

purposes is not necessary for the proper and efficient administration of a state's UC law, the costs of collecting those taxes may not be charged to Title III grants.

Departmental regulations at 29 CFR 97.22(b) provide that, for purposes of determining allowable costs under a grant to a state (including the Title III grant), the Department will follow the cost principles in OMB Circular A-87. Section C.3 of Attachment A of the Circular provides that—

(a) A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

\* \* \*

(d) Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required. \* \* \*

Applying these principles to Title III grants, a cost allocation plan must be developed whenever a state UC agency incurs costs for a "cost objective" unrelated to the administration of the UC program. Collection of a tax that is not used entirely for Title III (that is, UC) purposes is such a cost objective.

#### 5. Application.

a. *In general.* Whenever a state UC agency collects a tax that is not used entirely for UC purposes, the state must obtain the cognizant Federal agency's approval of its plan for allocating the costs of assessing, processing, and collecting the tax. The following indicates whether Title III grants may be used to collect a tax and whether collection of the particular tax requires a plan for allocating costs:

- Title III grants may be used to administer a tax when all revenues from the tax are (1) deposited in the state's unemployment fund to be used for the payment of compensation, (2) used to pay interest on advances under Title XII, SSA, or (3) used for the administration of the UC program. No cost allocation plan is required.

- Title III funds may not be used for *any* costs of collecting a tax that is used entirely for non-UC purposes, such as administering other workforce programs (including providing employment services to UC claimants), job training, economic development, temporary disability payments, health related benefits, or state income tax. A cost allocation plan is required.

- Title III grants may be used in proportion to the benefit received by the UC program if a portion of the revenues of a tax are used for UC purposes and a portion for non-UC purposes. A cost allocation plan is required.

Cost allocation plans addressing taxes will generally be included with the state's annual submission of its Indirect Cost Rate Proposal. However, in some cases (such as newly enacted taxes that are assessed immediately after enactment), it will be necessary to submit the tax plan as soon as possible to assure proper allocation of costs.

b. *Taxes which might be used for UC purposes.* Many state UC agencies collect taxes which permit (but do not require) the revenues, or a part thereof, to be used for UC purposes. As a result, there is no guarantee that the UC program will receive any benefit

from these taxes. For any year in which such taxes are collected, the state's cost allocation plan will need to address, to the extent possible and taking into account prior history regarding the tax's revenues, whether any of the revenues will be used for UC purposes.

c. *Penalty mail.* When a UC agency collects a tax that is not solely restricted to UC purposes, penalty mail, as defined in 39 U.S.C. 3201(1), must not be used for any mailing related to the tax, whether or not the mailing also includes UC material. When a state UC agency collects a tax (or taxes) for other than UC purposes, the allocation of postage costs between the programs supported by the tax (or taxes) must be addressed in the state's cost allocation plan.

d. *Use of non-UC grants and state financing.* Funds granted for administering the Wagner-Peyser Act and the Workforce Investment Act are restricted to activities in support of the specific purposes set forth in those Acts. Unlike Federal UC law, these Acts do not authorize the collection of taxes, even if tax revenues enhance program activities performed under either of these Acts. As a result, funds granted under these Acts may not under any circumstances be used to collect any tax revenues. Aside from any Federal limitations on the use of granted funds, states are otherwise free to determine how to finance the costs of collecting non-UC or mixed-use taxes. States may use state general revenues or deduct the costs of collection from the revenues generated by the non-UC or mixed-use tax.

e. *Identification of taxes for FUTA credit purposes.* States must assure that employers are aware that only contributions deposited in the state's unemployment fund may be used to obtain credit against the Federal unemployment tax. See UIPL 25-92. (This matter does not need to be addressed in the cost allocation plan.)

6. *Action required.* Administrators should distribute this advisory to appropriate staff.

7. *Inquiries.* Please direct questions to the appropriate Regional Office.

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## LEGAL SERVICES CORPORATION

### Sunshine Act Meeting of the Board of Directors

#### Amended Notice; Technical Correction to the Agenda

##### Notice

The Legal Services Corporation (LSC) is announcing a technical amendment to the notice of a meeting of the Board of Directors. The amendment is being made to reflect a technical correction to the meeting Agenda. There are no other changes.

Specifically, the following correction has been made to the agenda.

- The language at item 2 has been corrected to read: "Consider and act on Board of Directors' response to the LSC

Inspector General's Semiannual Report to Congress for the period of *April 1, 2005 through September 30, 2005.*" [Emphasis added.]

**TIME AND DATE:** November 28, 2005 at 12 p.m. (e.s.t.).

**LOCATION:** The Legal Services Corporation, 3333 K Street, NW., Washington, DC, 3rd Floor.

**STATUS OF MEETING:** Open.

#### Amended Agenda

#### MATTERS TO BE CONSIDERED:

##### Open Session

1. Approval of the agenda.
2. Consider and act on Board of Directors' response to the LSC Inspector General's Semiannual Report to Congress for the period of April 1, 2005 through September 30, 2005.
3. Consider and act on other business.
4. Public comment.
5. Consider and act on adjournment of meeting.

#### FOR FURTHER INFORMATION CONTACT:

Patricia D. Batie, Manager of Board Operations, at (202) 295-1500.

*Special Needs:* Upon request, meeting notices will be made available in alternate formats to accommodate visual and hearing impairments. Individuals who have a disability and need an accommodation to attend the meeting may notify Patricia D. Batie, at (202) 295-1500.

Dated: November 16, 2005.

**Victor M. Fortuno,**

*Vice President for Legal Affairs, General Counsel & Corporate Secretary.*

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## MILLENNIUM CHALLENGE CORPORATION

[MCC FR 05-19]

### Report on the Selection of Eligible Countries for Fiscal Year 2006

**AGENCY:** Millennium Challenge Corporation.

**SUMMARY:** Section 608(d) of the Millennium Challenge Act of 2003, Pub. L. 108-199 (Division D) requires the Millennium Challenge Corporation to publish a report that lists the countries determined by the Board of Directors of the Corporation to be eligible for assistance for Fiscal Year 2006. The report is set forth in full below.