



United States  
Department of  
Agriculture



Cooperative State  
Research, Education  
and Extension Service

Washington, DC  
20250

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**TO:** State Extension Directors and Directors of State Agricultural Experiment Stations in American Samoa, Commonwealth of Puerto Rico, Guam, Micronesia, Northern Marianas Islands, and the Virgin Islands

**FROM:** Colien Hefferan *Colien Hefferan*  
Administrator

**SUBJECT:** Matching Requirements for Formula Funds for Agricultural Research and Extension Activities at the 1862 Land-Grant Institutions in Insular Areas

Section 7213 of the Farm Security and Rural Investment Act of 2002 (FSRIA) amended the Hatch Act and Smith-Lever Act to no longer subject the 1862 Land-Grant Institutions in Insular Areas to the matching requirements of Section 1449 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended. Consequently, the Cooperative State Research, Education, and Extension Service (CSREES) implementing regulation for Section 1449 of NARETPA (7 CFR 3419) no longer applies to the 1862 Land-Grant Institutions in Insular Areas. This regulation is currently being revised and will not incorporate FSRIA section 7213. Instead, CSREES will incorporate the matching regulations for the Insular 1862 Land-Grant Institutions in the proposed regulations for the administration of the Hatch Act and Smith-Lever Act funds. CSREES anticipates that these proposed regulations will be published in the *Federal Register* in the early part of fiscal year (FY) 2004. Please note that the matching funds for the Hatch Act funds must be used for research activities and the matching funds for Smith-Lever Act funds must be used for extension activities identified in the 5-Year Plan of Work.

Section 7213 of FSRIA provides for the Insular Areas a 50 percent matching requirement of the Federal formula funds beginning in fiscal year 2003. Both Acts empower the Secretary of Agriculture to waive the matching requirement for any fiscal year if the Secretary determines that the government of the insular area is unlikely to meet the requirement for that fiscal year. Until a regulation to this effect is published in the *Federal Register*, CSREES has developed the following guidelines for implementing these new matching requirements.

Prior to the distribution of formula funds each year, Insular 1862 Land-Grant Institutions will be provided a Form CSREES-2103, Certification of Offset and Entitlement, for the Hatch Act funds (statutory allocation) and, if applicable, for the Hatch Multistate Research Funds and a Form CSREES-2103, Certification of Offset and Entitlement, for the Smith-Lever Act funds (statutory allocation), and, if applicable, for the CSRS Retirement, FERS Retirement and Penalty Mail allocations. These forms will indicate the matching requirement as 50 percent of the previous fiscal year's allocations of Federal funds. Institutions will be required to certify that funds are available prior to the release of formula funds. If an institution is unable to certify as to the availability of matching funds, an institution may request a waiver from the matching requirement

for that fiscal year. Criteria to waive the matching requirement may include: (1) Natural disaster, flood, fire, tornado, hurricane, or drought; (2) Local government/institution facing a financial crisis; or (3) Demonstration of a good faith effort to obtain the funds. Request for the waiver must be made by the Extension Director or the Research Director and shall include the name of the institution, type of Federal formula funds (i.e., research and/or extension), appropriate fiscal year, the basis of the request (e.g., the criteria identified above), supporting justification, and the amount of the request. Approval or disapproval of the matching funds waiver request will be made within 30 days of receipt.

When the final formula fund allocations are determined, revised Form CSREES-2103's will be forwarded to the institutions as attachments to the annual formula fund allocation letters. If an institution determines that a matching funds waiver or a waiver for an additional amount is needed, the institution should submit the waiver request or the additional waiver request, as described above. Waivers from matching funds requirements should be made by July 1 of the fiscal year for which the request is made. If an institution should be denied a matching funds waiver, their formula funds allocation will be adjusted accordingly for that fiscal year and the unmatched funds will be redistributed to other eligible institutions according to the statutory formulas. Only under extraordinary circumstances will a post-July 1 matching fund waiver request be considered and approved. Matching fund waiver requests should be forwarded to Donald E. Prindle, Branch Chief, Funds Management Branch; Office of Extramural Programs; CSREES-USDA; STOP 2298; 1400 Independence Avenue, S.W.; Washington, D.C. 20250-2298.

Further questions may be directed to Sharon Vessels, Team Leader, Funds Management Branch, at (202) 401-4322.