

# Adult Education Fiscal Compliance Policy

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## Funding Sources

Funding sources for adult education programs come from two main sources.

- STATE legislatively appropriated funds
- FEDERAL—AEFLA (Adult Education and Family Literacy Act) awards granted to states through the Office of Career, Technical and Adult Education (OCTAE)

STATE funding is legislatively determined on an annual basis and can only be awarded to school districts. Awards are made based on districts' program outcomes following a funding formula directed by Utah State Office of Education (USOE) board rule. STATE funding "flows" to the districts annually from the USOE, Adult Education Services upon receipt of an annually submitted and approved State Plan. State Corrections and State supplemental funding are reimbursement based.

FEDERAL Adult Education and Family Literacy Act (AEFLA) funding is a result of the Workforce Investment Act (WIA) – *The Adult Education and Family Literacy Act*; Title II of the Workforce Investment Act of 1998 (P.L. 105-220). States submit a State Plan outlining the state's needs, program description, annual program outcomes and projected goals. Annually, states submit a National Reporting System (NRS) state report numerically summarizing the state's total program outcomes. States' outcomes are measured against targets negotiated annually with OCTAE. FEDERAL funds may be awarded to school districts, community-based organizations of demonstrated effectiveness, volunteer literacy organizations of demonstrated effectiveness, institutions of higher education, public or private nonprofit agencies, libraries, public housing authorities, nonprofit institutions not previously listed that have the ability to provide literacy services to adults or families or consortia of any of the above-stated eligible agencies based upon Request for Proposal (RFP) grant competition. Grants may be renewed under certain circumstances. FEDERAL funding is reimbursement based. Reimbursements may be requested based only on actual amount of expenditures.

**ADDITIONAL FUNDING SOURCES:** Adult education programs may have access to other grants awarded through the USOE or through the direct collection of student fees and tuition. In either of these cases, funds must be used directly for the sole purpose of providing adult education services that would otherwise not be possible.

# **STATE FUNDING**

## **Purpose of State Funds**

STATE funds include:

- State Special Populations Programs – Adult Education or
- Programs Public Education – Education Contracts – Corrections Education allocations

These funds must be used by school districts for Adult High School Completion (AHSC), GED<sup>®</sup> preparation, Adult Basic Education (ABE), and English for Speakers of Other Languages (ESOL) programming to qualifying persons who reside in the state of Utah. Funds are designed to provide a funding framework to establish or expand programs, to carry out legislative purposes, and to provide the basis for which grant awards and payments are made.

Annually, school districts submit/have an approved state plan that includes separate subset budget sheets for education services provided as a consortium of partnering agencies.

## **Responsibilities Associated With Acceptance of STATE Funds**

Districts accepting STATE funds are responsible for assuring that funds are used to provide direct literacy/educational services to students according to the following parameters:

- Individuals who make their residency in Utah.
- Individuals who are 17 years of age or older whose high school class has graduated.
- Individuals who are under 18 years of age and are married; or have been adjudicated as an adult.
- Individuals who are out-of-school youth ages 16 and up.
- State financial records must be kept for seven years after the completion of the award for monitoring and auditing purposes.
- Programs are responsible to submit back-up documentation of reimbursement expenditures/requests at the time of the reimbursement request.
- Programs are responsible to maintain complete backup documentation of reimbursement expenditures for a period of seven years (three years on site and four years available)
- Programs providing adult education services as a consortium of agencies must:
  - Develop and maintain a MOU or Service Agreement between all partnering agencies that defines services each entity will provide.
  - A copy of the MOU/Service Agreement must be provided to the USOE annually.

- Delegate in the MOU/Service Agreement one school district to serve as fiscal agent for the consortium with the responsibilities to maintain all fiscal records including reimbursements and payroll records.

## **Funding Formula Distribution**

Adult education programs are expected to maintain and offer viable programs. Available funds are allocated, with an approved program plan, according to USOE Board Rule R277-733-10.

