consider recommendations for modification of the assessment rate. The dates and times of Committee meetings are available from the Committee or the Department. Committee meetings are open to the public and interested persons may express their views at these meetings. The Department will evaluate Committee recommendations and other available information to determine whether modification of the assessment rate is needed. Further rulemaking will be undertaken as necessary. The Committee's 1996–97 budget and those for subsequent crop years will be reviewed and, as appropriate, approved by the Department.

After consideration of all relevant material presented, including the information and recommendation submitted by the Committee and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it is also found and determined upon good cause that it is impracticable, unnecessary, and contrary to the public interest to give preliminary notice prior to putting this rule into effect, and that good cause exists for not postponing the effective date of this rule until 30 days after publication in the Federal Register because: (1) The Committee needs to have sufficient funds to pay its expenses which are incurred on a continuous basis; (2) the 1996–97 crop year begins on August 1, 1996, and the marketing order requires that the rate of assessment for each crop year apply to all assessable dried prunes handled during such crop year; (3) handlers are aware of this action which was unanimously recommended by the Committee at a public meeting and is similar to other assessment rate actions issued in past years; and (4) this interim final rule provides a 30-day comment period, and all comments timely received will be considered prior to finalization of this rule.

List of Subjects in 7 CFR Part 993

Marketing agreements, Plums, Prunes, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 993 is amended as follows:

PART 993—DRIED PRUNES PRODUCED IN CALIFORNIA

1. The authority citation for 7 CFR part 993 continues to read as follows:

Authority: 7 U.S.C. 601–674.

Note: This section will appear in the Code of Federal Regulations.

2. A new Subpart—Assessment Rates and a new § 993.347 are added to read as follows:

Subpart—Assessment Rates

§ 993.347 Assessment rate.

On and after August 1, 1996, an assessment rate of $1.50 per salable ton is established for California dried prunes.

Dated: July 25, 1996.

Sharon Bomer Lauritsen,

Acting Director, Fruit and Vegetable Division.

[FR Doc. 96–19376 Filed 7–30–96; 8:45 am]

BILLING CODE 3410–02–P

Rural Utilities Service

7 CFR Part 1770

RIN 0572–AB10

Accounting Requirements for RUS Telecommunications Borrowers

AGENCY: Rural Utilities Service, USDA.

ACTION: Final rule.

SUMMARY: The Rural Utilities Service (RUS) is amending its regulations on accounting policies and procedures for RUS telecommunications borrowers as set forth in RUS's regulations concerning Accounting System Requirements for RUS Telecommunications Borrowers. This rule establishes an accounting interpretation for postretirement benefits that addresses both the requirements of the Financial Accounting Standards Board (FASB) and the Federal Communications Commission (FCC). It also sets forth accounting interpretations that establish uniform accounting procedures for Rural Telephone Bank (RTB) stock, cushion of credit investments, Rural Economic Development loans and grants, and satellite or cable television service investments.

EFFECTIVE DATE: This rule is effective August 30, 1996.

FOR FURTHER INFORMATION CONTACT: Ms. Roberta D. Purcell, Director, Program Accounting Services Division, Rural Utilities Service, STOP 1523, room 2221, South Building, U.S. Department of Agriculture, Washington, DC 20250–1523, telephone number (202) 720–9450.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

This final rule has been determined to be not significant for the purposes of Executive Order 12866 and therefore has not been reviewed by the Office of Management and Budget (OMB).

Regulatory Flexibility Act Certification

The Administrator of RUS has determined that the Regulatory Flexibility Act (5 U.S.C. 601 et seq.) does not apply to this final rule.

Information Collection and Recordkeeping Requirements

The information collection and recordkeeping requirements contained in this rule have been approved by OMB under control number 0572–0003 pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35, as amended.) Comments regarding these requirements may be sent to Roberta D. Purcell, Director, Program Accounting Services Division, Rural Utilities Service, STOP 1523, Washington, DC 20250–1523.

National Environmental Policy Act Certification

The Administrator, RUS, has determined that this final rule will not significantly affect the quality of the human environment as defined by the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*). Therefore, this action does not require an environmental impact statement or assessment.

Catalog of Federal Domestic Assistance

The program described by this final rule is listed in the Catalog of Federal Domestic Assistance Program under numbers 10.851—Rural Telephone Loans and Loan Guarantees and 10.852—Rural Telephone Bank loans. This catalog is available on a subscription basis from the Superintendent of Documents, the United States Government Printing Office, Washington, DC 20402.

Executive Order 12372

This final rule is excluded from the scope of Executive Order 12372, Intergovernmental Consultation. A Notice of Final Rule entitled Department Programs and Activities Excluded from Executive Order 12372 (50 FR 47034) exempts RUS and RTB loans and loan guarantees, and RTB loans, to governmental and nongovernmental entities from coverage under this order.

Executive Order 12778

This final rule has been reviewed under Executive Order 12778, Civil Justice Reform. This final rule: (1) Will not preempt any state or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule; (2) Will not have any retroactive effect; and (3) Will not require administrative proceeding before parties may file suit challenging the provisions of this proposed rule.

National Performance Review

This regulatory action is being taken as part of the National Performance Review program to eliminate unnecessary regulations and improve those that remain in force.

