classing inedible kernels places an unreasonable processing burden on handlers; and (3) no useful purpose would be served by providing an opportunity for public input or by delaying the effective date 30 days after publication in the **Federal Register**.

This final rule amends § 981.408 of Subpart—Administrative Rules and Regulations (7 CFR 981.401–981.474) by deleting the reference to internal discoloration in the definition of inedible kernels. Section 981.408 is issued pursuant to § 981.8 of the marketing agreement and Order No. 981 (7 CFR 981), both as amended, regulating the handling of almonds grown in California and hereinafter referred to collectively as the "order." The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601–674). The action taken herein is based on a recommendation of the Almond Board of California, hereinafter referred to as the "Board," which works with USDA in administering the order.

The term "inedible kernel" is used in connection with the order's quality control provisions. The purpose of these provisions is to separate "inedible kernels" from "edible kernels", and requires the disposal of the inedible kernels in non-normal outlets such as almond oil and animal feed.

Pursuant to § 981.8, the definition of "inedible kernel" was modified last fall (49 FR 40788) to mean a kernel, piece, or particle of almond kernel with any defect scored as serious damage, or damage due to mold, gum, shrivel, or brown spot, as defined in the United States Standards for Shelled Almonds, or which has embedded dirt or other foreign material not easily removed by washing or has internal discoloration. The words "or has internal discoloration" were added to the definition of inedible kernel to improve the quality of almond kernels moving into normal markets.

Discoloration is a darkening of an almond kernel's interior and usually results when almond lots have excessive moisture or are subjected to high temperatures during storage or drying. The interior of an almond kernel normally is cream-colored, whereas a discolored kernel is yellowish-brown or, in serious cases, brown. Discolored almonds usually have objectionable off-flavors. Hence, discolored almonds are unsuitable for normal market uses and should more appropriately be classed as "inedible almonds" and disposed of in outlets such as almond oil and animal feed.

However, the industry found that current almond processing equipment is not capable of separating discolored almond kernels from otherwise sound almonds. Because no practical means of separation currently exists, internal discoloration cannot be used as a factor in classing inedible kernels, and the Board recommended deletion of the reference to internal discoloration in § 981.408.

After consideration of all relevant matter presented, including the Board's recommendation, and other available information, it is further found that to change Subpart—Administrative Rules and Regulations (7 CFR 981.401–981.474) by amending § 981.408 will tend to effectuate the declared policy of the act.

List of Subjects in 7 CFR Part 981

Marketing agreements and orders, Almonds, California.

PART 981—ALMONDS GROWN IN CALIFORNIA

1. The authority citation for 7 CFR Part 981 continues to read as follows:

Authority: Secs. 1–19, 49 Stat. 31, as amended; 7 U.S.C. 601–674.

§ 981.408 [Amended]

2. Section 981.408 is amended by removing the words "or has internal discoloration".

Dated: June 5, 1985.

Thomas R. Clark,

Deputy Director, Fruit and Vegetable Division.

[FR Doc. 85–13913 Filed 6–7–85; 8:45 am]

BILLING CODE 3410-02-M

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7 CFR Part 981

Handling of Almonds Grown in California; Revision of Salable and Reserve Percentages for the 1984–85 Crop Year

AGENCY: Agricultural Marketing Service, USDA.

ACTION: FINAL RULE.

SUMMARY: This action revises the salable and reserve percentages for marketable California almonds received by handlers during the 1984–85 crop year, which began July 1, 1984. The salable percentage is increased from 90 percent to 95 percent, and the reserve percentage is correspondingly decreased from 10 percent to 5 percent. This action is being taken under the marketing order for almonds grown in California and is designed to make more 1984 crop almonds available for immediate shipment, thereby promoting orderly marketing.

EFFECTIVE DATES: July 1, 1984 through June 30, 1985.

FOR FURTHER INFORMATION CONTACT: Frank M. Grasberger, Acting Chief, Specialty Crops Branch, Fruit and Vegetable Division, AMS, USDA, Washington, D.C. 20250 (202) 447–5053.

SUPPLEMENTARY INFORMATION: This final rule has been reviewed under USDA guidelines implementing Executive Order 12291 and Secretary's Memorandum No. 1512–1 and has been classified a "non-major" rule under criteria contained therein.

William T. Manley, Deputy Administrator, Agricultural Marketing Service, has certified that this action will not have a significant economic impact on a substantial number of small entities.

It has been determined that a situation exists which warrants publication of this final rule without prior opportunity for public comment. This action relaxes restrictions on handlers by allowing them to ship additional almonds to salable outlets and should be taken promptly to ensure a sufficient quantity of almonds for normal domestic and export needs and to maintain the current momentum of sales. Therefore, pursuant to the administrative procedure provisions in 5 U.S.C. 553, it is found upon good cause that notice of public rulemaking and other public procedures with respect to this final action are impracticable and contrary to the public interest.

It is further found that good cause exists for not postponing the effective date of this action until 30 days after publication in the **Federal Register** (5 U.S.C. 553). The marketing order for California almonds requires that revised salable, reserve, and export percentages established for a particular crop year shall apply to all marketable California almonds received by handlers from the beginning of that year. The 1984–85 crop year began July 1, 1984.

The authority to establish salable and reserve percentages is pursuant to § 981.47 of the marketing agreement and Order No. 981, both as amended (7 CFR 981), regulating the handling of almonds grown in California and hereinafter referred to collectively as the "order." The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601–674). Section 981.48 of the order provides for as increase in the salable percentage by the Secretary upon findings of fact that the quantity of salable almonds is not sufficient to satisfy trade demand and desirable carryover requirements for the crop year.

