

## DEPARTMENT OF AGRICULTURE (USDA)

### Statement of Regulatory Priorities

To comply with the National Performance Review (NPR) directive to achieve regulatory reform, the Department of Agriculture is continuing an extremely important project to eliminate unnecessary regulations and improve all those remaining by making them easier to understand and more user friendly. To date the Department's review and revision effort has resulted in actions on over 50 percent of our NPR commitment to regulatory reform. When the results are fully implemented, the Department will have eliminated or reinvented 81 percent of its regulatory holdings in the CFR.

Positive changes resulting from regulatory actions proposed as well as completed by the Department will reach into every corner of the country and, both directly and indirectly, touch the lives of most Americans. Those programs that offer support to specific rural and urban segments of the economy are being simplified so that persons who qualify for assistance, or some other form of participation, will find less burdensome rules. Yet high standards will be set for efficient and effective program management that makes the best use of taxpayer dollars. Farmers, ranchers, and others involved in U.S. agriculture will find significant changes in all aspects of regulations that govern their interaction with the Department and its programs. Farm credit, a mainstay of the Nation's rural economy, will be significantly streamlined by the merger of cumbersome loan-making regulations with forms and certifications simplified to facilitate the application process. The Department is undertaking a number of actions in the regulation of commodities that will increase efficiency, improve customer service, reduce intervention in markets, and allow States to assume greater responsibility in controlling the spread of plant pests or disease. The Department is also improving the regulations that serve rural communities. Several changes are being made in the rural housing programs. Nutrition programs are also being strengthened, their efficiency improved, and their integrity enhanced through regulatory reform. In the area of food safety, the Department has undertaken a significant reinvention of all policies and relationships with industry and the public. There are several important reinvention plans in the natural resources and conservation area.

### The Role of Regulations

The programs of the Department are diverse and far reaching, as are the regulations that attend their delivery. Regulations codify how the Department will conduct its business, including the specifics of access to, and eligibility for, USDA programs. Regulations also specify the behavior of State and local governments, private industry, businesses, and individuals that is necessary to comply with their provisions. The diversity in purpose and outreach of our programs contributes significantly to the USDA being at or near the top of the list of Departments that produce the largest number of regulations annually. These regulations range from nutrition standards for the school lunch program, to natural resource and environmental measures governing national forest usage and soil conservation, to regulations protecting American agribusiness (the largest dollar value contributor to exports) from the ravages of domestic or foreign plant or animal pestilence and they extend from farm to supermarket to ensure the safety, quality, and availability of the Nation's food supply. Many regulations function in a dynamic environment which requires their periodic modification. The factors determining various entitlement, eligibility, and administrative criteria often change from year to year. Therefore, many significant regulations must be revised annually to reflect changes in economic and market benchmarks. Almost all legislation that affects Departmental programs has accompanying regulatory needs, often with a significant impact. The recently enacted Farm Bill, Public Law 104-127, has considerable regulatory consequences. This key legislation affects most agencies of USDA and will result in the addition of new programs, the deletion of others, and modification to still others.

### Administration Guidance—USDA Response

In developing and implementing regulations, the Department has been guided by the regulatory principles and philosophy set forth by the President in Executive Order 12866 "Regulatory Planning and Review." As prescribed in the Order, the USDA is committed to "promulgate only those regulations that are required by law, are necessary to interpret the law, or are made necessary by compelling public need." When considering a rulemaking action, the Department will assess the costs and benefits of available regulatory alternatives, including the alternative of

not regulating. Our analysis will consider the costs and benefits of both quantifiable and qualitative measures, and opt for approaches that maximize net benefits.

### Major Regulatory Priorities

Five agencies are represented in this regulatory plan. They are the Farm Service Agency (which includes the Federal Crop Insurance Corporation), the Food and Consumer Service, the Forest Service, the Food Safety Inspection Service, and the Rural Business Cooperative Development Service.

This document represents summary information on prospective significant regulations as called for in Executive Order 12866. A brief comment on each of the five agencies appears below, which summarizes the agency mission and its key regulatory priorities. The agency summaries are followed by the regulatory plan entries.

#### *Farm Service Agency*

*Mission:* The Farm Service Agency (FSA) administers farm commodity, conservation, commodity purchase, crop insurance, and farm loan programs, as prescribed by various statutes, in order to support farming certainty and flexibility while ensuring compliance with farm conservation and wetland protection requirements and to assist owners and operators of farms and ranches to conserve and enhance soil, water, and related natural resources.

*Priorities:* FSA's priorities for 1997 will be to continue to implement these programs and to implement the many revisions to the farm program regulations that were identified by the President's Regulatory Review Initiative. The most significant FSA regulations are those that implement crop and commodity programs and farm loans. FSA administers commodity loan programs for wheat, rice, grain, sorghum, barley, oats, oilseeds, tobacco, peanuts, upland and extra long staple cotton and sugar. The programs for wheat, feed grains, rice and upland cotton were significantly changed by the 1996 Farm Bill, which instituted production flexibility contracts in place of the deficiency payments and production adjustment of past programs. The contracts removed the link between income support payments and farm prices by providing for seven annual fixed but declining payments. FSA's farm loan programs provide farm ownership, operating, emergency loss and rural youth loans to help farmers who are temporarily unable to obtain

private, commercial credit. While the commodity and farm loan programs have significant economic impact, they are driven by specific statutory requirements. Therefore, they are noted here to acknowledge their significance in the overall USDA regulatory plan but are not further listed in the body of the plan which appears below.

#### *Food and Consumer Service*

**Mission:** The Food and Consumer Service (FCS) provides children and needy families access to a more healthful diet through its food assistance programs and comprehensive nutrition education efforts.

**Priorities:** In addition to responding to recently enacted provisions for welfare reform, FCS has established broad strategic policy goals that are enabled and/or supported by the Agency's regulatory agenda. These goals include:

- Healthful diets for children through the National School Lunch and Breakfast Program School Meals Initiative for Healthy Children. USDA created and is continuing to develop Team Nutrition, an innovative network of public and private partnerships to promote food choices through schools, families, communities and the media.
- Enhanced food and nutrition security for low-income Americans by providing assistance through the Food Stamp Program, improving program administration to meet the needs of the 1990s, including improved program integrity and efficiency, expansion of electronic benefit transfer (EBT), and initiating Team Nutrition concepts into the Food Stamp Program as appropriate to program participants and their communities.
- Improved nutritional status and health of low-income women, infants and children through the WIC Program by further emphasizing nutrition education and healthy infant feeding practices, incorporating Team Nutrition concepts while seeking to enhance program integrity through improved monitoring of vendors and exploration of the use of electronic benefit transfer (EBT).
- Improved nutritional status of low-income, pre-school children through the Child and Adult Care Food Program by expanding technical assistance to day care providers in improving nutritional quality of program meals in relation to the Dietary Guidelines and Recommended Dietary Guidelines, incorporating Team Nutrition concepts and materials to introduce

nutrition education to children at an early age, and identifying and encouraging potential sponsors of program services to low-income children.