Background

In order to facilitate the effective and economical operation of a business, adequate and reliable financial records must be maintained. Accounting records must provide a clear, accurate picture of current economic conditions from which management can make informed decisions in charting the company's future. The rate regulated environment in which a telecommunications carrier operates causes an even greater need for financial information that is accurate, complete, and comparable with that generated by other carriers. For this reason, the FCC prescribes a Uniform System of Accounts (USoA) for the telecommunications industry.

RUS, as a Federal lender and mortgagee, and in furthering the objectives of the Rural Electrification Act (RE Act) (7 U.S.C. 901 *et seq.*) has a legitimate programmatic interest and a substantial financial interest in requiring adequate records to be maintained. In order to provide RUS with financial information that can be analyzed and compared with the operations of other borrowers in the RUS program, all RUS borrowers must maintain financial records that utilize uniform accounts and uniform accounting policies and procedures. The standard RUS security instrument, therefore, requires borrowers to maintain their books, records, and accounts in accordance with methods and principles of accounting prescribed by RUS in the RUS USoA for its telecommunications borrowers.

To ensure that borrowers consistently account for and apply the provisions of recent pronouncements of the FASB and the FCC, the RUS USoA must be revised and updated as changes in generally accepted accounting principles and the FCC USoA occur. RUS is, therefore, establishing a new accounting interpretation that addresses the accounting requirements set forth in Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions (Statement No. 106). Statement No. 106 requires reporting entities to accrue the expected cost of postretirement benefits during the years the employee provides service to the entity. Copies of Statements of Financial Accounting Standards may be obtained from the Order Department of the Financial Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856–5116.

RUS is also establishing an accounting interpretation for RTB bank stock that sets forth the journal entries necessary to record the required purchase of Class B RTB stock, patronage refunds in the form of additional shares of Class B RTB stock, purchases of Class C stock, and dividends received on Class C stock. The interpretation also addresses the proper accounting for the conversion of Class B stock to Class C stock after all RTB loans have been repaid.

RUS is also setting forth an accounting interpretation that establishes the accounting policies and procedures for the Rural Economic Development loan and grant programs recently established by the Rural Business and Cooperative Development Service and for investments in satellite and cable television services.

Comments

A proposed rule entitled Accounting Requirements for REA Telecommunications Borrowers, published September 14, 1994, at 59 FR 47097, invited interested parties to submit comments on or before November 14, 1994. Comments were received from telecommunications borrowers, certified public accountants (CPAs), state wide associations, and national trade associations. The following paragraphs address the various topics that were discussed by the commenters.

Interpretation No. 101, Postretirement Benefits

Comment. Some commenters questioned the need for actuarial studies if the only benefit provided is an item such as local phone service.

Response. As with all statements issued by FASB, the provisions of Statement No. 106 need not be applied to immaterial amounts. If the borrower and the independent CPA engaged to perform the annual audit of the borrower's financial statements are satisfied as to the immateriality of a benefit provided, Statement No. 106 need not be adopted and accordingly, an actuarial study is not required. It should be noted, however, that an initial actuarial study may be necessary in order to determine the materiality of the benefit provided. For this reason, no revision was made to the final rule.

Comment. Several commenters presented arguments for retaining the option to immediately recognize the transition obligation created by the implementation of Statement No. 106.

Response. On December 26, 1991, the FCC issued 6 FCC Rcd 7560, which requires telecommunications carriers to recognize the transition obligation on a delayed basis thereby eliminating the option of immediate recognition. In order to ensure the consistent and uniform application of generally accepted accounting principles among all telecommunications borrowers, RUS requires its borrowers to comply with the FCC USoA. Therefore, all RUS borrowers are required to adopt the delayed recognition required by the FCC. If a state regulatory body requires immediate recognition of the postretirement benefit transition obligation, the transition obligation should be recognized on a delayed basis with the jurisdictional difference accounts used to effect compliance with the state requirements.

Interpretation No. 102, Rural Telephone Bank Stock

Comment. Several commenters suggested that the purchase of Class B RTB stock should be accounted for as an increase in interest expense or as an amortizable loan cost rather than as the acquisition of an asset.

Response. While the investment in Class B RTB stock is a requirement for a borrower to secure financing from the RTB, the owner of Class B RTB stock is entitled to patronage refunds in the form of additional shares of Class B stock. When a borrower has repaid all of its RTB loans, the borrower may request that the Class B stock be converted into Class C stock. Class C stock earns cash dividends and may be redeemed at some future time in accordance with the bylaws of the RTB. The aforementioned characteristics are indicative of an investment, not an item of expense, and as such, no revision was made to the final rule.

Comment. One commenter stated that income should be recognized at the time the patronage refund is allocated to the owners of Class B RTB stock in order to insure that members of a telecommunications cooperative receive their fair share of the patronage refund.

Response. In 1975, this issue was considered by the Staff Subcommittee on Accounts of the National Association of Regulatory Utility Commissioners. Because Class B RTB stock has no known market value, pays no return or interest, and cannot be alienated except in connection with the transfer of the outstanding RTB loan, the committee recommended that the patronage refunds be recorded as a memorandum entry on the books of account until such time as the value of the stock is realized, in cash, through its redemption.

