

the paper record maintained at the above address.

FOR FURTHER INFORMATION CONTACT:

Mary Jo Krolewski, Waste Treatment Branch (5302W), Office of Solid Waste, U.S. Environmental Protection Agency, 401 M Street, SW., Washington, DC 20460, (703) 308-7754.

SUPPLEMENTARY INFORMATION:

Affected entities: Entities potentially affected by this action are owners/operators of boilers and industrial furnaces that burn hazardous waste.

Title: Information Requirements For Boilers and Industrial.

Furnaces: General Hazardous Waste Facility Standards, Specific Unit Requirements, and Part B Permit Application and Modification Requirements, EPA ICR #1361, OMB No. 2050-0073.

Abstract: On February 21, 1991 and August 25, 1992, EPA expanded controls on hazardous waste combustion to regulate air emissions from the burning of hazardous waste in boilers and industrial furnaces (BIFs), which were previously unregulated. 40 CFR Part 266, Subpart H established standards for the burning of hazardous waste in BIFs under the authority of the Resource Conservation and Recovery Act (RCRA). 40 CFR 270.22 established Part B application information requirements for BIFs burning hazardous waste, and § 270.66 established permit requirements for BIFs. Owners and operators of BIF facilities must comply with these regulations in addition to other regulations applicable to all hazardous waste facilities.

EPA requires this mandatory information collection to demonstrate that facilities meet the necessary regulatory requirements and to ensure that the environment is adequately protected. Regulations covering BIFs and general hazardous waste facilities are promulgated under authority of RCRA sections 1006, 2002, 3001 through 3007, 3010, and 7004, as amended. An Agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB control numbers for EPA's regulations are listed in 40 CFR Part 9.

In fitting with our overall goal to significantly reduce paperwork burden, EPA, in its proposed rule, Revised Standards for Hazardous Waste Combustors (see 61 FR 17358), has made proposals that may result in future reductions to the recordkeeping and reporting burden for BIFs. The proposed rule revises §§ 266.102(e)(10) and

266.103(k), requiring BIFs to maintain files of all information required by §§ 266.102(e)(10) and 266.103(k) for a minimum of 5 years. This revision may result in reduced burden for BIFs because the current BIF regulation requires facilities to maintain information for the life of the facility. These recordkeeping requirements would take effect 6 months from the final publication of the final rule for Revised Standards for Hazardous Waste Combustors.

In addition, EPA is proposing a comparable fuels exclusion (see 61 FR 17459) that could affect the reporting and recordkeeping burden for BIFs. EPA is proposing a comparable fuel exclusion that will exclude from the definition of solid and hazardous waste materials those that meet enumerated specification levels for concentrations of toxic constituents and physical properties. EPA's goal is to develop a comparable fuel specification which is of use to the regulated community but assures that an excluded waste is similar in composition to commercially available fuel that is not regulated under RCRA when burned. One of the benefits that would result from promulgating this type of exemption is the reduction of unnecessary regulatory burden. As a result of the comparable fuels exclusion, EPA believes that the BIF universe regulated under RCRA will decrease because some BIFs are combusting a hazardous waste that would be classified as comparable fuels. Thus, combustors that are no longer regulated as BIFs will no longer have to comply with BIF reporting and recordkeeping requirements, which results in burden reduction. The comparable fuels exemption will take effect 6 months from the final publication of the Revised Standards for Hazardous Waste Combustors.

EPA invites comment on the burden reduction provided by these modifications to the BIF requirements, as well as any other possible sources of burden reduction for BIFs. EPA would also like to solicit comments to:

(i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the Agency, including whether the information will have practical utility;

(ii) Evaluate the accuracy of the Agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;

(iii) Enhance the quality, utility, and clarity of the information to be collected; and

(iv) Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

Burden Statement: EPA estimates that the total annual respondent burden for all activities covered in this ICR is approximately 554,166 hours. The Agency estimates the number of likely respondents to be 236 and the frequency of their response will be on occasion, depending on the individual reporting or recordkeeping requirement.