On October 1, 1984, a final rule was published in the **Federal Register** (49 FR 38530) establishing salable, reserve, and export percentages of 75 percent, 25 percent, and 0 percent, respectively, for the 1984–85 crop year. That action was based on a recommendation of the Almond Board of California made at a meeting held on July 25, 1984. The Board works with USDA in administering the order.

On February 26, 1985, the Board met to review the salable and reserve percentages established for the 1984–85 crop year and the supply and demand estimates from which those percentages were derived. Pursuant to § 981.48 of the order, the Board recommended an increase in the salable percentage to 79 percent and a corresponding decrease in the reserve percentage to 21 percent. A final rule establishing those revised percentages was published in the **Federal Register** on March 28, 1985 (50 FR 12219).

On March 29, 1985, the Board met again to review 1984–85 salable and reserve percentages and recommended an increase in the salable percentage to 90 percent and a corresponding decrease in the reserve percentage to 10 percent. A final rule establishing those revised percentages was published in the **Federal Register** on May 7, 1985 (50 FR 19161).

On May 6, 1985, the Board met again to review 1984–85 salable and reserve percentages and recommended an increase in the salable percentage to 95 percent and a corresponding decrease in the reserve percentage to 5 percent. The momentum in sales the industry has been experiencing since early 1985 is continuing and some handlers are in a sold-out position on the salable portion of their 1984 crop receipts in spite of the two recent changes in the percentages. In recognition of this to ensure that ample supplies of almonds are available to meet trade demand and carryover requirements, the Board recommended a further relaxation in the percentages. The Board was also cognizant that many growers still are facing a cash flow problem in preparing for 1985 crop production activities. Customarily, handlers do not pay growers for reserve almonds until such almonds are released for sale to normal markets or until alternate outlets have been designated. Growers normally receive a higher price for almonds designated for normal outlets than for almonds designated for alternate outlets.

In arriving at its recommendation, the Board noted that the current estimate of 1984 crop production is up 4.7 million pounds from its March 29, 1985, estimate to 586.1 million pounds. The Board decreased its estimate of loss and exempt almonds by 5.7 million pounds to 23.4 million pounds. Thus, marketable supply is increased by 10.4 million pounds to 562.7 million pounds. The Board also decreased its estimate of domestic trade shipments by 10.0 million pounds to 130.0 million pounds, resulting in a decrease in total trade shipments from 390.0 million pounds to 380.0 million pounds. Finally, the Board increased the quantity of almonds deemed desirable to be carried out on June 30, 1985, from 198.9 million pounds to 246.4 million pounds.

The estimates used by the Board in making its May 6, 1985, recommendation to revise the salable and reserve percentages are tabulated below. The Board's July 25, 1984, February 26, 1985, and March 29, 1985, estimates are shown as a basis of comparison.

MARKETING POLICY ESTIMATES—1984 CROP

[Kernel weight basis; million pounds]

	Initial estimate (July 25, 1984)	First revised estimate (Feb. 26, 1985)	Second revised estimate (Mar. 29, 1985)	Third revised estimate (May 6, 1985)
Production:				
1. 1984 crop	520.0	581.4	581.4	586.1
2. Loss and exempt—5 pct	26.0	29.1	29.1	23.4
3. Marketable supply	494.0	552.3	552.3	562.7
Trade shipments:				
4. Domestic	150.0	140.0	140.0	130.0
5. Export	230.0	250.0	250.0	250.0
6. Total	380.0	390.0	390.0	380.0
Inventory adjustment:				
7. Carry in July 1, 1984	91.8	91.8	91.8	91.8
8. Estimated carryover June 30, 1985	82.3	138.1	198.9	246.4
9. Adjustment	(9.5)	46.3	107.1	154.6
Salable/reserve:				
10. Salable supply (item 6 plus item 9)	370.5	436.3	497.1	534.6
11. Reserve supply (item 3 minus item 10)	123.5	116.0	55.2	28.1
12. Salable percentage (item 10 ÷ item 3 × 100) (percent)	75	79	90	95
13. Reserve percentage (100 percent minus item 12) (percent)	25	21	10	5

The reserve of 5 percent (28.1 million pounds) must be withheld by handlers from normal domestic and export outlets to meet their reserve obligations. The Board has allocated these almonds for use chiefly in the almond butter and school lunch projects begun during the 1982–83 crop year. These long-term projects are a means for the industry to develop new markets for almonds in view of larger crops. Allocated reserve almonds also could be disposed of in other noncompetitive outlets as specified in the order or approved by the Board.

After consideration of all relevant matter presented, including the information and recommendation submitted by the Board, and other available information, it is further found that the revision of the salable and reserve percentages, as hereinafter set forth, will tend to effectuate the declared policy of the act.

List of Subjects in 7 CFR Part 981

Marketing agreements and orders, Almonds; and California.

PART 981—ALMONDS GROWN IN CALIFORNIA

1. The authority citation for 7 CFR Part 981 continues to read as follows:

Authority: Secs. 1–19, 48 Stat. 31, as amended; 7 U.S.C. 601–674.

2. Section 981.233 is revised to read as follows:

[The following provisions will not appear in the Code of Federal Regulations].

§ 981.233 Salable, reserve, and export percentages for almonds during the crop year beginning July 1, 1984.

The salable, reserve, and export percentages during the crop year beginning July 1, 1984, shall be 95, 5, and 0 percent, respectively.

Dated: June 5, 1985.

Thomas R. Clark,

Deputy Director, Fruit and Vegetable Division.

[FR Doc. 85-13914 Filed 6-7-85; 8:45 am]

BILLING CODE 3410-02-M

7 CFR Part 1106

Milk in the Southwest Plains Marketing Area Temporary Revision of a Certain Provision of the Order

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Temporary revision of rule.

