**WorkforceGPS**

**Transcript of Webinar**

**Program Income and Match and Leveraged Resources**

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JONATHAN VEHLOW: (In progress) – type in your questions or comments at any time. Welcome to "Match, Leveraged Resources and Program Income." So without further ado, I'd like to turn things over to our moderator today, Deborah Galloway, supervisor of fiscal policy unit. Debbie?

DEBORAH GALLOWAY: All right. Thank you, Jon. Welcome, everyone. Welcome to Webinar Wednesday. We will be talking about match, leveraged resources and program income. My name is Debbie Galloway and I work in the fiscal policy unit of the Office of Grants Management and I am joined by my staff member, Chanel Castaneda who is the grants management specialist working along with me. The objectives of this session today will go over the basics. The basics will include reporter requirements for match, leveraged resources and program income.

So why is this session important? It is important for grant recipients to identify the requirements for match as it is found in the Funding Opportunity Announcement, or the FOA, or in the program statute or regulations. It is equally important for federal project officers and grant recipients to understand how to calculate value, track and report match on the 9130s. We will highlight key changes made in reporting of match as they – as there have been changed in the Uniform Guidance as well as changes in the ETA-9130 report. The second part of the workshop will distinguish the differences between leveraged resources and match and we will also define and describe the differences between leveraged resources and match.

And lastly, we will go over the program income and what it means to generate program income using grant funds and how to – and the variety of different ways to calculate program income. And lastly, how do you use or expend program income and finally, reporting the program income on your quarterly financial report, the ETA-9130 report. So let's move on to the first two subjects, match and leveraged resources. Match, or commonly known as cost-sharing or matching, can be found in the Uniform Guidance at 2 CFR 200 and at DOL's exceptions at 2 CFR 2900.

For the folks who are unfamiliar with the Uniform Guidance, the Office of Management Budget, or OMB, issued the Uniform Guidance in the winter, 2014. As part of its efforts in grant reform, OMB streamlined all of the guidance related to grants management by consolidating eight different OMB circulars, including two circulars on the administrative requirements, three circulars on cost principles, two circulars on audit requirements and one on the CFDA into one single document, which may be found at 2 CFR 200. All of these requirements, including the exceptions that DOL has been approved by OMB may be found at www.ecfr.gov and this is the electronic code of federal regulations.

If any of your manuals or contracts still refer to the OMB circulars, you may want to consider updating those manuals or contracts to reflect 2 CFR 200 and 2 CFR 2900. Two important exceptions that we will be talking about today that were approved by OMB for the Department of Labor are 2 CFR 2900.7, payments, which we'll talk in further detail when we get to the program income section and 2 CFR 2900.8, which is specific and unique to the cost-sharing and matching requirements as it relates to all DOL grants and programs. So moving on, what is match?

Match or cost-sharing is defined at 2 CFR 200.29 as additional non-federal funds that are expended or support grant objectives when either required by the statute or the FOA as a condition of funding. As you know, some of the programs that we manage at the Department of Labor, under the employment and training administration, have a match requirement and two of those programs are YouthBuild and the SCSEP program. With any matching funds, any matching funds that are reported and expended on a proof program must be for allowable grant activities. There are two types of match.

One can be a cash match, which can be generated from the grantee or third party and in-kind match or in-kind contributions, which also can be generated and expended by the grantee and also received by a third party. When match is required, it becomes a condition of the grant agreement and it must be match. The match is examined at the time of closeout and if the recipient does not meet match, it may be subject to disallowed costs. The section in the Uniform Guidance that also addresses match can also be found at 2 CFR 200.306 as well as 2900.8. The big change here for DOL grants only under our 2 CFR 2900.8 exception is that match must be expended before it can be reported on the 9130 report.

It is no longer enough that the grantee receives supplies, equipment or a check from a third party, but that it must actually expend those dollars or use those – that equipment or supplies towards grant activities in order for it to be counted as allowable match on the 9130 report. So how are grant costs covered? When we think about a project, there's oftentimes we know that it takes more money than what you have actually received as a grant award to manage a particular project. And in those situations and if it's required as part of the FOA or program statute or regulations, you can track the match or the additional resources that are being used to support those grant objectives.

