support Federal expenditures of \$100,000 under the 1:1 match requirement.)

Nevertheless, the State liability could be partially reduced by an offset. The amount of the partial offset is computed by combining the allowable Federal and State expenditures (\$80,000 Federal plus \$100,000 State = \$180,000), and computing the allowable Federal expenditure that would be supported by the required State match. The allowable Federal expenditure would be \$90,000 $($180,000 \times 50\%)$ which would be supported under the 1:1 match by \$90,000 of State expenditures. Rather than repaying the full amount of the Federal disallowance (\$20,000), the State would be required to repay \$10,000 (the difference between the amount actually charged to the Federal grant (\$100,000) and the allowable Federal expenditure considering the allowable State matching costs

(\$90,000)). The State therefore is credited with a partial offset of \$10,000.

Equitable Offset Not Allowed— Intentional or Willful Violation

(18) Under the Title I program, the State seeks written advice from the Secretary regarding the allowability of certain expenditures. The Secretary informs the State that the expenditures are unallowable under the Title I statute. Nevertheless, the State proceeds to spend its Title I funds in this manner. An offset is not allowed, even though other expenditures could have been properly charged to the Title I program, because the Secretary determines that the State's violation is intentional and willful.

PART 75—DIRECT GRANT PROGRAMS

5. The authority citation for Part 75 continues to read as follows:

Authority: 20 U.S.C. 1221e–3 and 3474, unless otherwise noted.

6. Part 75 is amended by adding the following cross-reference to the existing cross-reference in Subpart G immediately following the heading: "See 34 CFR 81.32, Proportionality; equitable offset."

PART 76—STATE-ADMINISTERED PROGRAMS

7. The authority citation for Part 76 continues to read as follows:

Authority: 20 U.S.C. 1221e–3, 3474, and 6511(a), unless otherwise noted.

8. Part 76 is amended by adding the following cross-reference immediately following the heading for Subpart H: "Cross-Reference. See 34 CFR 81.32, Proportionality; equitable offset."

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