SUMMARY: This action reduces temporarily the pooling standard for plants operated by cooperative associations under the Southwest Plains Federal milk order. For the months of May through August 1985, the percentage of milk marketed by cooperative associations that must be physically received at pool distributing plants during the month in order for plants operated by cooperative associations to be pooled is reduced from 50 to 40 percent. The action was requested by Mid-America Dairymen, Inc., a cooperative association that operates plants and represents producers who supply the market, in order to prevent uneconomic movements of milk.

Notice of this action was published in the **Federal Register** and interested parties were given the opportunity to submit comments on the proposed action. A cooperative association

supported the proposed action and a dairy farmer opposed a lowering of the pooling standard.

EFFECTIVE DATE: June 10, 1985.

FOR FURTHER INFORMATION CONTACT: John F. Borovies, Marketing Specialist, Dairy Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250, (202) 447-2089.

SUPPLEMENTARY INFORMATION: Prior document in this proceeding:

Proposed Temporary Revision of Rule: Issued May 20, 1985; published May 23, 1985 (50 FR 21268).

William T. Manley, Deputy Administrator, Agricultural Marketing Service, has certified that this action will not have a significant economic impact on a substantial number of small entities. Such action lessens the regulatory impact of the order on certain milk handlers and tends to ensure that dairy farmers will continue to have their milk priced under the order and thereby receive the benefits that accrue from such pricing.

This temporary revision is issued pursuant to the provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601 *et seq.*), and the provisions of § 1106.7(d) of the Southwest Plains milk order.

Notice of proposed rulemaking was published in the **Federal Register** (50 FR 21268) concerning a proposed decrease in the percentage of milk marketed by cooperative associations that must be physically received at pool distributing plants in order for plants operated by cooperative associations to be pooled under the order for the months of May through August 1985. Interested parties were given the opportunity to comment on the proposal by submitting written data, views, and arguments. The action was supported by a cooperative association while one producer submitted views in opposition to the action.

Statement of Consideration

After consideration of all relevant material, including the proposal set forth in the aforesaid notice, data, views and arguments filed thereon, and other available information, it is hereby found and determined for the months of May through August 1985 the delivery percentage of 50 percent applicable to milk marketed by cooperative associations as set forth in § 1106.7(c) should be decreased to 40 percent.

Pursuant to § 1106.7(d) of the Southwest Plains milk order, the Director of the Dairy Division may increase or decrease the delivery percentage by up to 10 percentage points in order to obtain needed shipments for the market or to prevent uneconomic shipments of milk to distributing plants.

Mid-America Dairymen, Inc. (Mid-Am), a cooperative association which represents producers supplying the Southwest Plains market, requested this temporary reduction of 10 percentage points in the quantity of milk that must be physically received at pool distributing plants. Mid-Am states that for May through August 1985 the order would require a greater proportion of milk to be physically received at distributing plants than is necessary to meet the fluid, or bottling, requirements of the market. Thus, absent a lowering of the delivery percentage, Mid-Am Contends that costly and inefficient movements of milk would be made solely for the purpose of pooling the milk of dairy farmers who supply the market.

Associated Milk Producers, Inc. (AMPI), a cooperative association which represents a substantial number of producers who supply milk for this market, submitted comments in support of the proposed reduction in the pooling standard for plants operated by cooperative associations. AMPI, as well as Mid-Am contends that the current pooling standard for cooperative association plants is no longer appropriate because of changes in the market environment that occurred as a result of the termination of the former, adjacent St. Louis-Ozarks order on April 1, 1985. Because of the termination of the adjacent order, certain plants and producer milk supplies have become associated with the Southwest Plains order, causing an overall change in the market's supply/demand relationship. The cooperatives indicate that the situation is exacerbated by favorable weather conditions that have caused earlier than usual seasonal increases in production. Also, as schools are dismissed for the summer, there will be a reduction in the fluid milk requirements of distributing plants. As a result of these changes, the cooperatives contend that a lowering of the pooling standard for cooperative association plants is necessary to reflect the current market environment and to eliminate uneconomic movement of milk to distributing plants for the sole purpose of pooling the milk of dairy farmers who supply the market.

One comment in opposition to the proposed action was received from a dairy farmer. The producer indicated that, since Class I sales are relatively stable from year-to-year, a decline in the class I utilization of producer milk represents an oversupply of milk. The producer contends that an accommodation to pooling the milk by lowering the pooling standard is contrary to efforts to solve long-range supply problems in the dairy industry.

The pooling standard at issue is not directly associated with efforts under the price support program that address the overall milk supply situation in the country. The pooling standard is intended to insure the delivery of sufficient supplies of milk to distributing plants for fluid use as well as to insure the orderly disposition of those reserve supplies of milk that are associated with the market. Specific authority is provided in the order to temporarily revise the pooling standard as a result of changes in supply/demand relationships that could not be anticipated at the time the Southwest Plain order was established on the basis of testimony and evidence presented at a public hearing. The pooling standard may be increased or decreased by up to 10 percentage points to obtain needed shipments for the market or to prevent uneconomic shipments of milk to distributing plants.

A review of current market statistics indicates that significant changes have occurred in the market's supply/demand relationship as a result of the April 1, 1985, termination of the St. Louis-Ozarks order. Producer milk in Class I (fluid) uses increased by 58.7 percent from 69.7 million pounds in March to 110.6 million pounds in April. However, the volume of producer milk pooled under the order more than doubled from 121.8 million pounds in March 1985 to 248.5 million pounds in April 1985. As a result, the Class I utilization of producer milk declined by almost 13 percentage points from 57.3 percent in March to 44.5 percent in April.

