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DEPARTMENT OF AGRICULTURE

Rural Housing Service

Rural Business-Cooperative Service

Rural Utilities Service

Farm Service Agency

7 CFR Parts 1901, 1951, and 4284

RIN 0570-AA20

Rural Cooperative Development Grants

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

ACTION: Final rule.

SUMMARY: The Rural Business-Cooperative Service (RBS) revises its regulations published previously under Rural Technology and Cooperative Development Grants (RTCDG). This action is necessary to comply with the Federal Agriculture Improvement and Reform Act of 1996 (the 1996 Act) (Pub. L. 104-127), which removed "technology" from RTCDG, thereby directing the focus of the program specifically to cooperative development. The 1996 Act also clarified that public bodies were not eligible applicants, and modified application requirements and applicant selection criteria. This action will comply with legislation which authorizes grants for establishing and operating centers for rural cooperative development. Exhibit A will be removed since it contains administrative material. The intended effect of this action is to improve the economic condition of rural areas through cooperative development.

EFFECTIVE DATE: August 7, 1997.

FOR FURTHER INFORMATION CONTACT: James E. Haskell, Assistant Deputy Administrator, Cooperative Services, Rural Business-Cooperative Service, U.S. Department of Agriculture, Stop

3250, Room 4016, South Agriculture Building, 1400 Independence Avenue, SW., Washington, DC 20250. Telephone (202) 720-8460.

SUPPLEMENTARY INFORMATION:

Classification

We are issuing this final rule in conformance with Executive Order 12866. The Office of Management and Budget has determined that it is not a "significant regulatory action."

Environmental Impact Statement

This document has been reviewed in accordance with 7 CFR part 1940, subpart G, "Environmental Program." RBS has determined 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, Public Law 91-190, an Environmental Impact Statement is not required.

Executive Order 12988

This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. In accordance with this rule: (1) All state and local laws and regulations that are in conflict with this rule will be preempted; (2) no retroactive effect will be given to this rule; and (3) administrative proceedings in accordance with the regulations of the Agency at 7 CFR part 11, must be exhausted before bringing suit in court challenging action taken under this rule unless these regulations specifically allow bringing suit at an earlier time.

Intergovernmental Review

This program is listed in the Catalog of Federal Domestic Assistance under number 10.771 and is subject to the provisions of Executive Order 12372, which requires intergovernmental consultation with state and local officials. RBS has conducted intergovernmental consultation in the manner delineated in RD Instruction 1940-J.

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 Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Public Law 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, RBS 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 RBS 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 this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

Regulatory Flexibility Act

The undersigned has determined and certified by signature of this document that this rule will not have a significant economic impact on a substantial number of small entities since this rulemaking action does not involve a new or expanded program. The removal of "technology" from RTCDG substantially narrows the scope of this program. No provision of this rule requires action on the part of small businesses not required of large businesses. This rule requires no action on the part of any applicant not previously required by an applicant. Therefore, a Regulatory Impact Analysis was not completed.

Paperwork Reduction Act

The information collection and recordkeeping requirements contained in this regulation were previously approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. chapter 35 and were assigned OMB control number 0570-0006, in accordance with the Paperwork Reduction Act of 1995. Under the Paperwork Reduction Act of 1995, no

persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number assigned to the collection of information in these final regulations is displayed at the end of the affected section of the regulations. This final rule does not impose any new information or recordkeeping requirements from those approved by OMB.

Background

The RTCDG program was established by rule on August 12, 1994, (59 FR 41386-98) and was authorized by section 310B(f) through (h) of the Consolidated Farm and Rural Development Act (7 U.S.C. § 1932). The 1996 Act removed "technology" from RTCDG, thereby directing the focus of the program specifically to cooperative development. The 1996 Act also clarified that public bodies were not eligible applicants, and modified application requirements and applicant selection criteria. The primary objective of the Rural Cooperative Development Grant (RCDG) program is to improve the economic condition of rural areas through cooperative development. The program is administered through Rural Development State Offices acting on behalf of RBS. RBS is one of the successors of the Rural Development Administration pursuant to the Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354).