The average reporting and recordkeeping burden for facilities with new permitted BIF units are approximately 5,524 hours and 2,547 hours per year, respectively. The average reporting and recordkeeping burden for facilities with existing permitted BIF units are approximately 4,736 hours and 2,545 hours per year, respectively. The average reporting and recordkeeping burden for facilities with existing interim status BIF units are approximately 756 hours and 2,767 hours per year, respectively. These estimates include time for complying with requirements associated with general facility standards, recordkeeping, contingency plan and emergency procedures, closure, financial assurance, and conditions applicable to all permits; specific unit requirements for BIFs; and requirements related to submittal of general and specific unit information in the Part B permit application, and Part B permit modification requirements.

In addition, this burden estimate includes the time needed to review instructions; develop, acquire, install, and utilize technology and systems for the purposes of collecting, validating, and verifying information, processing and maintaining information, and disclosing and providing information; adjust the existing ways to comply with any previously applicable instructions and requirements; train personnel to be able to respond to a collection of information; search data sources; complete and review the collection of information; and transmit or otherwise disclose the information.

Dated: July 18, 1996.

James Berlow,

Acting Director, Office of Solid Waste.

[FR Doc. 96-19090 Filed 7-26-96; 8:45 am]

BILLING CODE 6560-50-P

[AD-FRL-5543-8]

Request for Comments: Industrial Combustion Coordinated Rulemaking Information Collection Request**AGENCY:** Environmental Protection Agency (EPA).**ACTION:** Notice.

SUMMARY: In compliance with the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*), this notice announces that EPA is planning to submit the following proposed Information Collection Request (ICR) to the Office of Management and Budget (OMB). Before submitting the ICR to OMB for review and approval, EPA is soliciting comments on specific aspects of the proposed information collection as described below.

DATES: Comments must be submitted on or before September 27, 1996.

ADDRESSES: *Comments.* Comments should be submitted (in duplicate, if possible) to: U.S. Environmental Protection Agency, Air and Radiation Docket and Information Center (6102), Attention: Docket Number A-96-17, Room M-1500, 401 M Street SW., Washington, DC 20460. The EPA requests that a separate copy also be sent to Mr. Jim Eddinger, Combustion Group (MD-13), U.S. Environmental Protection Agency, Research Triangle Park, North Carolina 27711. *Copies of ICR.* The draft ICR and other relevant materials, including the draft supporting statement, are available electronically on the Technology Transfer Network (TTN). Choose the "ICCR-Industrial Combustion Coordinated Rulemaking Process" selection from the Technical Information Areas menu. To download the draft ICR from the main menu, select "<R> Download Forms for Replies". The TTN is one of the EPA's electronic bulletin boards. The TTN provides information and technology exchange in various areas of air pollution control. The service is free except for the cost of a phone call. Dial (919) 541-5472 for up to a 14,400 bits-per-second (bps) modem. The TTN is also accessible through the Internet at "TELNET ttbnbs.rtpnc.epa.gov". If more information on the TTN is needed, call the help desk at (919) 541-5384. The help desk is staffed from 11 a.m. to 5 p.m., Eastern time. A voice menu system is available at other times.

Copies of the ICR may also be obtained from the docket at the above address in Room M-1500, Waterside Mall (ground floor), phone number (202) 260-7548. A reasonable fee may be charged for copying. The docket is open for public inspection and copying

between 8 a.m. and 4 p.m., Monday through Friday, except for Federal holidays. Copies of the draft ICR may also be obtained free of charge by contacting one of the people listed below.

FOR FURTHER INFORMATION CONTACT: Mr. Jim Eddinger, Combustion Group (MD-13), U.S. Environmental Protection Agency, Research Triangle Park, North Carolina 27711, phone number (919) 541-5426, facsimile number (919) 541-0072; or, at the same address and facsimile number, Mr. Fred Porter, phone number (919) 541-5251; Mr. Sims Roy, phone number (919) 541-5263; Ms. Amanda Agnew, phone number (919) 541-5268; Mr. Walt Stevenson, phone number (919) 541-5264; or Mr. Bill Maxwell, phone number (919) 541-5430.

