

Pre-Employment Transition Services: Reserve Set-Aside Determination Guide

This is a technical assistance document developed in cooperation with the Rehabilitation Services Administration.

I. Calculating Compliance with the 15 Percent Minimum Reserve Requirement

A. How must a State calculate compliance with the amount it must reserve for the provision of pre–employment transition services?

For purposes of determining compliance with the percentage of funds required to be reserved for pre-employment transition services, the State's allotment is the lesser of – 1) the total Federal expenditures charged to the Federal fiscal year (FFY) VR award; or 2) the total amount of Federal funds matched by the VR agency. This means States must monitor expenditures throughout the lifecycle of the VR grant award since the 15 percent reserve is not a fixed number and may fluctuate based on a State's ability to match and expend its VR award funds. For additional details see RSA's Pre-Employment Transition Services Fiscal FAQ (Fiscal FAQ) technical assistance document.

B. How is the reservation requirement impacted when there are two VR agencies (General and Blind)?

The reservation of funds for the provision of pre–employment transition services is a State matter that must be resolved at the State level when there are two agencies and must be coordinated to ensure State compliance. See Fiscal FAQ for additional information as well as the pre-employment transition services Grant Award Notification (GAN) attachment.

C. How does carryover affect the expenditures of pre-employment transition service reserved funds?

Pre-employment transition services reserve funds are a portion of the VR grant award. To the extent RSA-17 financial data for the VR award demonstrates unobligated Federal award funds have been matched by the end of the fourth

quarter (9/30) of the year of appropriation, the VR award may qualify for a carryover period. VR funds carried over for obligation and expenditure into the subsequent FFY may continue to be obligated and expended by the VR agency on pre-employment transition services in its efforts to meet the 15 percent pre-employment transition services reserve requirement.

II. Expenditure of Reserved Funds

None of the funds reserved for pre-employment transition services may be used to pay for administrative costs (Section 110(d)(2) of the Rehabilitation Act). These funds must be used solely for the provision of pre-employment transition services described in Section 113 of the Rehabilitation Act. Section 113(b) describes the “required” pre-employment transition service activities that must be provided to students with disabilities. Additionally, each VR agency must carry out certain pre-employment transition coordination activities, as described in Section 113(d). Section 113(c) describes the “authorized” activities that the State **may** provide if reserved funds remain after students with disabilities have received the “required” and “pre-employment transition coordination” activities. This means that the State must use the entire amount reserved solely for the provision of pre-employment transition services described in Section 113(b) through (d).

Note: *The 15 percent requirement applies ONLY to Federal funds. Non-Federal expenditures for pre-employment transition services do not count toward the 15 percent of Federal funds required to be reserved and expended for pre-employment transition services.*

III. Process for Determining Availability of Reserved Funds for Authorized Services

The following information can be used to guide State VR agencies in determining whether there are sufficient funds available to engage in authorized activities and charge these costs to the reserve:

Note: *Sufficient funds must be reserved and based on student need, not staff capacity or fiscal resources. This means the State must reserve the amount of funds needed to provide the “required” services and coordination activities to all students with disabilities that may need those services, regardless of the actual number of students with disabilities the agency serves.*

- A. Determine the total number of “students with disabilities” in the State which includes those students eligible for the VR program as well as those students with disabilities “potentially eligible” for the VR program.
 1. The State Education Agency (SEA) is often the best source of this information. Many VR agencies ask their SEA for the number of students in Special Education in the State between the age range identified under the Individuals with Disabilities Education Act (IDEA) in the State.
 2. It has been difficult for some VR agencies to gather reliable data on the number of students served under Section 504 of the Rehabilitation Act. If the data is not available, the VR agency may need to work with local educational agencies (LEA) and develop estimates that can be used for purposes of this process.
 3. If the VR agency has access to data about other students with disabilities (not served under IDEA or under Section 504), include this data (e.g., data on students in receipt of Supplemental Security Income (SSI) and/or Medicaid who are not included in the other categories).

