

impact of the proposal on small businesses. All views are solicited, however, so that every aspect of this potential revision may be studied prior to formulating a proposed rule, if such is deemed warranted by the Agency.

This request for public comments does not constitute notification that the regulations described in this document is or will be proposed or adopted.

A 60-day comment period is provided to allow interested persons the opportunity to respond to this request for information and comments. All written comments timely received will be considered before any subsequent rulemaking action is undertaken.

**Authority:** 7 U.S.C. 601-674.

Dated: January 28, 1998.

**Robert C. Keeney,**

*Deputy Administrator, Fruit and Vegetable Programs.*

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## DEPARTMENT OF AGRICULTURE

### Rural Business—Cooperative Service

#### Rural Utilities Service

#### 7 CFR Part 4284

RIN 0570-AA05

#### Rural Business Opportunity Grants

**AGENCIES:** Rural Business—Cooperative Service and Rural Utilities Service, USDA.

**ACTION:** Proposed rule.

**SUMMARY:** The Rural Business-Cooperative Service (RBS) is proposing to issue new regulations for the Rural Business Opportunity Grant (RBOG) Program. This action is needed to implement a new program authorized by section 741 of the Federal Agriculture Improvement and Reform Act of 1996, Public Law 104-127, to assist economic development in rural areas. The intended effect of this action is to implement the RBOG program.

**DATES:** Written or E-mail comments must be received on or before March 20, 1998 to be assured of consideration. The comment period for information collections under the Paperwork Reduction Act of 1995 continues through April 6, 1998.

**ADDRESSES:** Submit written comments in duplicate to the Branch Chief, Regulations And Paperwork Management Branch, Rural Development, U.S. Department of Agriculture, STOP 0743, Room 6345, 1400 Independence Ave. SW,

Washington, DC 20250-0743.

Comments may be submitted via the Internet by addressing them to "Comments@rus.usda.gov" and must contain the word "opportunity" in the subject. All written comments made pursuant to this notice will be available for public inspection between 8:00 a.m. and 4:30 p.m. Monday through Friday, except Holidays, at the above office.

**FOR FURTHER INFORMATION CONTACT:** M. Wayne Stansbery, Loan Specialist, Specialty Lenders Division, Rural Business-Cooperative Service, U.S. Department of Agriculture, STOP 1521, 1400 Independence Ave. SW, Washington, DC 20250, Telephone (202) 720-6819.

#### SUPPLEMENTARY INFORMATION:

##### Classification

This rule has been determined to be significant and has been reviewed by the Office of Management and Budget under Executive Order 12866.

##### Programs Affected

The Catalog of Federal Domestic Assistance number for the program impacted by this action is 10.773, Rural Business Opportunity Grants.

##### Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), RBS announces its intention to seek Office of Management and Budget (OMB) approval of the reporting and recordkeeping requirements associated with this proposed rule.

The purpose of the RBOG program is to promote sustainable economic development in rural communities with exceptional needs. This will be achieved through grants to public bodies, nonprofit community development corporations or entities and other agencies, to enable the recipients to carry on activities related to rural economic development, such as identifying and analyzing business opportunities, establishing business support centers, and providing training, technical assistance, and planning.

The information requirements contained within the regulations are requested from grant applicants and grant recipients. The information is vital for RBS to make prudent decisions regarding eligibility of applicants and selection priority among competing applicants, to ensure compliance with applicable laws and regulations, and to evaluate the program. It includes information to allow the Agency to determine that an applicant is a legally organized entity with authority to enter into contracts and carry out the

proposed activities. It provides for a description and scope of the proposed activities. It includes information on the applicant's financial condition and stability. It includes information to provide for evaluation of grantee accomplishments. It requires information needed to ensure compliance with Executive Orders and provides methods for applicants and grantees to appeal adverse decisions, request changes in grant conditions and request exceptions to the regulations. No new forms are created for this program.

#### Public Burden in 7 CFR Part 4284, Subpart G

At this time, the Agency is requesting OMB clearance of the following burden:

Section 4284.638(a)(2)(i). Copies of organizational documents, such as Articles of Incorporation, Bylaws, and certificates of good standing, are part of the grant application. They are needed so RBS can be sure the applicant is a legal entity with authority to make commitments and perform the activities called for under the proposed grant. They also indicate who is officially in control of the applicant organization.