- Low-income children consume nutritious lunches when school meals are not available. The Summer Food Service Program will be examined in relation to all other FCS food programs and will be included as an extension of the School Meals Initiative for Healthy Children gaining technical assistance for planning nutritious meals and adaptation of Team Nutrition concepts for providing nutrition education in non-school settings.
- Improved quality of food distribution commodities and service in continuing support for agricultural markets with emphasis on more healthful commodities including fruits and vegetables and improved program efficiency through automation, reduced Federal and State inventories and timely deliveries in FCS food distribution programs.

#### *Forest Service*

**Mission:** The mission of the Forest Service is to achieve quality land management, under the sustainable multiple-use management concept, to meet the diverse needs of people. It includes:

- Advocating a conservation ethic in promoting the health, productivity, diversity, and beauty of forests and associated lands;
- Listening to people and responding to their diverse needs, in making decisions;
- Protecting and managing the National Forests and Grasslands so they best demonstrate the sustainable multiple-use management concept;
- Providing technical and financial assistance to State and private forest landowners, encouraging them to practice good stewardship and quality land management in meeting their specific objectives;
- Providing technical and financial assistance to cities and communities to improve their natural environment by planting trees and caring for their forests;
- Providing international technical assistance and scientific exchanges to sustain and enhance global resources and to encourage quality land management;
- Helping States and communities to wisely use the forests to promote rural economic development and a quality rural environment;

- Developing and providing scientific and technical knowledge aimed at improving our capability to protect, manage, and use forests and rangelands; and
- Providing work, training, and education to the unemployed, underemployed, elderly, youth, and disadvantaged, in pursuit of our mission.

**Priorities:** The President's environmental program includes efforts to incorporate the principles of ecosystem management in natural resource decisionmaking on the National Forests. In support of that effort, final regulations will be published governing the amendment, revision, and implementation of forest land management plans. Significantly, the regulation will also streamline the planning process and update planning procedures and requirements in order to reflect court decisions and the Agency's experience gained with the first generation of forest plans.

#### *Food Safety and Inspection Service*

**Mission:** The Food Safety and Inspection Service (FSIS) is responsible for ensuring the Nation's meat, poultry, and egg products are safe, wholesome, and properly packaged and labeled.

**Priorities:** FSIS is carrying out a comprehensive review of its existing regulations in light of the July 25, 1996, final rule, "Pathogen Reduction Hazard Analysis and Critical Control Points (HACCP) Systems," requiring that official meat and poultry establishments develop and implement HACCP, a science-based process control system for food safety. Establishments will be responsible for developing and implementing HACCP plans incorporating the controls they have determined are necessary and appropriate to produce safe products. HACCP places the responsibility for food safety firmly on meat and poultry establishments, but enables them to tailor their control systems to the needs of particular plants and processes and to take advantage of the latest technological innovations.

FSIS must revise its existing regulations to be consistent with HACCP principles. Many are "command-and-control" regulations, prescribing the exact means establishments must use to ensure the safety of their products. Some specify, for example, precise cooking time-and-temperature combinations. Further, many of these regulations require prior approval of equipment and procedures by FSIS, therefore assigning the Agency

responsibility for the means used by establishments to comply with the regulations. As a general matter, command-and-control regulations are incompatible with HACCP because they deprive plants of the flexibility to innovate and undercut the clear delineation of responsibility for food safety. Therefore, to prepare for the implementation of HACCP, FSIS is conducting a thorough review of its current regulations and, to the maximum extent possible, converting its command-and-control regulations to performance standards. Some of the Agency's recent and planned initiatives, both to convert command-and-control regulations to performance standards and to generally streamline and simplify the regulations, follow:

- FSIS has proposed to convert to performance standards the current regulations governing the production of cooked beef products, uncured meat patties, and certain poultry products.
- FSIS has proposed to eliminate prior approval requirements for blueprints, equipment, and most partial-quality control programs used in meat and poultry establishments.
- FSIS has issued a final rule that eliminates unnecessary duplication in the prior labeling approval system.
- FSIS will be proposing to streamline, consolidate, and make consistent with HACCP the rules of practice regarding suspension and withdrawal of inspection.
- FSIS will be seeking comment and information on how to simplify and revise the standards of identity and composition for meat and poultry products in light of Agency budget constraints, as well as changing markets and consumer expectations. FSIS must reform this regulatory program while continuing to prevent economic adulteration or misbranding of meat and poultry products.
- FSIS, in conjunction with the Food and Drug Administration, will be seeking comment and information on the need for storage and transportation requirements for food capable of supporting the growth of pathogenic microorganisms.

#### *Rural Business-Cooperative Development Service*

**Mission:** The mission of RBCDS is to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and cooperatives that can prosper in the global trading marketplace.

**Priority:** Despite decades of investments in infrastructure and

business development, rural America continues to face many significant challenges. Some of the challenges, like the persistence of poverty in major parts of the South and in Appalachia, have been with us for a long time. Others, such as the loss of jobs and businesses from rural economies, are due to changes in the structure of rural economic bases and the globalization of competition.

The primary goals of RBCDS regulatory changes are to economize in the use of public resources while making the programs more effective at rural community economic development and more customer friendly. New or revised regulations will generally be shorter, better organized, and clearer than the current regulations for the same programs, and program requirements will be more flexible.

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#### **USDA—Food and Consumer Service (FCS)**

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#### **PROPOSED RULE STAGE**

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#### **1. SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC): FOOD DELIVERY SYSTEMS**

**Priority:**

Other Significant

**Legal Authority:**

42 USC 1786

**CFR Citation:**

7 CFR 246

**Legal Deadline:**

None

**Abstract:**

A proposed rule addressing WIC Food Delivery Systems was published on December 28, 1990 (55 FR 53446). The Department provided a 120-day comment period for the proposed rule, which closed on April 29, 1991. Nearly 1,100 comments were received from a wide variety of sources. Despite the degree of preliminary input to the December 28, 1990, proposed rule, many of the commenters responding during the formal comment period suggested that the Department's food delivery regulations needed to be proposed again, rather than proceeding directly to a final rule. In addition, several members of Congress requested that the rule be repropounded in light of its impact on State agency food

delivery systems. Therefore, the Department intends to issue a second proposed rule addressing WIC food delivery systems and requirements. This second rule will address all of the provisions contained in the previous rulemaking, but will contain significant modifications to some of the proposed provisions, as well as clarifications of several provisions that may not have been clearly understood in the earlier rule. (88-512)

**Statement of Need:**

On December 28, 1990, the Department published a proposed rule designed primarily to strengthen State agency operations in vendor management and related food delivery areas for the WIC Program. This proposal was developed with input over several years' time from State agency experts in food delivery, and with the full support of and encouragement from Congress and the Department's Office of Inspector General (OIG). The Department provided a 120-day comment period for the proposed rule, which closed on April 28, 1991. During this comment period, nearly 1,100 comments were received from State and local WIC agencies, vendors, and associated groups, public interest groups, members of Congress, members of the public, and WIC participants.