Discussion of Public Comments

RBS published a proposed rule in the **Federal Register** on March 26, 1997, (62 FR 14354) and asked for comments on or before April 25, 1997. The Agency received a total of eight comments. The commenters represented the National Cooperative Business Association, Rocky Mountain Farmers Union, North Dakota Association of Rural Electric Cooperatives and North Dakota Association of Telephone Cooperatives, the Federation of Southern Cooperatives/Land Assistance Fund (two commenters), North Dakota State University, Washington State University, and the North Dakota Farmers Union. One respondent did not comment directly on the proposed rule but, instead strongly supported the comments submitted by another commenter.

Six respondents were concerned about the definition of "cooperative development" under § 4284.504 which includes the language " * * * promote the development of new services and products * * * new processes * * * or new enterprises * * *". The

respondents felt this definition should be clarified to indicate that the activities undertaken by a cooperative need not be completely different from those undertaken by other cooperatives. They also felt this definition should more clearly define activities involved in cooperative development, including technical assistance and development of business plans. The agency agrees with these comments and has changed the definition of "cooperative development" accordingly.

Several respondents suggested that under § 4284.516, which provides that grant funds may not be used to duplicate current services or replace or substitute support previously provided, may preclude centers from working on projects already underway. The agency understands and appreciates this concern and the fact that cooperative development is a long term process. The intent of the wording in this section is not to preclude centers from working on projects already underway. The agency did not modify this section, but will remain cognizant of the respondents' concern.

Most of the respondents felt the definition of "project" under § 4284.504 was ambiguous in drawing a distinction between what a center is and what a project is. A few of these respondents suggested that the definition should clarify that a center does projects and uses federal funds to engage in those projects. The agency agrees, and has modified the definition of "project" to provide that clarity. The clarification is also used under § 4284.527(e) to change from grant to project.

Five respondents suggested that the provisions addressing grant purposes under § 4284.515 should be clarified to indicate that eligible activities of centers assisted under the program must be linked to the development of cooperatives. Four of these respondents further suggested that each provision (a through e) should end with the words "for the purpose of cooperative development" after the word "center." While the agency feels the proposed rule is adequate in focusing the program on cooperative development, it has modified § 4284.515 in the manner suggested.

The provision requiring applicants to file a "Request for Environmental Information" under § 4284.527(b)(3) for each project identified in their plans that involve grants to provide financial assistance to third-party recipients drew comments from six respondents. They felt the provision was unduly burdensome for applicants because cooperative development projects have potential impacts in many areas so the

cost of gathering such information to complete this form would greatly exceed any possible benefits. The agency feels the information contained in the "Request for Environmental Information" is legally required and therefore § 4284.527(b)(3) has been retained in the final rule.

Six respondents felt the provision requiring applicants to collect evidence of support from each affected governmental unit under the preapplications portion of § 4284.528(a)(2)(v) is unduly burdensome for applicants. This rule was not amended because all affected governmental bodies should be on record as supporting the project. The time spent documenting this support will be worth the time spent in order to avoid misunderstandings later.

Two respondents thought the selection criteria under § 4284.540 were satisfactory. Other respondents did not comment on this section.

One respondent did not comment on any of the provisions in the proposed rule, but instead requested information about the program.

The provision addressing subsequent grants under § 4284.574 received comments from five respondents. Each suggested the provision be clarified to state that a second application need not be filed for assistance under the program to be awarded for the following year. The agency did not modify this provision since it currently states that, "If it is determined to be in the best interests of the program, preference may be given to a project or projects for an additional grant in the immediately succeeding year."

A definition for "regionally operated" has been added and definitions for "Urbanized area" and "Urbanizing area" have been slightly modified to make them consistent with "Rural and rural area."

Internal management procedures have been removed from the regulations but will appear in internal agency instructions.

Pursuant to the Administrative Procedure Act, 5 U.S.C. 553, good cause is found for making this final rule effective less than 30 days after publication of this document in the **Federal Register** because the appropriations allocated to the program must be expended before the end of Fiscal Year 1997, and there is a critical need—recognized by both the Executive and Legislative Branches—to immediately assist rural America through the development of self-help cooperative organizations.