Program/Fiscal Year 14-15 (based on 12-13 outcomes)

- 8%—Base amount
- 17%—Diploma Outcome: GED<sup>®</sup>/Utah High School Completion Diploma *or* Adult High School Completion Diploma
- 20%—Enrollee level gains
- 9%—Enrollee AHSC high school credits earned
- 25%—Number of enrollee status students
- 18%—Number of student contact hours (enrollee status students and participants)
- 3%—of the total STATE funds are identified for district programs supplemental support for special programs or professional development.

2% of the total annual appropriation is allocated to the USOE Adult Education Services for administrative costs.

## **Application Process for STATE Funds**

Annually, funds are awarded to district programs based on a funding formula. Programs are required to submit a Funding State Plan addressing improvement of educational opportunities for adults who lack the level of literacy skills required for effective citizenship and productive employment.

At the conclusion of the legislative session:

- The state allocation formula (see STATE Funding Formula Distribution) will be applied to available legislative funds.
- District directors and coordinators will review award allocations in March.
- Districts are required to complete and submit to the USOE/Adult Education Services a State Funding Program Plan through Utah by May 1 of each year.
- STATE funds are allocated on a 1/12<sup>th</sup> distribution based on approval of a submitted state plan.

## **Supplemental Funding**

Supplemental funding is to be used for special program needs or professional development but not for staff employment.

- Priority for supplemental funding is given to district programs whose allocation is less than 1% of the STATE total as indicated on the state funding allocation table.
- The request for supplemental funding is authorized through the processing of a supplemental application.
- Programs whose state allocation is less than 1% may submit an application between October 15 and October 31.
- All districts' programs may apply for any unallocated supplemental funds between November 1 and March 1.
- Programs with approved carryover funds from the previous fiscal year may negotiate a request for supplemental funding as needed, following the timeline above for submission of a request.
- Supplemental funding is reimbursement based. Reimbursements may be requested based only on actual amount of expenditures and must be received by the 25<sup>th</sup> of the month to be paid the following month.

## **Carryover of State Funds**

State funds are to be spent in their entirety by June 30<sup>th</sup> of the fiscal year of allocation. If it becomes necessary for a program to “carryover” state funds, the following stipulations (USOE Board Rule R277-733-5) apply:

- State funds can only be carried over for one fiscal year.
- No more than 10% of the program's grant or \$50,000 whichever is smaller, allocated and not expended in the current fiscal year may be carried over and spent in the next fiscal year.
- Written approval by the USOE, Adult Education Services coordinator is required in order for a program to carryover funds.
- Any and all carryover funds will be considered in determining the school district's allocation for the next fiscal year.
- If carryover funds are not expended, they shall be recaptured by the USOE no later than February 1 of the program year and reallocated to other school district adult education programs based on need and effort as determined by the Board consistent with Section 53A-17a-119(3).

## **Process to Request Carryover Funds**

- A preliminary written request shall be submitted by the district's business administrator to the state adult education coordinator by August 1 indicating the pending carryover of adult education funds. (USOE Board Rule R277-733-5)
- The final/actual written request shall be submitted by the district's business administrator to the state adult education coordinator detailing the dollar amount of the carryover and the intended use by October 1 for approval.
- Calculation of carryover allowance is based on current year state funding formula allocation.
- Calculations and approved funds may result in a change in the programs' current year's funding allocation.

- Written notification of approval or denial of request will be sent to the district’s business administrator and the adult education program director.
- Programs approved for carryover funds shall submit a revised State Plan Narrative and Budget Sheet outlining the change in program focus and proposed expenditures as a result of the approved carryover allocation by October 15.
- Carryover funds are to be expended by June 30 of the program year that approval is granted.
- Programs requesting “carryover” funds may negotiate a request for supplemental funds.

## **FEDERAL FUNDING**

### **Purpose of Federal Funds**

FEDERAL funds are to be used for ABE, AHSC/GED preparation, ESOL and English Language/Civics Education (EL/Civics) programming. Funds are competitively awarded.