Under these circumstances it is concluded that a reduction of 10 percentage points in the pooling standard for cooperative association plants during the months of May through August 1985 is necessary to reflect the changed market environment. In the absence of a lowering of the pooling standard, more milk would have to be delivered to distributing plants than is necessary to meet the fluid milk needs of the market. A lowering of the pooling standard will prevent uneconomic shipments of milk to distributing plants solely for the purpose of pooling the milk of dairy farmers who supply the market.

It is hereby found and determined that 30 day's notice of the effective date hereof is impractical, unnecessary, and contrary to the public interest in that:

(a) This temporary revision is necessary to reflect current marketing conditions and to maintain orderly marketing conditions in the marketing area for the months of May through August 1985;

(b) This temporary revision does not require of persons affected substantial or extensive preparation prior to the effective date; and

(c) Notice of the proposed temporary revision was given interested parties and they were afforded opportunity to file written data, views, or arguments concerning this temporary revision.

Therefore, good cause exists for making this temporary revision effective for the months of May through August 1985.

List of Subjects in 7 CFR Part 1106

Milk marketing orders, Milk, Dairy products.

The authority citation for 7 CFR Part 1106 continues to read as follows:

Authority: Secs. 1-19, 48 Stat. 31, as amended, 7 U.S.C. 601-674.

It is therefore ordered, That the 50 percent pooling standard specified in § 1106.7(c) of the order be reduced to 40 percent for the months of May through August 1985.

Effective date: June 10, 1985.

Signed at Washington, D.C., on June 5, 1985.

Edward T. Coughlin,

Director, Dairy Division.

[FR Doc. 85-13912 Filed 6-7-85; 8:45 am]

BILLING CODE 3410-02-M

Farmers Home Administration

7 CFR Part 1940

Methodology and Formulas for Allocation of Loan and Grant Program Funds

AGENCY: Farmers Home Administration, USDA.

ACTION: Final rule.

SUMMARY: The Farmers Home Administration (FmHA) is implementing a new regulation which shows the formulas used to allocate loan and grant program funds. The intended effect of this action is to inform the public of FmHA's method of allocating program funds to field offices by incorporating the methodology in published regulations. With respect to the rural housing program, this action is being taken, in part, as a result of litigation.

EFFECTIVE DATE: July 12, 1985.

FOR FURTHER INFORMATION CONTACT: David J. Howe, Director, Program Support Staff, Farmers Home Administration, USDA, 14th and Independence Ave., SW., Washington, D.C. 20250, Telephone (202) 382-9619.

SUPPLEMENTARY INFORMATION: This action has been reviewed under USDA procedures established in Departmental Regulation 1512-1, which implements Executive Order 12291, and has been determined to be exempt from those requirements because it involves only agency management. The formulas described in this regulation provide for the allocation of program funds to field offices within FmHA.

A Court has ordered FmHA to publish the funding allocation formula for its section 502 and 504 Single Family Housing Loan programs. FmHA is publishing these sections 502 and 504 program allocation formulas pursuant to that order. Although it is FmHA's position that the allocation of funds, being the distribution of resources, is a matter involving agency management, FmHA is, nevertheless, publishing all program allocation formulas for programs under both Title V of the Housing Act of 1949 and the Consolidated Farm and Rural Development Act to give the public notice of how funds are allocated.

This document has been reviewed in accordance with 7 CFR Part 1940, Subpart G, "Environmental Program." FmHA has determined that this action does not constitute a major Federal action significantly affecting the quality of the human environment and in accordance with the National Environmental Policy Act of 1969, Pub. L. 91-190, an Environmental Impact Statement is not required.

The FmHA programs and projects which are affected by this regulation are subject to intergovernmental consultation in the manner delineated in FmHA Instruction 1940-J, "Intergovernmental Review of Farmers Home Administration Programs and Activities," available in any FmHA Office.

The proposed rule to implement this regulation was published in the **Federal Register** for a sixty day comment period on February 15, 1985 (50 FR 6351). Four sets of comments were received. All comments received through April 23, 1985, were considered.

Discussion of Comments

The comments received appear immediately after the section or paragraph number. Our discussion of the comment appears immediately after the comment as a second paragraph.

Section 1940.552(j): [Require] all applications to be fully processed and certified as eligible within 30 days of receipt (pending availability of funds) so commitment of a loan is immediate when funds become available.

The comment is not considered at this time as it does not address any of the material presented in the proposed rule.

Section 1940.552(j): One commenter felt that the State Director should not be obligated to use the transition formula in suballocating funds based on the same formula used by the National Office and that the proposed rule was not clear on this matter.

To clarify this matter, §§ 1940.565(j), 1940.566(j), and 1940.567(j) have been revised as shown herein.

Section 1940.552(j): One commenter expressed the belief that some section 502 subsidized funds should be reallocated after the first quarter and that allocation below the state level should only be done when a particular problem is noted by the State Director.

We believe that the mid-year and emergency pooling provisions of § 1940.552(h) of the proposed rule adequately allow for the pooling and redistribution of funds. We feel that suballocation by the State Director of section 502 subsidized funds to at least the District Office level is necessary to make funds available to areas based on the funding needs identified in suballocating in accordance with § 1940.565(j).

Section 1940.565: The criteria do not include past utilization of funds.

Past utilization of funds was previously used as a factor for distribution of funds to the States. This factor was removed several years ago and need for housing (including factors such as substandard housing, low-income households, and rural population) was emphasized. Past utilization of funds does not necessarily identify those areas of greatest need.

Section 1940.565(b)(2): We find no justification for including rural population in any of the housing formulas. First of all, this criterion includes not only the eligible population which is already accounted for by § 1940.565(b)(3) but it also includes those not eligible for our program.