SUPPLEMENTARY INFORMATION: Affected entities: Entities affected by this action are those which own or operate the following combustion sources: Industrial/institutional/commercial boilers, process heaters, industrial/commercial and other solid waste incinerators (*not* including hazardous waste incinerators, medical waste incinerators, or municipal waste incinerators burning more than 40 tons/day of municipal solid waste), stationary gas turbines, or stationary internal combustion engines.

These combustion sources are operated in a wide variety of settings by many businesses and industries, including but not limited to the following: Petroleum refining; oil and natural gas extraction and transmission; asphalt and other petroleum-based products manufacturing; chemical and pharmaceutical manufacturing; lumber processing; furniture manufacturing; durable and consumer goods manufacturing; paper/pulp mills; agricultural products manufacturing; metal products production; machine/equipment manufacturing; electronic equipment industry; automobile and transportation equipment industry; secondary metals processing industry; mining; military bases; food production plants; meat processing plants; municipal water services; public utilities; independent power producers; telephone companies; small municipalities; construction businesses; commercial establishments; hotels; apartment complexes; laundries; hospitals; research companies; veterinary services; funeral services; medical centers; research centers; schools; colleges; and other institutions.

Title: Industrial Combustion Coordinated Rulemaking Information Collection Request.

Abstract: Sections 112 and 129 of the Clean Air Act (the Act) require EPA to develop regulations to limit emissions of toxic or hazardous air pollutants, and in some cases, emissions of certain criteria air pollutants as well, from several categories of combustion sources, including industrial boilers, process heaters, industrial/commercial waste incinerators, other solid waste combustors, stationary gas turbines, and stationary internal combustion engines. These combustion sources are used pervasively for energy generation and waste disposal in a wide variety of industries and commercial and institutional establishments. They combust fuels including oil, coal, natural gas, wood, and non-hazardous wastes. Both hazardous air pollutants and criteria pollutants are emitted.

These regulations could affect hundreds of thousands of combustion sources nationwide and will have significant environmental, health, and cost impacts. The EPA has decided to coordinate the development of these regulations in a single effort termed the "Industrial Combustion Coordinated Rulemaking" (ICCR).

The overall goal of the ICCR is to develop a unified set of Federal air emissions regulations that will maximize environmental and public health benefits in a flexible framework at a reasonable cost of compliance, avoiding duplicative and overlapping regulatory requirements, within the constraints of the Act. A Federal Advisory Committee Act (FACA) advisory committee and a series of work groups, composed of stakeholders and EPA, are being established to develop recommendations that will assist EPA in implementing the ICCR. This will permit active stakeholder participation in all aspects of regulatory development.

Additional information about the ICCR, as well as information on how to participate in the ICCR, is available in the document "Industrial Combustion Coordinated Rulemaking—Proposed Organizational Structure and Process." This document may be downloaded from the TTN or may be obtained by contacting one of the individuals mentioned above under **FOR FURTHER INFORMATION CONTACT**.

The organizational structure and process of the ICCR permits the Federal Advisory Committee (referred to as the Coordinating Committee) and the Source Work Groups (one for each of the various combustion sources) to identify, collect, and compile information necessary for regulatory development; undertake and perform various analyses of this information; identify and

develop a number of regulatory alternatives (i.e., possible regulations) for each combustion source; and undertake and perform assessments or analyses of the environmental and public health benefit, as well as the cost and economic impacts associated with each of the regulatory alternatives. The structure and process of the ICCR also permits each Source Work Group to develop recommendations regarding which regulatory alternative should serve as the basis for a regulation, as well as recommendation on all other aspects of the regulation, and present these recommendations to the Coordinating Committee. Finally, the structure and process of the ICCR permits the Coordinating Committee to review and consider these recommendations and then present recommendations to EPA. The EPA will retain its full and independent decision making authority and responsibility, but will give great weight and consideration to these recommendations.