- Separate Request for Proposals (RFP) are required
- School districts may apply for ABE, AHSC, ESOL and EL/Civics funding
- CBOs et al. may apply for ABE , ESOL and EL/Civics funding

FEDERAL funds are received by the state through two awards.

- AEFLA (to be used for ABE [literacy], AHSC, and ESOL)
- EL/Civics Education (to be used for English language acquisition with an emphasis on civics understanding and civics involvement)

By federal directive, federal funds are distributed within the State Plan as follows:

- 82.5% to programs (of which no more than 10% can be used for corrections/institutionalized students)
- 5% State administration
- 12.5% State leadership activities

## **Responsibilities Associated With Acceptance of FEDERAL Funds**

Programs accepting FEDERAL funds are responsible for assuring that funds are used as follows:

- Funds must be used to provide education services to individuals 16 years of age and older who are not enrolled in secondary school who, under state law:
  - Lack sufficient mastery of basic educational skills to enable the individuals to function effectively in society.
  - Do not have a high school diploma or its recognized equivalent, and have not achieved an equivalent level of education.
  - Are unable to speak, read, or write the English language.
- Programs must maintain a 25% match from non-federal sources (see note in Federal Fund Distribution).
- Programs receiving a federal AEFLA and/or EL/Civics award are required to submit quarterly requests for reimbursement of the grant funds associated with FEDERAL awards quarterly by submission of a Reimbursement Request Form (see Policy and Procedures Manual Tab V). (34 CFR Subtitle A-subsection 76.702 and 76.722) Note: Reimbursement requests should be made using the most current Reimbursement Request Form located on the USOE Finance Department website: <http://www.schools.utah.gov/finance/default.htm> . Programs are required to submit copies of “backup documentation” in support of all reimbursement requests as required by the USOE.
- Reimbursement requests must be received by the 25<sup>th</sup> of the month to be paid in the following month.
- Programs are responsible to maintain complete “backup documentation of reimbursement requests” for a period of seven years (three years on site and four years available).
- Programs are responsible to adhere to the allowable and unallowable costs associated with the acceptance of FEDERAL funds.
- Federal funds must be expended by June 30 of the award year.
- Unclaimed funds will be recaptured by the USOE and reallocated to other AEFLA funded programs for immediate expenditure.

Availability of both STATE and FEDERAL funds is subject to change annually based on state legislative and federal congressional allocations.

## **Federal Funding Distribution**

Local programs are capped at 5% for administrative activities which include:

- Planning.
- Personnel development (specific training in best practices to assist program staff).
- Interagency coordination.
- Cost of administration.

Note: A 5% ceiling may be too restrictive to allow for adequate planning, personnel development, and interagency coordination. In these instances, the program is permitted to negotiate with the state coordinator to determine an adequate level of funds to be used for non-instructional purposes.

Programs may use federal funds to supplement but not supplant other state or local public funds expended for adult education services. This means that federal funds are not to be used for services that a program is required to provide under other federal, state or local initiatives previously provided for from non-federal sources in the prior year.

- Local program funding must be on a competitive RFP basis and for multi-year periods.
- The state requires programs receiving federal funds to provide a 25% match, with non-federal funds, of the total amount awarded for adult education and literacy activities. This match must not be the same “source” that is used as contributions for any other federally assisted project(s) or program(s).

The state must demonstrate maintenance of effort by reporting annually what the state (legislative) contribution is in support of receipt of the federal AEFLA allotment. If the state fails to maintain effort in funding from the prior year, the U.S. Secretary of Education may provide for a prorated reduction in federal funding rather than termination of the state’s funding (AEFLA Section 241).

Programs using federal funds for corrections education must give priority to serving individuals who are likely to leave the correctional facility within five years of participating in the education program.

All federal funds must be used in one or more of four broad categories:

- ABE, ESOL, and/or AHSC
- Work-based learning
- Family literacy
- EL/Civics Education

Support services such as counseling are allowable expenses.

