

§ 277.4

7 CFR Ch. II (1-1-00 Edition)

§ 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 FNS will be at a rate agreed to by FNS 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.

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(9) Employment and training program grants, as outlined in § 273.7(f) shall be 100 percent federally-funded.

(10) A 100 percent Federal Financial Participation rate shall be available for costs incurred in the verification of the documented alien status of FSP applicants through the Systematic Alien Verification for Entitlements (SAVE) Program. The charges must be contained in a budget or budget revisions approved by FNS and follow the allowability provisions found in § 277.19.

(11) A 63 percent Federal reimbursement is payable for Food Stamp Program allowable costs incurred for State agency planning, designing, developing, and installing of computerized systems as described in § 277.18 and approved for enhanced funding by FNS after September 30, 1991.

(12) A 75 percent Federal reimbursement is payable for Food Stamp Program allowable costs incurred for State agency planning, designing, developing, and installing of computerized systems as described in § 277.18 and submitted for approval for enhanced funding by FNS before November 28, 1990. Those proposals, including modifications and cost increases, which received approval at the 75 percent level during the period from November 28, 1990 through September 30, 1991, shall be reimbursed at the 75 percent rate for costs incurred through September 30, 1991, and at the 63 percent rate for costs incurred thereafter. All modifications approved after September 30, 1991 and any cost increases which occur after this date shall be reimbursed at 63 percent regardless of when the original system was approved. For purposes of this paragraph, no system shall be funded at 75 percent unless all required paperwork for enhanced funding is (or was) either approved by FNS prior to the appropriate date contained in this paragraph or a planning advance planning document (PAPD) was approved and an implementation advance planning document (IAPD) was submitted with all the required paperwork for enhanced funding to FNS prior to November 28, 1990. The required paperwork is described in § 277.18.

(c) *Matching costs.* State agency costs for Federal matching funds may consist of:

(1) Charges reported on a cash or accrual basis by the State agency as project costs.

(2) Project costs financed with cash contributed or donated to the State agency by other non-Federal public agencies and institutions.

(3) Project costs represented by services and real or personal property donated by other non-Federal public agencies and institutions.

(d) All cash or in-kind contributions except as provided in paragraph (e) of this section shall be allowable as part of the State agency's share of program costs when such contributions:

(1) Are verifiable;

(2) Are not contributed for another federally-assisted program, unless authorized by Federal legislation;

(3) Are necessary and reasonable for accomplishment of project objectives;

(4) Are charges that would be allowable under this part;

(5) Are not paid by the Federal Government under another assistance agreement unless authorized under the other agreement and its subject laws and regulations; and

(6) Are in the approved budget.

(e) The value of services rendered by volunteers or the value of goods contributed by third parties, exclusive of the State and Federal agencies, are unallowable for reimbursement purposes under the Food Stamp Program. The value of services rendered by volunteers shall be allowable only to meet any matching administrative costs requirements for the Food Distribution Program on Indian Reservations.

(f) The expenses (e.g. travel, lodging, meals) of persons working with volunteer or nonprofit organizations which receive training and assistance pursuant to § 272.4(d)(2) are not allowable.

[Amdt. 188, 45 FR 85702, Dec. 30, 1980, as amended by Amdt. 201, 47 FR 25498, June 11, 1982; Amdt. 260, 49 FR 6313, Feb. 17, 1984; Amdt. 281, 51 FR 47397, Dec. 31, 1986; 53 FR 39443, Oct. 7, 1988; Amdt. 316, 54 FR 24531, June 7, 1989; Amdt. 328, 56 FR 60053, Nov. 27, 1991; Amdt. 342, 59 FR 2733, Jan. 19, 1994; Amdt. 316, 59 FR 16096, Apr. 6, 1994]

§ 277.5 Methods of payment.

(a) This section sets forth FNS methods for authorizing funds for State agencies.