Despite the degree of preliminary input to the December 28, 1990, proposed rule, many of the commenters suggested that the Department's food delivery regulations needed to be proposed again, rather than proceeding directly to a final rule. In addition, several members of Congress requested that the rule be repropounded in light of its impact on State agency food delivery systems.

The Department has therefore drafted a second proposed rule addressing WIC food delivery systems and requirements. This second rule addresses all of the provisions contained in the previous rulemaking, and contains significant modifications to some of the proposed revisions, as well as clarifications to a number of provisions that may not have been clearly understood in the earlier rule. A 120-day public comment period will be provided with this proposed rule. The Department intends to publish a final rule, based on all of the comments received, by the middle of fiscal year 1997.

Although this rule does not have a direct impact on reducing risks to public health, safety, or the environment, it will significantly

improve the operation and accountability of the WIC Program nationwide.

**Alternatives:**

Given the intensive input that has been gathered for the development of this rule since it was recommended by the General Accounting Office in 1986, and the comments that were received pertaining to the first proposed version of the rule in December 1990, the Department has determined that there are no viable alternatives to the provisions included in this reproposal. The alternative of proceeding directly to promulgation of a final rule based on the 1990 proposal has been rejected by Congress.

**Anticipated Costs and Benefits:**

The costs of this action include costs due to vendor overcharges and costs associated with the proposal. The estimated costs for implementation of the proposal include a shift of not more than \$2.0 million in WIC Program Nutrition Services and Administration (NSA) funds within the 87 State agencies, partially from reduced requirements for management evaluations of local agencies and reduced costs due to elimination of representative on-site monitoring. They also include \$0.5 million in additional costs to vendors to meet the proposed minimum training and authorization requirements. It should be noted that all the vendors are currently required to participate in some type of training and complete an application form for program authorization. The estimated \$0.5 million in additional costs therefore represents those instances where current training and authorization requirements are below the level established in the proposal. In these instances, vendors may incur costs in attending more frequent training sessions or may be required to complete an application form at more frequent intervals. The estimated cost does not represent charges to the vendor for training or authorization. Rather, the cost represents the estimated cost of the vendor's time to participate in the training session and to complete the application form.

The gross benefit results from a significant reduction in vendor overcharges. A significant net benefit of \$37 million is expected, as vendor overcharges are estimated at \$39.5 million and costs associated with the proposal are a maximum of \$2.5 million.

**Risks:**

This rule is intended to reduce and minimize the risk of vendor fraud and abuse of the WIC program.

**Timetable:**

Action	Date	FR Cite
NPRM	12/28/90	55 FR 53446
NPRM Comment Period End	04/29/91	
NPRM	06/00/97	
NPRM Comment Period End	10/00/97	
Final Action	03/00/98	
Final Action Effective	03/00/98	

**Small Entities Affected:**

None

**Government Levels Affected:**

State, Local, Tribal

**Sectors Affected:**

None

**Agency Contact:**

Sheri Ackerman  
Agency Regulatory Officer  
Department of Agriculture  
Food and Consumer Service  
3101 Park Center Drive  
Room 308  
Alexandria, VA 22302  
Phone: 703 305-2246

**RIN:** 0584-AA80

**USDA—FCS**

**2. FOOD STAMP PROGRAM: FOOD STAMP RECIPIENT CLAIM ESTABLISHMENT AND COLLECTION STANDARDS**

**Priority:**

Other Significant. Major status under 5 USC 801 is undetermined.

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

7 USC 2011 to 2032

**CFR Citation:**

7 CFR 272; 7 CFR 273

**Legal Deadline:**

None

**Abstract:**

The Food and Consumer Service is revising Food Stamp Program regulations which cover the

establishment and collection of recipient claims. This action is the result of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and is consistent with the President's regulatory reform effort. In addition, this rule revises existing discretionary areas to improve claim establishment and effective management. The inability of State agencies to establish and collect claims has continuously been cited as a deficiency by the Department's Office of Inspector General. The last significant revision to these regulations was in 1983. Subsequent activities, such as technological advances and general debt management regulations, have rendered many portions of the current rule obsolete. In addition, the current rule has been found to place unnecessary burdens on State agencies. State agencies are responsible for establishing and collecting recipient claims. (94-005)

**Statement of Need:**

In addition to implementing PRWORA, this rule is necessary to improve the establishment and collection of recipient claims. The last significant revision to these regulations was in 1983. Subsequent activities, such as technological advances and general debt management regulations, have rendered many portions of the current rule obsolete. The current rule has also been found to place unnecessary burdens on State agencies. State agencies are responsible for establishing and collecting recipient claims. This rule will address two dimensions of the overissuance problem: establishing claims on excess allowances, and recovering overages where possible. Data from the food stamp quality control system for 1993 show that overissuances to recipients totaled over \$1.8 billion, 8.3 percent of the \$22.0 billion in total food stamp issuances that year. These errors were concentrated in just 18 percent of food stamp households, which received an average of almost 50 percent more than they should have. Claims against recipients are a direct means to recover overissuances and, to the extent that recipients know that recovery of overissuances will be sought, represent a deterrent to households who quietly accept the extra food benefits.

**Alternatives:**

The alternative is not to revise the current rule governing this aspect of the Program. In addition, the existing regulations must be changed to conform

with the new legislative requirement. The current rule is not adequate to facilitate effective and efficient debt management. The inability of State agencies to establish and collect claims has continuously been cited as a deficiency by the Department's Office of Inspector General.

**Anticipated Costs and Benefits:**

Nationwide, as of October 1, 1993, there was over \$800 million in uncollected recipient claims. Inspector General reports have also noted that, in addition to large accounts receivable for established, uncollected claims, there are backlogs of hundreds of millions of claims that have not yet been established. These unestablished claims represent the most current, and typically the most collectable losses to the program. Updated regulations that incorporate recent debt management rules and technological advances, as well as practical suggestions and feedback received from State agencies, should improve the establishment and collection of recipient claims in the Food Stamp Program. In addition, efforts will be made to increase the degree of conformity with claims-related issues and procedures currently used in other social programs.

**Risks:**

The tolerance of program abuse or even the perception of such undermines the fundamental mission of the Food Stamp Program. The efficient and effective establishment and collection of recipient claims, which this rulemaking addresses, is essential in ensuring that this does not occur.

**Timetable:**

Action	Date	FR Cite
NPRM	04/00/97	
NPRM Comment Period End	07/00/97	
Final Action	12/00/97	
Final Action Effective	02/00/98	

**Small Entities Affected:**

None

**Government Levels Affected:**

State, Local

**Agency Contact:**

Sheri Ackerman  
 Agency Regulatory Officer  
 Department of Agriculture  
 Food and Consumer Service  
 3101 Park Center Drive, Room 308  
 Alexandria, VA 22302  
 Phone: 703 305-2246

**RIN:** 0584-AB88

**USDA—FCS**

**3. FOOD STAMP PROGRAM: REVISIONS IN RETAIL FOOD STORE ELIGIBILITY CRITERIA AND IN ELIGIBILITY GUIDANCE AND PROGRAM AUTHORIZATION**

**Priority:**

Other Significant

**Legal Authority:**

PL 103-225; 7 USC 2012; 7 USC 2018

**CFR Citation:**

7 CFR 271; 7 CFR 278

**Legal Deadline:**

Final, Statutory, March 25, 1994.