States may be eligible for a Federal Incentive Grant on an annual basis if the performance standards for AEFLA and the Department of Workforce Services meet or exceed their performance standards (targets). For adult education programs, the data submitted on the annual NRS report is the determining measure for each state’s targets being met.

## **Application Process for FEDERAL Funds**

With the reauthorization of WIA, it is necessary for eligible entities to compete for FEDERAL funds. Funds are awarded for a multi-year (usually two) period. Program applications must address the improvement of educational opportunities for:

- Adults who lack the level of literacy skills required for employment and self-sufficiency.
- Adults who are parents to obtain educational skills necessary to become full partners in their children's educational development.
- Adults to complete a secondary school education.

When AEFLA funds are made available for a new competition, interested parties:

- Are notified through posting of a legal notice through the state's major newspapers, the USOE Adult Education Services website, and word of mouth.
- Are required to submit a letter of intent to apply for funds.
- Are required to attend a bidders' conference.
- Are required to submit to the USOE, Adult Education Services an application that will be reviewed competitively for merit.
- Are sent an award letter or rejection letter at the conclusion of the competition process.



## Funding Summaries

<p><b>STATE Funding</b>  <b>(Districts only)</b>          Minimum School Program (MSP) Flow-through funding</p>
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State financial assistance available for:	Application required:	Distribution based on:	Accessing Funds:
AHSC, ABE, ESOL	<b>STATE Plan</b> (must be submitted and approved by USOE adult education services prior to implementation)	State Funding Formula	Distribution to districts based on outcomes from previous year's data

<p><b>FEDERAL Funding</b>  <b>(Eligible providers as indicated in AEFLA)</b>          (Request for Proposal – RFP)</p>
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Federal financial assistance available for:	Application required:	Distribution based on:	Accessing Funds:
AHSC, ABE, ESOL and EL/Civics (separate funding)	<b>RFP</b> Yes – must be specific to numbers of students served in program area and target outcomes	Competitive RFP	Quarterly reimbursement request (see Policy and Procedures Manual Tab V) Reimbursement requests must be received on the 25 <sup>th</sup> of the month to be paid the following month.

## Program Reporting Responsibilities

Annually, all adult education programs submit to the USOE, Adult Education Services the following:

- Completed UTopia data entry by July 15  
(Information required for legislature and OVAE – NRS reports)
- End-of-Year Program Narrative Summary by July 15  
(Narrative of program accomplishments justification of financial awards)
- Fees and Tuition Collected Report by September 1  
(Information required for legislative fiscal analyst and OVAE)
- Utah Legal Compliance Audit Independent Financial Report (see Policy and Procedures Manual Tab L) by September 15  
(Substantiates/validates State and Federal outcomes)

## **General Accounting Rules**

In order for a state to receive a Federal award, it is necessary for the state to “maintain effort” with a financial match ensuring funding for adult education programs. The states also may have emergency situations where they are forced to divert legislative funding from adult education, and thus, may not be able to make the required state financial match. When a state is unable to “make the match,” the federal dollars that are awarded to the state may be reduced proportionately, thus reducing the funding available for programs. (AEFLA Section 241)

In a situation where there is a reduction of a district’s allocation based on insufficient revenues, state statute (53A-17a-146) may be activated:

(1)(a) If it is necessary because of insufficient revenues in the Uniform School Fund for the Legislature to reduce appropriations made to support schools under Title 53A, Chapter 17a, Minimum School Program Act, the State Board of Education, after consultation with each school district and charter school, shall reduce each school district’s allocation of monies appropriated to support school districts and charter schools.

(b) Each school district’s or charter school’s share of the total reduction of appropriations to support school districts and charter school’s reduction of appropriations shall be in the same proportion of the school district’s or charter school’s allocation of appropriated monies is to the total appropriations to support school districts and charter schools.

(2) Each district and charter school shall determine which programs are affected by, and the amount of, the reductions.

(3) The requirement to spend a specified amount in any particular program is waived if reductions are required under this section.