The Clean Air Act requires development of six of the seven regulations by November 2000, which in turn necessitates proposal by November 1999—only three years from now. To ensure that the 1999 and 2000 dates are met, the necessary information to develop these regulations must be collected in 1996 and in early 1997, analyses of the information must be completed in 1997, regulatory alternatives must be identified and various analyses of the impacts associated with these alternatives must be completed in 1998, and the proposed rule(s) must be developed and proposed in 1999.

It should be noted that the EPA is under Court Order to develop regulations under section 129 of the Act for industrial and commercial waste incinerators, which is one of the source categories included in the ICCR. The litigants have agreed to an interim extension of the court-ordered proposal date for these regulations from May 30, 1996 to January 1997. As a condition associated with this extension, EPA must develop a formal ICR under section 114 of the Act by January 1997 to collect all the information the EPA feels is necessary to develop regulations for industrial and commercial solid waste incinerators. The EPA will meet with the litigants in January 1997 to discuss whether sufficient information to develop regulations for industrial and commercial solid waste incinerators is likely to be obtained more quickly and effectively by sending out the ICR questionnaire or by other means, such as through the ICCR.

It is the EPA's hope that through the efforts of the stakeholders participating in the ICCR, there will be no need—or only a limited need—for EPA to use the authority of section 114 of the Act (which requires mandatory response) to send the formal ICR to thousands of combustion sources. It should be the goal and the task of the Source Work Groups working under the ICCR FACA Advisory Committee to devise and implement a means for gathering the information necessary to develop regulations from all sources—including industry—in a voluntary and cooperative manner.

While initial response to the ICCR has been positive from all stakeholders, including industry, State/local agencies, environmental groups, etc., and EPA is committed to doing everything it can to ensure the success of the ICCR, EPA must be prepared and in a position to meet the statutory dates in the Act for adoption of the regulations. Consequently, EPA must proceed with development of an ICR for all the combustion sources included in the ICCR, and must proceed along this path in parallel with the Source Work Group activities under the ICCR. This will permit EPA to send out the ICR questionnaire to gather the necessary information and do the necessary analyses in time to meet the statutory and court-ordered deadlines if the ICCR Work Group information collection efforts do not succeed.

If the judgment in January 1997 is that the information collection efforts through the ICCR have failed or proven to be inadequate, then the EPA will implement the formal information collection effort by mid-January 1997. However, if it appears that the ICCR will be successful in collecting the needed information voluntarily, the ICR questionnaire will not be sent out, or a scaled back version could be used to collect only the information that has not been obtained by other means. Whether EPA will be required to send out the ICR questionnaire for the industrial and commercial waste incinerator category will depend on whether EPA can demonstrate to the litigant's satisfaction that the ICR is unnecessary because EPA is likely to obtain the information faster using some other process, such as voluntary collection efforts under the ICCR.

Request for Comments: The EPA would like to solicit comments on this ICR to:

(i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including

whether the information will have practical utility;

(ii) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;

(iii) Enhance the quality, utility, and clarity of the information to be collected; and

(iv) Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated electronic, mechanical, or other technological techniques, or other forms of information technology, (e.g., permitting electronic submission of responses).

The EPA also would like to solicit comments that will assist the EPA in demonstrating to the plaintiff in the Industrial and Commercial Waste Incinerators rulemaking litigation that sending out the ICR will be unnecessary because EPA is likely to obtain the information faster under another process, such as the ICCR. For example, commenters who plan to participate in the ICCR voluntary collection efforts could submit copies of any collection plans they are developing for their own use or an outline of the type of data they plan to submit voluntarily to EPA under the ICCR process along with the schedule for such submission.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information that is sent to ten or more persons unless it displays a currently valid OMB control number. The OMB control numbers for EPA's approved information collection requests are listed in 40 CFR part 9 and 48 CFR Ch. 15. This notice is the first step in obtaining approval for the ICR described below.

