

We do not propose to change other important aspects of the caseload assignment process, including:

(1) Base caseload may not exceed the total caseload assigned in the previous year.

(2) Priority in assignment of additional caseload, or caseload for newly approved States, is given to requests to serve women, infants, and children over requests to serve the elderly.

(3) Priority in assignment of caseload is given to currently participating States over requests from non-participating States.

Under paragraph (b), we propose to respond to the question, *When does FNS assign caseload to State agencies?* We propose to revise the date by which FNS must assign caseload to December 31, or within 30 days after enactment of appropriations legislation for the full fiscal year. Currently, FNS must assign caseload by December 1, or 30 days after enactment of appropriations legislation. However, because of late appropriations in several years, caseload has often been assigned later than December 1. Hence, this proposed change reflects what has come to be current practice. We are also proposing to change the caseload cycle to conform to the proposed change in the timing of caseload assignment, as described under the proposed section 247.1.

Under paragraph (c), we propose to describe the means by which State agencies may request additional caseload for the next caseload cycle. As proposed under section 247.6(d), the State agency would be required to submit a request for additional caseload by November 5, as an amendment to the State Plan. The submission must also describe plans to serve women, infants, and children, and elderly, at new sites.

#### *Allocation and Disbursement of Administrative Funds to State Agencies, Section 247.22*

Currently, the allocation and disbursement of administrative funds to State and local agencies are addressed under §§ 247.9 and 247.10. We propose to address FNS's allocation and disbursement of administrative funds to State agencies in this proposed § 247.22, and to address the provision of funds by State agencies to local agencies in the proposed § 247.23.

In paragraph (a), we propose to include the current requirement that, in order to receive administrative funds, the State agency must have signed an agreement with FNS, in accordance with the proposed § 247.4(a)(1), and must have an approved State Plan, in

accordance with the proposed § 247.6(a).

The total amount of appropriated funds available each year for the administrative support of State and local agencies is established by law. In 1990, section 1771(d)(2) of Public Law 101-624 amended section 5(a)(2) of Public Law 93-86 to increase the maximum level of administrative funding available for State and local agencies from 15 percent of the program appropriation to 20 percent. Additionally, in 1996, section 402(b)(3) of the Federal Agriculture Improvement and Reform Act of 1996, Public Law 104-127, amended section 5 of Public Law 93-86 to mandate that the Department provide up to 20 percent of food funds carried over from the previous year for administrative support of State and local agencies.

Section 4201(b) of the Farm Security and Rural Investment Act of 2002 amended section 5 of Public Law 93-86 to mandate that the Department provide State agencies with a grant per assigned caseload slot, adjusted annually to reflect inflation, to pay administrative costs. It also deleted the limitation of total administrative funding for the program of 20 percent of the program appropriation and of food funds carried over from the previous year. Section 4201(b)(2) stipulates the per-caseload slot amounts State agencies are to receive in fiscal year 2003, and for subsequent fiscal years. For fiscal year 2003, the grant per assigned caseload slot is \$51.49, an amount equal to the per-caseload slot amount provided in fiscal year 2001 (\$50.89), adjusted by the percentage change between: (1) The value of the State and local government price index, as published by the Bureau of Economic Analysis of the Department of Commerce, for the 12-month period ending June 30, 2001; and (2) the value of that index for the 12-month period ending June 30, 2002. For subsequent fiscal years, the amount of the grant per assigned caseload slot is equal to the amount of the grant per assigned caseload slot for the preceding fiscal year, adjusted by the percentage change between: (1) The value of the State and local government price index, as published by the Bureau of Economic Analysis of the Department of Commerce, for the 12-month period ending June 30 of the second preceding fiscal year; and (2) the value of that index for the 12-month period ending June 30 of the preceding fiscal year. In paragraph (b) of this proposed section, we propose to include the current legislative mandates for allocating administrative funds to State agencies. Although the statutory changes

described above are already in effect, we are amending the regulations at this time to incorporate these changes.

We propose to remove current language under § 247.10(b) that describes the formula once used for the separate allocation of administrative funds to support the distribution of surplus commodities provided to CSFP for distribution to households. This separate allocation of funds was eliminated by section 1771(d)(2) of Public Law 101-624.

In paragraph (c), we propose to include a description of the means by which State agencies access administrative funds. As currently described under § 247.9(g), FNS provides funds to State agencies on a quarterly basis, through a Letter of Credit, unless other funding arrangements have been made with FNS. The State agency obtains the funds by electronically accessing its Letter of Credit account.

#### *State Provision of Administrative Funds to Local Agencies, Section 247.23*

Currently, section 247.10(b) addresses the amount of federal administrative funds that State agencies may retain to meet State-level costs each fiscal year, and the provision of the remaining funds to local agencies for their use in meeting program costs. The amount of funds that State agencies may retain is determined by a specific formula, and may not exceed \$30,000. We propose to include these provisions substantially unchanged in paragraph (a) of this proposed § 247.23. We do not propose to change the formula, or the maximum amount of funds that State agencies may retain.

Under current regulations, the State agency may request approval from FNS to retain more than the maximum amount provided by the formula in any fiscal year. In paragraph (b), we propose to retain the State's option to request to retain more funds than allowed by formula. However, we propose to remove the limitation of this option to State agencies that provide warehouse services. Although food storage costs may make up a large part of a State agency's administrative costs, other administrative functions may also put a strain on State funds, and require the State agency to request to retain a larger share. As at present, however, State agencies must justify to FNS the need for the larger amount of funds, and must ensure that local agencies will not be unduly burdened by a reduction in their administrative funding.

Currently, under § 247.10(b)(6), the State agency must apportion funds among local agencies according to their