- B. Ensure all students with disabilities and their families are made aware of the availability of pre-employment transition services to determine the number of students with disabilities in the State that need required and pre-employment transition coordination activities. Clearly document the basis for any reduction in the number of students with disabilities the agency must make required pre-employment transition services available to based on need. *Any reductions based on a determination that the provision of required pre-employment transition services activities is not needed must be clearly supported by reliable data.*

Example – An agency is making all needed pre-employment transition services available through 40 LEAs. The total number of students with disabilities served by the LEAs is 2,300 students. Additionally, the agency knows the number of students provided pre-employment transition services and the type of services they are receiving because of the required RSA-911 reporting. Therefore, the agency can estimate the number of students with disabilities that will need pre-employment transition services. If the data indicates that, on average, 10 percent of the students with disabilities offered¹ required pre-employment transition services activities do not accept such services, the State could reduce the number of students with disabilities identified by 10 percent.

Coordination between VR and the SEA and LEAs is critically important to the successful implementation of services to students with disabilities as both are responsible for the provision of such services and 34 C.F.R. § 361.22(c) and 34 C.F.R. § 300.324(c)(2) provide that neither the Designated State Unit (DSU) nor the LEA may shift the burden for providing services, for which it otherwise should be responsible, to the other entity.

This requirement is further highlighted in 34 C.F.R. § 361.22(c) under the construction clause, which states *“Nothing in this part [under Title 1 of the Rehabilitation Act] will be construed to reduce the obligation under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.) of a local educational agency or any other agency to provide or pay for any transition services that are also considered special education or related services and that are necessary for ensuring a free appropriate public education to children with disabilities within the State involved.”*

This means that VR and its local education partners must work together to ensure that services are coordinated and sequenced in accordance with their respective regulatory requirements and the needs of students with disabilities. Agencies are encouraged to strategically plan and coordinate services prior to the start of each school year. (See the strategic planning checklist, webinar,

¹ Agencies need to document how all the required pre-employment transition services are made available throughout the State.

and guide for collaboration between VR and LEAs linked [here](#) with other key resources.)

How might a VR agency demonstrate they are making all needed pre-employment transition services available in all LEAs? Some specific activities may include –

- Local agreements between VR and LEAs that spell out all the ways in which students with disabilities and their families are made aware of the availability of pre-employment transition services; A joint letter between VR and the SEA that LEAs disseminate to students with disabilities and their families regarding the availability of pre-employment transition services;
- VR agencies partner with parent training centers to share information about the availability of pre-employment transition services;
- VR assigning a staff liaison to every LEA that provides information, presentations, technical assistance, and attends Individualized Education Program (IEP) meetings; and
- Consider the IDEA transition services the LEAs are providing that meet the need of one or more of the five required pre-employment transition services activities, which may reduce the number of students that need one or more of the required pre-employment transition services activities. Keep in mind that students may receive pre-employment transition services more than once (e.g., work-based learning experiences every summer or year while they are enrolled in an educational setting).

The need for pre-employment transition services “required” and “pre-employment transition coordination” activities, as determined in this step, should be described in the most recent comprehensive statewide needs assessment (CSNA).

- C. Calculate the cost for the provision of the “required” and “pre-employment transition coordination” activities. For most agencies, using the average per student cost to the VR program for the provision of the “required” and “pre-

employment transition coordination” activities will simplify this process. The cost calculation should include, but is not limited to –

- All non-administrative costs for required pre-employment transition services activities provided or arranged by VR staff;
- Costs for the provision of “required” and “pre-employment transition coordination” activities;
- Costs for the provision of “required” activities through third-party cooperative arrangements (TPCAs). It is important to differentiate the cost for pre-employment transition services from other VR services, including transition services, as TPCAs may provide both;
- Costs for the provision of “required” activities through VR contracts with providers/vendors; and
- Costs for additional individualized VR services that may be charged to the reserve, consistent with the [Notice of Interpretation](#), when needed by VR-eligible students with disabilities, under an approved individualized plan for employment (IPE), to participate in pre-employment transition services required activities.