Section 4284.638(a)(2)(ii). A written scope of work needed to document what the grant funds are to be used for and what is to be accomplished. This is important for evaluating the application and also for monitoring to ensure that funds are used for the purpose for which they were intended.

Section 4284.638(a)(2)(iii). A written narrative is required to provide additional information, beyond what is provided in the scope of work, as to the need for the project, the service area, the applicant's ability to accomplish the planned activities, who will be assisted, what impact is expected, and how the work will be performed. The information is needed to properly evaluate each application and select the most deserving applications for funding.

Section 4284.638(a)(2)(iv). A financial statement is required to help RBS to ensure that an applicant has the financial stability to remain in operation and supplement the grant funds as necessary to accomplish the grant purposes.

Section 4284.638(a)(2)(v). It is an eligibility requirement that applicants include a basis for determining the success or failure of the project in their proposal. This requirement ensures that some method exists for evaluating the success or failure of each grant and that the applicants will have input in determining how they will be evaluated.

Section 4284.638(a)(2)(vi). Intergovernmental Review comments,

obtained by the applicant through contact with the State Single Point of Contact, are required to comply with Executive Order 12372 and to ensure that the proposed activity is not in conflict with strategic plans of State and local governments.

Section 4284.656(a). A project performance report is needed to help the Agency ensure that projects in process are progressing satisfactorily and that completed projects have, in fact, been completed and paid for in full. If cost overruns, deviations from the approved scope, or other problems do develop this will help ensure that the Agency is made aware in time to help find a solution.

Section 4284.656(b). A project evaluation is needed to assist the Agency in determining the impact of the grant and of the program.

Section 4284.656(c). A project description is needed for selected projects in order that the information gained from the project can be shared with other communities, and thereby increase the overall effectiveness of the program.

Section 4284.656 (d) and (e). It is necessary for the grantee to keep complete and accurate accounting records as evidence that the grant funds were used properly.

Section 4284.657. Audits are required to help monitor grantee activities and financial condition and ensure the grant funds were used as planned, as well as to comply with OMB circulars and applicable USDA regulations located at 7 CFR 3015, 3016, 3019, and 3051.

Section 4284.668. This provision allows grantees to request changes so that approved projects may be changed, with Agency review and approval, when the change is needed and still within program guidelines.

Section 4284.684. A provision permits grantees to request and obtain, in limited circumstances, exceptions to provisions of this subpart.

*Estimate of Burden:* Public reporting burden for this collection of information is estimated to average 5.7 hours per response.

*Respondents:* Public Bodies and Nonprofit Corporations.

*Estimated Number of Respondents:* 100.

*Estimated Number of Responses per Respondent:* 15.23.

*Estimated Total Annual Burden on Respondents:* 8,704 hours.

The complete text of the proposed rule is published herein for public review and comment. Additional copies of the proposed regulations or copies of referenced forms may be obtained from Sam Spencer, Rural Business Team

Information Collection Coordinator, by calling (202) 720-9588. Written requests may also be submitted to Sam Spencer, Rural Business Team Information Collection Coordinator, Regulations and Paperwork Management Division, U.S. Department of Agriculture, Rural Development, STOP 0743, 1400 Independence Ave. SW, Washington, DC 20250-0743.

*Comments:* Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of RBS, including whether the information will have practical utility; (b) the accuracy of RBS's estimate of the burden of the proposed collection of information including the validity of the methodology and assumptions used; (c) ways to enhance the quality, utility and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Comments should be submitted to the Desk Officer for Agriculture, Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503, and to Sam Spencer, Rural Business Team Information Collection Coordinator, Regulations and Paperwork Management Branch, U.S. Department of Agriculture, Rural Development, STOP 0743, 1400 Independence Ave. SW, Washington, DC 20250-0743. All responses to this notice will be summarized, be included in the request for OMB approval, and become a matter of public record. OMB is required to make a decision concerning the collections of information contained in these proposed regulations between 30 and 60 days after submission to OMB. Therefore, a comment to OMB is best assured of having full effect if OMB receives it within 30 days of publication. This does not affect the deadline for the public to comment on the proposed regulation.

#### **Intergovernmental Review**

Rural Business Opportunity Grants are subject to the provisions of Executive Order 12372 which requires intergovernmental consultation with State and Local officials. RBS has conducted or will conduct intergovernmental consultation in the manner delineated in RD Instruction 1940-J, "Intergovernmental Review of Farmers Home Administration Programs and Activities," and in 7 CFR 3015, subpart V.