ICR Description: To develop regulations, the EPA will need information to determine the maximum achievable control technology (MACT) floor; identify regulatory alternatives (i.e., possible regulations) more stringent than the MACT floor; and analyze the environmental and public health benefit, as well as the cost and economic impacts of the alternatives. These analyses of impacts are the basis for decisions about which regulatory alternative(s) to propose as the regulation.

The proposed ICR has five parts: General facility information; combustor information; control device information; emissions information; and capital and annual costs. Part I, general facility information, would be completed once for each facility to determine the facility name, facility size, and location. This

information will be used to determine regional economic impacts and small business impacts. Location information is also an input to the environmental and public health benefits analyses, and is often a critical factor in determining the MACT floor.

Part II, combustor information, would be completed separately for each combustor at a facility to determine combustor size, design and operating data, usage patterns, types of fuels and wastes combusted, control devices, and pollution prevention methods in use. This information will be used to determine in which source category or subcategory the combustor belongs, to determine the MACT floor, and to identify various regulatory alternatives. The combustor design, fuel, and control device information can also be used to estimate emissions.

Part III, control device information, would be completed separately for each control device associated with each combustor. Information such as control efficiencies and operating temperatures will be used to estimate emissions, determine the MACT floor, and identify regulatory alternatives.

Part IV, emissions information, would be completed separately for each combustor to provide permit limits and emissions test data for sulfur dioxide, nitrogen oxide, hydrogen chloride, particulate matter, mercury, lead, cadmium, dioxins/furans, hazardous air pollutants, opacity, and visible emissions. This information will be used to determine the MACT floor and regulatory alternatives above the MACT floor, and to estimate emission impacts of the regulatory alternatives and assess the public health benefits of the regulations.

Part V, capital and annual costs, would also be completed separately for each combustor to provide information on combustion and control equipment installation costs, retrofit costs, and annual operating costs and revenues. This information will be used to estimate the costs of the regulatory alternatives and to determine the economic impacts of the regulations.

As discussed above, if necessary, the ICR would be mailed—either in total or in part, as appropriate—in hardcopy form to the intended recipients. An electronic version of the questionnaire is being considered to allow for electronic completion and submittal. Recipients of this ICR would be required to respond under the authority of section 114 of the Act. If a respondent believes the disclosure of certain information requested would compromise a trade secret, it would need to be clearly identified as such and

will be treated as confidential until a determination is made. Any information subsequently determined to constitute a trade secret will be protected under 18 U.S.C. 1905. If no claim of confidentiality accompanies the information when it is received by EPA, it may be made available to the public without further notice (40 CFR 2.203, September 1, 1976).

Burden Statement: Burden means the total time, effort, or financial resources expended by persons to generate, maintain, retain, disclose or provide information to or for a Federal agency. This includes the time needed to review instructions; develop, acquire, install, and utilize technology and systems for the purpose of collecting, validating, and verifying information, processing and maintaining information, and disclosing and providing information; adjust the existing ways to comply with any previously applicable instructions and requirements; train personnel to be able to respond to a collection of information; search data sources; complete and review the collection of information; and transmit or otherwise disclose the information.

The purpose of this ICR is to collect and evaluate existing information. The generation of new data (e.g., conducting an emission test) is not required to complete this questionnaire. This is a one-time data collection effort.

The time to complete this ICR will vary for each respondent depending on the number of combustion sources at the facility. Many respondents may have only one combustion source (a crematorium, for example), while other respondents may have 30 or more sources (a petroleum refinery or military base, for example). The ICR is expected to require 39 hours per combustion source to complete. The respondents are expected to have an overall average of 10 combustion sources per facility, and would require 390 hours to complete and submit the ICR. This cost has been estimated to be \$12,500 per average facility.

The total number of respondents will be a sample of the total population which will be determined based on the information available from EPA data bases, State agencies, and other available references being gathered now and through the ICCR. Preliminary efforts have estimated the total number of sources to be over 500,000. The EPA plans to request that this ICR be considered for 20,000 recipients. If the average recipient has 10 combustion sources, the total respondent burden would be 7.78 million hours at a total cost of approximately \$247 million.