**Abstract:**

This proposed rule sets forth changes required by provisions of the Food Stamp Program Improvements Act of 1994, Public Law 103-225, Title II, 108 Stat. 108-110 (1994). The purpose of this rule is to implement these statutory changes to the Food Stamp Act of 1977, as amended. It would revise the definition of "retail food store" to conform to the statutory changes to require that a firm must meet one of two new criteria to qualify for participation in the Food Stamp Program. One criterion focuses on the variety of staple foods for home preparation and consumption available on a continuous basis, including perishables. The second criterion requires that a firm's staple-food sales exceed 50 percent of its total gross sales. This rule also addresses the requirement in Public Law 103-225 for new procedures for providing periodic notification of eligibility and for reauthorizing participating firms. (95-003)

**Statement of Need:**

Public Law 103-225 amends the Food Stamp Act of 1977, to make changes in eligibility requirements for retail food stores to participate in the Food Stamp Program. Prior to enactment of these changes, a retail food store qualified to participate in the Food Stamp Program if more than 50 percent of its total eligible food sales were in staple foods. The new law changes that to require 50 percent of its total gross sales in staple foods. It also provides another option for stores not meeting the new 50 percent rule. Those stores can now qualify if they offer for sale, on a continuous basis, a variety of food in each of four categories of staple foods. The staple food categories are defined as "(1) meat, poultry, or fish; (2) bread or cereals; (3) vegetables or

fruits; or (4) dairy products." This statutory change in eligibility will require developing policy definitions for the terms "continuous basis," "variety," and "perishable."

**Alternatives:**

None. The new law also requires the Secretary to issue new rules providing for the periodic reauthorization of retail food stores and wholesale food concerns. This must include providing periodic notice of the definitions for "retail food stores," "staple foods," and "perishable foods."

**Anticipated Costs and Benefits:**

The legislation requires a report to Congress assessing the impact of these changes. This report has been requested to determine the impact of Public Law 103-225 on retail food stores. It is expected to be completed and presented to the House and Senate Agriculture Committees not later than 18 months after enactment (March 25, 1994).

The report must include data on (a) the number and types of stores newly authorized and (b) the number and types of stores withdrawn (denied authorization/reauthorization) from the Food Stamp Program after implementation of the new law. The report must also include a description of the procedures used and the adequacy of those procedures to determine store eligibility to participate in the Food Stamp Program and to authorize and reauthorize stores to participate. Finally, the report must assess the adequacy of the guidance provided by the Secretary to retail food stores concerning the definitions of "retail food stores," "staple foods," and "perishables," and the eligibility criteria for stores to participate in the Food Stamp Program.

**Timetable:**

Action	Date	FR Cite
NPRM	01/00/97	

**Small Entities Affected:**

Businesses

**Government Levels Affected:**

None

**Agency Contact:**

Sheri Ackerman  
 Agency Regulatory Officer  
 Department of Agriculture  
 Food and Consumer Service  
 3101 Park Center Drive, Room 308  
 Alexandria, VA 22302  
 Phone: 703 305-2246

**RIN:** 0584-AB90

**USDA—FCS****4. • FSP: PERSONAL RESPONSIBILITY PROVISIONS OF THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996****Priority:**

Economically Significant. Major status under 5 USC 801 is undetermined.

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

PL 104-193

**CFR Citation:**

7 CFR 271; 7 CFR 272; 7 CFR 273

**Legal Deadline:**

Other, Statutory, August 22, 1996.

Stat. implementation deadline of 8/22/96 for sec 813, 814, 820, 821, 837, and 911 of PL 104-193; stat. implementation deadline of 7/1/97 for sec 115, and 11/22/96 for sec 824 of PL 104-193.

**Abstract:**

This rule will implement 12 provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. 96-019

**Statement of Need:**

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, amends the Food Stamp Act of 1977, to add some new eligibility requirements and disqualifiers, and increase some existing penalties for noncompliance with food stamp rules. The new law: (1) makes individuals convicted of drug-related felonies ineligible for food stamps; (2) doubles the penalties for violating food stamp program requirements; (3) permanently disqualifies individuals convicted of trafficking in food stamp benefits of \$500 or more; (4) allows States to disqualify an individual from food stamps if the individual is disqualified from another means-tested program for failure to perform an action required by that program; (5) makes individuals ineligible for 10 years if they misrepresent their identity or residence in order to receive multiple food stamp benefits; (6) makes fleeing felons and probation and parole violators ineligible for the food stamp program;

(7) allows states to require food stamp recipients to cooperate with child support agencies as a condition of food stamp eligibility; (8) allows states to disqualify individuals who are in arrears in court-ordered child support payments; (9) limits the food stamp participation of most able-bodied adults without dependents to three months in a three-year period during times the individual is not working or participating in a work program; (10) prohibits an increase in food stamp benefits when households' income is reduced because of a penalty imposed under a Federal, State, or local means-tested public assistance program for failure to perform a required action; (11) requires States to provide households' addresses, social security numbers, or photographs to law enforcement officers to assist them in locating fugitive felons or probation or parole violators; and (12) prohibits an increase in food stamp benefits when households' income is reduced because of a penalty imposed under a Federal, State, or local means-tested public assistance program for an act of fraud by the individual under the program.

**Summary of the Legal Basis:**

All of the provision of this rule are mandated by P.L. 104-193, "The Personal Responsibility and Work Opportunity Reconciliation Act of 1996."

**Alternatives:**

None.

**Anticipated Costs and Benefits:**

Over 7 years, the provisions are expected to reduce the cost of the Food Stamp Program by approximately \$5.565 billion.

**Risks:**

None.

**Timetable:**

Action	Date	FR Cite
NPRM	06/00/97	

**Small Entities Affected:**

None

**Government Levels Affected:**

State, Local, Federal

**Analysis:**

Regulatory Flexibility Analysis;  
Regulatory Impact Analysis 06/00/97

**Agency Contact:**

Sheri Ackerman  
Agency Regulatory Officer  
Department of Agriculture  
Food and Consumer Service  
3101 Park Center Drive, Room 308  
Alexandria, VA 22302  
Phone: 703 305-2246

RIN: 0584-AC39

**USDA—FCS****5. • FSP: STATE FLEXIBILITY AND CERTIFICATION PROVISIONS OF PUBLIC LAW 104-193****Priority:**

Economically Significant. Major status under 5 USC 801 is undetermined.