#### **Civil Justice Reform**

This proposed 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 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 those regulations specifically allow bringing suit at an earlier time.

#### **Environmental Impact Statement**

This document has been reviewed in accordance with 7 CFR part 1940, subpart G, "Environmental Program." RBS has determined that this proposed 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.

#### **Unfunded Mandates**

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 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 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 UMRA.

#### **Regulatory Flexibility Act**

In compliance with the Regulatory Flexibility Act, RBS has determined that this action would not have a significant economic impact on a substantial number of small entities because the action will not affect a significant number of small entities as defined by the Regulatory Flexibility Act (5 U.S.C.

601). RBS made this determination based on the fact that this regulation only impacts those who choose to participate in the grant program. Small entity applicants will not be impacted to a greater extent than large entity applicants.

### Background

RBS proposes a new regulation to implement a grant program to fund technical assistance and planning activities in rural areas for the purpose of improving economic conditions in the areas. This action is necessary to comply with section 741 of the Federal Agriculture Improvement and Reform Act of 1996, Public Law 104-127. Grants will be available to public bodies, nonprofit corporations, Indian tribes, and cooperatives. Grants may be used for technical assistance for business development and economic development planning; identifying and analyzing business opportunities that will use local rural materials or human resources, including opportunities in export markets as well as feasibility and business plan studies; identifying, training, and providing technical assistance to existing or prospective rural entrepreneurs and managers; establishing business support centers and otherwise assisting in the creation of new rural businesses; conducting local community or multi-county economic development planning; establishing centers for training, technology, and trade that will provide training to rural businesses in the utilization of interactive communications technologies to develop international trade opportunities and markets; and conducting leadership development training of existing or prospective rural entrepreneurs and managers.

Nonmetropolitan median family income stagnated during the 1980's and continued substantially unchanged through the early 1990's. The 1992 rural poverty rate of 16.8 percent was not statistically different from the 1989 rate, but was significantly higher than the urban poverty rate of 13.9 percent. Perhaps of more concern than the average or median figures is that rural income, poverty levels, and employment are uneven. During the 1980's, over one half of rural counties suffered declines in real median household income. Median real income generally increased in metropolitan areas, held steady in counties adjacent to metropolitan areas, and fell in more isolated rural counties. This put remote and persistently low-income counties in a relatively worse income position compared to metropolitan areas. Also,

rural minorities continue to be disproportionately poor, with poverty rates highest among blacks, but increasing more rapidly among Hispanics.

The implementation of this program is part of an initiative to enhance the future prosperity of rural people through investments that enhance rural competitiveness, facilitate industrial conversion, and enable rural citizens to profit from private economic activity. The implementation of this program will provide rural business with technical assistance not previously available. The business will be able to provide jobs, economic activity, and economic diversification in rural communities.

### List of Subjects in 7 CFR Part 4284

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

Therefore, chapter XLII, title 7, Code of Federal Regulations, is proposed to be amended as follows:

### PART 4284—GRANTS

1. 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.

2. Subpart G of part 4284, consisting of §§ 4284.601 through 4284.700, is added to read as follows:

### Subpart G—Rural Business Opportunity Grants

Sec.

- 4284.601 Purpose.
- 4284.602 Policy.
- 4284.603 Definitions.
- 4284.604–4284.619 [Reserved]
- 4284.620 Applicant eligibility.
- 4284.621 Eligible grant purposes.
- 4284.622–4284.628 [Reserved]
- 4284.629 Ineligible grant purposes.
- 4284.630 Other considerations.
- 4284.631–4284.637 [Reserved]
- 4284.638 Application processing.
- 4284.639 Grant selection criteria.
- 4284.640 Appeals.
- 4284.641–4284.646 [Reserved]
- 4284.647 Grant approval and obligation of funds.
- 4284.648 Fund disbursement.
- 4284.649–4284.655 [Reserved]
- 4284.656 Reporting.
- 4284.657 Audit requirements.
- 4284.658–4284.666 [Reserved]
- 4284.667 Grant servicing.
- 4284.668 Programmatic changes.
- 4284.669–4284.683 [Reserved]
- 4284.684 Exception authority.
- 4284.685–4284.698 [Reserved]
- 4284.699 Congress.
- 4284.700 OMB control number.