This equates to an average of \$35.3 million per regulation to be developed.

While 20,000 recipients may seem like a large sample, this is *not* the case because of the large number of sources, the numerous and varied uses of these sources, the complexity of some of the sites—particularly the industrial sites—at which these sources are used, and the number of regulations that EPA is concurrently developing under the ICCR—seven at minimum. The estimate of 20,000 questionnaire recipients is less than 5 percent of the total number of sources. The population includes seven source categories, encompassing many types of industries, many geographic locations, multiple combustor designs and sizes, and a range of fuels and control levels. In order to adequately represent these parameters, a sample size of 20,000 may be needed, as further explained in the supporting statement for the ICR. Recipients will be selected from lists of sources obtained from EPA databases, State files, and other published directories.

The advantage of this ICR is that it will gather information for multiple source categories (industrial boilers, commercial/institutional boilers, process heaters, industrial/commercial waste incinerators, other solid waste combustors, stationary gas turbines, and internal combustion engines) in one combined effort, which will be much less burdensome for the respondents than if separate ICR's were required for each source category.

It is very possible that the per combustor and total respondent burdens may be greatly reduced if the ICCR Coordinating Committee and Source Work Groups are successful in collecting information through the ICCR. The ICR may be used only for a portion of the source categories included in the ICCR, or the ICR may be reduced in scope to focus only on areas of information that the Coordinating Committee and Source Work Groups were unable to obtain by other means. Again, the EPA is committed to the process of the ICCR, but must necessarily be prepared to use a formal ICR if the ICCR, or the information collect efforts of the Coordinating Committee and the Source work Groups under the ICCR, are not successful. The ICR must be developed in parallel with other information gathering efforts under the ICCR so that the EPA will be able to send out the ICR in time to meet the statutory and court-ordered deadlines if these other efforts are not successful.

Dated: July 23, 1996.
 Bruce C. Jordan,
Director, Emissions Standards Division.
 [FR Doc. 96-19195 Filed 7-26-96; 8:45 am]
 BILLING CODE 6560-50-P

[FRL-5542-8]

Notice of 90-Day Comment Period on the Proceedings of the Climate Change Analysis Workshop

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice.

SUMMARY: Negotiations under the Framework Convention on Climate Change (FCCC) are underway to address possible actions under the Berlin Mandate. These discussions are scheduled to reach a conclusion at the Third Meeting of the Parties which is planned for Fall of 1997. To provide input on a wide range of analytical issues related to these negotiations, the Departments of Agriculture, Commerce, Energy, and State, and the Environmental Protection Agency hosted the Climate Change Analysis Workshop on June 6-7 in Springfield, VA ("Workshop Announcement; Call for Papers Analysis of Issues Related to Next Steps on Climate Change," Federal Register, April 23, 1996, at 61 FR 17893-17894).

This workshop provided an opportunity for federal agencies to present the interim results of their ongoing analyses related to the economic and environmental impacts of issues arising in the context of these negotiations. The workshop also provided an opportunity for other interested individuals and organizations to present analytical studies that contribute to an improved understanding of the issues described above. Over 50 organizations presented papers at the workshop.

Copies of the papers presented at the workshop were distributed to all attendees. Additional copies can be viewed Monday through Friday between the hours of 8:00 a.m. and 5:30 p.m. at: U.S. Environmental Protection Agency, Office of Air and Radiation, Docket and Information Center, 401 M Street, Southwest, Washington, DC, Room M 1500 (phone: 202-260-7548). The docket number is A-96-35.

ADDRESSES: Comments on papers presented at the workshop can be sent to: U.S. Environmental Protection Agency, Air Docket, 401 M Street, SW (Mail code 6102), Washington, DC, 20460. Please include the docket number: A-96-35.

DATES: The comment period is now open and will close October 28, 1996.