Cost sharing is the concept of sharing the total cost of a project between federal resources and non-federal resources. The grant recipients is to identify that match on the applicable 9130 report. So when is match required? You will find the match requirements in either the funding opportunity announcement in the grant agreement or in the program regulations or statutes. So what are the basic criteria for match in order for it to be considered allowable? There are seven key features of match. First, it must be verifiable. You must have the same type of accounting records and supporting documentation to prove that match is going towards allowable grant activities.

Secondly, it cannot support another federally funded program. Thirdly, it must be necessary and reasonable. Similar to any costs that are being incurred using grant funds, it must be necessary, reasonable and allowable. So reasonable costs, as it's defined, is not to exceed or – reasonable costs, as defined by the Uniform Guidance under 2 CFR 200.404, are costs that are not to exceed what a prudent person would have paid for in incurring that similar type of cost. Match also must be for allowable grant activities. And so the allowability of costs can also be found in the grant program statute regulations as well as in the items of cost that are found in the cost principles of the Uniform Guidance.

Additionally, match must adhere to any cost limitations that are specified in the grant agreement, the FOA or the program statute. The next criteria for match is that it is not to be paid for using federal funds. It is only when the federal funds – it is only when it is specifically authorized in that program statute that it may be used. Otherwise, if it's not specifically allowed in a program statute or regulation, no other federal funds can be recognized as match. The last section is that it should be in the budget and it should conform to other provisions that may be required as part of that particular grant agreement or project.

Now, moving on to the DOL's exceptions. As we talked about it earlier, there's an exception that makes it clear that funds used for cost-sharing or match not only should be reported in the grant recipients accounting system, but that the funds must be expended before it can be recognized as an allowable match to an ETA program. This also includes any contributions that may have been received from a third party. For example, if a grant recipient has received a cash donation from a local private foundation for, say, $10,000, it would not be recognized as match until those dollars were actually expended on a grant service or program service.

In this same example, if there were three weeks remaining on the grant, it would be difficult to spend the entire cash donation on the grant if most of the grant activities had already been completed. So it is imperative that the grant recipient begin to use and expend that donation or that contribution as soon as it is received. So match expenditures are made up of cash expenditures and in-kind expenditures. Cash match includes all of the additional non-federal funds that a recipient or subrecipient expends for allowable goods or services for that particular project or grant.

It also includes any cash contributions that may have been received from a third party as well – as long as it is being spent on a program service. As noted earlier, it is no longer acceptable to record the receipt of a contribution unless it has actually been expended on that project. Non-cash and third party in-kind contributions are the products, space or services that are provided or donated by the grant recipient or subrecipient or third-party organization. With these contributions, they must be valued in accordance with the Uniform Guidance. We'll talk a little bit now about cash match.

Cash match, there's a variety of – there's cash match and other types of match that includes equipment, supplies, donated space and indirect. For instance, match can include a volunteer time or staff time. The hours of services provided to the program by a recipient or an individual that is not paid for using grant funds can be recognized as match. The valuation of that person's time or that volunteer is discussed later in this webinar. For equipment and supplies purchased or donated on behalf of the program, there must be evidence that the – that no federal funds were used to provide that donation or to provide that loan.

For example, a donation of 25 laptops that were donated on behalf of a particular ETA program and those laptops are, say, two or three years old, cannot be recorded at the cost that that third-party contributor or that third-party – that the third party had purchased for, but it can be valued at the time of the donation.

So for instance, these laptops, if they were valued – or it costs the person, say, $10,000 for all of these pieces of – or if it cost the person $10,000 to purchase the equipment, but at the time the donation was made to the grant recipient, the value now had dropped down to $3,000, the value that can be recorded by the grant recipient would be the $3,000.

There's additional information in the Uniform Guidance as it relates to valuing match so that it is clear that it is related to current fair market value. With indirect costs, indirect – unrecovered or unclaimed indirect costs can be counted as match, however, that must be approved by the grant officer before it can be recognized. So please reach out to your federal project officer before recognizing unrecovered or unclaimed indirect cost as match.

Donated space. Any space that is donated by a third party or the grant recipients, again, has to be provided or cannot be paid for using other federal resources and the donation of that space has to be consistent with the requirements found in the Uniform Guidance that would determine the current fair market value of that space.