### Subpart G—Rural Business Opportunity Grants

#### § 4284.601 Purpose.

This subpart outlines Agency policies and authorizations and sets forth procedures for making grants to provide technical assistance for business development and conduct economic development planning in rural areas. The purpose of this program is to promote sustainable economic development in rural communities with exceptional needs by:

(a) Promoting economic development that is sustainable over the long term through local effort without subsidies or external support and that leads to improvements in quality as well as the quantity of economic activity in the community;

(b) Catalyzing economic development projects by providing critical investments that enable effective development projects to be undertaken by rural communities that, with the assistance, will be able to identify their needs and take full advantage of available resources and opportunities;

(c) Focusing assistance on priority communities (defined in § 4284.603); and

(d) Sponsoring economic development activities with significant potential to serve as examples of “best practices” that merit implementation in rural communities in similar circumstances.

#### § 4284.602 Policy.

(a) The grant program will be used to assist in the economic development of rural areas.

(b) Funds allocated for use in accordance with this subpart are also to be considered for use by Indian tribes within the State regardless of whether State development strategies include Indian reservations within the State's boundaries. Indians residing on such reservations must have equal opportunity, along with other rural residents, to participate in the benefits of these programs.

#### § 4284.603 Definitions.

**Agency**—The Federal agency within the United States Department of Agriculture (USDA) with responsibility assigned by the Secretary of Agriculture to administer the Rural Business Opportunity Grants (RBOG) Program. At the time of publication, of this part in the **Federal Register**, that agency is the Rural Business-Cooperative Service.

**Best practice project**—An action that has potential applicability in other rural communities and which potentially has instructional value when shared with those communities.

**Business support centers**—Centers established to provide assistance to businesses in such areas as counseling, business planning, training, management assistance, marketing information, and locating financing for business operations. The centers need not be located in a rural area, but must provide assistance to businesses located in rural areas.

**Economic development**—The industrial, business and financial augmentation of an area as evidenced by increases in total income, employment opportunities, value of production, duration of employment, or diversification of industry, reduced outmigration, higher labor force participation rates or wage levels, or gains in other measurements of economic activity, such as land values.

**Planning**—A process to coordinate economic development activities, develop guides for action, or otherwise assist local community leaders in the economic development of rural areas.

**Priority communities**—Communities targeted for Agency assistance as determined by the USDA Under Secretary for Rural Development. Priority communities are those that are experiencing trauma due to natural disasters or are undertaking or completing fundamental structural changes, have remained persistently poor over the past 60 years or longer, or have experienced long-term population decline or job deterioration.

**Project**—The result of the use of grant funds provided under this subpart through technical assistance or planning relating to the economic development of a rural area.

**Rural and rural area**—Any area of a State that is not within the boundaries of a city with a population in excess of 10,000 inhabitants according to the latest decennial census of the United States.

**State**—Any of the 50 states, 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.

**Technical assistance**—A nonconstruction, problem solving activity performed for the benefit of a business or community to assist in the economic development of a rural area. The Agency will determine whether a specific activity qualifies as technical assistance.

**United States**. The 50 States of the United States of America, 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.

#### §§ 4287.604–4287.619 [Reserved]

#### § 4284.620 Applicant eligibility.

(a) Grants may be made to public bodies, nonprofit corporations, Indian tribes on Federal or State reservations and other Federally recognized tribal groups, and cooperatives with members that are primarily rural residents and that conduct activities for the mutual benefit of the members.

(b) Applicants must have sufficient financial strength and expertise in activities proposed in the application to ensure accomplishment of the described activities and objectives.

(c) Any delinquent debt to the Federal Government shall cause the applicant to be ineligible to receive any RBOG funds until the debt has been paid.

#### § 4284.621 Eligible grant purposes.

(a) Grant funds may be used to assist in the economic development of rural areas by providing technical assistance for business development and economic development planning. Grant funds may be used for, but are not limited to, the following purposes:

(1) Identify and analyze business opportunities that will use local rural materials or human resources. This includes opportunities in export markets, as well as feasibility and business plan studies;

(2) Identify, train, and provide technical assistance to existing or prospective rural entrepreneurs and managers;

(3) Establish business support centers and otherwise assist in the creation of new rural businesses;

(4) Conduct local community or multi-county economic development planning;

(5) Establish centers for training, technology, and trade that will provide training to rural businesses in the utilization of interactive communications technologies to develop international trade opportunities and markets;

(6) Conduct leadership development training of existing or prospective rural entrepreneurs and managers; or

(7) Pay reasonable fees and charges for professional services necessary to conduct the technical assistance, training, or planning functions.

