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INFORMATION MEMORANDUM

TO: All Head Start and Early Head Start Grantees and Delegate Agencies

FROM: The Office of Head Start

SUBJECT: Disposition of Older Modular Units

INFORMATION:

The Head Start Performance Standards found at 45 CFR Part 1309 address purchase, construction, and major renovation of facilities. The term "modular unit" is defined in 45 CFR §1309.3 as "a portable prefabricated structure made at another location and moved to a site for use by a Head Start grantee to carry out a Head Start program."

Tangible personal property includes equipment and supplies. Equipment is defined by its acquisition cost (\$5,000 or more per unit) and its useful life (greater than 1 year). If the equipment is intended to be "fixed" rather than "movable," it must be classified as "real property." Real property means land, including land improvements, structures, and appurtenances thereto, excluding movable equipment. Consequently, a modular unit may be properly classified as equipment if it is movable, but should be classified as real property if it is fixed or appurtenant (attached) to the land upon which it is located.

The classification of a modular unit as equipment or real property is important when the property is no longer needed for program use. The provisions in 45 CFR §74.32(c) and §92.31(c) apply to the disposition of real property, while the provisions in 45 CFR §74.34(g) and §92.32(e) apply to disposition of equipment.

Modular units which are purchased or undergo major improvements using Head Start funds are subject to a federal interest. For modular units classified as real property, a notice of federal interest must be filed in the appropriate official records for the jurisdiction where the real property is located per 45 CFR §1309.21. Modular units classified as equipment require the posting of a notice of federal interest in a conspicuous location on the unit per 45 CFR §1309.31.

Head Start and Early Head Start programs have purchased and utilize modular units in the delivery of services to children and families. Many modular units currently owned by Head Start and Early Head Start grantees have been in use for a substantial number of years. Some of the units are dilapidated and no longer suitable for program purposes. Determination of the fair market value of these modular units is costly in relation to their value and some are in poor condition and cannot be moved to another location to facilitate sale.

This Memorandum establishes a simplified disposition process that grantees may use to request release of the federal interest in certain older modular units that are no longer needed for program services. This process applies only to modular units that have been in use for at least 15 years since

their acquisition or, if subject to a major renovation, 15 years since their most recent major renovation. This process is available for qualified modular units, regardless of whether they are classified by the grantee as equipment or real property.

PROCESS:

1. The grantee must submit a written request for disposition of the modular unit to the Regional Grants Manager, including:
 - a. A statement, including factual basis for the statement, that the modular unit is no longer needed for program purposes.
 - b. The serial number or other identifying information for the modular unit.
 - c. The date of acquisition of the modular unit.
 - d. The acquisition price of the modular unit.
 - e. The date of any major renovation(s) of the modular unit.
 - f. The total value of any major renovation(s) of the modular unit.
 - g. The completion date of any major renovation(s) to the modular unit.
 - h. How the grantee proposes to dispose of the modular unit.
 - Retain ownership for non-Head Start or Early Head Start use (describe use)
 - Sale to a third party
 - Donation or transfer for no value received (identify recipient)
 - Demolition or removal for salvage value only
 - Other (describe)
2. The grantee must also submit a copy of the notice of federal interest currently filed in the official records (if classified as real property) or posted (if classified as equipment) for the modular unit.
3. Upon review of the request for disposition of the modular unit, the Grants Manager is to address the following to determine eligibility for simplified disposition:
 - a. At least 15 years has passed since the grantee acquired the modular unit or since the modular unit underwent its most recent major renovation, if any, whichever last occurred.
 - b. The grantee has demonstrated to the satisfaction of the reviewer that the modular unit is no longer needed for Head Start or Early Head Start program purposes.
 - c. The grantee has identified a method of disposal for the modular unit other than abandonment. Abandonment of a modular unit is not an acceptable method of disposition since it continues risk of liability for the modular unit.
4. If the conditions noted above are met, the Grants Manager shall consent to the proposed disposition of the modular unit, provide the grantee with written consent to disposition, and release the federal interest in the property.
5. Proceeds received from the sale of older modular units are classified as program income and must be reported by the recipient and used only for allowable program costs in accordance with applicable cost principles and the terms and conditions of the award. Proceeds are federal in source and cannot be used as non-federal share.

CITATIONS:

45 CFR Part 1309; 45 CFR §1309.3; 45 CFR §1309.21; 45 CFR §1309.31
45 CFR §74.32(c); 45 CFR §92.31(c); 45 CFR §74.34(g); 45 CFR §92.32(e)

Please direct any questions on this Information Memorandum to your Office of Head Start Regional Office.

/ Yvette Sanchez Fuentes /

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