FOR FURTHER INFORMATION CONTACT: Jeremy Symons, U.S. Environmental Protection Agency, 401 M Street, NW, Mail Code 6202J, Washington, DC, 20460. Internet address: "symons.jeremy@epamail.epa.gov". Telephone: 202-233-9190.

Dated: July 19, 1996.
 Richard Wilson,
Acting, Assistant Administrator for Air and Radiation.
 [FR Doc. 96-19089 Filed 7-26-96; 8:45 am]
 BILLING CODE 6560-50-P

FARM CREDIT SYSTEM INSURANCE CORPORATION

[BM-11-JUL-96-02]

Policy Statement Concerning Adjustments to the Insurance Premiums

AGENCY: Farm Credit System Insurance Corporation.

ACTION: Notice of policy statement.

SUMMARY: The Farm Credit System Insurance Corporation (Corporation) announces that it has adopted a Policy Statement Concerning Adjustments to the Insurance Premiums. This policy statement establishes a semiannual review process, using the criteria announced in the Board's March proposal, as a basis for the Corporation's exercise of its discretion to adjust premiums in response to changing conditions. It also establishes a premium floor of 7.5 basis points for loans in accrual status until the Insurance Fund reaches the level specified in the Farm Credit Act of 1971, as amended (the Act); 12 U.S.C. 2277a-4. Finally, it adds two clarifications to the March proposal. The policy states the express authority of the Corporation to reduce premiums to zero on loans guaranteed by Federal or State governments. It also makes it clear that the Board will consider asset growth, not merely loan growth, when it does its semiannual review.

EFFECTIVE DATE: July 11, 1996.

FOR FURTHER INFORMATION CONTACT: Dorothy L. Nichols, General Counsel, Farm Credit System Insurance Corporation, 1501 Farm Credit Drive, McLean, Virginia 22102, (703) 883-4380, TDD (703) 883-4444.

SUPPLEMENTARY INFORMATION:

Background

In 1987, Congress directed the Corporation to collect premiums to

reach the secure base amount, which is defined as 2 percent of the aggregate outstanding insured obligations of all insured banks (excluding a percentage of State and Federally guaranteed loans) or such other percentage of the aggregate amount as the Corporation in its sole discretion determines is "actuarially sound."

The statute specifies a limited form of risk-based premium assessments: 25 basis points for nonaccrual loans; 15 basis points for loans in accrual status (excluding certain State and Federally guaranteed loans); and a very modest premium for government-guaranteed loans. This formula was designed as an incentive for the Farm Credit System to make quality loans and at the same time build the Insurance Fund to a level that Congress believed would prevent a default on a System debt obligation. The Insurance Fund represents the Corporation's equity, i.e., the difference between its total assets (\$1,023 million as of yearend 1995) and its total liabilities, including its insurance obligations (\$121 million as of yearend 1995).

While Congress gave the Corporation the discretion to reduce the premium assessments before reaching the secure base amount in the Farm Credit System Reform Act of 1996, Pub. L. No. 104-105, 110 Stat. 162 (Feb. 10, 1996), it did not alter the original mandate to reach and maintain the secure base amount. In the policy statement, the Corporation concludes that under these circumstances, any reduction in premium must take into account its impact on the original mandate.

Neither the statute nor the legislative history provides guidance on how the Corporation is to balance the Congressional desire to reach the secure base amount with the new discretionary authority. Nor does the legislative history provide guidance as to the appropriate timeframe for reaching the secure base amount. However, it is clear from the legislative history creating the Corporation that Congress was focused on assuring that the taxpayer would not be required to rescue the Farm Credit System again, as they had been in the mid-eighties. Past experience demonstrates that under severe stress, the Farm Credit System suffered \$4.6 billion in losses from 1985-1987 and had to borrow \$1.3 billion in U.S. Treasury-guaranteed bonds to assist institutions experiencing financial difficulty. It is also clear that Congress intended that the Fund be built in anticipation of potential problems in the Farm Credit System by assessing each insured bank until the Insurance Fund reached 2 percent of outstanding