(b) Grants may be made only when there is a reasonable prospect that the project will result in the economic development of a rural area.

(c) Grants may be made only when the proposal includes a basis for determining the success or failure of the project and individual major elements of the project and outlines procedures that will be taken to assess the project's impact at its conclusion.

(d) Grants may be made only when the proposed project is consistent with local and area-wide strategic plans for community and economic development, coordinated with other economic development activities in the project area and consistent with any USDA Rural Development State Strategic Plan.

(e) A grant may be considered for the amount needed to assist with the completion of a proposed project, provided that the project can reasonably be expected to be completed within 2 full years after it is begun. If grant funds are requested to establish or assist with an activity of more than 2 years duration, the amount of a grant approved in any fiscal year will be limited to the amount needed to assist with no more than 1 full year of operation. Subsequent grant requests may be considered in subsequent years, if needed to continue the operation, but funding for 1 year provides no assurance of additional funding in subsequent years.

#### §§ 4284.622–4284.628 [Reserved]

#### § 4284.629 Ineligible grant purposes.

Grant funds may not be used to:

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

(b) Pay costs of preparing the application package for funding under this program;

(c) Pay costs of the project incurred prior to the effective date of the grant made under this subpart;

(d) Fund political activities;

(e) 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;

(f) Pay any judgment or debt owed to the United States; or

(g) Pay costs of real estate acquisition or development or building construction.

#### § 4284.630 Other considerations.

(a) **Civil rights compliance requirements.** All grants made under this subpart are subject to Title VI of the Civil Rights Act of 1964 and part 1901, subpart E, of this title.

(b) **Environmental review.** All grants made under this subpart are subject to

the requirements of subpart G of part 1940 of this title. Applications for technical assistance or planning projects are generally excluded from the environmental review process by § 1940.333 of this title. However, as further specified in that section, the grantee in the process of providing technical assistance, must consider the potential environmental impacts of the recommendations provided to the ultimate recipient of the technical assistance. Plans developed with grant funds received under this subpart must be generally documented to include the important environmental resources within the planning area and the potential environmental impacts of the plan as well as the alternative planning strategies that were reviewed.

(c) *Other USDA regulations.* This program is subject to the provisions of the following regulations, as applicable, which are incorporated by reference herein:

(1) 7 CFR part 3015, "Uniform Federal Assistance Regulations";

(2) 7 CFR part 3016, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments";

(3) 7 CFR part 3017, "Governmentwide Debarment and Suspension (Nonprocurement) and Governmentwide Requirements for Drug-Free Workplace (Grants)";

(4) 7 CFR part 3018, "New Restrictions on Lobbying";

(5) 7 CFR part 3019, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations"; and

(6) 7 CFR part 3051, "Audits of Institutions of Higher Education and other Nonprofit Institutions."

#### §§ 4284.631–4284.637 [Reserved]

#### § 4284.638 Application processing.

(a) *Applications.* (1) Applicants will file an original and one copy of an "Application For Federal Assistance (For Nonconstruction)" with the Agency State Office. This form is available in all Agency offices.

(2) All applications shall be accompanied by:

(i) Copies of applicant's organizational documents showing the applicant's legal existence and authority to perform the activities under the grant;

(ii) A proposed scope of work, including a description of the proposed project, details of the proposed activities to be accomplished and timeframes for completion of each task, the number of months duration of the project, and the estimated time it will take from grant

approval to beginning of project implementation;

(iii) A written narrative which includes, at a minimum, the following items:

(A) An explanation of why the project is needed, the benefits of the proposed project, and how the project meets the grant selection criteria;

(B) Area to be served, identifying each governmental unit, *i.e.*, town, county, etc., to be affected by the project;

(C) Description of how the project will coordinate economic development activities with other economic development activities within the project area;

(D) Business to be assisted, if appropriate; economic development to be accomplished;

(E) An explanation of how the proposed project will result in increased or saved jobs in the area and the number of projected new and saved jobs;

(F) Description of the applicant's demonstrated capability and experience in providing the proposed project assistance or similar economic development activities, including experience of key staff members and persons who will be providing the proposed project activities and managing the project;

(G) Method and rationale used to select the areas and businesses that will receive the service;

(H) Brief description of how the work will be performed including whether organizational staff or consultants or contractors will be used; and

(I) Other information the Agency may request to assist it in making a grant award determination.

