

publications, equipment, and scrap; income from personal or incidental services; and adjustments of overpayments or erroneous charges.

*Disbursements* refers to the transfer of funds by the state agency to pay for Program costs resulting from purchased or expired goods and services.

*Expendable personal property* means all tangible personal property other than nonexpendable property.

*Program funds* means money, or property provided in lieu of money, paid for or furnished by FCS to a State agency.

*Funds available to the State agency* may include contributions from third parties including other Federal agencies.

*In-kind contributions* refers to the value of noncash contributions. Only when authorized by Federal legislation may property purchased with Federal funds be considered as a State agency's in-kind contribution. In-kind contributions may be for the value of real and/or nonexpendable personal property or the value of goods and services provided specifically to the project or program.

*Nonexpendable personal property* means tangible personal property having a useful life of more than one year and an acquisition cost of more than \$300 per unit. A State agency may use its own definition of nonexpendable personal property provided that such definition would at least include all tangible personal property as defined herein.

*Obligations* are the amounts of orders placed, contracts awarded, services received, and similar transactions during a given period which require payment.

*Offset* means a method to recover funds due FCS through use of the Letter of Credit system. Recovery is accomplished by accounting adjustments to increase Federal funds on hand or disbursed.

*OMB* means the Office of Management and Budget.

*Personal property* means property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence) such as patents, inventions and copyrights.

*Program* means both the Food Stamp Program and the Food Distribution Program on Indian Reservations.

*Program closeout* means the process by which FCS determines that all applicable administrative and financial processes have been completed by the State agency and FCS terminates the program in the affected project area or areas.

*Project costs* are allowable costs as set forth in this part.

*Real property* means land, land improvements, structure and appurtenances thereto, excluding movable machinery and equipment.

*State agency* means the organization as defined in 7 CFR 271.1.

*State agency costs* means the State agency outlays from its funds available for program administration. Unless authorized by Federal legislation, costs charged to other Federal grants or to other Federal contracts may not be considered as State agency costs reimbursable under this authority.

*Subagency* means the organization or person to which a State agency makes any payment for acquisition of goods, materials or services for use in administering the program and which is accountable to the State agency for the use of funds provided.

*Terms and conditions* means legal requirements imposed by the Federal Government under statute, regulations, contracts, agreements or otherwise.

*Unliquidated obligation* represents the amount of obligations not yet paid.

*Unobligated balance* means the portion of the Federal funds authorized less all allowable costs and unpaid obligations of the State agency.

### **§277.3 Budgets and budget revision procedures.**

The preparation, content, submittal, and revision requirements for the State Food Stamp Program Budget shall be as specified in §272.2. The application for funds and budget requirements for the Food Distribution Program on Indian Reservations shall be as specified in §283.9. State agencies must submit a budget to FCS as part of the State Plan each fiscal year. Upon approval of the budget by FCS, administrative funds will be provided.

**§ 277.4 Funding.**

(a) *General.* This section sets allowable cost standards for activities of State agencies in administering the Food Stamp Program and Food Distribution Program on Indian Reservations.

(b) *Federal reimbursement rate.* The base percentage for Federal payment shall be 50 percent of State agencies' allowable Food Stamp Program administrative costs.

(1) A 75 percent Federal reimbursement is payable for Food Stamp Program allowable costs incurred for State fraud investigations, prosecutions, and fraud hearings upon presentation and approval of a State Plan addendum as outlined in § 277.15.

(2) A State agency's federally funded share of Food Stamp Program administrative costs shall be increased when its error rate, as determined through the quality control process described in part 275, meets certain standards.

(i) For the period beginning October 1, 1982, through September 30, 1988, a State agency with a payment error rate of five percent or less in the corresponding fiscal year shall have its federally funded share of Program administrative costs increased to 60 percent, provided that the State agency's negative case error rate is less than the national weighted mean negative case rate for the fiscal year prior to the period of enhanced funding.

(ii) For the period beginning October 1, 1988, and review periods thereafter, a State agency with a payment error rate less than or equal to 5.90 percent and with a negative case error rate less than the National weighted mean negative case error rate for the prior fiscal year shall have its Federally funded share of Food Stamp Program administrative costs increased by one percentage point to a maximum of 60 percent for each full one-tenth of a percentage point by which the payment error rate is less than six percent.

(3) Funding of demonstration projects approved by FCS will be at a rate agreed to by FCS in accordance with the requirements outlined in part 282.

(4) The reimbursement of administrative costs to State agencies administering the program on Indian reserva-

tions shall be in accordance with the requirements of parts 281 and 283.

(5) For the period beginning October 1, 1980, a State agency's federally funded share of Food Stamp Program administrative costs shall be increased to 65 percent when the State agency's cumulative allotment error rate is less than five percent; provided that the State agency's negative case error rate is less than the national weighted mean negative case error rate for the 6-month period of enhanced funding. This provision shall not apply to any period after the April through September 1982 period.

(6) For the period beginning October 1, 1980, a State agency's federally funded share of Food Stamp Program administrative costs shall be increased to 60 percent when the State agency's cumulative allotment error rate is less than eight percent; provided that the State agency's negative case error rate is less than the national weighted mean negative case error rate for the 6-month period of enhanced funding. This provision shall not apply to any period after the April through September 1982 period.

(7) For the 6-month period beginning October 1, 1980, a State agency with a 25 percent or greater reduction in its cumulative allotment error rate from one 6-month period to the comparable period of the next fiscal year shall be entitled to a 55 percent federally funded share of Food Stamp Program administrative costs; provided that, effective with the 6-month period beginning October 1, 1981, the State agency's negative case error rate is less than the national weighted mean negative case error rate for the period of enhanced funding. This provision shall not apply to any period after the April through September 1982 period.

(8) Beginning October 1982, the federally funded share of administrative costs, as identified in paragraph (b) of this section may be decreased based upon its payment error rate as described in § 275.23. The rates of Federal funding for the activities identified in paragraphs (b) (1), (3), and (4) of this section shall not be reduced based upon the agency's payment error rate.