Comment. Several commenters raised issues regarding RTB privatization.

Response. When privatization of the RTB actually begins, any necessary revisions to this regulation will be proposed and exposed for comment at that time.

Comment. One commenter questioned the determinability of the fair value of Class C stock based on Accounting Principle Board Opinion No. 29, Accounting for Nonmonetary Transactions (Opinion No. 29).

Response. The conversion of Class B RTB stock to Class C RTB stock meets the definition of a nonmonetary exchange as set forth in Opinion No. 29. In Opinion No. 29, the Accounting Principles Board concluded that the accounting for nonmonetary transactions should be based upon the fair value of the assets involved. Paragraphs 25 & 26 of the opinion, however, raise questions concerning the determination of fair value within reasonable limits. While the face value of Class C stock is considered to be its surrender value, the indefinite nature of its realizability requires the consideration of the time value of money. Calculating the present value of the Class C stock is not feasible because it is not known when the Class C stock will become redeemable. Therefore, the fair value of this transaction cannot be determined within reasonable limits and as such, must be accounted for at the recorded value of the Class B RTB stock. The final rule has been revised accordingly.

Comment. Several commenters expressed concern regarding the tax issues that would be raised if income is recognized at the time Class B stock is converted into Class C stock.

Response. While income tax issues are of great concern to RUS borrowers and we are sympathetic to these concerns, accounting interpretations issued by RUS must be based upon the appropriate, consistent application of generally accepted accounting principles (GAAP). As such, RUS cannot prescribe accounting requirements that do not comply with GAAP in an effort to circumvent either Federal or state income tax laws. It should be noted, however, that by recording the conversion of Class B stock at its recorded value, no income is recognized until the Class C stock is actually redeemed.

Interpretation No. 103, Cushion of Credit Investments

Comment. One commenter suggested that interest earned on the RUS Cushion of Credit account should be recorded as a credit to interest expense rather than interest income under the ‘‘right of offset’’ as discussed in FASB Technical Bulletin No. 88–2, Definition of a Right of Setoff (FTB No. 88–2).

Response. FTB No. 88–2 was superseded, in its entirety, by FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts (Interpretation No. 39). Interpretation No. 39 states that the offsetting of assets and liabilities in the balance sheet is improper except where a right of offset exists. A right of offset exists only when each of two parties owes the other determinable amounts. In accordance with paragraph 5, footnote 2, of Interpretation No. 39, cash on deposit at a financial institution must be considered cash by the depositor rather than an amount owed to the depositor. Therefore, deposits in the RUS Cushion of Credit account do not meet the criteria required for offsetting against the principle owed on an outstanding RUS loan. As such, no offset of interest income and expense is appropriate under Interpretation No. 39 and no revision was made to the final rule.

Interpretation No. 104, Rural Economic Development Loan and Grant Program

Comment. Two commenters objected to recording the funds received from a Rural Economic Development grant as income.

Response. The establishment of a revolving loan program with Federal grant funds creates special concerns from an accounting perspective. The customary Federal grant is made for a specific project or purpose. The income to the grantee is offset by the costs incurred in the project, thereby eliminating any net income effect. When a revolving loan program is established, however, the grantee incurs no immediate expense with which to offset the grant proceeds. The grant proceeds are loaned to a third party thereby creating an asset (receivable) from that third party. As the loan is repaid, the asset is reduced and additional funds are available for relending. While there may be the incidental costs of administering the loan program, no additional costs are incurred until a loan actually goes into default. In fact, under the Rural Business and Cooperative Development Service’s grant program, after the initial grant funds have been loaned and repaid, the borrower may charge a reasonable rate of interest on its revolving loans. The grant program may, therefore, actually become income producing.

Additionally, because 7 CFR Part 1703, Subpart B, Rural Economic Development Loan and Grant Program, is somewhat ambiguous as to the final disposition of the grant funds upon termination of the revolving loan program, further accounting concerns are raised.

The accounting for a rural economic development grant is therefore, dependent upon the grant agreement itself. If the grant agreement requires repayment of the funds upon termination of the revolving loan program, the funds must be recorded as a liability. If the grant agreement stipulates that there is no obligation for repayment, the funds should be recorded as a permanent infusion of capital. If, however, the agreement is silent as to the final disposition of the grant funds, the funds must be recorded as income. The final rule has been revised accordingly.

Interpretation No. 105, Satellite and Cable Television Services

Comment. One commenter suggested that this interpretation should apply to any type of service offered through a subsidiary, joint venture, or as a segment of an entity’s operations.

Response. While the underlying accounting principles used to establish this accounting interpretation are applicable to any type of service offered through a subsidiary, joint venture, or a segment of an entity’s operations, the purpose of this interpretation was to specifically address borrowers’ investments in satellite and cable television services. For this reason, no revision was made to the final rule.

List of Subjects in 7 CFR Part 1770

Accounting, Loan programs—communications, Reporting and recordkeeping requirements, Rural areas, Telecommunications, Uniform System of Accounts.