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

PL 104-193; PL 104-208; 7 USC 2011 to 2032

**CFR Citation:**

7 CFR 273.2; 7 CFR 273.4; 7 CFR 273.9(c); 7 CFR 273.9(d); 7 CFR 273.10(f); 7 CFR 273.11(a); 7 CFR 273.11(c); 7 CFR 273.11(e); 7 CFR 273.11(j); 7 CFR 273.10(a)

**Legal Deadline:**

Other, Statutory, August 22, 1996.

For provisions effective upon enactment, the statutory implementation date is August 22, 1996.

**Abstract:**

This rule proposes to amend Food Stamp Program regulations to implement 14 provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 and one provision of the Omnibus Consolidated Appropriations Act of 1996. These provisions would increase State agency flexibility in processing applications for the Food Stamp Program and allow greater use of standard amounts for determining deductions and self-employment expenses. The provisions would also give State agencies options to issue partial allotments for households in treatment centers, count all of the income of an ineligible noncitizen in determining the benefits of the rest of the household, issue combined allotments to certain expedited service

households, and certify elderly or disabled households for 24 months. Other changes would revise requirements for determining noncitizen eligibility and the eligibility and benefits of sponsored noncitizens, eliminate the exclusion of certain transitional housing payments and State and local energy assistance, exclude the earnings of students under 18, and require proration of benefits following any break in certification. 96-020

**Statement of Need:**

This action is required by Pub. L. 104-193 and Pub. L. 104-208.

**Summary of the Legal Basis:**

Summary of the Legal Basis: This rule is required to implement the provisions of sections 402, 421, 801, 807, 808, 809, 811, 812, 818, 827, 828, 830, and 835 of Pub. L. 104-193 and section 552 of Pub. L. 104-208.

**Anticipated Costs and Benefits:**

The provision of this rule would reduce Food Stamp Program costs for FY 1997-2002 by approximately \$6,605 billion.

**Timetable:**

Action	Date	FR Cite
NPRM	06/00/97	
NPRM Comment Period End	08/00/97	
Final Action	00/00/00	
Final Action Effective	00/00/00	

**Small Entities Affected:**

None

**Government Levels Affected:**

State, Local, Federal

**Agency Contact:**

Sheri Ackerman  
Agency Regulatory Officer  
Department of Agriculture  
Food and Consumer Service  
3101 Park Center Drive, Room 308  
Alexandria, VA 22302  
Phone: 703 305-2246

RIN: 0584-AC40

**USDA—FCS**

**6. • FOOD STAMP PROGRAM: WORK PROVISIONS OF THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996**

**Priority:**

Other Significant. Major status under 5 USC 801 is undetermined.

**Legal Authority:**

PL 104-193

**CFR Citation:**

7 CFR 273.7; 7 CFR 273.22

**Legal Deadline:**

None

**Abstract:**

This proposed rule will implement revisions to the Food Stamp Program's work and employment and training requirements, as well as new provisions for a work supplementation or support program and an employment initiative program. 96-025

**Timetable:**

Action	Date	FR Cite
NPRM	06/00/97	
NPRM Comment Period End	08/00/97	
Final Action	00/00/00	
Final Action Effective	00/00/00	

**Small Entities Affected:**

None

**Government Levels Affected:**

State, Local

**Agency Contact:**

Sheri Ackerman  
Agency Regulatory Officer  
Department of Agriculture  
Food and Consumer Service  
3101 Park Center Drive  
Alexandria, VA 22302-1594  
Phone: 703 305-2246

RIN: 0584-AC45

**USDA—FCS**

**FINAL RULE STAGE**

**7. • FSP: NONDISCRETIONARY PROVISIONS OF THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996**

**Priority:**

Economically Significant. Major status under 5 USC 801 is undetermined.

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

PL 104-193, sec 803; PL 104-193, sec 804; PL 104-193, sec 805; PL 104-193, sec 809; PL 104-193, sec 810; PL 104-193, sec 838; PL 104-193, sec 109; PL 104-193, sec 826

**CFR Citation:**

7 CFR 271.2; 7 CFR 273.1; 7 CFR 273.2; 7 CFR 273.8; 7 CFR 273.9; 7 CFR 273.10

**Legal Deadline:**

Other, Statutory.

Statutory Implementation Dates: PL 104-193, sec 809 - 1/1/97; PL 104-193, sec 803, 805 and 838 - 08/22/96; PL 104-193, sec 804 and 810 - 10/01/96.

**Abstract:**

This interim rule amends the Food Stamp Program regulations to implement 8 provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. These provisions which require no interpretation or discretion 1) freeze the minimum allotment at \$10; 2) change the way the maximum allotments are calculated to use 100% of the Thrifty Food Plan as opposed to 103%; 3) freeze the standard deduction at current level and eliminate the adjustment procedures; 4) cap the excess shelter expense deduction; 5) change the household composition definition so that children under 22 years of age and living with their parents cannot be a separate household; 6) increase the time frame from 5 to 7 days for expedited service; 7) set a time limit of not more than 90 days for considering the person homeless; and 8) set the fair market value of vehicles at \$4,600 through 9/30/96 and raise it to \$4,650 effective 10/1/96 and eliminate future adjustments.

**Statement of Need:**

This action is required by P.L. 104-193.

**Summary of the Legal Basis:**

This rule is required to implement the provisions of sections 109, 803, 804, 805, 809, 810, 826, and 838 of P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**Alternatives:**

None. The provisions are mandated by statute.

**Anticipated Costs and Benefits:**

The provisions of this rule would reduce Food Stamp Program costs for FY 1997-2002 by \$16.950 billion.

**Timetable:**

Action	Date	FR Cite
Interim Final Rule	04/00/97	
Final Action	00/00/00	

**Small Entities Affected:**

None

**Government Levels Affected:**

State, Local

**Agency Contact:**

Sheri Ackerman  
 Agency Regulatory Officer  
 Department of Agriculture  
 Food and Consumer Service  
 3101 Park Center Drive  
 Room 308  
 Alexandria, VA 22302  
 Phone: 703 305-2246

RIN: 0584-AC41

**USDA—FCS****8. • IMPROVED TARGETING OF DAY CARE HOME REIMBURSEMENTS IN THE CHILD AND ADULT CARE FOOD PROGRAM****Priority:**

Economically Significant. Major status under 5 USC 801 is undetermined.

**Unfunded Mandates:**

Undetermined

**Legal Authority:**

PL 104-193

**CFR Citation:**

7 CFR 226

**Legal Deadline:**

Final, Statutory, July 1, 1997. Other, Statutory, January 1, 1997.

Other deadline is for interim final rule.

**Abstract:**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) made a significant change in the family day care home component of CACFP. Currently, all meals served in family day care homes are reimbursed at a single rate by type of meal, without regard to the location of the home or the household income of the children receiving the meal, with the exception of the day care provider's own children who are subject to income eligibility requirements.

