in the October 6, 2011, memo from Chancellor Costin, indicate that we must have two separate accounts (Federal and non-Federal). Why would a Federal funds account be needed when all the fees are collected locally, and therefore, are not Federal dollars?

Answer 17:

Section 11 of Chapter 2011-063, L.O.F., established a fee schedule, or block tuition, for adult general education programs. The creation of this block tuition poses new reporting requirements in order to comply with the EDGAR under Title 34, Code of Federal Regulations (CFR). This block tuition is program income directly generated by the AEFLA grant-supported activity. Such program income is encouraged under EDGAR to defray program costs.

Pursuant to paragraph (g) of 34 CFR, §80.25, program income may be both Federal and non-Federal income. If a sub-recipient wishes to add the program income to its Federal grants, program income used to support the program is calculated into Federal and non-Federal income using the method the Florida Department of Education described in the October 6, 2011, memorandum from Chancellor Costin. Although the block tuition pursuant to Section 1009.22(3)(c), F.S., is reported in the general fund when collected, the Federal portion of the revenue must be reclassified into the special revenue fund where the AEFLA is reported.

For school district annual financial reporting purposes, the block tuition is deposited in the general fund and is apportioned as Federal and non-Federal income. The Federal portion should be reported in the same special revenue fund where the AEFLA is reported. For more information on the calculation of Federal program income, please see Form DOE 499A, Special Program Income.

A check, journal entry, or Electronic Fund Transfer (EFT) should be used to move program income out of the general fund and deposit it into the special revenue fund. The disbursement is a decrease in revenue in the general fund and the deposit is revenue in the special revenue fund. Corresponding account codes from the general fund should be used to report the revenue in the special revenue fund. This accounting treatment for tuition and fees collected from adult general education that is supported by AEFLA is effective beginning with the 2011-2012 fiscal year.

It is important to distinguish any transaction from an interfund transfer. A transfer to the special revenue fund is another financing source, whereas program income is revenue. If the school district pools its cash accounts or affects an EFT, a journal entry may be used to record the federal portion of the block grant. Below is a sample journal entry to record the federal portion of program income in the special revenue fund.

Fund 100, General Fund:

- DR Account 3461, Adult General Education Course Fees
- CR Account 1110, Cash

(To reduce block tuition by federal portion)

Fund 420, Special Revenue Fund – Other Federal Programs:

- DR Account 1110, Cash
- CR Account 3461, Adult General Education Course Fees

(To record federal portion of block tuition)

Question 18:

Do we report the program revenue in the Cash Advance & Reporting of Disbursements System (CARDS)? If not, then what expenditures in CARDS will not balance to the DOE 499 and possibly the Fund (if expenditures stay in the General Fund). Is this an issue?

Answer 18:

If the “addition method” is used, the draw-down of the funds from the Federal grant award is not affected by the program revenue calculation. If the “deduct method” is used, the Federal grant award is reduced and the draw-down from CARDS is reduced by the amount of the deduction. Under either method, addition or deduction, the amounts in CARDS and on the line 11 of the DOE 499 should match.