For the reasons set forth in the preamble, RUS hereby amends 7 CFR chapter XVII as follows:

PART 1770—ACCOUNTING REQUIREMENTS FOR RUS TELECOMMUNICATIONS BORROWERS

1. The authority citation for part 1770 continues to read as follows:

Authority: 7 U.S.C. 901 *et seq.*; 7 U.S.C.1921 *et seq.*; Pub. L. 103–354, 108 Stat. 3178 (7 U.S.C. 6941 *et seq.*).

2. Subpart C is added to read as follows:

Subpart C—Accounting Interpretations

Subpart C—Accounting Interpretations

§ 1770.26 General.

(a) The standard provisions of the security instruments utilized by the Rural Utilities Service (RUS) and the Rural Telephone Bank (RTB) for all telecommunications borrowers require borrowers to at all times keep and safely preserve, proper books, records, and accounts in which full and true entries will be made of all of the dealings, business, and affairs of the borrower in accordance with the methods and principles of accounting prescribed by the state regulatory body having jurisdiction over the borrower and by the Federal Communications Commission (FCC) in its Uniform System of Accounts for telecommunications companies (47 CFR part 32), as those methods and principles of accounting are supplemented from time to time by RUS.

(b) This subpart implements those standard provisions of the RUS and RTB security instruments by prescribing accounting principles, methodologies, and procedures applicable to all telecommunications borrowers for particular situations.

§ 1770.27 Definitions.

As used in this part:

Borrower is an RUS telecommunications borrower.

Cushion of Credit Account is a 5 percent interest bearing account established by RUS in which all voluntary payments or overpayments on Rural Electric and Telephone Revolving Funds after October 1, 1987, are deposited.

FCC is the Federal Communications Commission.

Part 32 is 47 CFR Part 32, Uniform System of Accounts, issued by the Federal Communications Commission.

RAO is the Responsible Accounting Officer of the Federal Communications Commission.

RE Act is the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.).

RETRF is the Rural Electric and Telephone Revolving Fund.

RTB is the Rural Telephone Bank.

RUS is the Rural Utilities Service, an agency of the United States Department of Agriculture, or its predecessor or successor.

§ 1770.28—1770.45 [Reserved]

Appendix to Subpart C—Accounting Methods and Procedures Required of All Borrowers

All borrowers shall maintain and keep their books of accounts and all other books and records which support the entries in such books of accounts in accordance with the accounting principles prescribed in this appendix.

Numerical Index

Number and Title

101 *Postretirement Benefits*

A. Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions (Statement No. 106), requires reporting entities to accrue the expected cost of postretirement benefits during the years the employee provides service to the entity. For purposes of applying the provisions of Statement No. 106, members of the board of directors are considered to be employees of the cooperative. Prior to the issuance of Statement No. 106, most reporting entities accounted for postretirement benefit costs on a ''pay-as-you-go'' basis; that is, costs were recognized when paid, not when the employee provided service to the entity in exchange for the benefits. (Statement 106 is available from the Financial Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, CT. 06856–5116.)

B. As defined in Statement No. 106, a postretirement benefit plan is a deferred compensation arrangement in which an employer promises to exchange future benefits for an employee's current services. Postretirement benefit plans may be funded or unfunded. Postretirement benefits include, but are not limited to, health care, life insurance, tuition assistance, day care, legal services, and housing subsidies provided outside of a pension plan.

C. Statement No. 106 applies to both written plans and to plans whose existence is implied from a practice of paying postretirement benefits. An employer's practice of providing postretirement benefits to selected employees under individual contracts with specific terms determined on a employee-by-employee basis does not, however, constitute a postretirement benefit plan under the provisions of this statement.

D. Postretirement benefit plans generally fall into three categories: single-employer defined benefit plans, multiemployer plans, and multiple-employer plans.

E. A single-employer plan is a postretirement benefit plan that is maintained by one employer. The term may also be applied to a plan that is maintained by related parties such as a parent and its subsidiaries. A multiemployer plan is a postretirement benefit plan in which two or more unrelated employers contribute, usually pursuant to one or more collective-bargaining agreements. One characteristic of a multiemployer plan is that the assets contributed by one participating employer may be used to provide benefits to employees of other participating employers since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer.

F. A multiple-employer plan is a postretirement benefit plan that is maintained by more than one employer but is not a multiemployer plan. A multiple-employer plan is generally not collectively bargained and is intended to allow participating employers to pool their plan assets for investment purposes and reduce the cost of plan administration. A multiple-employer plan maintains separate accounts for each employer so that contributions provide benefits only for employees of the contributing employer.

G. The accounting requirements set forth in this interpretation focus on single- and multiple-employer plans. The accounting requirements set forth in Statement No. 106 for multiemployer plans or defined contribution plans shall be adopted for borrowers electing those types of plans.

H. Under the provisions of Statement No. 106, there are two components of the postretirement benefit cost: the current period cost and the transition obligation. The transition obligation is a one-time accrual of the costs resulting from services already provided. Statement No. 106 allows the transition obligation to be deferred and amortized on a straight-line basis over the average remaining service period of the active employees. If the average remaining service period of the active employees is less than 20 years, a 20-year amortization period may be used.