Note: Programs accepting Federal funds are required to maintain the state required 25% match of non-Federal funds regardless of an emergency situation where they are forced to divert funding to the K-12 program of instruction.

Programs applying for and accepting State and/or Federal funding require assurance of coordination among providers to avoid duplication of services, programs, and/or activities made available to adults under other local, Federal or State adult education programs. Programs must demonstrate that funds are used effectively and efficiently.

As part of program tri-annual review visits, or as deemed necessary by the state coordinator as part of a program’s corrective action, business administrator accounting spreadsheets are to be made available to the program monitoring staff reflecting awarded funds (both State and Federal) and expenditures associated with the awards separated and reported by funding category. Backup documentation supporting any and all expenditures may be requested by the monitor(s).

## Collection of Fees and Tuition

Utah State law 53A-15-401 provides for the establishment of fees that shall be imposed by the local school boards for participation in adult education programs. Fee structures for adult education shall take into account the ability of the Utah resident who participates in adult education to pay the fees. Pursuant to State law 53A-15-403, local boards of education may raise and appropriate funds for an adult education program and determine the fees for participation in adult education programs (53A-12-101 and 53A-15-401).

Programs (school districts and/or other nonprofit eligible provider) receiving federal Adult Education and Family Literacy Act (AEFLA) funds may charge reasonable and necessary tuition or fees to be used *specifically* to provide *additional* adult education and literacy services that the program would otherwise be unable to provide. 34 CFR 80.25 allows for State grantees of AEFLA awards to earn program income. Subsection 80.25 (b) defines program income as stated. Collected fees and tuition *must* be used to assist adult students in becoming literate, obtaining knowledge and skills necessary for employment and self-sufficiency, obtaining the education skills necessary to become full partners in their child's education, and completing their secondary school education (AEFLA Section 202).

## Purpose

- To ensure that any fees and/or tuition charged to adult education students by the local boards of education or nonprofit eligible provider are equitably administered and do not reach levels that have an adverse effect on participation of economically disadvantaged students.
- To ensure that any fees and/or tuition charged to adult education students by the local boards of education or nonprofit eligible provider are maintained and used directly for the specific purpose of providing adult education services to qualified adult education students.

## Local Program Responsibilities

- The USOE disperses funds to programs using a C20 reflecting the following funding codes:

<b><u>State Funds Coding:</u></b>		
Adult High School	Revenue 3209	Program 1609
Adult High School 17 and under	Revenue 3209	Program 1615
Corrections Education	Revenue 3713	Program 5613
<b><u>Federal Funds Coding:</u></b>		
Prisons/Institutionalized	Revenue 4581	Program 7581
Adult Basic Education	Revenue 4583	Program 7583
Ad. Ed. English Language Learners Grant (EL Civics)	Revenue 4584	Program 7584
TANIF Refugee Grant*	Revenue 4585	Program 7585
*No fees or tuition can be collected		

- Annually, directors of adult education programs receiving State and/or Federal AEFLA and/or English Language Education/Civics funds are responsible to report to the business administrator tuition and fees collected from students participating in adult education programs for deposit into the appropriate account.

State Fund Codes	Program	Revenue
Adult high school	1609	1310
Adult high school 17 and under	1615	1310
Corrections education	5613	1310
<b>Federal Fund Codes</b>		
Prisons/Institutions	7581	1310
Adult Basic Education	7583	1310
Adult Basic Education English Language/EL Civics	7584	1310
TANIF Refugee Grant	7585	No fees or tuition can be collected

- The collection of fees and tuition cannot be reported as part of the program's (district or nonprofit organization's) general funds, as they are restricted and must be reported and used directly by adult education programs in the above Revenue and Program Code areas to provide additional adult education and literacy services that the program would otherwise be unable to provide (34CFA 80.25 – AEFLA section 202).

