toward the matching required under the LSCA program.

Discussion: State or local funds expended between July 1 and the effective date of the program cannot be counted as matching. The LSCA Titles I and III programs begin on October 1 and end on September 30. These two programs do not exist before the October 1 effective date each year. Therefore, the Secretary notes that funds counted as matching under the program must be expended in the same time period as the Federal grant program.

The Secretary also notes that Federal carryover funds may not be obligated and expended after September 30th until there is a substantially approvable plan received by the Department.

Change: None.
Comment: Some commenters asked, given the fact that LSCA is a current-funded program and that, in many years, the Congress has not appropriated funds for LSCA by the start of the Federal fiscal year, is the October 1 date still to be the date on which the Secretary will obligate funds under § 76.703(c). They asked how this would affect the obligation and expenditure of funds between October 1 and the date that Congress actually appropriates funds for LSCA.

Discussion: Regulations covering Federal interest liabilities are found in the Treasury Department regulations implementing the Cash Management Improvement Act at 31 CFR Part 205. Specifically, § 205.11(b) addresses late appropriations and provides that the Federal Government will incur an interest liability if an appropriations act, as enacted, covers the period of the State's expenditure and permits payment for expenses already incurred by the State.

Change: None.

Comment: A commenter asked if a substantially approvable plan was submitted by April 1, could LSCA funds be obligated on July 1.

Discussion: The beginning of the obligation period for current funded programs is October 1, and, therefore, obligations generally may not occur prior to that date.

Change: None.

Comment: Many commenters noted that the examples under § 76.703(e)(3) of the proposed regulations only referred to forward-funded programs. They noted that because LSCA is not forward-funded it should be exempt from these regulatory changes.

Discussion: The Secretary will not exempt the LSCA program from these regulations because current-funded programs cannot be excluded from coverage under the CMIA.

Change: None.

Comment: It was feared by one commenter that, in trying to fit a current funded program under regulations that the commenter felt were clearly intended for forward-funded programs, there might be unforeseen problems in the future.

Discussion: The Secretary does not foresee any issues that are unique to current-funded programs. However, these regulations have been reviewed by Departmental staff knowledgeable about current-funded programs such as the LSCA in order to ensure that issues that may arise with regard to these programs are addressed.

Change: None.

Comment: Several commenters noted that, unlike forward-funded programs, planning for LSCA is done on an unknown Federal allocation. Under these regulations, the State budget might also be unknown. In addition, the staff of the State agency would be compelled to work on the plans for LSCA at the same time they must be effecting closeout of the State fiscal year.

Discussion: The commenters are correct in that State plans prepared for submission under this revised regulation would, in many cases, be based on unknown funding at either the Federal or State levels or at both levels. However, annual plans are considered estimates and are expected to be revised to reflect final Federal funding amounts. (See next discussion for details.) Submissions prior to the due date are acceptable if necessary to decrease impact on State staff.

Change: None.

Comment: Some commenters noted that State plans based on estimated figures would have to be amended at a later date so that the plan proposes activities consistent with the actual funding amounts. This would make even more complex planning and might "* * create confusion at the subgrantee level, and possible fiscal chaos at the state level." Such added work was considered by a commenter as a violation of the Paperwork Reduction Act.

Discussion: State plans are expected to be based on an estimation of funds. Under 34 CFR 80.30(c)(ii), changes to plans or budgets that are within ten percent of the budgeted amount, require no additional Federal funding, and make no significant change to the intent of the project or plan, need not be submitted to the Department for prior approval. Because planning is done on an estimated Federal amount currently, grantees are already in the position of amending some projects after the start of the grant period. The need to amend

grants, based upon a submission of actual State funding data, and the submission of the supporting data, are considered in the burden when the paperwork burden is calculated under the Paperwork Reduction Act of 1980. Therefore, these revised regulations contain no added information collection requirements.

Change: None.

Comment: Several commenters expressed concern that the required assurances under LSCA would be due prior to the passing of the State's budget confirming the availability of such funds.

Discussion: The assurances may be based on the best available information as of the date of the submission.

Change: None.

Comment: One commenter noted that the revised § 76.703 would require estimated annual expenditure reports (rather than actual report of expenditures) be accepted by the Department in order to generate a plan by July 1.

Discussion: Under current law, the Federal fiscal year ends on September 30. The report covering expenditures for that period is due to the Department at the end of December. The LSCA program plans that will use the information from the report, as a prerequisite for funding, will not be due until the following July 1, which is nine months after the expenditure period. The Secretary does not agree that only estimated expenditures and not actual expenditures could be verified during this time period. Therefore, there is no allowance for estimated annual reports.

Change: None.

Comment: Several commenters voiced a concern that some State expenditures under MOE requirements occur during the July 1 to October 1 period, and a failure to receive permission to count these expenditures towards MOE would cause a failure to qualify for Federal LSCA funding.

Discussion: MOEs under the LSCA are based on the requirement of a State to maintain the support of services of a protected program or to a protected population. Some of these expenditures may not be part of the expenditures under LSCA (such as State Aid) and only have a tenuous relationship to the Federal program. Since many of these programs are ongoing State supported efforts, the Secretary agrees that these amounts are eligible for counting as MOE from the beginning of the State fiscal year, whether or not the State plan is substantially approvable.

Change: None.

Comment: Many commenters noted that § 76.703(a)(2) establishes a due date