List of Subjects**7 CFR Part 1901**

Civil rights, Compliance reviews, Fair housing, Minority groups.

7 CFR Part 1951

Account servicing, Grant programs—Housing and community development, Reporting requirements, Rural areas.

7 CFR Part 4284

Business and industry, Grant programs—Housing and community development, Rural areas.

Accordingly, chapters XVIII and XLII, title 7, Code of Federal Regulations, are amended as follows:

PART 1901—PROGRAM-RELATED INSTRUCTIONS

1. The authority citation for part 1901, subpart E, continues to read as follows:

Authority: 5 U.S.C. 301, 7 U.S.C. 1989, 40 U.S.C. 442, 42 U.S.C. 1480, 42 U.S.C. 2942.

Subpart E—Civil Rights Compliance Requirements *C***§ 1901.204 [Amended]**

2. Section 1901.204 is amended in paragraph (a)(27) by removing the words "Technology and."

PART 1951—SERVICING AND COLLECTIONS

3. The authority citation for part 1951 continues to read as follows:

Authority: 5 U.S.C. 301, 7 U.S.C. 1989, 42 U.S.C. 1480.

Subpart E—[Revised]

4. The title of subpart E is amended by revising the word "Insured" to read "Direct."

§ 1951.201 [Amended]

5. Section 1951.201 is amended in the first sentence by revising the word "Insured" to read "Direct" and by revising the words "Rural Technology and" to read "Rural."

PART 4284—GRANTS

6. The authority citation for part 4284 continues to read as follows:

Authority: 5 U.S.C. 301, 7 U.S.C. 1989, 16 U.S.C. 1005.

Subpart F—Rural Cooperative Development Grants

7. Part 4284, subpart F is revised to read as follows:

Subpart F—Rural Cooperative Development Grants**Table of Contents****Sec.**

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4284.515	Grant purposes.
4284.516	Ineligible grant purposes.
4284.517—4284.526	[Reserved]
4284.527	Other considerations.
4284.528	Application processing.
4284.529—4284.539	[Reserved]
4284.540	Grant selection criteria.
4284.541	Grant approval, fund obligation, grant closing, and third-party financial assistance.
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4284.557	Fund disbursement.
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4284.571	Audit requirements.
4284.572	Grant servicing.
4284.573	Programmatic changes.
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4284.576—4284.586	[Reserved]
4284.587	Exception authority.
4284.588—4284.599	[Reserved]
4284.600	OMB control number.

Subpart F—Rural Cooperative Development Grants**§ 4284.501 Purpose.**

(a) This subpart outlines the Rural Business-Cooperative Service's (RBS) policies and authorizations and contains procedures to provide grants for cooperative development in rural areas.

(b) Grants will be made available to nonprofit corporations and institutions of higher education for the purpose of establishing and operating centers for rural cooperative development.

(c) Copies of all forms and Instructions referenced in this subpart are available in the RBS National Office or any Rural Development State Office.

§ 4284.502 Policy.

The grant program will be used to facilitate the creation or retention of jobs in rural areas through the development of new rural cooperatives, value-added processing, and rural businesses.

§ 4284.503 [Reserved]**§ 4284.504 Definitions.**

Agency—Rural Business-Cooperative Service (RBS) or a successor agency.

Approval official—Any authorized agency official.

Center—The entity established or operated by the grantee for rural cooperative development.

Cooperative—A user-owned and controlled business from which benefits

are derived and distributed equitably on the basis of use.

Cooperative development—The startup, expansion, or operational improvement of a cooperative to promote development in rural areas of services and products, processes that can be used in the production of products, or enterprises that can add value to on-farm production through processing or marketing activities. Development activities may include, but are not limited to, technical assistance, research services, educational services, and advisory services. Operational improvement includes making the cooperative more efficient or better managed.

Economic development—The growth of an area as evidenced by increases in total income, employment opportunities, decreased outmigration of populations, value of production, increased diversification of industry, higher labor force participation rates, increased duration of employment, higher wage levels, or gains in other measurements of economic activity, such as land values.

Nonprofit institution—Any organization or institution, including an accredited institution of higher education, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

Project—A planned undertaking by a center which utilizes the funds provided to it to promote economic development in rural areas through the creation and enhancement of cooperatives.

