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United States
Department of
Agriculture

Food and
Consumer
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

SUBJECT: FMNP Policy Memorandum: #97-2
Assessment of Penalties for Failure to Meet the State Match and Exceeding the Administrative Cap Under the Farmers' Market Nutrition Program (FMNP)

TO: Regional Directors
Supplemental Food Programs
All Regions

The purpose of this memorandum is to clarify policy for assessment of penalties for not meeting the match requirement and to change policy for assessment of penalties for exceeding the 17/19 percent FMNP administrative cap.

State Match Requirement

Each State agency is required to provide matching funds equal to not less than 30 percent of total program costs, except that, if justified and approved by the Food and Consumer Service (FCS), Indian State agencies may receive a lower rate, but not less than 10 percent. The calculation for determining if the State has met its match requirement is based on the amount of total expenditures. The State match amount may be in-kind and/or cash. If the State agency does not meet the match requirement, a monetary claim will be established against the State agency to recover the amount of Federal funds that were not matched. The following example illustrates this policy clarification.

If the State agency underspends its Federal grant, the match will be determined based on total expenditures. In the following example the State agency would be billed $2,400 for not meeting the State match requirement on total expenditures.

Federal Amount Allocated	=	$100,000
Federal Amount Expended	=	$ 85,000
State Match Expended	=	$ 33,000
Total Funds Expended	=	$118,000
State Match Requirement ($118,000 x .3)	=	$35,400
Federal Funds to be Recovered	=	$2,400

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

Administrative Cap

By law, not more than 17 percent of the total amount of program funds may be used for administration, except that this level can be increased by up to an additional 2 percent when approved by the FCS, for purposes of market development or technical assistance to farmers' markets.

The 17 percent cap or 19 percent when approved by the FCS on administrative expenditures (Federal and minimum State match) represents the maximum amount of funds available to the State agency for administrative purposes, unless the State agency contributes funds in excess of the minimum match required. The cap is to be calculated by multiplying 17 percent (or 19 percent where approved) times the sum of the total Federal **allocated** funds **plus** the minimum State match. The administrative cap calculation is based on allocated funds rather than on expended funds in order to provide State agencies with a predictable level of administrative dollars. Basing the administrative cap on total program expenditures would require the knowledge of food expenditure data that are not known until after the close of the fiscal year. It is for these reasons that it is not practical to hold State agencies to the 83/17 percent expenditure ratio. Additionally, State agencies may determine the mix of Federal/State funds that will be used for administrative purposes as long as the administrative cap is not exceeded. Administrative dollars expended over the cap amount will be recovered from the State agency, unless non-Federal funds are used to support these costs. The following examples illustrate this policy.

In the following example the State agency will be billed $5,714 for exceeding the administrative cap. The State agency did not provide non-Federal funds in excess of the State Match requirement to offset the administrative over-expenditure.

Federal Amount Allocated	=	$100,000
Federal Amount Expended	=	$100,000
State Match Required	=	$42,857
($100,000/.70 x .30)		
Total Available Funds	=	$142,857
x Administrative Rate		x .17
Maximum Administrative Cap	=	$24,286
State Match Expended	=	$42,857 (exact match requirement)
Total Administrative Dollars Spent	=	$30,000
Less Administrative Cap		-$24,286
Funds to be Recovered from the State	=	$5,714

In the following example the State agency will not be billed because the State agency provided matching funds in excess of the State match requirement which may be applied to the administrative over-expenditure.

Federal Amount Allocated	=	$100,000
State Match Required ($100,000/.70 x .30)	=	$42,857
Total Available Funds	=	$142,857
x Administration Rate		x .17
Maximum Administrative Cap	=	$24,286
State Match Expended	=	$50,000 ($7,143 over match requirement)
Total Administrative Dollars Spent	=	$30,000 ($5,714 over administrative cap)
Funds to be Recovered from the State	=	$0

STANLEY C. GARNETT
Director
Supplemental Food Programs Division

JAMES BELCHER
Director
Accounting Division