I. Accounting Requirements

A. All borrowers shall adopt the accrual accounting provisions and reporting requirements as set forth in Statement No. 106. The transition obligation and accrual of the current period cost must be based upon an actuarial study. This study must be updated to allow the borrower to comply with the measurement date requirements of Statement No. 106; however, the study must, at a minimum, be updated every five years. Borrowers may not account for postretirement benefits on a ''pay-as-you-go'' basis.

B. Under the provisions of Statement No. 106, an entity may recognize the transition obligation, in its entirety, when Statement No. 106 is first adopted or the entity may elect to delay the recognition of the transition obligation. On December 26, 1991, however, the FCC issued 6 FCC Rcd 7560, which requires telecommunications carriers to recognize the transition obligation on a delayed basis. RUS reviewed this issuance and has determined that borrowers must comply with this ruling and recognize the transition obligation on a delayed basis.

C. The deferral and amortization of the transition obligation on a delayed basis is considered to be an off balance sheet item. As a result, an accounting entry is not required at the time of adoption of Statement No. 106. Instead, the transition obligation is recognized as a component of postretirement benefit cost as it is amortized. The amount of the unamortized transition obligation must be disclosed in the notes to the financial statements.

D. In accordance with the provisions of Responsible Accounting Officer (RAO) Letter 20, released by the FCC on April 24, 1992, Account 4310, Other Long-Term Liabilities, shall be used to record the liability accrued for postretirement benefits. (RAO Letter 20 is available from the Federal Communications Commission, 1919 M Street, NW., Washington, DC 20554.) Borrowers shall credit this account for the net periodic cost of postretirement benefits for the current year and shall debit this account for any fund payments made during the current year.

E. Net periodic postretirement benefit cost includes current period service cost, interest cost, return on plan assets, amortization of prior service cost, gains and losses, and amortization of the transition obligation. If fund payments create a debit balance in the postretirement benefits portion of Account 4310, the debit balance applicable to postretirement benefits shall be reported in Account 1410, Other Noncurrent Assets. Account 1410 shall also be used to record any prepaid postretirement benefit cost.

F. The benefits portion of the expense matrix for the appropriate Part 32 expense accounts shall be used to record the current period service cost component of the current year's net periodic postretirement benefit cost. The interest cost component, return on plan assets, amortization of prior service cost, gains and losses, and amortization of the transition obligation shall be charged to the benefits portion of the expense matrix of Account 6728, Other General and Administrative.

II. Effective Date and Implementation

A. For plans outside the United States and for defined benefit plans of employers that (a) are nonpublic enterprises and (b) sponsor defined benefit postretirement plans with no more than 500 plan participants in the aggregate, Statement No. 106 is effective for fiscal years beginning after December 15, 1994. For all other plans, Statement No. 106 is effective for fiscal years beginning after December 15, 1992.

102 *Rural Telephone Bank Stock*

A. Capital stock issued by the Rural Telephone Bank consists of Class A, Class B, and Class C stock. Class A stock is issued only to the Administrator of RUS on behalf of the United States in exchange for capital furnished to RTB.

B. Class B stock is issued only to recipients of loans under Section 408 of the Rural Electrification Act (RE Act). Borrowers receiving loan funds pursuant to Section 408(a) (1) or (2) of the RE Act are required to invest 5 percent of the amount of loan funds approved in Class B stock. No dividends are payable on Class B stock. All holders of Class B stock are entitled to patronage refunds in the form of Class B stock under the terms and conditions specified in the bylaws of the RTB.

C. Class C stock is available for purchase by borrowers, corporations, and public bodies eligible to borrow under Section 408 of the RE Act, or by organizations controlled by such borrowers, corporations and public bodies. The payment of dividends is in accordance with the bylaws of the RTB.

Accounting Requirements

A. The purchase of RTB stock required by the RE Act shall be debited to Account 1402.1, Investments in Nonaffiliated Companies—Class B RTB Stock. Patronage refunds in the form of additional shares of RTB Class B Stock shall be debited to Account 1402.1 and credited to Account 1402.11, Investments in Nonaffiliated Companies—Class B RTB Stock—Cr.

B. Purchases of Class C RTB stock shall be debited to Account 1402.2, Investments in Nonaffiliated Companies—Class C RTB Stock. Cash dividends received on Class C RTB stock shall be credited to Account 7310, Dividend Income.

C. Once a borrower has repaid all of its RTB loans, it may request that its Class B stock be converted to Class C stock. When the conversion is made, Account 1402.2 shall be debited and Account 1402.1 shall be credited for the face value of the stock converted. Account 1402.21, Investments in Nonaffiliated Companies—Class C RTB Stock—Cr., shall be credited and Account 1402.11 shall be debited for the face value of the Class B stock that has been received as patronage refunds.

103 *Cushion of Credit Investments*

A. The RUS Cushion of Credit account is an investment account bearing an interest rate of 5 percent. All voluntary payments or overpayments on Rural Electric and Telephone Revolving Fund (RETRF) loans made after October 1, 1987, are deposited into this account in the appropriate borrower's name.