(iv) The latest financial information to show the organization's financial capacity to carry out the proposed work. At a minimum, the information should include the most recent balance sheet and an income statement. A current audited report is required if available;

(v) An evaluation method to be used by the applicant to determine if objectives of the proposed activity are being accomplished; and

(vi) Intergovernmental review comments from the State Single Point of Contact, or evidence that the State has elected not to review the program under Executive Order 12372.

(b) *Letter of conditions.* The Agency will deliver a letter to the applicant setting out the conditions under which the grant will be made.

(c) *Applicant's intent to meet conditions.* Upon reviewing the conditions and requirements in the letter of conditions, the applicant must complete, sign and return a "Letter of Intent to Meet Conditions," to the

Agency; or if certain conditions cannot be met, the applicant may propose alternate conditions to the Agency. The Agency must concur with any changes proposed to the letter of conditions by the applicant before the application will be further processed.

#### § 4284.639 Grant selection criteria.

Agency officials will select projects to receive assistance under this program according to the following criteria:

(a) A score of 0 to 10 points will be awarded based on the Agency assessment of the extent to which economic development resulting from the proposed project will be sustainable over the long term by local efforts, without the need for continued subsidies by governments or other organizations outside the community or communities that will receive the primary benefit of the grant.

(b) A score of 0 to 10 points will be awarded based on the Agency assessment of the extent to which the project should lead to improvements in the quality of economic activity within the community or communities that will receive the primary benefit of the grant, such as higher wages, improved benefits, greater career potential, and the use of higher levels of skills than currently are typical within the economy.

(c) If the grant will fund a critical element of a larger program of economic development, without which the overall program either could not proceed or would be far less effective, or if the program to be assisted by the grant will also be partially funded from other sources, points will be awarded as follows based on the percentage of the cost of the overall program that will be funded by the grant.

(1) Less than 20 percent—30 points;

(2) 20 but less than 50 percent—20 points;

(3) 50 but less than 75 percent—10 points; or

(4) More than 75 percent—0 points.

(d) Points will be awarded for each of the following criteria met by the community or communities that will receive the primary benefit of the grant. However, regardless of the mathematical total of points indicated by paragraphs (d)(1) through (d)(5) of this section, total points awarded under paragraph (d) must not exceed 40.

(1) Experiencing trauma due to a major natural disaster that occurred not more than three years prior to the filing of the application for RBOG assistance—15 points;

(2) Undergoing fundamental structural change in the local economy, such as that caused by the closing or

major downsizing of a military facility or other major employer not more than 3 years prior to the filing of the application for RBOG assistance—15 points;

(3) Has remained consistently poor over the past 60 years or more—10 points;

(4) Has experienced long-term population decline—10 points; and

(5) Has experienced long-term job deterioration—10 points.

(e) A score of 0 to 10 points will be awarded based on the Agency determination of the extent of the project's usefulness as a new best practice as defined in § 4284.603.

(f) State Directors may assign up to 15 discretionary points to an application. If allocation of funds under National Office control is being considered, the Agency Administrator may assign up to 20 additional discretionary points. Assignment of discretionary points by either the State Director or the Agency Administrator must include a written justification. Justifications are geographic distribution of funds, special importance for implementation of a strategic plan in partnership with other organizations, and extraordinary potential for success due to superior project plans or qualifications of the grantee.

#### § 4284.640 Appeals.

Any appealable adverse decision made by the Agency may be appealed in accordance with USDA appeal regulations found at 7 CFR part 11.

#### §§ 4284.641–4284.646 [Reserved]

#### § 4284.647 Grant approval and obligation of funds.

The following statement will be entered in the comment section of the "Request for Obligation of Funds," which must be signed by the Grantee:

"The Grantee certifies that it is in compliance and will continue to comply with all applicable laws; regulations; Executive Orders; and other generally applicable requirements, including those set forth in 7 CFR part 4284, subpart G, and 7 CFR parts 3015, 3016, 3017, 3018, 3019, and 3051 in effect on the date of grant approval; and the approved Letter of Conditions."