Statutory amendments resulting from P.L. 104-193 now require that a means test by child or geographic area be used to determine reimbursement levels for all meals served in homes. This change is intended to target benefits to the needy and is expected to result in a Federal budgetary savings of \$2.6 billion over a 6-year period (fiscal years 1997-2002). The law requires that the Department publish an interim regulation to implement these provisions by January 1, 1997, with an effective date of July 1, 1997. 96-022

**Statement of Need:**

Currently, all meals served in family day care homes are reimbursed at a single rate, by type of meal, regardless of where the home is located or the household income of the children receiving the meal. The only exception is that meals served to a provider's own child(ren) are not reimbursable unless the provider's household income is at or below 185 percent of poverty. Thus, only providers submit income eligibility applications to their sponsoring organization. As a result of providing generous levels of reimbursement for all meals served in day care homes, there has been a significant increase in CACFP costs. This growth has been especially evident among family day care homes serving middle- and upper-income children. By 1986, a study of the CCFP conducted for FCS by Abt Associates, Inc., showed that approximately 70 percent of children then receiving reimbursement for meals served in family day care homes would have qualified for "paid" meals prior to the changes to the law in 1978. ("Paid" meals are for children from households with incomes over 185 percent of poverty.) Led by growth in the family day care portion of the CCFP--renamed the CACFP in 1989--Program expenditures increased from \$300 million in 1983 to &1.44 billion by 1995.

The need to reduce overall Federal expenditures has prompted a review of many programs and led to a decision to improve the targeting of benefits in the CACFP. To accomplish this targeting, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 establishes two "tiers" of day care homes and reimbursement rates. Under the law, tier I homes are those that are located in low-income areas or those in which the provider's household income is at or below 185 percent of the Federal income poverty guidelines. All meals served to enrolled children in tier I homes will receive a higher level of reimbursement. Tier II homes, in contrast, are those which do not meet the location or provider income criteria for a tier I home. The meals served in tier II homes are reimbursed at lower rates, unless the provider elects to have the sponsor collect free and reduced price applications from the households of children enrolled for day care in the home. In that case, the meals served to identified income-eligible children (i.e., children from households with incomes at or below 185 percent of the

Federal income poverty guidelines) are reimbursed at the higher, "tier I" rates.

**Alternatives:**

None. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 mandates that these changes be implemented on July 1, 1997.

**Anticipated Costs and Benefits:**

This change is intended to target benefits to the needy and is expected to result in a Federal budgetary savings of \$2.6 billion over a 6-year period (fiscal years 1997-2002). The law requires that the Department publish an interim regulation to implement these provisions by January 1, 1997, with an effective date of July 1, 1997. It also requires that the Department conduct a study of the law's impact and report to Congress by August 22, 1998.

State agencies and sponsoring organizations of family day care homes will have additional administrative burdens as a result of the change, especially during the implementation phase. Family day care providers will see a reduction in income if they do not serve needy children. It should be noted that the financial effects and administrative burden flow directly from the new statutory provisions and are only marginally affected by any discretionary authority exercised by the Department.

**Timetable:**

Action	Date	FR Cite
Interim Final Rule	01/00/97	
Final Action	07/00/97	
Final Action Effective	07/00/97	

**Small Entities Affected:****Government Levels Affected:****Agency Contact:**

Sheri Ackerman  
 Agency Regulatory Officer  
 Department of Agriculture  
 Food and Consumer Service  
 3101 Park Center Drive  
 Room 308  
 Alexandria, VA 22302  
 Phone: 703 305-2246

RIN: 0584-AC42

**USDA—Food Safety and Inspection Service (FSIS)**

**FINAL RULE STAGE**

**9. ELIMINATION OF PRIOR APPROVAL REQUIREMENTS FOR ESTABLISHMENT DRAWINGS AND SPECIFICATIONS, FACILITIES EQUIPMENT, AND CERTAIN PARTIAL QUALITY CONTROL PROGRAMS**

**Priority:**

Other Significant

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will eliminate existing text in the CFR.

**Legal Authority:**

21 USC 451 et seq; 21 USC 601 et seq

**CFR Citation:**

9 CFR 304; 9 CFR 308; 9 CFR 317; 9 CFR 318; 9 CFR 319; 9 CFR 381

**Legal Deadline:**

None

**Abstract:**

The Food Safety and Inspection Service (FSIS) is proposing to amend the Federal meat and poultry products inspection regulations by removing current requirements for FSIS approval of facilities and equipment prior to their use in official establishments. Establishments would be held accountable for meeting existing regulations for facilities and equipment and for preventing conditions that would tend to adulterate meat, meat food, and poultry products. FSIS is also proposing to end its prior approval of most voluntary, plant-operated partial quality control (PQC) programs, which are used by establishments to control certain kinds of food processing and product characteristics. Establishments would be encouraged to develop and implement quality control programs without first receiving permission from the Agency to do so and without having to rely on Agency guidance in operating them.

**Statement of Need:**

This action is being taken as part of the continuing Reinventing Government initiative to streamline and modernize the meat and poultry inspection regulations, to reduce reliance on command-and-control regulations in favor of science-based prevention measures and performance standards,

and to encourage innovations that will improve food safety.

**Summary of the Legal Basis:**

Under the Federal Meat Inspection Act (21 USC 601 et seq.) and the Poultry Products Inspection Act (21 USC 451 et seq.), FSIS issues regulations governing the production of meat and poultry products prepared for distribution in interstate commerce. The Agency also issues regulations concerning the sanitation conditions under which such products are prepared.

**Alternatives:**

Alternatives to removing requirements for facilities and equipment prior approvals include development by FSIS of detailed standards to be published in booklets with periodic updates, recognizing industry organizations as prior approval authorities, and establishing general performance standards similar to FDA-recognized good manufacturing practices. FSIS has chosen the option of proposing general performance standards. Industry would be free to set up technical assistance organizations. For PQC prior approvals, the alternatives to removing requirements were market sampling, mandating additional in-plant controls, sampling of finished products for chemical analysis, and general requirements, and a performance standard option was the one chosen.

**Anticipated Costs and Benefits:**

Costs of this proposed rulemaking to the Agency and the regulated industry would be minimal because the rulemaking would remove administrative burdens. Benefits include annual current-dollar cost savings or avoidance to FSIS of nearly \$3 million and to industry of at least \$40,000 for blueprint submissions that are no longer required, plus additional, substantial uncalculated benefits because there would no longer be production delays arising from prior approval of facilities, equipment, and PQC programs.

**Risks:**

This rulemaking could induce reduced health and safety risks to the public by providing industry with additional flexibility to innovate, which the command-and-control approach of prior-approval regulation has not encouraged.

**Timetable:**

Action	Date	FR Cite
NPRM	05/02/96	61 FR 19578

Action	Date	FR Cite
NPRM Comment Period End	07/01/96	
Comment Period Extended to	09/09/96	61 FR 35990
Final Action	02/00/97	

**Small Entities Affected:**

Businesses

**Government Levels Affected:**

None

**Agency Contact:**

Patricia Stolfa  
Associate Deputy Administrator  
Science and Technology  
Department of Agriculture  
Food Safety and Inspection Service  
Washington, DC 20250-3700  
Phone: 202 205-0699

**RIN:** 0583-AB93

**USDA—FSIS**

**10. PERFORMANCE STANDARDS FOR CERTAIN MEAT PRODUCTS AND POULTRY PRODUCTS**

**Priority:**

Other Significant. Major status under 5 USC 801 is undetermined.