We agree with the commenter that part of the population in rural areas has already been counted in another factor and, therefore, the weight given this factor has been reduced. We have changed the final rule by using two population factors instead, and reducing the total weight given to these two population factors to 25 percent from the currrent 33⅓ percent weight. These factors are: (1) State's percentage of the National rural population—10 percent weight and (2) State's percentage of the National rural population in places of less than 2,500 population—15 percent weight. This will cover areas that are most rural in character and will address the priorities for applicants set forth by the Rural Housing Amendments of 1983.

Section 1940.565(b)(3): We recommend that low-income weights be determined by the state's number of households with incomes below 50% of Census region median income as a percentage of the national total.

We believe that, for the formula, 80 percent of the median income for the incomes served is more adequate as a factor than 50 percent. It includes the families now eligible for the program, namely: low and very low-income. The use of 50 percent of median income as a factor will represent use of only 40 percent of the funds available in the program. However, in order to direct funds toward those most in need of housing and at the same time include those income groups eligible for the program, we produced two income factors, namely: (1) State's percentage of the number of National rural households between 50 and 80 percent of the area median income, and (2) State's percentage of the number of National rural households below 50 percent of area median income. These two criteria are given weights of 30 percent and 20 percent, respectively. We have decided to delete the exclusion of rural households with incomes under $5,000 from the formula in the final rule. The reason for including these households is that although the assistance may be mostly for repair and rehabilitation, they are also served by the program.

In consolidating the responses to the comments on § 1940.565(b)(2), above, and for this comment, we have increased the number of factors for allocation of funds to the States from 3 to 5, and selected more appropriate criterion weights.

Sections 1940.565(h) and 1940.552(h): The pooling requirements for each year should be published in the **Federal Register**.

Section 1940.565(h): Mid-year pooling . . . means that there is a redistribution of funds to offices where there is no demand.

See comments for § 1940.565(i). The **Federal Register** publication refers to the authority for pooling and indicates that the approximate dates for pooling are established by the Administrator for each affected program. (e.g., mid-year, year-end, emergency). The specific date for pooling depends on actual use of funds, the need of the program from which funds are pooled, and peak-loan activity periods during the administration of the Agency's other programs. We believe pooling requirements have been properly addressed in the proposed rule. Specific pooling dates are not shown in the **Federal Register** since such dates are not a rule and, if they were, it would be impossible to publish them for comment or even as a final rule, in a timely manner.

Section 1940.565(j): Suballocations to county offices limit the amount available to that particular office per quarter. If there is great demand in one county and no demand in another county, unspent funds remain idle.

There is some validity to the comment in that, in some cases, the quarterly allocation to a County Office may be so small that the funds allocated may not be sufficient to serve all eligible applicants with applications on hand. It may also be that the County Office may have more funds than needed for the quarter. To correct the situation we have revised § 1940.565(j) as follows:

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. The State Director will suballocate funds to the District Offices and may, at his/her option, suballocate to the County Offices. The State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in § 1940.565(b) and (c) of this section. The suballocations to District or County Offices will not be reduced or restricted unless written approval is received from the National Office in response to a written request from the State Director. The State Director's request must include the reasons for the requested action (e.g., high housing inventory and/or high housing deliquency).

Section 1940.565(k): The language in § 1940.565(k) should be changed to clearly state that not less than 40% of funds, nationally, or 30% for each State, are available only for those at or below 50% of area median income.

The fund set-aside percentage is a matter of program statute and is so described in § 1940.565(k).

Section 1940.566(j): It was suggested that § 1940.566(j) should be deleted since the amount of funds suballocated are small and would result in miniscule suballocations.

We agree that allocations to County Offices may result in small allocations, but believe that funds could, at the option of the State Director, be effectively allocated to the District Office level. We revised § 1940.566(j) as follows:

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. At the option of the State Director, Section 504 loan funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in § 1940.566 (b) and (c) of this section.

Section 1940.567(b): The formula should be slightly changed to reflect the fact that the program is only available to very low-income elderly.

We believe that the criteria shown sufficiently cover the requirements for allocation of these funds.

Section 1940.567(j): Should be deleted.

See comments for § 1940.566(j). We revised § 1940.567(j) as follows:

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. At the option of the State Director, Section 504 grant funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in § 1940.567 (b) and (c) of this section.

Section 1940.575(b): It was recommended the criteria and weights should be changed to:

1. Number of tenants living in substandard housing—33.3%
2. Number of households with incomes below 50 percent of census region median income—33.3%
3. Number of tenants with incomes below 80 percent of area median income paying more than 35 percent of income for rent—33.3%

We feel the use of the first and third criterion is not possible due to the lack of adequate and current information or data that would be reflective of FmHA's rural areas. We also feel that the information is impossible to obtain for use by FmHA.

The use of the second criterion has some merit and reliable data can be obtained. However, the change will be considered for future implementation.

The Catalog of Federal Domestic Assistance programs affected are:

10.404 Emergency Loans
10.405 Farm Labor Housing Loans and Grants
10.406 Farm Operating Loans
10.407 Farm Ownership Loans
10.410 Very Low and Low-Income Housing Loans
10.411 Rural Housing Site Loans
10.414 Resource Conservation and Development Loans
10.415 Rural Rental Housing Loans
10.416 Soil and Water Loans
10.417 Very Low-Income Housing Repair Loans and Grants
10.418 Water and Waste Disposal Systems for Rural Communities

10.419 Watershed Protection and Flood Prevention Loans
10.420 Rural Self-Help Housing Technical Assistance
10.421 Indian Tribes and Tribal Corporation Loans
10.422 Business and Industrial Loans
10.423 Community Facility Loans
10.427 Rural Rental Assistance Payments
10.428 Economic Emergency Loans

List of Subjects in 7 CFR Part 1940

Administrative practice and procedure, Agriculture, Grant programs—Housing and community development, Loan programs—Agriculture, Rural areas.