There are some things that cannot be accounted as match. These are items, goods or services that have already been paid for by federal funds. So it's not necessarily the funds that you receive from us, but any other federal program. There are some exceptions to this, such as when the authorizing legislation expressly allows the expenditure of other federal grant programs to count it as match. It is imperative to the grant recipient to make sure that it confirms the use of other federal grant funds by that awarding agency. Under WIOA funded programs, cost incurred for construction or purchase of facilities cannot be counted as match because of the statutory prohibition of such costs under WIOA.

Remember that a cost must be allowable under the grant in order for it to qualify as match. The YouthBuild program, however, does allow certain construction and building purchase costs and therefore, the expenditures are for the purposes of the program and if they're being provided by a non-federal source may be possible – these costs may be charged as a match cost. Additionally, program income earned under DOL-funded programs or grants must be treated as additional grant funds. So program income cannot be counted towards match and we'll discuss this further in the program income section of the webinar.

Just to highlight – I just wanted to expand what is indicated or what's specified at 2 CFR 200.306 (B)(5). It states that match cannot be paid for by the federal government under another federal award, except where the federal statute authorizing program specifically provides that federal funds made available for such programs can be applied to match or cost-sharing requirements. Currently, there is no ETA program that specifically allows the use of its funds as match for other programs. So for example, YouthBuild grants cannot use our YouthBuild funds as match for another program, because it is not specifically authorized under the YouthBuild program.

Unmet matching. What happens if the grant recipient is not able to secure all of the match contributions and expend those contributions within the period of performance of that grant or project? Compliance with the match requirement is measured at the end of the grant or period of performance. If the proposed match is not met, the grant recipient may have to return monies that are tied to the match that was not earned or recognized and that will be further discussed – or that will be addressed at the time of closeout. Please note that when match is being incurred or expended, it must be reported at the time it is being incurred or expended on the 9130 report under the recipient share section.

Additionally, when match is required, it must be recorded on the SF-424 and the SF-424A budget information form. So here we'll go into a little bit more detail on the YouthBuild requirements. So some of our programs do have a match that is specified in the regulations or in their statute and for this particular program, we have a 25 percent match requirement. So any grant recipient that receives a YouthBuild grant has to recognize or has to obtain 25 percent of its grant award as matching funds. Anything that exceeds 25 percent may be considered leveraged resources.

So please look at your FOA and your grant agreement for those additional requirements. As indicated in our recent FOAs on the YouthBuild program and in its grant agreements, there is language in there that specifies that neither prior investments nor federal resources may be counted towards the matching funding threshold, including funds that were originally provided through federal funding.

We'll now go onto another program that has a matching requirement. This is the Senior Community Services Employment program. This program has a matching requirement of 25 percent as well and anything as – or similar to the YouthBuild program, anything in addition to 25 percent is considered leveraged resources.

Now, what's the difference in the calculation of match between the YouthBuild program and the SCSEP program? The YouthBuild program counts – or calculates its match based on the total federal award whereas the match for SCSEP is counted based on a percentage of the federal award plus the amount of the match. So with this example, you clearly can see that if we had made an adjustment where the – or for this instance, the program has a 20 percent match and for the YouthBuild program, that would mean that the YouthBuild grant recipient would have to come up with $20,000 in match.

For the SCSEP program, because of the language that is specified in its SCSEP regulations, this SCSEP recipient would have to come up with $25,000 worth of match. Now moving on to valuing in-kind contributions. These are in-kind contributions that are considered match and that they would not be cash match. So typical examples of in-kind contributions are equipment, supplies and space. In addition to that, you can also have personnel services and this would be individuals that provide their time for – as a volunteer. And so how do you value the time a volunteer provides in support of a program objective or service?

The valuation of donated personnel services or time depends on the nature of the service that the individual is providing for that grant or project. When an individual provides the same job services he or she provides for an employer, the donated services are valued at the individual's regular rate of pay plus its allocable fringe benefits in a direct cost. For example, if a lawyer is providing legal services for a grant program, it's valued at the current lawyer's going rate. However, if that lawyer is acting as a mentor, then the cost of his or her services would not be valued at the rate of her or him being a lawyer, but at the cost of being a mentor.