Accounting Requirements

A. The following journal entries shall be used by RUS borrowers to record the transactions associated with cushion of credit payment:

1. Dr. 4210.18, RUS Notes—Advance Payments, Dr. Cr. 1130.1/1120.11, Cash—General Fund. To record the cushion of credit payment.
2. Dr. 4210.18, RUS Notes—Advance Payments, Dr. Cr. 7320/7300.2, Interest Income. To record interest earned on cushion of credit deposits.
3. Dr. 4210.12, RUS Notes, Cr. 4210.18, RUS Notes—Advance Payments, Dr. To apply cushion of credit payments (and interest) to the RUS note.

104 *Rural Economic Development Loan and Grant Program*

A. On December 21, 1987, Section 313, Cushion of Credit Payments Program (7 U.S.C. 901 et seq.), was added to the RE Act. Section 313 establishes a Rural Economic Development Subaccount and authorizes the Administrator of the RUS to provide zero interest loans or grants to RE Act borrowers for the purpose of promoting rural economic development and job creation projects. Effective December 5, 1994, this authority was assigned to the Administrator, Rural Business and Cooperative Development Service.

B. 7 CFR part 1703, Subpart B, Rural Economic Development Loan and Grant Program, sets forth the policies and procedures relating to the zero interest loan program and for approving and administering grants.

Accounting Requirements

A. The accounting journal entries required to record the transactions associated with a Rural Economic Development grant are as follows:

1. Dr. 1130.4/1120.14, Cash—General Fund—Economic Development Grant Funds. Cr. 4210.25, RUS Notes—Economic Development Grant; Cr. 4540.41, Other Capital—Miscellaneous; or Cr. 7360/7300.6, Other Nonoperating Income. To record grant funds disbursed by RUS. If the grant agreement requires repayment of the funds upon termination of the revolving loan program, Account 4210.25 shall be credited. If the grant agreement states that there is absolutely no obligation for repayment upon termination of the revolving loan program, the funds shall be accounted for as a permanent infusion of capital by crediting Account 4540.41. If, however, the grant agreement is silent as to the final disposition of the grant funds, Account 7360/7300.6 shall be credited.
2. Dr. 1401.1, Other Investments in Affiliated Companies—Federal Economic Development Grant Loans or Dr. 1402.4, Other Investments in Nonaffiliated Companies—Federal Economic Development Grant Loans Cr. 1130.4/1120.14, Cash—General Fund—Economic Development Grant Funds. To record a Federal revolving loan to an economic development project.

3. Dr. 1130.1/1120.11, Cash—General Fund. Cr. 7360/7300.6, Other Nonoperating Income. To record payment of loan servicing fees charged to the economic development project.
4. Dr. 1130.5/1120.15, Cash—General Fund—Economic Development Non-Federal Revolving Funds. Cr. 1401.1, Other Investments in Affiliated Companies —Federal Economic Development Grant Loans or Cr. 1402.4, Other Investments in Nonaffiliated Companies—Federal Economic Development Grant Loans. To record the repayment, by the project, of the Federal revolving loan.
5. Dr. 1401.2, Other Investments in Affiliated Companies—Non-Federal Economic Development Grant Loans or Dr. 1402.5, Other Investments in Nonaffiliated Companies—Non-Federal Economic Development Grant Loans. Cr. 1130.5/1120.15, Cash—General Fund—Economic Development Non-Federal Revolving Funds. To record a Non-Federal revolving loan to an economic development project.
6. Dr. 1210, Interest and Dividends Receivable Cr. 7320/7300.2, Interest Income. To record the interest earned on a Non-Federal revolving loan to an economic development project.
7. Dr. 1130.5/1120.15, Cash—General Fund—Economic Development Non-Federal Revolving Funds. CR. 1401.2, Other Investments in Affiliated Companies—Non-Federal Economic Development Grant Loans or Cr. 1402.5, Other Investments in Nonaffiliated Companies—Non-Federal Economic Development Grant Loans. To record the repayment, by the project, of the Non-Federal revolving loan.

B. The accounting journal entries required to record the transactions associated with a Rural Economic Development loan are as follows:

1. Dr. 4210.26, Economic Development Notes—Unadvanced, Fr. Cr. 4210.25, Economic Development Notes. To record the contractual obligation to RUS for the Economic Development Notes.
2. Dr. 1130.6/1120.16, Cash—General Fund—Economic Development Loan Funds Cr. 4210.26, Economic Development Notes—Unadvanced, Dr. To record the receipt of the economic development loan funds.
3. Dr. 1401.3, Other Investments in Affiliated Companies—Federal Econmic Development Loans or Dr. 1402.6, Other Investments in Nonaffilitated Companies—Federal Economic Development Loans. Cr. 1130.6/1120.16, Cash—General Fund—Ecoomice Development Loan Funds. To record the discursement of economci development loand funds to the project.
4. Dr. 1130.1/1120.11, Cash—General Fund. Cr. 7360/7300.6, Other Nonoperating Income. To record payment of loan servicing fees charged to the economic development project.
5. Dr. 1210, Interest and Dividends Receivable Cr. 7320/7300.2, Interest Income. To record the interest earned on the investment of rural economic development loan funds.
6. Dr. 7370, Special Charges. Cr. 1130.1, Cash—General Funds. To record the payment of interest earned in excess of $500 on the investment of rural economic development loan funds. Note: Interest earned in excess of $500 must be used for the rural economic development project for which the loan funds were received or returned to RUS.
7. Dr. 1130.6/1120.16, Cash—General Fund—Economic Development Loan Funds. Cr. 1401.3, Other Investments in Affiliated Companies—Federal Economic Development Loans or Cr. 1402.6, Other Investments in Nonaffiliated Companies—Federal Economic Development Loans. To record repayment, by the project, of the economic development loan.
8. Dr. 4210.25, Economic Development Notes. Cr. 1130.6/1120.16, Cash—General Fund—Economic Development Loan Funds. To record the repayment, to RUS, of the economic development loan funds.