Public body—Any state, county, city, township, incorporated town or village, borough, authority, district, economic development authority, or Indian tribe on federal or state reservations or other federally recognized Indian tribe in rural areas.

RBS—The Rural Business-Cooperative Service, an agency of the United States Department of Agriculture, or a successor agency.

Regionally operated—A regionally operated program includes programs that cover or are eligible to cover two or more counties.

Rural and rural area—Includes all territory of a state that is not within the outer boundary of any city having a population of 50,000 or more and its immediately adjacent urbanized and urbanizing areas.

Rural Development—Rural Development mission area.

Servicing office—Any Rural Development State Office.

State—Any of the 50 States, the District of Columbia, the

Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

Subcenter—A unit of a center acting under the same direction as and having a purpose consistent with that of the center.

Urbanized area—An area immediately adjacent to a city having a population of 50,000 or more with a population density of more than 100 persons per square mile, as determined by the Secretary of Agriculture according to the latest decennial census of the United States which, for general social and economic purposes, constitutes a single community and has a boundary contiguous with that of the city. Such community may be incorporated or unincorporated to extend from the contiguous boundaries to recognizable open country, less densely settled areas, or natural boundaries such as forests or water. Minor open spaces such as airports, industrial sites, recreational facilities, or public parks shall be disregarded. Outer boundaries of an incorporated community extend at least to its legal boundaries. Cities which may have a contiguous border with another city, but are located across a river from such city, are recognized as a separate community.

Urbanizing area—A community with a population density of more than 100 persons per square mile, as determined by the Secretary of Agriculture according to the latest decennial census of the United States, which is not now, or within the foreseeable future not likely to be, clearly separate from and independent of a city of 50,000 or more population and its immediately adjacent urbanized areas. A community is considered "separate" when it is separated from the city and its immediately adjacent urbanized area by open country, less densely settled areas, or natural barriers such as forests or water. Minor open spaces such as airports, industrial sites, recreational facilities, or public parks shall not be considered as an area to determine if a community is separate. A community is considered "independent" when its social (e.g., government, educational, health, and recreational facilities) and economic structure (e.g., business, industry, tax base, and employment opportunities) are not primarily dependent on the city and its immediately adjacent urbanized areas.

§ 4284.505 Applicant eligibility.

(a) Grants may be made to nonprofit corporations and institutions of higher education. Grants may not be made to public bodies.

(b) An outstanding judgment obtained against an applicant by the United States in a Federal Court (other than in the United States Tax Court), which has been recorded, shall cause the applicant to be ineligible to receive any grant or loan until the judgment is paid in full or otherwise satisfied. RBS grant funds may not be used to satisfy the judgment.

§§ 4284.506—4284.514 [Reserved]

§ 4284.515 Grant purposes.

Grant funds may be used to pay up to 75 percent of the costs for carrying out relevant projects. Applicant's contribution may be in cash or in-kind contribution in accordance with parts 3015 and 3019 of this title and must be from nonfederal funds except that a loan from another federal source can be used for the applicant's contribution. Grant funds may be used for, but are not limited to, the following purposes:

(a) Applied research, feasibility, environmental and other studies that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center for the purpose of cooperative development.

(b) Collection, interpretation, and dissemination of principles, facts, technical knowledge, or other information that may be useful to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center for the purpose of cooperative development.

(c) Providing training and instruction for individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center for the purpose of cooperative development.

(d) Providing loans and grants to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center for the purpose of cooperative development in accordance with this subpart.

(e) Providing technical assistance, research services, and advisory services to individuals, cooperatives, small businesses, and other similar entities in rural areas served by the center for the purpose of cooperative development.

§ 4284.516 Ineligible grant purposes.

Grant funds may not be used to:

(a) Pay more than 75 percent of relevant project or administrative costs;

(b) Duplicate current services or replace or substitute support previously provided;

(c) Pay costs of preparing the grant application package;

(d) Pay costs incurred prior to the effective date of the grant;

(e) Pay for building construction, the purchase of real estate or vehicles, improving or renovating office space, or the repair or maintenance of privately-owned property;

(f) Fund political activities; or

(g) Pay for assistance to any private business enterprise which does not have at least 51 percent ownership by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence.