Similarly, say an owner of a construction firm provides services as an instructor, the services that he or she is providing as an instructor is used as the valuation of his or her time and not the value of his or her time as an owner to a construction company. In terms of other in-kind donations, supplies, supplies that are donated are valued at the current fair market value at the time of donation. Loaned equipment, equipment that is loaned to the program must not exceed the current rental value of similar equipment in that local market. So this is different than equipment that is actually donated to the grant recipient.

Equipment that is donated to the grant recipient must not exceed the fair market value of the equipment for the same age and condition at the time of the donation. It is important at this point and time to make sure that the valuation – there's due diligence taken in determining the valuation of these donations. So there should be some examination or some looking at local vendors that provide, say, used office equipment to determine whether or not the value of that equipment is consistent with the fair market rates at that point and time of the donations.

Donated space. So here we have the difference between donated space, so it's only being used for the time or the duration of the project versus the donation of actual buildings or real property. When donated space is provided, the value must not exceed the fair rental value of comparable space and it should be established by an independent appraiser for comparable space or facilities in the similar – in a similar market area. For valuing donated buildings and land, there are three methods for valuing property. The first method is based on depreciation and that must be – or the first method is using a percentage of depreciation.

The second method is using the current fair market value, again, which is established by an independent appraiser. And the last method is the value of the donation must be based on the remaining license of property as reported at the time of the donation. Remember, you cannot charge depreciation or fair market value of the property to the program. It's either one or the other.

Valuing services. The valuing of services, again, this is staff time or any other services that are provided as part of the donation. The Uniform Guidance clearly indicates that the value must be at the current fair market value.

So whether it's a rental fair market value or a purchase fair market value. So other in-kind contributions, we talked a little bit about volunteers that provide time, we talked about third-party services. And so this may be third-party services may include, say, it's third-party services of a payroll agent. If they're providing services on behalf of processing the payroll for your purchase events, then the rate that it's charging would be a rate that you would have paid if you were obtaining those types of services. Now moving on to non-cash contributions. Again, this is another example of a donation.

And in this particular example, this SCSEP grant recipient has a match requirement of $150,000. It works with a local partner and this local partner has provided a donation of gently-used surplus furniture and at the time of the purchase by this local partner, it cost them $18,500. At the time of the donation, there are two different values established for this donation. One is the current fair market value of $11,000 and a depreciated value that is recognized by this local partner of $12,400. In accordance with the Uniform Guidance at 2 CFR 200.3060, the value of the contribution is the lesser of the two.

So the grant recipient can report and recognize the value of the donation being $11,000. So in this example, the grant recipient still would have to obtain another $139,000 in match in order to meet its matching requirement.

In this next example, we're talking about a YouthBuild purchase event; and in this situation, the YouthBuild participant was able to work with a local agency that is allowing them to use their space to train its participants at no charge to the program. So how does this YouthBuild grantee value the cost of the donated space by the third party? When we looked to the Uniform Guidance at 2 CFR 200.306, we have to consider the fair rental value of comparable space at the time of the donation.

And so the YouthBuild grant recipient in this example, obtained an independent appraisal valuing the donated space at $17,000. So for the current year, it could report $17,000 in match for the donated space. Please be reminded that the valuation of the donated space for the second or the subsequent years has to be assessed again to determine whether or not that $17,000 still reflects the fair rental value at that time of the donation.

So with in-kind contributions, not only do you want to make sure that the way the grant recipient is valuing those in-kind contributions is done consistent with the requirements under the Uniform Guidance, but the Uniform Guidance also talks about making sure that there's a reconciliation so that if they receive a donation, that the donation is recognized and recorded properly in its accounting records and the 9130 report.

It's imperative that the grant recipient obtain this documentation and retain the documentation to support the valuation. So three things to remember as it relates to match. One, it is important that the grant recipient has sufficient documentation to prove the value of the match. It must track that match through its accounting records just as if it would track any other grant related cost and those costs must be allowable.

So not only do we want to make sure that those costs are allowable, those costs must also be reasonable, necessary and allocable. And so the allocable principle comes up if the grant recipient is considering using unclaimed indirect cost as part of their match.

And as I had stated earlier, any recognition of unclaimed indirect cost must first get the approval of the grant officer before it can be recognized by the grant recipient. Now we'll move onto leveraged resources. Leveraged resources is a term used to identify other funds being used to coordinate and support the grants outcomes. It is not currently defined in the Uniform Guidance.