105 *Satellite and Cable Television Services*

A. Many RUS borrowers have become involved in providing either satellite or cable television services to their members and others through subsidiaries, joint ventures, or as segments of their current operations.

Accounting Requirements

A. This section outlines the accounting to be followed when recording transactions involving satellite or cable television services.

1. Separate Subsidiary. If a borrower provides satellite or cable television services through a separate subsidiary, the investment in the subsidiary shall be debited to Account 1401, Investments in Affiliated Companies. The net income or loss of the subsidiary shall be debited or credited to Account 1401, as appropriate, with an offsetting entry to Account 7360, Other Nonoperating Income.

2. *Joint Venture.* i. If a borrower provides satellite or cable television services through a joint venture, the borrower's ownership interest dictates the accounting methodology. If the borrower has less than a 20 percent ownership interest in the joint venture, the investment is accounted for under the cost method of accounting in Account 1402, Investments in Nonaffiliated Companies. Under the cost method, the joint venture's net income or loss is not recorded in the borrower's records. Income is recognized only to the extent of any dividends declared by the joint venture. When a dividend is declared, the borrower shall debit Account 1210, Interest and Dividends Receivable, and credit Account 7310, Dividend Income. When the dividend is received in cash, the borrower shall debit Account 1130.1, Cash—General Fund, and credit Account 1210.

ii. If a borrower has a 20-percent or more ownership interest in the joint venture, the investment is accounted for under the equity method in Account 1401, Investments in Affiliated Companies. The borrower's proportionate share of the joint venture's net income or loss shall be debited or credited to Account 1401, as appropriate, with an offsetting entry to Account 7360, Other Nonoperating Income.

3. *Segment of Current Operations.* i. If a borrower provides satellite or cable television service as a segment of its current operations and there are no shared assets between this activity and the regulated telecommunications activities of the borrower, the investment shall be debited to Account 1406.1, Nonregulated Investments—Permanent Investment. The net income or loss from providing such service shall be debited or credited, as appropriate, to Account 1406.3, Nonregulated Investments—Current Net Income, with an offsetting entry to Account 7990, Nonregulated Net Income.

ii. If a borrower provides satellite or cable television service as a segment of current operations and shares assets between this activity and the regulated telecommunications activities of the borrower, the franchise and application fees shall be debited to a subaccount of Account 2690, Intangibles. The cost of the satellite or cable television equipment shall be debited to a subaccount of Account 2231, Radio Systems. Revenues earned from providing satellite or cable service shall be credited to Account 5280, Nonregulated Operating Revenue, while the associated expenses shall be recorded in a subaccount of the applicable regulated expense accounts.

4. *Sale and Installation of Satellite or Cable Television Equipment.* i. If a borrower sells or installs satellite or cable television equipment as a segment of its current operations and there are no shared assets between this activity and the regulated telecommunications activities of the borrower, the purchase of the equipment shall be debited to Account 1406.1, Nonregulated Investments—Permanent Investment. The net income or loss from providing such services shall be debited or credited, as appropriate, to Account 1406.3, Nonregulated Investments—Current Net Income, with an offsetting entry to Account 7990, Nonregulated Net Income.

ii. If a borrower sells or installs satellite or cable television equipment as a segment of its current operations and shares assets between this activity and the regulated telecommunications activities of the borrower, the purchase of the equipment shall be debited to Account 1220.2, Property Held for Sale or Lease. Revenues received for the sale or installation of the equipment shall be credited to Account 5280, Nonregulated Operating Revenue, while the associated expenses shall be debited to a subaccount of the applicable regulated expense accounts.

106 *Consolidated Financial Statements*

A. In October 1987, FASB issued Statement of Financial Accounting Standards No. 94, Consolidation of All Majority-Owned Subsidiaries (Statement No. 94). (Statement 94 is available from the Financial Accounting Standards Board, 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856–5116.) For purposes of reporting to RUS, Statement No. 94 shall be applied as follows:

1. A borrower that is a subsidiary of another entity shall prepare and submit to RUS separate financial statements even though this financial information is presented in the parent's consolidated statements.

2. In those cases in which a borrower has a majority-ownership in a subsidiary, the borrower shall prepare consolidated financial statements in accordance with the requirements of Statement No. 94. These consolidated statements must also include supplementary schedules presenting a Balance Sheet and Income Statement for each majority-owned subsidiary included in the consolidated statements.

