




UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, DC 20202

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PROGRAM MEMORANDUM-FY 2016

TO: State Directors of Career and Technical Education

FROM: Johan Uvin 
Deputy Assistant Secretary (delegated the authority of the Assistant Secretary)
Office of Career, Technical, and Adult Education

SUBJECT: Prior approval authority for Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV) grant recipients to earn program income pursuant to 2 CFR 200.307(e)(2) of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As you know, the Office of Management and Budget's (OMB) "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule" was adopted by the U. S. Department of Education (Department), along with other Federal grant-making agencies, in the Federal Register on December 19, 2014. See 2 CFR 3474. The Uniform Guidance consolidates, streamlines, and supersedes eight existing OMB Circulars, including but not limited to A-87, A-110, A-122, and A-133. The new guidance applies to all Federal grants awarded after December 26, 2014, and specifically applies to Perkins IV grants made on or after July 1, 2015, and to funds carried over under Perkins IV from prior fiscal years.

Since the Uniform Guidance was published in the Federal Register, several States (eligible recipients) have requested clarification from the Department regarding which of three options described in 2 CFR 200.307(e)—deduction, addition, and/or cost-sharing—must govern the use of program income. Consistent with 2 CFR 200.80, "program income" means gross income earned by the recipient or subrecipient that is directly generated by a Federally-supported activity or earned as a result of the award during the grant period. This can include, but is not limited to, income from fees for services performed.

The Department has carefully reviewed the three options in the context of formula grant programs such as Perkins and has determined that only the addition and/or cost-sharing options apply to eligible recipients and subrecipients. The deduction option, as described in 2 CFR 200.307(e)(1), does not apply because the allotment of funds to eligible recipients and subrecipients is based on a statutory formula, in the case of Perkins IV under sections 131 and 132, and program income funds may not be deducted from those allocations without undermining the statutorily required formula.

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Therefore, the Department authorizes Perkins IV eligible recipients and subrecipients to use program income under either the addition or cost-sharing options in 2 CFR 200.307(e):

- Add program income to funds committed to the project by the Secretary and recipient, and using it to further eligible project or program objectives [addition option]; and/or
- Use program income to finance the non-Federal share of the project or program, as applicable [cost-sharing option].

If the addition option is used, eligible recipients and subrecipients must use program income available at the time an expenditure is made and must expend that income before drawing down Federal funds. See 2 CFR 200.305(b)(5).

Please note that the Department plans to incorporate an attachment to Perkins IV grant award notification letters, beginning July 1, 2016, delineating the options for eligible recipients and subrecipients with regard to program income, consistent with this memorandum.

Please feel free to contact Andrew (Andy) Johnson, this office's lead on Perkins fiscal matters, if you have questions regarding the information presented in this program memorandum. He may be reached by email at Andrew.Johnson@ed.gov or by phone at (202) 245-7786.