And so with that being said, there is still recognition by the Department of Labor in realizing that there are some additional costs or other sources of funds being used to support our projects or programs.

So for ETA programs, the term "leveraged resources" refers to all resources used by the grant recipient to support grant activity and outcomes, whether or not those resources meet the standards of match. So for ETA programs, leveraged resources means both allowable match as well as other costs that do not rise to the level of match, but support the outcomes of a grant activity. Similar to match expenditures, leveraged resources must be expended for grant purposes. So leveraged resources refers to both allowable match and other costs. And so while match contributions may be leveraged resources, not every leveraged resource can qualify as match.

It is important to note that all leveraged resources like match resources must be expended on allowable costs as defined in the Uniform Guidance in the grant agreement or in the program statute. So grant applicants that are submitting an application for a grant award are encouraged to leverage additional resources and when you are leveraging additional resources, you include that in your grant application as well as reporting it in your applicable forms as part of the grant application submission. So documentation. We will talk a little bit about what it means to have adequate source documentation for match and leveraged resources.

So as indicated earlier, all match and leveraged resources should rise to the same level of supporting documentation as any other costs being incurred by that grant recipient. So the source documentation should identify the actual cost of that particular contribution. It should identify the funding source and this is very important, because as indicated earlier, match, in all likelihood, cannot come from another federal program unless it is specifically authorized by that program. Additionally, it must be traced through the accounting system or the general ledger and it must be available for any oversight or review by an outside party.

So for third-party contributions, similar to the cash contributions, we expect that those cash or those third-party contributions identify the valuation or the source that was used to determine the value of that particular contribution. It must flow through the grant recipient's accounting system or general ledger. And so it is very import if you are working with local partners or organizations to collect the necessary information to support the recognition of that third-party contribution. So I think we've gone through enough about the financial records as it relates to match.

So at any time, especially with volunteer time, if you're not collecting payroll records because of privacy issues, then there should be some other recognition or some other documentation to support the hourly rate that is being claimed on your financial reports for that volunteer's time. If you do not have supporting documentation related to match, it will be very hard for us to accept that as match, because as with any allowable costs to a program, it needs to have a sufficient audit trail. What happens with cash donations or a cash contribution that a grantee receives on behalf of the project?

If those funds have not been expended by the end of that period of performance or that grant life, it cannot be counted towards match and this is a significant change and this is a change that is identified and applicable only to dual grant recipients and this is through our OMB-approved exception at 2 CFR 2900.8.

Now I will turn it over to Chanel and she will talk a little bit more about reporting for match and leveraged resources and then end with the program income.

CHANEL CASTANEDA: All right. Thanks, Debbie. So this section talks about reporting match and leveraged resources. We'll talk mainly about the ETA-9134, which is the official financial status report that you send up to DOL. We'll also talk about the quarterly progress reports that you also give to your FPOs. So reporting match and leveraged resources.

On the ETA-9130 report, this is reported on lines 10J, K and L, which is also known as the recipient share. It is important to note that match and leveraged resources should be reported concurrently as they expended, like Debbie said before. Grant recipients should not and cannot wait until the end of the grant to report large amounts of match and leveraged resources used at an earlier date.

So let's go through each of the individual lines. Line 10J is the total recipient's share required. On this line, the grant recipient enters the total recipient share required. This is the total amount of matching funds required for the grant. If the grant does not have a match requirement, you would enter zero on this line. You want to ensure that this amount should agree to what was entered in the SF-424A budget. The next line is line 10K, which is the recipient's share of expenditures and this is used for reporting any other non-federal funds expended by the grant recipient or subrecipients for the purpose or activities of the grant.

Expenditures identified on this line must be allowable costs, like Debbie said before, which would otherwise have been paid for out of the grant funds. These expenditures should include both match and other non-federal leveraged resources when no match is required. Federal leveraged resources, meaning other federal funds that were used as leveraged resources and then are spent on grant activities should be reported in Section 11 of the ETA-9134. Discretionary grantees must submit a quarterly narrative progress report to their FPO each quarter. This report contains a brief summary of grant activities funded under the recipient's program.