Agencies are encouraged to use the most accurate approach available based upon State-specific circumstances and available data. A written description outlining how the State determined which calculation methodology to use and how it results in the most reliable data must be maintained by the State.

- D. Calculate the amount of funds that must be set aside and reserved for the provision of the “required” activities under pre-employment transition services to students with disabilities in need of such services, as well as the costs for providing pre-employment transition coordination activities.
 1. Multiply the number of students with disabilities that need the required activities by the average cost per student with disabilities for the provision of the required activities under pre-employment transition services.

2. Estimate the amount of funds necessary to provide pre-employment transition coordination activities.
- E. Determine whether the agency’s VR funds that are required to be reserved for the provision of pre-employment transition services are sufficient to make the required and pre-employment transition coordination activities available to all students with disabilities needing such services. This may include unspent pre-employment transition services reserve funds from the prior FFY’s award that meet requirements and may be carried over into the subsequent Federal fiscal year.
1. Subtract the amount calculated to set aside sufficient reserve funds for the provision of required and pre-employment transition coordination activities from the amount of funds the agency is required to reserve for the provision of pre-employment transition services (see Section I. A. above for additional details).
 2. If the result is positive, the agency may be able to use the remaining balance of funds for the provision of pre-employment transition services **authorized** activities. Authorized activities must be provided in support of required and pre-employment transition coordination activities.
 3. If the result is a negative amount, the agency may not use reserved funds to pay for pre-employment transition services authorized activities. The agency may use other, non-reserved, Federal or non-Federal funds to provide the authorized activities.

Note: There is no requirement that a VR agency wait until all students with disabilities have received required and pre-employment transition coordination activities are complete before it can spend reserved funds on authorized activities. The VR agency must ensure sufficient funds are available to provide the required and pre-employment transition coordination activities, consistent with the State’s determination of available funding for authorized services, before spending reserved funds on “authorized” activities.

IV. Process for Determining Availability of Reserved Funds for Authorized Services: Example

Step 1 – Determine the total number of students with disabilities in the State which includes those students eligible for the VR program as well as those students with disabilities “potentially eligible” for the VR program.

- The VR agency determined, based on reliable data, that there were 10,000 students receiving special education services and 5,000 students being served under Section 504 in the State for the prior year. The total number of students with disabilities is determined to be 15,000.

Step 2 – Determine the number of students with disabilities in the State that need pre-employment transition services required activities.

- Based on verifiable VR agency data (see example in Section III.2 above), it is determined that, of the students with disabilities offered pre-employment transition services required activities, 10 percent do not receive such services. Therefore, the number in Step 2 is reduced by 10 percent.

$$15,000 \times .90 = 13,500$$

Step 3 – Calculate the cost for the provision of the required AND pre-employment transition coordination activities.

- Based on the VR agency’s calculation, the average cost for the provision of the required activities to a student with disabilities is \$1,500 per year.
- Reminder: Consistent with the Notice of Interpretation, this calculation should include costs for additional individualized VR services that may be charged to the reserve when needed by eligible students with disabilities, under an approved IPE, to participate in pre-employment transition services required activities.
- The VR agency estimates it will spend \$1,000,000 on pre-employment transition coordination activities based on its analysis of the prior year’s expenditures and coordination activity needs.

Step 4 – Calculate the amount of funds that must be set aside and reserved for the provision of the required and pre-employment transition coordination activities to students with disabilities in need of the services.

- $13,500 \times \$1,500 = \$20,250,000$ for required activities
- \$1,000,000 for coordination activities.
- Total reserve funds to provide required and coordination activities = \$21,250,000
- Remember to also include the cost of individualized VR services provided to VR-eligible students under an IPE to access or participate in pre-employment transition services.

Step 5.a – (No Carryover from Prior FFY award) – Calculate whether the agency's VR funds required to be reserved for the provision of pre-employment transition services are sufficient to make available the required and pre-employment transition coordination activities to all students with disabilities in need of such services.