§§ 4284.517—4284.526 [Reserved]

§ 4284.527 Other considerations.

(a) *Civil rights compliance requirements.* All grants made under this subpart are subject to the requirements of title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color, and national origin as outlined in part 1901, subpart E of this title. In addition, the grants made under this subpart are subject to the requirements of section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination on the basis of disability; the requirements of the Age Discrimination Act of 1975, which prohibits discrimination on the basis of age; and title III of the Americans with Disabilities Act, which prohibits discrimination on the basis of disability by private entities in places of public accommodations.

(b) *Environmental requirements*—(1) *General applicability.* Unless specifically modified by this section, the requirements of part 1940, subpart G of this title apply to this subpart. For example, the Agency's general and specific environmental policies contained in §§ 1940.303 and 1940.304 of this title must be complied with. Although the purpose of the grant program established by this subpart is to improve business, industry, and employment in rural areas, this purpose is to be achieved, to the extent practicable, without adversely affecting important environmental resources of rural areas such as important farmland and forest lands, prime rangelands, wetland, and flood plains. Prospective recipients of grants, therefore, must consider the potential environmental impacts of their applications at the earliest planning stages and develop plans and projects that minimize the potential to adversely impact on the environment.

(2) *Technical assistance.* An application for a project exclusively involving technical assistance is generally excluded from the environmental review process by § 1940.310(e)(1) of this title. However, as further specified in § 1940.333 of this title, the grantee of a technical assistance grant, in the process of providing technical assistance, must consider and generally document within their plans the potential environmental impacts of the plan and recommendations provided to the recipient of the technical assistance.

(3) *Applications for grants to provide other than technical assistance to third-party recipients.* As part of the preapplication, the applicant must provide a complete "Request for Environmental Information," for each project specifically identified in its plan to provide other than technical assistance to third parties who will undertake eligible projects with such assistance. The Agency will review the preapplication, supporting materials, and the required "Request for Environmental Information" and assess the impact of the preapplication. This assessment will focus on the potential cumulative impacts of the projects as well as any environmental concerns or problems that are associated with individual projects that can be identified at this time from the information submitted. Because the Agency's approval of this type of grant application does not constitute a commitment to the use of grant funds for any identified third-party projects (see § 4284.541), no public notification requirements will apply to the preapplication. After the grant is approved, each third-party project to be assisted under the grant will undergo the applicable environmental review and public notification requirements in part 1940, subpart G of this title prior to the Agency providing its consent to the grantee to assist the third-party project. If the preapplication reflects only one project which is specifically identified as the third-party recipient for financial assistance, the Agency may proceed directly to the appropriate environmental assessment for the third-party recipient with public notification as required. The applicant must be advised that if the recipient or project changes after the grant is approved, the project to be assisted under the grant will undergo the applicable environmental review and public notification requirements.

(c) *Government-wide debarment and suspension (non-procurement) and requirements for drug-free workplace.* Persons who are disbarred or suspended

are excluded from federal assistance and benefits including grants under this subpart. Grantees must certify that they will provide a drug-free workplace.

(d) *Restrictions on lobbying.* All grants must comply with the lobbying restrictions contained in part 3018 of this title.

(e) *Excess capacity or transfer of employment.* If a proposed project has financial assistance from all sources for more than \$1 million and will increase direct employment by more than 50 employees, the applicant will be requested to provide written support for an Agency determination that the proposal will not result in a project which is calculated to, or likely to, result in the transfer of any employment or business activity from one area to another. This limitation will not prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the expansion will not result in an increase in the unemployment in the area of original location or in any other area where such entity conducts business operations.

(f) *Management assistance.* Grant recipients will be supervised, as necessary, to ensure that projects are completed in accordance with approved plans and specifications and that funds are expended for approved purposes. Grants made under this subpart will be administered under, and are subject to, parts 3015, 3017, 3019, and 3051 of this title, as appropriate, and established RBS guidelines.

(g) *Uniform Relocation Assistance and Real Property Acquisition Policies Act.* All projects must comply with the requirements contained in part 21 of this title.