Accordingly, Part 1940 of Chapter XVIII, Title 7, Code of Federal Regulations is amended as follows:

PART 1940—GENERAL

(1) The authority citation for Part 1940 is revised to read as follows:

Authority: 7 U.S.C. 1989; 42 U.S.C. 1480; 5 U.S.C. 301; 7 CFR 2.23; 7 CFR 2.70.

(2) A new Subpart L is added to read as follows:

* * * * *

Subpart L—Methodology and Formulas for Allocation of Loan and Grant Program Funds

Subpart L—Methodology and Formulas for Allocation of Loan and Grant Program Funds

§ 1940.551 Purpose and general policy.

(a) The purpose of this subpart is to set forth the methodology and formulas by which the Administrator of the Farmers Home Administration (FmHA) allocates program funds to the States. (The term "State" means any of the States of the United States, the Commonwealth of Puerto Rico, any territory or possession of the United States, or the Western Pacific Territories.)

(b) The formulas in this subpart are used to allocate program loan and grant funds to State Offices so that the overall mission of the Agency can be carried out. Considerations used when developing the formulas include enabling legislation, congressional direction, and administration policies. Allocation formulas ensure that program resources are available on an equal basis to all eligible individuals and organizations.

(c) The actual amounts of funds, as computed by the methodology and formulas contained herein, allocated to a State for a funding period are distributed to each State Office by an exhibit to this subpart. The exhibit is available for review in any FmHA State Office. The exhibit also contains clarifications of allocation policies and provides further guidance to the State Directors on any suballocation within the State.

§ 1940.552 Definitions.

(a) *Amount available for allocations.* Funds appropriated or otherwise made available to the Agency for use in authorized programs.

(b) *Basic formula criteria, data source and weight.* Basic formulas are used to calculate a basic state factor as a part of the methodology for allocating funds to the States. The formulas take a number of criteria that reflect the funding needs for a particular program and through a normalization and weighting process for each of the criteria calculate the basic State Factor (SF). The data sources used for each criteria is believed to be the most current and reliable information that adequately quantifies the criterion. The weight, expressed as a percentage, gives a relative value to the importance of each of the criteria.

(c) *Basic formula allocation.* The result of multiplying the amount available for allocation less the total of any amounts held in reserve or distributed by base or administrative allocation times the basic State factor for each State. The basic formula allocation (BFA) for an individual State is equal to:

$$BFA = (\text{Amount available for allocation} - \text{NO reserve} - \text{Total base and administrative allocations}) \times SF.$$

(d) *Transition formula.* A formula based on a proportional amount of previous year allocation used to maintain program continuity by preventing large fluctuations in individual State allocations. The transition formula limits allocation shifts to any particular State in the event of changes from year to year of the basic formula, the basic criteria, or the weights given the criteria. The transition formula first checks whether the current year's basic formula allocation is within the transition range (+ or − percentage points of the proportional amount of the previous year's BFA).

$$\text{Transition range} = 1.0 \pm \frac{\text{Maximum } 20\%}{100} \times \frac{\text{Amount available for allocation this year}}{\text{Amount available for allocation previous year}} \times \text{State previous year BFA}$$

If the current year's State BFA is not within this transition range, the State formula allocation is changed to the amount of the transition range limit closest to the BFA amount. After having performed this transition adjustment for each State, the sum of the funds allocated to all States will differ from the amount of funds available for BFA. This difference, whether a positive or negative amount, is distributed to all States receiving a formula allocation by multiplying the difference by the SF. The end result is the transition formula allocation. The transition range will not exceed 40% (±20%), but when a smaller range is used it will be stated in the individual program section.

(e) *Base allocation.* An amount that may be allocated to each State dependent upon the particular program to provide the opportunity for funding at least one typical loan or grant in each FmHA State, District, or County Office. The amount of the base allocation may be determined by criteria other than that used in the basic formula allocation such as agency historic data.

(f) *Administrative allocations.* Allocations made by the Administrator in cases where basic formula criteria information is not available. This form of allocation may be used when the Administrator determines the program objectives cannot be adequately met with a formula allocation.

(g) *Reserve.* An amount retained under the National Office control for each loan and grant program to provide flexibility in meeting situations of unexpected or justifiable need occurring during the fiscal year. The Administrator may make distributions from this reserve to any State when it is determined necessary to meet a program need or agency objective.

(h) *Pooling of funds.* A technique used to ensure that available funds are used in an effective, timely and efficient manner. At the time of pooling those funds within a State's allocation for the fiscal year or portion of the fiscal year, depending on the type of pooling, that have not been obligatedf by the State are placed in the National Office reserve. The Administrator will establish the pooling dates for each affected program.

(1) *Mid-year:* This pooling addresses the need to partially redistribute funds based on use/demand. Mid-year pooling occurs near the midpoint of the fiscal year.

(2) *Year-end:* This pooling is used to ensure maximum use of program funds on a national basis. Year-end pooling usually occurs near the first of August.

(3) *Emergency:* The Administrator may pool funds at any time that it is determined the conditions upon which the initial allocation was based have changed to such a degree that it is necessary to pool funds in order to efficiently carry out the Agency mission.

(i) *Availability of the allocation.* Program funds are made available to the Agency on a quarterly basis. In the high demand programs, it is necessary that specific instructions by given to the State Offices regarding the amount which is available for obligation during each quarter.

(j) *Suballocation by the State Director.* Dependent upon the individual program for which funds are being allocated, the State Director may be directed or given the option of suballocating the State allocation to District or County Offices. When suballocating the State Director may retain a portion of the funds in a State Office reserve to provide flexibility in situations of unexpected or justified need. When performing a suballocation the State Director will use the same formula, criteria and weights as used by the National Office.

