VERMONT

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Approved by USED November 19, 2018

Daryn Hedland, 21CCLC Program Officer
Miriam Lund, 21CCLC Team Leader
U.S Department of Education
Office of Academic Improvement Programs
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Daryn and Miriam:

Attached is a formal request to authorize Vermont to allow its 21st CCLC sub-recipients to generate program income to support the ongoing implementation of high quality before, afterschool and summertime programs. The request follows guidance provided by you via a July 23, 2018 email (aligned to the August 8th list-serve email on this topic), which include the following parts in bold below:

P/R Award #: S287C180046
Requestor's Name and Title: Emanuel Betz, 21C State Coordinator
Supervisor's Name and Title: Jess DeCarolis, Division Director

1. **The explanation should include information how the generated program income will adhere to the statute, state plan, uniform guidance, and any other federal or state regulations, as-well-as the approved application.**

The state of Vermont is requesting the ability for 21CCLC sub-recipients to generate program income. The request is made in accordance with the legal rights and responsibilities articulated in state and federal law, which allows 21C projects to generate program income. {EDGAR §200.80} The state of Vermont has a robust programmatic data and fiscal oversight process that holds projects accountable to the principles of equal access, equity, and quality programming for all served youth and families. The generation of program income can be in service to those goals, within a carefully designed system that includes multiple accountability practices.

The approved ESSA plan for the 21CCLC program references an evaluation design that used the principles of "access, equity, and quality" to create articulated goals and practices. Within this evaluation framework, program income is considered an allowable and important strategy as long as equity indicators are met. In addition, the approved ESSA plan references a "robust monitoring and reporting system that is continued and enhanced annually. Multiple monitoring activities will occur during the performance period for each grantee, based on a risk assessment of need, and covering a broad spectrum of inquiry. The current process is intentionally aligned to the statewide evaluation plan components and additional legal requirements covering nineteen areas, (e.g. evaluation, safety, facilities, programming, staffing, sustainability, and budgeting)." What this means specifically with regard to program income for monitoring and reporting is:

a) Equity indicators around poverty and special needs /IEP status are tracked carefully by site. If rates do not meet school averages, follow up occurs. Vermont's 21CCLC program currently serves 62% as low-income regular attendees and 20% as regular attendees for IEP youth, both above statewide averages.
b) Project document review including policy documents, applications, budgets, registration forms, and brochures are collected with the specific goal to review the method that program income may be collected or messaged.
c) Program income via budgets are monitored as part of program and fiscal monitoring practices. Projects report all sources of project funding annually as part of 21C programmatic reporting. Further, 21c program monitoring activity reviews expenditures to date inclusive of all sources, aligned to approved applications and amendments, which includes program income. Fiscal monitoring practices are detailed below.

2. **When will the program income be generated**?

3. **How the State or the sub-grantee plan to generate the program income?**

Program income can be generated at any time during the grant award period of performance. There will be no formal process for sub-recipients to apply to generate program income. Instead, it will be considered allowable for any sub-recipient under the following conditions:

a) Program income generation and structure can be designed locally to meet community need as approved in sub-recipient application and/or amendment budget. Sliding scales, scholarships, free slots, and flexible structures are allowable, particularly for low-income families. Examples of these include: suggested donations accepted as part of sign-up, sliding scale fee structures, a one-time low cost program fee, scholarships, and pledge statements of varying amounts.
b) The generated income is treated as federal funding and used in accordance with all applicable statutory requirements.
c) Such income is utilized during the sub-recipients period of performance. Program income exceeding budgeted amounts will be used to supplement, enhance, or improve 21CCLC programming, and not supplant other funding sources.

If approved, this program income policy language will be written into publically available state policy documents.

In addition, program income may be generated by sub-recipients through sales of locally generated fundraising projects, such as the ticket sales to a theater performance or other revenue generating events or activities.

4. Discuss what the program income will support

Program income supports sub-recipient activity as outlined in approved applications or amendments. Budgets explicitly state if program income exists and what line it will be expended on. Generally, when budgets and applications are approved, the specific uses of program income are approved for use within the context of the multiple ongoing sources of local, state, and federal funds within each detailed project budget. This is possible, as budget review during the application and amendment process are inclusive of all funding sources, not just 21C funds.

5. Where will the program income will be generated?

Program income will be generated at the LEA sub-recipient level.

6. Why is it necessary for the State or the sub-grantee to generate program income?

The state of Vermont views program income as one viable program strategy to build and maintain high quality programs. The goal within the statewide evaluation plan is that all projects work towards having at least five funding sources, with no more than one source being greater than 50%. This fits within the greater context that within diverse funding strategies, access, equity, and quality must and can be met. In the Vermont investment model, making progress towards meeting the goal above has allowed significantly more projects to be funded with 21c funds over time versus other states of similar size.

7. Discuss how the generated program income will help the State/sub-recipient meet the objectives of the 21st CCLC program/project.

Program income will contribute to the successful attainment of activities and objectives as outlined in approved applications and in addition will contribute to serving more youth by using alternate funding streams, including program income.

8. Provide your state's detailed plan for having the sub-recipients 1) expend the generated income within the performance period; 2) how the funds will be fiscally tracked; and 3) who the generated program income will be reported to and how often.

In line with EDGAR **§200.80** any program income must be spent down first. The Agency of Education's online reimbursement system tracks documentation on a monthly basis or whenever reimbursement requests are made. The Agency of Education's federal grant reporting process for our sub-recipients requires all sub-recipients to report/claim only actual disbursements net of any program income generated during the time-period of the claim. Our reporting/claim form requires that the sub-recipient report if program income was earned during the reporting period and assure it was disbursed prior to the request for federal funds.

A second layer of review is included within the Agency of Education's fiscal monitoring protocol. During our onsite review of a sub-recipient, we:

1. review the definition of program income
2. determine if the program is generating program income
3. verify the sub-recipient is correctly accounting for program income
4. confirm the sub-recipient is spending the program income before collecting federal funds and;
5. check that the program income is spent during the period of performance of the grant award.

Program income findings during the monitoring process require the sub-recipient to recode the disallowed amount from the federal source to the program income revenue and provide a corrective action plan to the Vermont Agency of Education.

9. Finally, provide an explanation of what the impact to the program will be if the Department does not approve the request.

Rural programs rely on multiple sources of funding to achieve approved objectives and maintain quality over time. Program income is a viable strategy within a proper state oversight and accountability system to insure the greatest impact on youth, while assuring that access and equity is met. If program income were not allowed, a significant number of high quality programs would be at significant and real risk of closure or untenable diminishment.

Emanuel Betz
21CCLC State Coordinator

Cc: Jess DeCarolis, Division Director