All match and leveraged resources should be described in the report. The quarterly narrative progress report provides an opportunity to describe leveraged resources that are not reported on the ETA-9130 form. For example, funds that cover the costs of construction might be allowable under the OMB cost – under the Uniform Guidance cost principles, but they may not be allowable under the particular grant program. These expenses and other leveraged resources from non-federal funds are reported in the quarterly narrative report and not on the ETA-9130 form.

So here are just some things that we should consider as we're closing out this section on match and leveraged resources. Debbie alluded to this earlier, 2 CFR 306(B)(5), we talked about unless specified by federal statute, cost-sharing or match cannot be paid by the federal government under another federal award.

We just want to reiterate that currently, none of ETA's programs allow for the use of its funds as match for another federal program. So you want to always refer to the program statute, regulations and grant agreements for further information. As far as non-ETA programs, there may be some examples where a non-ETA program may allow for – they allow for federal funds to be used as match.

However, ETA is unable to provide guidance or technical assistance on other federal agency programs on the use of their funds. So if you do have a non-ETA program that does allow for certain – does allow for its match – for its federal funds to be used as match, you want to reach out to those representatives at that federal agency on how to proceed going forward. Here are just some common errors and requirements. Some errors are leveraged resources that are not reported on the ETA-9130 form. You want to – the requirements are match and leveraged resources must be on the ETA-9130 form to be counted as match towards your grant.

Another error is incorrect valuation of cash and in-kind contributions. The requirements are you want to consult the Uniform Guidance. If you're not sure on how to value those resources, they will tell you, depending on the in-kind contribution, what you will use as valuation. Inadequate documentation of leveraged resources, you want to make sure that you keep – you retain documentation at an equal level as if it was grant-related expenditures as if you were using grant monies. So we expect the same level of documentation for match and leveraged resources. Another error is not reporting match concurrently as expended.

You always want to report match and leveraged resources as they are earned and expended. Obviously, you do not report the match component – match or leveraged resources on the 9130 until it is expended on allowable grant activities. And one error is there is no backup plan when a proposed match source doesn't materialize. You want to always keep an eye out for new sources of leveraged resources. We know at times, as the grant is progressing, things change in the plan and that sometimes individuals or organizations that promise match are not able to come through. You want to make sure you look at other avenues in order to supplement the unmet match.

We'll just talk very briefly about closeout. At the end of a grant's period of performance, a federal closeout specialist conducts a review to determine whether the requirements for leveraged resources and/or match are met. In the event of a shortfall, consequences can be quite serious. When match is required under statute or regulation and a shortfall is revealed, the federal share is reduced in proportion to the match shortfall and the grant recipient is responsible for paying the federal government back the difference. When match is not required under statute or regulation, the closeout specialist has more options when it comes to settling or shortfall. Sometimes they may go out and talk to the federal project officer or they may reach out to the grant recipient itself in order to obtain a reasonable explanation on why the shortfall exists.

And then there will be discussions between the closeout specialist and the FPO and the grant recipient on how to settle the difference. The closeout specialist also might evaluate the recipient's use of leveraged resources in general. While there are no penalties for shortfalls in the use of leveraged resources, they may affect the recipient's potential for future awards. So just make sure if you are nearing the close of a grant and if you have a required match or if you have some leveraged resources, you may want to reach out to your federal project officer on assistance on that. Let's do some quick knowledge checks just to see – check your knowledge so far on the content.

I think Jon has already put one up. So question one is, when match is required on a grant, the funding opportunity agreement contains important information about specific match requirements, true or false? We'll give it a second. Looks like everyone has selected true and the answer is true.

The FOA contains specific information about match requirements for a grant. Next question, letters of intent in undocumented assurances are considered adequate sources of documentation for match or cost-sharing, true or false? Looks like we – oh, we've got one person that says – couple people that says true. And the answer is false.

Letters of intent in undocumented assurances are not adequate sources of documentation for match or cost-sharing. The level of documentation for match expenditures is the same as any other expenditures charged to the grant. Next question, and this is the last question, recipient's of grants that do not require match should leave line 10J, total recipient's share required, of the ETA-9130 form blank? Looks like it's kind of split. And the answer is false, recipients of grants that do not require match should enter 0 on line 10J of the ETA-9130 form. So if you do not have a match required, you want to enter zero on the form. Here are just some key takeaways. And now we'll talk about program income.