- The local program superintendent/chief executive officer (CEO) *and* the business administrator are responsible to acknowledge by signature the program assurances as part of the program’s grant plan submission – that all fees and tuition collected and submitted for accounting purposes are returned/delegated (with the exception of state-approved indirect costs) to the local adult education program to be used solely and specifically for adult education programming and not withheld and maintained in a general maintenance and operation fund or used for any other funding purpose.
- Tuition and fees generated from in the current fiscal year must be spent in the adult education program in the year generated or, at the latest, during the ensuing program year.
- Directors must ensure that tuition and fees collected from students are not counted toward meeting federal matching, cost-sharing, or maintenance of effort requirements related to the local program’s award.

### **State Responsibilities**

- The USOE Adult Education Services and School Finance Department provides assurance that fees collected and reported on the USOE Annual Program Report Statewide Special Populations (D) Report reflects only fees collected from adult education programs, not other entities (including, but not limited to, community education or driver education).
- Assurance is provided that program business administrators are provided with annual inservice pertaining directly to the collection and reporting procedure of adult education fees, including the assurance that such fees are in fact returned and used directly by the local adult education programs for the specific purpose of providing additional direct adult education and literacy services.

For annual Federal Financial Status Reporting purposes, the following formula will be utilized in determining the proportionate amount of fees associated with federally funded programs (AEFLA and EL/Civics Education):

$\begin{aligned} &\text{Total number of Federally identified students} \div \text{total number of all students} = \% \\ &\% \times \text{fees collected} = \text{proportionate \$ amount of fees collected} \end{aligned}$
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- The collection of any tuition and fees shall be used specifically to provide additional adult education and literacy services that the program would otherwise be unable to provide.
- Funds collected through charged tuition and fees are to be reported in the district’s Annual Program Report (APR) – Special Populations category by Program Funding Program/Revenue Code associated with education services

rendered to the student by State legislative award or Federal grant award as determined by the program's director. All associated funds shall be returned to the adult education program for use by the program to provide direct academic instruction that the program would otherwise be unable to provide.

- Collected fees and tuition are auditable. Programs must maintain an accounting of fees and associated expenditures ensuring that funds are used solely and specifically for adult education programming and not withheld and maintained in a general maintenance and operation fund or used for any other funding purpose. (Note: The above rules also apply to the maintenance of any collected fees and tuition that may be held in a program's checking account.)

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## Appendix A: Definitions

**Direct cost:** Costs that can be identified specifically with a final cost objective. Costs charged to FEDERAL grants that include:

- Compensation of employees for the time devoted and identified specifically to the performance of the award.
- Cost of materials acquired, consumed, or expended specifically for the purpose of the award.
- Equipment and other approved capital expenditures.
- Travel expenses incurred specifically to carry out the award.

**Fees:** “Any charge, deposit, rental, or other mandatory payment, however designated, whether in the form of money or goods. Admission fees, transportation charges, and similar payments to third parties are fees if the charges are made in connection with an activity or function sponsored by or through a school. All fees are subject to approval by the local school board of education or local board of trustees” (Rule R277-733-1-M).

**Indirect cost:** Costs associated by the program as well as those incurred by other departments in supplying goods, services, and facilities. Cost pools should be distributed to benefited cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

**Maintenance of effort:** State and local program “match” of non-Federal funds that are used to support the award/allocation of Federal AEFLA funds. Maintenance of effort is a 25% match that must be maintained on an annual basis regardless of a legislative or economic shortfall of funds. Collected fees and tuition cannot be used as matching funds.

**‘Supplement’ not ‘supplant’ funds:** Funds “adding to or enhancing a program” rather than funds “to make up” a financial program need.

**Tuition:** “The base cost of an adult education program providing services to the adult education student” (Rule R277-733-1-V).

Board Rule R277-733-9-B: “Tuition and fees shall be charged for ABE, GED preparation, AHSC, or ESOL courses in the amount not to exceed \$100 annually per student based on the student’s ability to pay as determined by Federal free and reduced lunch guidelines, under the Richard B. Russell National School Lunch Act, 42 USC 1751, et seq. The appropriate student fees and tuition shall be determined by the local school board or CBO board of trustees.”