- Agency's pre-employment transition services base (see Section I.A above) = \$100,000,000
- Amount required to be reserved for pre-employment transition services (15 percent) = \$15,000,000. In this example, the State did not have any reserve funds that qualified for carryover from the prior Federal fiscal year's award.
- Subtract amount calculated in Step 4 from amount required to be reserved for the required pre-employment transition services and coordination activities.

$$\$15,000,000 - \$21,250,000 = (-\$6,250,000)$$

Because the final amount is negative, the agency would not be able to assign costs for pre-employment transition services authorized activities to the funds reserved for the provision of pre-employment transition services. However, the VR agency may spend non-Federal funds or non-reserved VR funds for authorized

activities, but those expenditures will not count toward the State’s reserve requirement.

As described earlier, this analysis is to project/forecast whether the agency has sufficient funds to provide “authorized” pre-employment transition services – and should be monitored regularly and adjusted, when necessary, to ensure accuracy and reliability. Frequent collaboration and communication in a State with two VR agencies may help the State to respond to changes in Federal spending, fluctuations in non-Federal share, and its ability to meet the 15 percent reserve.

V. Potential Effect of VR Award Funds Carried Over from Prior FFY on Reserve Spending

States that are unable to fully expend pre-employment transition services in the year of appropriation may have the ability to carry over VR award funds into the succeeding FFY and continue obligating and expending VR award funds on pre-employment transition services, subject to carryover requirements (e.g., matched unobligated Federal funds). States should calculate their pre-employment set-aside determination each FFY based on that year’s determination of the amount required to be reserved (see Section I.A above), in addition to available reserve funds carried over, to determine the total amount of available funds that must be spent on required and pre-employment transition coordination activities to assess if resources remain available to provide authorized activities. Should such funds remain available, VR agencies may reassess the extent to which any pre-employment funds carried over may be spent on authorized activities.

Step 5.b (Carryover Circumstances) – Calculate whether the agency’s VR funds required to be reserved for the provision of pre-employment transition services are sufficient to make available the required and pre-employment transition coordination activities to all students with disabilities in need of such services.

- Agency’s pre-employment transition service reserve base = \$100,000,000
- Amount required to be reserved for pre-employment transition services (15 percent) = \$15,000,000. In this example, the State DOES have reserve funds that qualified for carryover from the prior Federal fiscal year’s award, in the

amount of \$7,000,000. This brings the total available reserve resources to \$22,000,000.

- Subtract amount calculated in Step 4 from amount required to be reserved for the required and pre-employment transition coordination activities.

$$\$22,000,000 - \$21,250,000 = \mathbf{\$750,000}$$

In this specific circumstance, the final amount is positive. Therefore, the agency would be able to assign costs for pre-employment transition services authorized activities to the \$750,000 in funds reserved for the provision of pre-employment transition services.

VI. Updating/Revising the Reserve Funds Calculations

The process described above should be updated at least annually and revisited on a regular basis as additional or more recent or accurate data becomes available. Agencies that charge pre-employment transition services authorized activities to the funds required to be reserved and expended for pre-employment transition services are responsible for ensuring that the available data supports their decision-making process and determination. Because the data elements used to calculate the amount required to be reserved for pre-employment transition services, the analysis should be updated when there are unanticipated changes in the total amount of Federal expenditures expected to be charged to the FFY's VR award and/or the total amount of Federal funds matched by the VR agency.

Consider regularly scheduled leadership meetings with members of administration (fiscal, data, program) to make any adjustments to the forecast that the team identifies are necessary based upon current fiscal and programmatic data and trends. This could be monthly, bi-monthly, or quarterly, depending upon the VR agency's systems and processes.

VII. Documentation and the Importance of Accuracy in Reporting Costs and Services

Because grantees are required to expend funds reserved for pre-employment transition services in a specific manner, grantees must have internal controls that

ensure the requirements are met (2 C.F.R. §§ 200.1, 200.302(b)(7) and 200.303). Therefore, the State's processes should be well documented and include the reasons for selection of the data elements used. Documentation should be maintained to demonstrate the agency has met the requirement for the provision of the required and coordination pre-employment transition services activities before assigning authorized pre-employment transition services activities to reserved funds.