Let's switch over to program income. So here are some program income basics. So what is program income? The Uniform Guidance defines program income at 200.80 as any gross income earned by the non-central entity that is directly generated by a supported activity or earned as a result of a federal award during the period of performance. You just want to note that in the Uniform Guidance, it's 200.307 subparagraph F. It states there are no federal requirements concerning program income earned after the period of performance. However, the Uniform Guidance does provide that an awarding agency, through regulations or grant terms and conditions, may establish such a requirement.

Currently, none of ETA programs establish such a requirement. So just going forward, you want to make sure you review your program's regulations and the grant's terms and conditions to ensure that it does not have any requirement – you do not have any requirement to report or expend program income after the period of performance of your grant.

Some sources of program income. Let's look at some examples of them, but they're not limited to the examples listed in the slide, fee for services performed, use of rental of personal and real property acquired under the federal award, the sale of commodities or items fabricated under the federal award, any license fees and royalties on patents or copyrights that have used – that were developed under the federal award, honorarium received for speaking engagements by staff who charge 100 percent of their time to the federal award when they speak on topics related to the grant.

In addition to the requirements of the Uniform Guidance, WIOA, in Section 1947(B) adds another fund – adds other funds that should be included as program income and they include any receipts from goods or services, including conferences provided as a result of activities funded under WIOA, funds provided to a service provider under WIOA that are in excess of the cost associated with the service provided. This is also expressed in WIOA's statute at Section 1977A, which states that income, under any program, is administered by a public or private nonprofit entity may be retained by such an entity only if such income is used to carry out the program.

And then any interest income earned on funds received under WIOA would be considered program income, but the Uniform Guidance, at 200.305, allows non-federal entities of federal awards to keep up to $500 in interest a year to cover administrative expenses tied to managing their bank accounts. So let's just talk quickly about user fees since that's the most common type – form of program income. When assets acquired with the federal funds are used for other purposes, user fees must be charged. For example, if a grant recipient was to use federal ETA dollars to purchase a copier machine to be used on grant activities, however, in the off – during off-hours, if they were to allow that copier machine to be used by other individuals in the community and they charge a fee for that, those fees would be considered program income and must be used on programmatic activities.

In accordance with the Uniform Guidance, program income must be tracked, reported and spent prior to the use of grant funds during the life of the grant. To say it another way, program income must be expended – used before you request additional grant funds from a payment managing system.

Using program income. So just like match, you want to ensure that program income be used on reasonable, allowable and allocable costs for the respective funding sources in accordance with the basic requirements of the Uniform Guidance cost principles. Any cost prohibited in federal statute or local statutes, regulations and other requirements must not be changed to program income generated by the non-federal entity.

And you want to keep in mind, any cost limitations under the conditions of the – under the federal award are still in effect with expending program income. This slide just shows that you want to make sure that you use program income prior to drawing down funds from payment management system. Here – for the use – here are some ways to account for program income. The Uniform Guidance identifies two methods to be used when incorporating program income into the award. There's a deduction method and the addition method. The deduction method is the default method.

In this method, the program income is deducted from the total allowable costs. Once again, it must be used for current costs unless authorized by the federal awarding agency. If no method is provided in the FOA or the grant's terms and conditions of the award, this method is to be used. Under the addition method, program income will be added to the federal award and is then available for expenditure along with the amount received by DOL. Currently, typically, this is the – a method that is prescribed by DOL programs and we – it's actually identified in the 9130 that this method be used for most of our programs.

Once again, when you're reporting program income, our ETA-9130 reports are cumulative. You want to make sure you report program income on the current quarter that you are receiving and expending and once again, you must spend before requesting new federal funds. Program income is actually reported on lines 10M through 10O, you'll see them here, total federal program income earned. 10N is the expenditure of that program income in accordance with the addition method and then 10O is just the subtraction of the two. You want to make sure you have written policies and procedures for handling the use of program income.

You want to make sure you have procedures to include – to determine the amounts. If there's any invoicing included into it, collecting of amounts due, safeguarding of the receipts, depositing and ensuring that receipts are credited to the proper funding source.

Here is some knowledge checks, because we're just rounding out. True or false, the documentation of reporting requirements applicable to the grant funds also apply to program income? And the answer is true. Oh, sorry. The answer is true, that's correct. The documentation of reporting for grant funds is also applicable to program income.