**Unfunded Mandates:**

Undetermined

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

21 USC 451 et seq; 21 USC 60 et seq

**CFR Citation:**

9 CFR 301; 9 CFR 318; 9 CFR 320; 9 CFR 381

**Legal Deadline:**

None

**Abstract:**

The Food Safety and Inspection Service (FSIS) is proposing to amend the Federal meat and poultry inspection regulations by converting the current regulations governing the production of cooked beef products, uncured meat patties, and certain poultry products into performance standards. The proposed performance standards spell out the objective level of performance establishments must meet during their operations in order to produce safe products, but allow the use of plant-

specific processing procedures other than the procedures prescribed in the current regulations. All of the provisions in the current regulations meet the proposed performance standards. Therefore, establishments probably would not be required to change any current practices in response to this proposed rule. The current provisions would remain in the regulations as examples of how an establishment might comply with proposed performance standards, constituting "safe harbors."

#### Statement of Need:

Under the Federal Meat Inspection Act (21 USC 601 et seq.) and the Poultry Products Inspection Act (21 USC 451 et seq.), FSIS issues regulations governing the production of meat and poultry products prepared for distribution in interstate commerce. Many of these regulations employ the command-and-control approach, prescribing a precise sequence of steps to be followed when producing food that is safe and not adulterated. The command-and-control approach to rulemaking has ensured that all establishments are subject to the same rules and that no establishment has a technological advantage over another. However, this approach has several drawbacks: it can stifle innovation in meat and poultry processing technology; it does not account for the uniqueness of individual processing procedures and needs within different establishments; and, it produces regulations that can have a negative economic impact on small businesses. Command-and-control rulemaking often fails to account for the development of innovative processing technologies. By prescribing specific steps establishments must take during processing, command-and-control regulations often do not allow establishments to employ innovations in processing technology that may produce meat and poultry products that are as safe as, or even safer than, those produced in accordance with the command-and-control regulations. While FSIS endeavors to account for technological innovation when rulemaking, new processing technologies are developed at a faster pace than the Agency can amend the regulations. Also, command-and-control regulations often do not account for the uniqueness of individual processing procedures and needs within different establishments. FSIS command-and-control regulations require all establishments to produce meat and poultry products in the same manner.

Such prescriptive regulations are impractical in many settings. Further, they can have disparate economic effects on establishments producing different volumes of the same product. By promulgating command-and-control regulations mandating the use of specific processes or technologies, FSIS often inadvertently imposes significant economic burdens on small businesses. Small establishments producing meat and poultry products at low volumes often must pay a high cost per product unit when required to employ a specific process or technology. Large establishments, however, are able to spread the cost of a required process or technology over their higher production volumes. While FSIS has attempted to incorporate prevailing industry processing practices into its command-and-control regulations in order to lessen the economic burden imposed on small establishments, many small establishments often find prevailing industry processing practices to be impractical and/or expensive. In light of these general problems, FSIS is proposing to substitute performance standards for the current command-and-control regulations governing the production of cooked beef products, uncured meat patties, and certain fully and partially cooked poultry products. The proposed performance standards spell out the objective level of performance that establishments must meet during their operations in order to produce safe and nonadulterated products, but allow the use of plant-specific processing procedures other than the procedures prescribed in the current regulations. Accordingly, establishments could employ innovative or unique processing procedures customized to the nature and volume of their production, as long as their products meet the proposed performance standards for safe, nonadulterated food. Furthermore, all of the prescriptive, command-and-control provisions in the current regulations governing cooked beef products, uncured meat patties, and certain fully and partially cooked poultry products meet the proposed standards. Therefore, establishments producing these products would not be required to change any current practices in response to this proposed rule. By proposing performance standards that may be met through adherence to the current regulations, FSIS creates a "safe harbor" for establishments content with the current regulations and mitigates any negative impact this proposal could have on such establishments.

#### Summary of the Legal Basis:

Under the Federal Meat Inspection Act (21 USC 601 et seq.) and the Poultry Products Inspection Act (21 USC 451 et seq.), FSIS issues regulations governing the production of meat and poultry products prepared for distribution in interstate commerce.

#### Alternatives:

FSIS could maintain the current command-and-control regulations governing cooked beef products, uncured meat patties, and certain poultry products. However, as explained above, these regulations have several drawbacks: they stifle innovation in meat and poultry processing technology; they do not account for the uniqueness of individual processing procedures and needs within different establishments; and, they can have a negative economic impact on small businesses.

#### Anticipated Costs and Benefits:

By allowing establishments to meet performance standards for cooked beef products, uncured meat patties, and certain poultry products by means other than those prescribed in the current regulations, FSIS hopes to encourage innovation in meat and poultry processing technology and allow establishments to customize processes to meet their individual needs. Because employing alternative means to meet the proposed performance standards would be optional, FSIS concludes that this proposal would not have a significant economic impact on small or large establishments.

#### Risks:

The proposed performance standards would maintain a level of food safety equivalent to that which is ensured by the current regulations.

#### Timetable:

Action	Date	FR Cite
NPRM	05/02/96	61 FR 19564
NPRM Comment Period End	07/01/96	
Comment Period Extended to Final Action	09/09/96	61 FR 35990
	02/00/97	

#### Small Entities Affected:

Businesses

#### Government Levels Affected:

None

**Agency Contact:**

Patricia F. Stolfa  
Associate Deputy Administrator  
Science and Technology  
Department of Agriculture  
Food Safety and Inspection Service  
Washington, DC 20250-3700  
Phone: 202 205-0699

**RIN:** 0583-AB94

**USDA—Forest Service (FS)**

**FINAL RULE STAGE**

**11. NATIONAL FOREST SYSTEM  
LAND AND RESOURCE  
MANAGEMENT PLANNING**

**Priority:**

Other Significant

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

16 USC 1600 et seq; 5 USC 301

**CFR Citation:**

36 CFR 219

**Legal Deadline:**

None

**Abstract:**

This rulemaking will revise the regulations governing forest land and resource management planning to reflect Agency experience in preparing initial forest plans as required by the National Forest Management Act. The rule will articulate and clarify the forest planning and decisionmaking process, propose ways to streamline plan amendment and revision, and, in general, adjust and fine-tune the rule and its requirements to make the planning process more realistic, meaningful, and efficient.

**Statement of Need:**

The planned regulatory action is to revise the existing rule at 36 CFR Part 219, Subpart A, in order to describe the Agency's overall framework for National Forest System resource decisionmaking; to incorporate the principles of ecosystem management into resource decisionmaking and management; to establish requirements for implementation, monitoring, evaluation, amendment, and revision of

forest plans; and to make various other changes intended to clarify and simplify the planning process.