B. Although Statement No. 94 requires the consolidation of majority-owned subsidiaries, the RUS Form 479, Financial and Statistical Report for Telecommunications Borrowers, shall be prepared on an unconsolidated basis by all borrowers.

Dated: July 17, 1996.

Jill Long Thompson,

Under Secretary, Rural Development.

[FR Doc. 96–18806 Filed 7–30–96; 8:45 am]

BILLING CODE 3410–15–P

Rural Housing Service

Rural Business-Cooperative Service

Rural Utilities Service

Farm Service Agency

7 CFR Parts 1940, 1944 and 1965

Repeal of Certain Lobbyist Disclosure Provisions

AGENCIES: Rural Housing Service, Rural Business-Cooperative Service, Rural Utilities Service, and Farm Service Agency, USDA.

ACTION: Final rule.

SUMMARY: The Rural Housing Service (RHS) (formerly Rural Housing and Community Development Service (RHCDS)) is removing its regulations on ''Accountability Requirements of Persons Paid to Influence the Making of an RHCDS Housing Loan and/or Grant,'' due to the repeal of the statutory reporting and registration requirements (§ 24 of Pub. L. 104–65). The intended outcome is to remove imposed registration and reporting requirements on any person engaged for pay or for any consideration for the purpose of attempting to influence the making of a RHS loan or grant, and removes the limitation of fees a person may charge for this service.

EFFECTIVE DATE: July 31, 1996.

FOR FURTHER INFORMATION CONTACT: Cynthia L. Reese-Foxworth, Loan Specialist, Rural Rental Housing Branch, Multi-Family Housing Processing Division, Rural Housing Service, U.S. Department of Agriculture, AgBox 0781, Washington, DC 20250–0700; telephone (202) 720–1604 (this is not a toll free number).

SUPPLEMENTARY INFORMATION:

Classification

This action is not subject to the provisions of Executive Order 12866 since it only involves internal agency management. Since this rule relates only to Public Law (Pub. L.) 104–65, which repeals the reporting and registration requirements of 7 CFR part 1940, subpart S, this action is not published for proposed rulemaking. Therefore, publication for advance notice and comment is unnecessary and contrary to the public interest.

Paperwork Reduction Act

The information collection requirements contained in this regulation have been previously approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. chapter 35 and has been assigned OMB control number 0575–0139 in accordance with the Paperwork Reduction Act of 1980 (44 U.S.C. 3507).

Environmental Impact Statement

This document has been reviewed in accordance with 7 CFR part 1940, subpart G, ''Environmental Program.'' It is the determination of RHS that this action does not constitute a major Federal action significantly affecting the quality of the human environment, and in accordance with the National Environmental Policy Act of 1969, Pub. L. 91–190, an Environmental Impact Statement is not required.

National Performance Review

This regulatory action is being taken as part of the National Performance Review program to eliminate unnecessary regulations and improve those that remain in force.

Unfunded Mandate Reform Act of 1995

Title II of the Unfunded Mandate Reform Act of 1995 (UMRA), Pub. L. 104–4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. Under section 202 of the UMRA, RHS generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules, with ''Federal mandates'' that may result in expenditures to State, local, or tribal governments, in the aggregate, or to the private sector, of $100 million or more in any one year. When such a statement is needed for a rule, section 205 of the UMRA generally requires RHS to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, more cost-effective or least burdensome alternative that achieves the objectives of the rule.

This rule contains no Federal mandates (under the regulatory provisions of Title II of the UMRA) for State, local, and tribal governments or the private sector. Thus today's rule is not subject to the requirements of section 202 and 205 of the UMRA.

Intergovernmental Consultation

This activity is not subject to Executive Order (EO) 12372 which requires intergovernmental consultation with State and local officials and is not listed in the Catalog of Federal Domestic Assistance, however, affected programs 10.415, 10.420, and 10.433 are subject to the provisions of EO 12372.

Program Affected

These programs or activities are listed in the Catalog of Federal Domestic Assistance under the following numbers:

10.405 Farm Labor Housing Loans and Grants
10.410 Very Low to Moderate Income Housing Loans
10.415 Rural Rental Housing Loans
10.417 Very Low-Income Housing Repair Loans and Grants
10.420 Rural Self-Help Housing Technical Assistance
10.433 Rural Housing Preservation Grants
10.442 Housing Application Packaging Grants

Discussion of Final Rule

7 CFR part 1940, subpart S implemented § 401(A) of the Housing and Urban Development Reform Act of 1989, Pub. L. 101–235, (December 15, 1989) (''HUD Reform Act''), which added § 536(d) to the Housing Act of 1949. Pursuant to § 24 of Pub. L. 104–65 (December 19, 1995), § 536(d) of the Housing Act of 1949 was repealed effective January 1, 1996. Therefore, 7 CFR part 1940, subpart S, ''Accountability Requirements of Persons Paid to Influence the Making of an RHCDS Housing Loan and/or Grant'', is being removed. However, all requirements found in FmHA Instruction 1940–Q, ''Restrictions on Lobbying,'' will still apply even though subpart S is deleted because FmHA Instruction 1940–Q contains the Department's lobbying regulations published in 7 CFR part 3018. Copies of FmHA Instruction 1940–Q are available in all Rural Development offices. Some