#### § 4284.648 Fund disbursement.

The Agency will determine, based on 7 CFR parts 3015, 3016, and 3019 as applicable, whether disbursement of a grant will be by advance or reimbursement. A "Request for Advance or Reimbursement" must be completed by the grantee and submitted to the Agency no more often than monthly to request either advance or reimbursement of funds.

#### §§ 4284.649–4284.655 [Reserved]

#### § 4284.656 Reporting.

(a) A "Financial Status Report" and a project performance activity report will be required of all grantees on a quarterly calendar year basis. The Grantee will cause said program to be completed within the total sums available to it, including the grant, in accordance with the scope of work and any necessary modifications thereof prepared by Grantee and approved by the Agency. A final project performance report will be required with the final Financial Status Report. The final report may serve as the last quarterly report. The final report must provide complete information regarding the jobs created and saved as a result of the grant. Grantees shall 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 the Agency. The project performance reports shall include, but not be limited to, the following:

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

(2) Problems, delays, or adverse conditions, if any, which have affected or 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

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

(b) Within 1 year after the conclusion of the project, the grantee will provide a project evaluation report based on criteria developed in accordance with §§ 4284.621(c) and 4284.638(a)(2)(v) of this subpart.

(c) The Agency may also require grantees to prepare a report suitable for public distribution describing the accomplishments made through the use of the grant and, in the case where the grant funded the development or application of a "best practice," to describe that "best practice."

(d) The grantee will provide for Financial Management Systems which will include:

(1) Accurate, current, and complete disclosure of the financial result of each grant.

(2) Records which identify adequately the source and application of funds for

grant-supporting activities, together with documentation to support the records. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

(3) Effective control over and accountability for all funds. Grantee shall adequately safeguard all such assets and shall assure that funds are used solely for authorized purposes.

(e) The grantee will retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least 3 years after grant closing except that the records shall be retained beyond the 3-year period if audit findings have not been resolved or if directed by the United States. Microfilm copies may be substituted in lieu of original records. The Agency and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the grantee which are pertinent to the specific grant program for the purpose of making audit, examination, excerpts, and transcripts.

#### § 4284.657 Audit requirements.

Public body grantees will provide an annual audit in accordance with 7 CFR part 3015, subpart I. Nonprofit corporation grantees will provide an annual audit in accordance with 7 CFR part 3051. The audit requirements apply to the years in which grant funds are disbursed to the grantee and years in which work is accomplished that will be paid for with grant funds.

#### §§ 4284.658–4284.666 [Reserved]

#### § 4284.667 Grant servicing.

Grants will be serviced in accordance with part 1951, subparts E and O, of this title. Grantees will permit periodic inspection of the program operations by a representative of the Agency. All non-confidential information resulting from the Grantee's activities shall be made available to the general public on an equal basis. Grantee shall relinquish any and all copyrights or privileges to the material developed under this grant as published in whole or in part. The material shall contain notice and be identified by language to the following effect: "This material is the result of tax-supported research and as such is not copyrightable. It may be freely reprinted with the customary crediting of the source."

#### § 4284.668 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 of work or budget may result in suspension, termination, and recovery of grant funds.

**§ 4284.669–4284.683 [Reserved]**

**§ 4284.684 Exception authority.**

The Administrator may, in individual cases, grant an exception to any requirement or provision of this subpart which is not inconsistent with any applicable law, provided the Administrator determines that application of the requirement or provision would adversely affect USDA's interest.

**§ 4284.685–4284.698 [Reserved]**

**§ 4284.699 Congress.**

No member of Congress shall be admitted to any share or part of this grant or any benefit that may arise therefrom; but this provision shall not be construed to bar as a contractor under the grant a publicly held corporation whose ownership might include a member of Congress.

**§ 4284.700 OMB control number.**

Dated: January 22, 1998.

**Jill Long Thompson,**

*Under Secretary, Rural Development.*

[FR Doc. 98–2553 Filed 2–2–98; 8:45 am]

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## **SMALL BUSINESS ADMINISTRATION**

### **13 CFR Part 121**

#### **Small Business Size Standards; Engineering Services, Architectural Services, and Surveying and Mapping Services**

**AGENCY:** Small Business Administration.

**ACTION:** Proposed rule.

**SUMMARY:** The Small Business Administration (SBA) is proposing a size standard of \$7.5 million in average annual receipts for general Engineering Services (part of Standard Industrial Classification (SIC) code 8711), \$5.0 million for Architectural Services (SIC code 8712) and \$3.5 million for Surveying and Mapping Services (SIC code 8713 and part of SIC code 7389). The current size standard for each of these industries is \$2.5 million. The proposed revisions are being made to better define the size of business in those industries that the SBA believes should be eligible for Federal small business assistance programs.