The planned regulatory action is needed in order to streamline the planning process and update planning procedures and requirements in order to respond to the Critique of Land Management Planning, results of court decisions, and other information which has become available since the existing regulation was promulgated.

The legal basis for the planned regulatory action is the National Forest Management Act, which requires that regulations be promulgated. This action would revise the existing regulation which was finalized in 1982.

**Alternatives:**

The changes needed could only be addressed through a regulatory change.

**Anticipated Costs and Benefits:**

A cost benefit analysis has been completed. It is anticipated that streamlined planning procedures will result in a reduction in the cost of amending and revising forest plans relative to the same procedures under the existing regulation. In addition, benefits should include improved communication and coordination with the public and other agencies and governments, better understanding of the planning process, improved procedures for resource decisionmaking, and improved on-the-ground results as those decisions are implemented.

**Risks:**

The planned regulatory action addresses agency planning procedures and would not directly address specific risks to public health, safety, or the environment.

**Timetable:**

Action	Date	FR Cite
ANPRM	02/15/91	56 FR 6508
NPRM	04/13/95	60 FR 18886
NPRM Comment Period End	08/17/95	60 FR 36767
Final Action	11/00/96	

**Small Entities Affected:**

Undetermined

**Government Levels Affected:**

None

**Agency Contact:**

Marian P. Connolly  
Regulatory Officer  
Department of Agriculture  
Forest Service  
P.O. Box 96090  
Washington DC 20090-6090  
Phone: 703 235-1488

**RIN:** 0596-AB20

**USDA—Rural Business-Cooperative  
Service (RBS)**

**FINAL RULE STAGE**

**12. RURAL BUSINESS LOAN  
STREAMLINING**

**Priority:**

Other Significant

**Reinventing Government:**

This rulemaking is part of the Reinventing Government effort. It will revise text in the CFR to reduce burden or duplication, or streamline requirements.

**Legal Authority:**

7 USC 1989; 42 USC 1480; 5 USC 301

**CFR Citation:**

7 CFR 1980 subpart A; 7 CFR 4279 subpart A; 7 CFR 4287 subpart B; 7 CFR 4279 subpart B; 7 CFR 1980 subpart E

**Legal Deadline:**

None

**Abstract:**

This initiative will create a complete new set of regulations for the program of loan guarantees for rural businesses known as the Business and Industry Program. The purpose is to streamline both the regulations and the program. The new regulations will be much shorter than the previous regulations for the program and will be better organized and clearer. Program procedures and requirements will be more flexible, applications will be simpler, and more reliance will be placed on the commercial lender.

**Statement of Need:**

The new regulation for the program known as the Business and Industry Guaranteed loan program will be more user friendly for lenders, borrowers, and Agency staff. These changes are essential to allow for improved service to the public and for an expanded program with increased impact on rural

employment, without a corresponding expansion in Agency staff. The regulations will be shorter, better organized, and more simple and clear. Many documentation requirements will be eliminated or consolidated into more convenient formats. Analysis and processing responsibilities will be shifted from the National Office to field offices and from the Agency to lenders. Eligible uses of the program will be expanded.

#### Summary of the Legal Basis:

The Business and Industry program was authorized by the Rural Business and Industry program was authorized by the Rural Development Act of 1972, which amended the Consolidated Farm and Rural Development Act. The program provides for the guaranteed of loans made by private lenders to rural businesses. The purpose is to improve employment opportunities and economic conditions in rural areas. The new regulations are an administrative, rather than legislative, initiative. However, the Senate report on the fiscal year 1995 Appropriations Act did contain a directive for the department to streamline the Business and Industry regulations and application procedures, reduce loan application processing time by relying on in-state resources, allow more management flexibility and decisionmaking capacity at the State Office level, and expand eligible loan purposes to include recreation and tourism.

#### Alternatives:

More staff could be devoted to the operation of the Business and Industry program, or the volume of program funding and activity could be limited to pre-1994 levels. However, if the program is to be expanded or maintained at the 1994 or 1995 level, if customer service is to be improved, and if staff resources are to be limited in accordance with budget and Government reduction goals, streamlining of the program is essential. The Agency has utilized the expertise of its headquarters staff, task forces of

State Office staff, and comments from the Office of Inspector General to determine what changes will be the most appropriate.

#### Anticipated Costs and Benefits:

The only costs that could be anticipated as a result of this action would be potential increased losses on the loans guaranteed. However, the Agency is confident that the regulations contain sufficient safeguards to mitigate any increased risk and prevent increased losses. The streamlining of the regulations for this program will enhance the use of the program in improving the prosperity of rural residents through financial assistance that increases rural competitiveness, facilitates industrial development, and enables rural residents to profit from private-sector economic activity. The regulations are consistent with the Administration's efforts to streamline Government functions, improve the efficiency and effectiveness of Government activities, and be more customer friendly. The size of the Business and Industry loan guarantee program has been increased from \$100 million in fiscal year 1993 to \$249 million in fiscal year 1994 and to \$500 million in fiscal year 1995. However, decreasing administrative resources dictate that the Agency deliver the increased program with a much smaller Federal staff. The new regulations will enable the Agency to deliver a much larger program with fewer staff resources, and simultaneously meet the objectives of the National Performance Review regarding improved customer service, less regulation, and streamlined Agency operations.

#### Risks:

The risk associated with this regulatory initiative is that shifting more responsibility from the National Office to field offices and from the Agency to the lenders, and providing more flexibility in loan structuring and credit quality analysis, could result in more loan losses. The Agency believes that the risk has been mitigated. The

shifting responsibilities will allow the Agency staff to better perform their oversight functions. National Office staff will spend more time training and monitoring field office staff. Field Office staff will spend more time monitoring the performance of lenders. Lenders will be able to respond more quickly to troubled loans. Agency staff will continue to review the credit quality of proposed loans. However, reviewers will begin with the written analysis prepared by the lender rather than beginning with a completely new analysis. Lenders will have a minimum of 20 percent unguaranteed exposure on almost all loans to ensure incentive to consider the credit quality and to properly monitor and service the loan. On most loans over \$5 million the lender will have a minimum of 30 percent unguaranteed exposure. The Agency will receive and review periodic financial reports on the borrowers and will visit all lenders at least once each year and all borrowers at least once every 3 years. No increase in delinquency rates or losses is expected as a result of the new regulations.

#### Timetable:

Action	Date	FR Cite
NPRM	02/02/96	61 FR 3853
NPRM Comment Period End	04/02/96	
Final Action	12/00/96	

#### Small Entities Affected:

None

#### Government Levels Affected:

None

#### Agency Contact:

Kenneth E. Hennings  
Loan Specialist  
Business Program Servicing Division  
Department of Agriculture  
Rural Business-Cooperative Service  
Room 6337 South Building  
Washington, DC 20250  
Phone: 202 690-4100

**RIN:** 0570-AA09

**BILLING CODE** 3410-90-F