(k) *Other documentation.* Additional instructions given to field offices regarding allocations.

§§ 1940.553–1940.554 [Reserved]

§ 1940.555 Insured Farm Operating loan funds.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A=Farm operators with sales of $2,500 to $39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B=Farm operators with sales of $40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C=Tenant farm operators. Source: U.S. Census of Agriculture. 20%

(4) D=Three year average net farm income. Source: USDA Economic Research Service. 15% This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E=Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: Aa+Bb+Cc+Dd+Ee=STATE FACTOR where A, B, C, D, and E represent selected Criteria expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the Weight expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State Factor represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. Not used.

(e) *Base allocation.* See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Subobligation by the State Director.* See § 1940.552(j) of this subpart. Suballocations by the State Director are optional.

(k) *Other documentation.* See § 1940.552(k) of this subpart.

§ 1940.556 Guaranteed Farm Operating loan funds.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A=Farm operators with sales of $2,500 to $39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B=Farm operators with sales of $40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C=Tenant farm operators. Source: U.S. Census of Agriculture. 20%

(4) D=Three year average net farm income. Source: USDA Economic Research Service. 15%. This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E=Value of farm nonreal estate assets. Source: USDA Economic Research Service. 15%

The basic allocation formula is a two-step process. In step one, each criterion is converted to the State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: Aa+Bb+Cc+Dd+

Ee=State Factor Where A, B, C, D, and E represent selected Criteria expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent Weight expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State Factor represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. Not used.

(e) *Base allocation.* See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. Suballocations by the State Director are optional.

(k) *Other Documentation.* See § 1940.552(k) of this subpart.

§ 1940.557 Insured Farm Ownership loan funds.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A=Farm operators with sales of $2,500 to $39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B=Farm operators with sales of $40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C=Tenant farm operations. Source: U.S. Census of Agriculture. 25%

(4) D=Three-year average net farm income. Source: USDA Economic Research Service. 15%. This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence of the allocation.

(5) E=Value of farm real estate assets. Source: USDA Economic Research Service. 10%. The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: Aa+Bb+Cc+Dd+Ee=State Factor where A, B, C, D, and E represent selected Criteria expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent Weight expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State Factor represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The transition range is plus or minus 15%.

(e) *Base allocation.* See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.522(h) of this subpart.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. Suballocations by the State Director are optional.

(k) *Other documentation.* See § 1940.552(k) of this subpart.

§ 1940.558 Guaranteed Farm Ownership loan funds.

(a) *Amount available for allocation.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria, data source and weight are:

(1) A=Farm operators with sales of $2,500 to $39,999 and less than 200 days work off farm. Source: U.S. Census of Agriculture. 15%

(2) B=Farm operators with sales of $40,000 or more and less than 200 days work off farm. Source: U.S. Census of Agriculture. 35%

(3) C=Tenant farm operations. Source: U.S. Census of Agriculture. 25%

(4) D=Three year average net farm income. Source: USDA Economic Research Service. 15%. This criterion is the inverse of the division of the State mean net farm income by the National mean net farm income. This inverse is used because the need for assistance is inversely proportional to the level of net income. Limits of .5 and 1.5 are placed in this result to limit the influence on the allocation.

(5) E=Value of farm real estate assets. Source: USDA Economic Research Service. 10%

The basic allocation formula is a two-step process. In step one, each criterion is converted to that State's percentage of a National total, multiplied by the weighting factor and summed to arrive at a State Factor: Aa+Bb+Cc+Dd+Ee=State Factor where A, B, C, D, and E represent selected Criteria expressed as a State Percentage of the U.S. total and a, b, c, d, and e represent the Weight expressed as a percentage, given to the selected criterion. The weight assigned each criterion is constant for all States. The State Factor represents the percentage of the total allocation by basic formulas that a State is to receive and is the sum of the weighted criteria percentage for each State. The basic formula allocation is the final step.

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. Not used.

(e) *Base allocation.* See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations:* See Section 1940.552(f) of this subpart. Jurisdictions participating in the formula allocation process do not have administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. Suballocations by the State Director are optional.

(k) *Other documentation.* See § 1940.552(k) of this subpart.

§ 1940.559 Farmer Programs and Indian Land Acquisition appropriations not allocated by State.

(a) *Emergency Disaster.* State allocations are not made since it is impossible to predict occurrences.

Obligating documents may be submitted to the Finance Office as loans are approved in designated areas. This type loan is available only in areas designated as disaster areas. Designations may be by a single county, multiple of counties or areas, depending upon scope and severity.

(b) *Soil and Water.* Funds are not allocated to States. Program size does not permit equitable distribution. Obligation of funds are on a first-come, first-served basis, subject to availability.

(c) *Indian Land Acquisition.* Control of funds retained in the National Office and allocated on an individual case basis. Program size and requirements do not permit equitable distribution on an allotment basis. Requests for funds will be made to the Director, Farm Real Estate and Production Division when it is determined the loan can be approved.

§§ 1940.560–1940.564 [Reserved.]

§ 1940.565 Section 502 subsidized Rural Housing loans.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of the National number of rural occupied substandard units,

(2) State's percentage of the National rural population,

(3) State's percentage of the National rural population in places of less than 2,500 population,

(4) State's percentage of the National number of rural households between 50 and 80 percent of the area median income, and

(5) State's percentage of the National number of rural households below 50 percent of the area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF)

SF=

(criterion 1 x weight of 25%)+
(criterion 2 x weight of 10%)+
(criterion 3 x weight of 15%)+
(criterion 4 x weight of 30%)+
(criterion 5 x weight of 20%)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range used for Section 502 subsidized RH loans is plus or minus 15.

(e) *Base allocation.* See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart.