**DATES:** Comments must be submitted on or before April 6, 1998.

**ADDRESSES:** Send comments to Gary M. Jackson, Assistant Administrator for Size Standards, 409 3rd Street, S.W., Mail Code 6880, Washington D.C. 20416.

**FOR FURTHER INFORMATION CONTACT:**

Robert N. Ray, Office of Size Standards, (202) 205–6618.

**SUPPLEMENTARY INFORMATION:** The SBA is proposing a revision to the size standard for general Engineering Services (part of SIC code 8711) from \$2.5 million to \$7.5 million. The other size standards applicable to Engineering Services under SIC code 8711—Military and Aerospace Equipment, Military Weapons, Marine Engineering, and Naval Architecture—are not being reviewed as part of this proposed rule. The rule also proposes a revision to the size standard for the Architectural Services industry (SIC code 8712) from \$2.5 million to \$5 million and a revision to the size standard for the Surveying and Mapping Services industry (SIC code 8713 and part of SIC code 7389) from \$2.5 million to \$3.5 million.

From September 30, 1988 until September 30, 1996, the SBA was prohibited by statute from changing the size standards for general engineering services, architectural services, and surveying and mapping services. These industries are subject to the special procurement procedures of the Small Business Competitiveness Program (Title VII of Pub. L. 100–656, 102 Stat. 3853, 3889). This Program specifies special procedures on the use of small business set-aside contracting for the procurement of services within the four designated industry groups. The designated groups are: Construction (SIC codes 1521–1542, SIC codes 1611–1629, and SIC codes 1711–1799); Engineering, Architectural, and Surveying and Mapping Services (SIC codes 8711, 8712, 8713, and part of SIC code 7389); Refuse Systems and Related Services (SIC code 4953 and part of SIC code 4212); and Non-nuclear Ship Repair (part of SIC code 3731). Over the period of 1988 to 1996, the Program included a provision that prohibited any change to the size standards for the designated industry groups. However, the Small Business Programs Improvement Act of 1996 included an amendment to the Program that repealed the prohibition placed upon the SBA from revising these industries' size standards (see Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Division D, Title I, Section 108, Pub. L. 104–208). In the accompanying legislative history, the Congress indicated that the SBA should take appropriate action to adjust the size

standards for the designated industry groups, although no specific guidance was provided on how these size standards should be adjusted by the SBA. At this time, the SBA is proposing increases to the size standards for the general engineering services, architectural services, and the surveying and mapping services industries based on its review of economic and Federal procurement data for these industries. The size standards for the remaining designated industry groups are currently being reviewed by the SBA. A decision will be made in the near future if revisions to any of these industry size standards should be proposed. If so, a proposed rule will be published in the **Federal Register**.

Below is a discussion of the SBA's size standards methodology and the analyses leading to the proposed size standards. This is followed by a discussion of alternative size standards and the estimated economic impact that the proposed size standards, if adopted, would have on Federal Government contracting and the SBA's financial assistance programs.

#### **Size Standards Methodology**

In considering the appropriateness of a size standard, the SBA evaluates the structural characteristics of an industry and the participation of small business in SBA programs. There are four factors describing the structural characteristics of an industry: average firm size; distribution of firms by size; start-up costs; and industry competition. While these four factors are generally considered the most important indicators of industry structure, the SBA will consider and evaluate all relevant information that would assist it in assessing an industry's size standard. Below is a brief description of the four industry structure factors.

1. Average firm size is simply total industry revenues (or number of employees) divided by the total number of firms. The SBA tends to set higher size standards for industries with an average firm size significantly higher than the average firm size of a group of related industries. SBA tends to set lower size standards in industries with a lower average firm size relative to a related group of industries.

2. The distribution of firms by size examines the proportion of industry sales, employment, or other economic activity accounted for by firms of different sizes within an industry. If the preponderance of an industry's output is by smaller firms, this would tend to support a low size standard. The opposite would be the case for an industry in which the distribution of