(h) *Flood or mudslide hazard area precautions.* If the grantee financed project is in a flood or mudslide area, flood or mudslide insurance must be obtained through the National Flood Insurance Program.

(i) *Termination of federal requirements.* Once the grantee has provided assistance with project loans in an amount equal to the grant provided by RBS, the requirements imposed on the grantee shall not be applicable to any new projects thereafter financed from the RCDG funds. Such new projects shall not be considered as being derived from federal funds. The purposes of such new projects, however, shall be consistent with these regulations.

(j) *Intergovernmental review.* Grant projects are subject to the provisions of Executive Order 12372 which requires intergovernmental consultation with

state and local officials. A loan fund established in whole, or in part, with grant funds will also be considered a project for the purpose of intergovernmental review as well as the specific projects funded with grant funds from the RCDG funds. For each project to be assisted with a grant under this subpart and which the state has elected to review under their intergovernmental review process, the state point of contact must be notified. Notification, in the form of a project description, can be initiated by the grantee. Any comments from the state must be included with the grantee's request to use RBS grant funds for the specific project. Prior to the RBS decision on the request, compliance with requirements of intergovernmental consultation must be demonstrated for each project. These requirements should be completed in accordance with "Intergovernmental Review of Department of Agriculture Programs and Activities," part 3015, subpart V of this title.

§4284.528 Application processing.

(a) *Preapplications.* (1) Applicants will file an original and one copy of an "Application for Federal Assistance (For Non-construction)," with the appropriate Rural Development State Office.

(2) All preapplications shall be accompanied by:

- (i) evidence of applicant's legal existence and authority to perform the proposed activities under the grant.
- (ii) the latest financial information to show the applicant's financial capacity to carry out the project. At a minimum, the information should include a balance sheet and an income statement. A current audited report is preferred where one is reasonably obtainable.
- (iii) an estimated breakdown of total costs, including costs to be funded by the applicant or other identified sources. Certification must be provided from the applicant that its matching share to the project is available and will be used for the project. The matching share must meet the requirements of parts 3015 and 3019 of this title as applicable. Certifications from an authorized representative of each source of funds must be provided indicating that funds are available and will be used for the proposed project.

(iv) a budget and description of the accounting system to be used.

(v) the area to be served, identifying within that area each governmental unit (*i.e.*, town, county, etc.) affected by the proposed project. Evidence of support and concurrence from each affected governmental unit must be provided by

either a resolution or a written statement from the chief elected local official.

(vi) a listing of cooperative businesses to be assisted or created.

(vii) applicant's experience with similar projects, including experience of key staff members and persons who will be providing the proposed services and managing the project.

(viii) the number of months duration of the project and the estimated time it will take from grant approval to beginning of service.

(ix) the method and rationale used to select the areas or businesses that will receive the service.

(x) a brief description of how the work will be performed and whether organizational staff, consultants or contractors will be used.

(xi) an evaluation method to be used by the applicant to determine if objectives of the proposed activity are being accomplished.

(xii) a brief plan that contains the following provisions and describes how the applicant will meet these provisions:

(A) A provision that substantiates how the applicant will effectively serve rural areas in the United States.

(B) A provision that the primary objective of the applicant will be to improve the economic condition of rural areas by promoting development of new cooperatives or improvement of existing cooperatives.

(C) Supporting data from established official independent sources along with any explanatory documentation.

(D) A description of the activities that the applicant will carry out to accomplish such objective.

(E) A description of the proposed activities to be funded under this subpart.

(F) A description of the contributions that the applicant's proposed activities are likely to make to the improvement of the economic conditions of the rural areas served by the applicant.

(G) Provisions that the applicant, in carrying out its activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the federal, state, and local governments.

(H) Provisions that the applicant will consult with any college or university administering Extension Service programs and cooperate with such college or university in the coordination of the center's activities and programs.

(I) Provisions that the applicant will take all practicable steps to develop continuing sources of financial support for the center, particularly from sources in the private sector.

(J) Provisions for:

(1) monitoring and evaluating its activities; and

(2) accounting for money received and expended by the applicant under this subpart.