Next question is, true or false, program income generated/expended does not have to be reported by ETA recipients and subrecipients? And looks like everyone got this right, the answer is false, all program income must be reported at every level in which it is earned. And the last question, program income must be returned to DOL if it is earned after the period of availability for allotted funds after the period of performance for the awards? And this is for any current ETA programs.

MS. GALLOWAY: Trick question.

MS. CASTANEDA: Yeah. It's a little bit of a trick question. So I guess that's why we're split. So currently, ETA programs do not have any requirement to return funds to DOL after the period of performance if they were to incur program after the grant period of performance, but like I said before, you want to look at your grant program's regulation and statute as well as the grant's terms and conditions to ensure that that requirement – to ensure what is their requirement for after the period of performance.

MS. GALLOWAY: So Chanel, just to further expand upon that is we're assuming that any program income being generated and spent on – or any program income being earned or spent by the grant recipient after the program has ended, we're assuming that those are – the resources being used to generate that income are the grant recipient's resources and no longer the federal resources. And so that's why we would not take claim of it. If, however, at the end of the period of performance, if that grant recipient does have program income still available, it would have to be returned to the Department of Labor.

MS. CASTANEDA: All right. We are actually nearing the hour. We have a couple questions. Do you think we –

MS. GALLOWAY: Yeah.

MS. CASTANEDA: Let's take some questions. Here – we're going to scroll up.

MS. GALLOWAY: So the one question, and I apologize – on our one slide, it said that the SCSEP program had a 25 percent match requirement. The requirement, in fact, is 10 percent of the award, not 25 percent. So that is one question that came in.

Another question that came in is really, "Is the difference between the addition and the subtraction method for program income?" In all likelihood, and please look at your grant agreements and the program statutes that are associated to the project or grant you're operating, we normally would use the addition method, which means that you are to provide additional program services using that program income. So the opposite would be true if we said you could use the deduction method, which would reduce the total cost of that grant by the program income earned.

And so I know that Chanel had indicated – or stressed the importance of expending those dollars first and we do want to stress that importance of spending those dollars first, because if we do see that at the time of closeout, if you still have program income available, that program income, since it was generated using federal funds, would have to be returned to the Department of Labor.

MS. CASTANEDA: Debbie, do you want to do some questions on match?

MS. GALLOWAY: Sure. Let's scroll up to some. Another question that came in, "Leveraged resources are only to be reported on the program narrative report; is this correct?" No. If you go to the doleta.gov website – /grants – and you go to manage your grant and you click on that menu option, it will take you to our financial reporting page.

And if you look to the instructions on our new 9130 report, in the recipient and share section of our instructions, if the leveraged resources is equivalent to match, then for the purposes of financial reporting, you would report that match there. And as Chanel had indicated, there is a data field that talks about required match and you would not be filling out that section for your leveraged resources.

But if the leveraged resources mirrors what match would be, so it is equivalent to match in this particular situation, then you would report there. If, however, it does not meet all of the criteria as if it was match, then it should only be reported on the program narrative report.

MS. CASTANEDA: Mm-hmm. And we just also want to say that in Section 11, there's a line item that says, other federal funds expended. So if you are expending other federal funds on the program, you want to make sure you report it on Section 11 on the 9130.

MS. GALLOWAY: And then the one big change here for many grant recipients, if you're managing other programs from other federal agencies, this change that we have under our DOL exception that indicates that match must be expended is only applicable to Department of Labor grants.

And so you can't – so it's important that yes, you continue to work with your local partners to collect those cash contributions on behalf of that particular project or program, but you cannot recognize it for matching purposes until it's actually expended on the project or program that DOL has sponsored or awarded to you.

MS. CASTANEDA: So it is 2:03, past the hour. We do have a couple more questions and we'll make sure that we record these questions and then we'll try to make it available through the WorkforceGPS just because we have a couple questions and we're past the hour.

So please, if you have any more questions, please just keep submitting them and Jon will collect them and then we'll make sure that we address these questions in a future time.

All right. Thank you for listening, everybody. We'll turn it over to Jon.

MR. VEHLOW: All right. Thank you, Debbie and thank you, Chanel. I just want to thank all our participants.

(END)