(K) Provisions that the applicant will provide for the optimal application of cooperative development in rural areas, especially those areas adversely affected by economic conditions, such that local economic conditions can be improved through cooperative development.

(xiii) the agreement proposed to be used between the applicant and the ultimate recipients, if grant funds are to be used for the purpose of making loans or grants to individuals, cooperatives, small businesses, and other similar entities (ultimate recipients) in rural areas for eligible purposes under this subpart. This agreement should include the following:

(A) An assurance that the responsibilities of the grantee, as a recipient of grant funds under this subpart, are passed on to the ultimate recipient and the ultimate recipient understands its responsibilities to comply with the requirements contained in this subpart and parts 3015 and 3019 of this title, as applicable.

(B) Provisions that the ultimate recipient will comply with debarment and suspension requirements contained in part 3017 of this title and will execute a "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion—Lower Tier Covered Transactions."

(C) Provisions that the ultimate recipient will execute an "Equal Opportunity Agreement," and an "Assurance Agreement."

(D) Documentation that the ultimate recipient understands its responsibilities to the applicant.

(E) Documentation that the applicant understands its responsibilities in monitoring the ultimate recipient's activities under the grant and the applicant's plan for such monitoring.

(F) Documentation, when other references or sources of information are used, along with copies, if possible, that provides dates, addresses, page numbers and explanations of how interpretations are made to substantiate that such things as economically distressed conditions do exist.

(G) Narrative addressing all items in §4284.540(a) of this subpart regarding grant selection criteria.

(b) *Applications.* Upon notification that the applicant has been selected for funding, the following will be submitted to Rural Development by the applicant:

(1) Proposed scope of work, detailing the proposed activities to be

accomplished and timeframes for completion of each activity.

(2) Other information requested by RBS to make a grant award determination.

(c) *Applicant response.* If the applicant fails to submit the application and related material by the date shown on the invitation for applications, Rural Development may discontinue consideration of the preapplication.

§§ 4284.529–4284.539 [Reserved]

§ 4284.540 Grant selection criteria.

Grants will be awarded under this subpart on a competitive basis. The priorities described in this paragraph will be used by RBS to rate preapplications. RBS review of preapplications will include the complete preapplication package submitted to the Rural Development State Office. Points will be distributed according to ranking as compared with other preapplications on hand. All factors will receive equal weight with points awarded to each factor on a 5, 4, 3, 2, 1 basis depending on the applicant's ranking compared to other applicants.

(a) Preference will be given to applications that:

(1) demonstrate a proven track record in administering a nationally coordinated, regionally or State-wide operated project;

(2) demonstrate previous expertise in providing technical assistance in rural areas;

(3) demonstrate the ability to assist in the retention of business, facilitate the establishment of cooperatives and new cooperative approaches, and generate employment opportunities that will improve the economic conditions of rural areas;

(4) demonstrate the ability to create horizontal linkages among businesses within and among various sectors in rural areas of the United States and vertical linkages to domestic and international markets;

(5) commit to providing technical assistance and other services to underserved and economically distressed rural areas of the United States;

(6) commit to providing greater than a 25 percent matching contribution with private funds and in-kind contributions;

(7) evidence transferability or demonstration value to assist rural areas outside of project area; and

(8) demonstrate that any cooperative development activity is consistent with positive environmental stewardship.

(b) Each preapplication for assistance will be carefully reviewed in accordance

with the priorities established in this section. A priority rating will be assigned to each preapplication. Preapplications selected for funding will be based on the priority rating assigned each preapplication and the total funds available. All preapplications submitted for funding should contain sufficient information to permit RBS to complete a thorough priority rating.

§ 4284.541 Grant approval, fund obligation, grant closing, and third-party financial assistance.

The grantee will execute all documents required by RBS to make a grant under this subpart. By accepting the grant, the grantee agrees to comply with parts 3015 and 3019 of this title.

§§ 4284.542–4284.556 [Reserved]

§ 4284.557 Fund disbursement.

Grants will be disbursed as follows:

(a) A "Request for Advance or Reimbursement," will be completed by the applicant and submitted to Rural Development not more frequently than monthly. Payments will be made by electronic funds transfer pursuant to the Debt Collection Improvement Act of 1996 (Pub. L. 104–134).

(b) The grantee's share in the cost of the project will be disbursed in advance of grant funds or on a pro-rata distribution basis with grant funds during the disbursement period.

§ 4284.558 Reporting.

A "Financial Status Report," and a project performance activity report will be required of all grantees on a quarterly calendar basis. A final project performance report will be required with the last "Financial Status Report." The final report may serve as the last quarterly report. The final report must include a final evaluation of the project. Grantees must constantly monitor performance to ensure that time schedules are being met, projected work by time periods is being accomplished, and other performance objectives are being achieved. Grantees are to submit an original of each report to Rural Development. The project performance reports shall include, but not be limited to, the following:

(a) A comparison of actual accomplishments to the objectives established for that period;

(b) Reasons why established objectives (if any) were not met;

(c) Problems, delays, or adverse conditions which will affect attainment of overall project objectives, prevent meeting time schedules or objectives, or preclude the attainment of particular project work elements during

established time periods. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the situation; and

(d) Objectives and timetable established for the next reporting period.

§§ 4284.559–4284.570 [Reserved]

§ 4284.571 Audit requirements.

The grantee will provide an audit report in accordance with §1942.17 of this title. Audits must be prepared in accordance with general accounting principles and standards using the publication, "Standards for Audit of Governmental Organizations, Programs, Activities and Functions."

§ 4284.572 Grant servicing.

Grants will be serviced in accordance with part 1951, subpart E of this title.

§ 4284.573 Programmatic changes.

The grantee shall obtain prior approval for any change to the scope or objectives of the approved project. Failure to obtain prior approval of changes to the scope or budget can result in suspension or termination of grant funds.

§ 4284.574 Subsequent grants.

Subsequent grants will be processed in accordance with the requirements contained in this subpart. Cooperative development projects receiving assistance under this program will be evaluated one year after assistance is received. If it is determined to be in the best interests of the program, preference may be given to a project or projects for an additional grant in the immediately succeeding year.

§ 4284.575 Grant suspension, termination, and cancellation.

Grants may be canceled by RBS by written notice. Grants may be suspended or terminated for cause or convenience in accordance with parts 3015 and 3019 of this title, as applicable.

§§ 4284.576–4284.586 [Reserved]

§ 4284.587 Exception authority.

The Administrator may, in individual cases, make an exception to any requirement or provision of this subpart, if the Administrator determines that application of the requirement or provision would adversely affect the Government's interest.

§§ 4284.588–4284.599 [Reserved]

§ 4284.600 OMB control number.

The information collection requirements contained in this

regulation have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0570–0006. You are not required to respond to this collection of information unless it displays a valid OMB control number.

Dated: July 30, 1997.

Jill Long Thompson,

Under Secretary, Rural Development.

[FR Doc. 97–20738 Filed 8–6–97; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 97–ANE–25–AD; Amendment 39–10094, AD 97–11–51 R1]

RIN 2120–AA64

Airworthiness Directives; Pratt & Whitney PW2000 Series Turbofan Engines

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule; request for comments.

SUMMARY: This amendment adopts a new airworthiness directive (AD) that is applicable to Pratt & Whitney PW2000 series turbofan engines. This action revises telegraphic AD T97–11–51 that currently supersedes AD 97–09–01 by correcting errors in the Serial Number (S/N) tables, and removing the McDonnell Douglas C–17 aircraft from the applicability section, as a different model engine is installed on McDonnell Douglas C–17 aircraft. In addition, that telegraphic AD clarifies that inspections must be performed prior to rework, and clarifies that new parts do not need to be reworked prior to installation, but must be reworked at the next shop visit. Finally, that telegraphic AD makes minor editorial changes for clarity without changing meaning or intent. This action relaxes the compliance intervals for rework and provides relieving requirements. This amendment is prompted by industry input and resulting changes by the manufacturer to the inspection program that would provide relief to operators while maintaining an equivalent level of safety. The actions specified by this AD are intended to prevent fracture of the first stage high pressure turbine (HPT) disk, resulting in a possible uncontained engine failure and damage to the aircraft.

DATES: August 7, 1997.