(1) *Mid-year:* If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) *Year-end:* Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. The State Director will suballocate funds to the District Offices and may, at his/her option, suballocate to the County Offices. The State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in § 1940.565 (b) and (c) of this section. The suballocations to District or County Offices will not be reduced or restricted unless written approval is received from the National Office in response to a written request from the State Director. The State Director's request must include the reasons for the requested action (e.g., high housing inventory and/or high housing delinquency).

(k) *Other documentation.* The percentage distribution of funds to the States by income levels is based on prevailing legislation.

§ 1940.566 Section 504 Housing Repair loans.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b). The criteria used in the basic formula are:

(1) State's percentage of the National number of rural occupied substandard units, and

(2) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

SF=

(criterion No. 1 × weight of 50%)+
(criterion No. 2 × weight of 50%)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range used for section 504 Housing Repair Loans is plus or minus 15.

(e) *Base allocation.* Not used.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart.

(1) Mid-year: If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) Year-end: Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. At the option of the State Director, section 504 loan funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in § 1940.566 (b) and (c) of this section.

(k) *Other documentation.* Not applicable.

§ 1940.567 Section 504 Housing Repair grants.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of the National number of rural occupied substandard units,

(2) State's percentage of the National rural population 62 years and older, and

(3) State's percentage of the National number of rural households below 50 percent of area median income.

Data source for each of these criteria is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a basic State factor (SF).

SF=

(criterion No. 1 × weight of 33⅓%)+
(criterion No. 2 × weight of 33⅓%)+
(criterion No. 3 × weight of 33⅓%)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range used for section 504 Housing Repair grants is plus or minus 15.

(e) *Base allocation.* Not used.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart.

(1) *Mid-year:* If used in a particular fiscal year, available funds unobligated as of the pooling date are pooled and redistributed based on the formula used to allocate funds initially.

(2) *Year-end:* Pooled funds are placed in a National Office reserve and are available as determined administratively.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. At the option of the State Director, section 504 grant funds may be suballocated to the District Offices. When performing a suballocation, the State Director will use the same basic formula criteria, data source and weight for suballocating funds within the State as used by the National Office in allocating to the States as described in § 1940.567 (b) and (c) of this section.

(k) *Other documentation.* Not applicable.

§ 1940.568 Single Family Housing programs appropriations not allocated by State.

The following program funds are kept in a National Office reserve and are available as determined administratively:

(a) Section 523 Self-Help Technical Assistance Grants.

(b) Section 523 Land Development Fund.

(c) Section 524 Rural Housing Site Loans.

(d) Section 509 Compensation for Construction Defects.

(e) Section 502 Nonsubsidized Funds.

§ 1940.569-1940.574 [Reserved.]

§ 1940.575 Section 515 Rural Rental Housing (RRH) loans.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart.

The criteria used in the basic formula are:

(1) State's percentage of national rural population,
(2) State's percentage of national number of rural occupied substandard units, and
(3) State's percentage of national rural families with incomes below the poverty level.

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight assigned and summed to arrive at a State factor (SF).

SF=

(criterion No. 1 × weight No. 1)+
(criterion No. 2 × weight No. 2)+
(criterion No. 3 × weight No. 3)+

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart. The basic formula allocation (BFA) for an individual State is equal to:

BFA=(Amount available for allocation−No reserve−Total base and administrative allocations)×SF.

(d) *Transition formula.* See § 1940.552 (d) of this subpart. The transition formula first checks whether the current year's basic formula allocation is within the transition range (+ or − percentage points of the proportional amount of the previous year's BFA).

$$\text{Transition range}=1.0\pm\frac{\text{Percent range}}{100}\times\frac{\text{Amount available for BFA this year}}{\text{Available for BFA previous year}}\times\text{State previous year BFA}$$

If the current year's State BFA is not within this transition range, the State formula allocation is changed to the amount of the transition range limit closest to the BFA amount. After having performed this transition adjustment process for each State, the sum of the funds allocated to all States will differ from the amount of funds available for BFA. This difference, whether a positive or negative amount, is distributed to all States receiving a formula allocation by multiplying the difference by the SF. The end result is the transition formula allocation.

(e) *Base allocation.* See § 1940.552 (e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations.* See § 1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive initial administrative allocations.

(g) *Reserve.* See § 1940.552 (g) of this subpart. A National reserve of approximately 10 percent of the program amount has been established for the RRH program. Generally, a request for additional funds will not be honored unless a jurisdiction has insufficient funds to obligate the loan requested, and the docket is developed to the point where the loan can be approved upon notification that funds are available.

(h) *Pooling of funds.* See § 1940.552 (h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in a reserve and will be made available administratively.

(i) *Availability of the allocation.* See § 1940.552 (i) of this subpart. The allocation of RRH funds is made available for States to obligate on a biannual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) *Suballocation by the State Director.* See § 1940.552 (j) of this subpart. States allocated $15 million or more must reallocate RRH funds to District Offices based on the formula used by the National Office to allocate program funds to jurisdictions. State Directors who reallocate to District Offices may maintain a State Office reserve. In addition, they may establish a pooling date for all unobligated State program funds prior to the National Office pooling date in order to insure the use of all State program funds.

(k) *Other documentation.* Not applicable.

§ 1940.576 Rental Assistance (RA) for new construction.

(a) *Amount available for allocations.* See § 1940.552 (a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.575 (b) of this subpart.

(c) *Basic formula allocation.* See § 1940.575 (c) of this subpart.

(d) *Transition formula.* See § 1940.575 (d) of this subpart.

(e) *Base allocation.* See § 1940.575 (e) of this subpart.

(f) *Administrative allocations.* See § 1940.552 (f) of this subpart. Jurisdictions receiving formula allocations do not receive administrative allocations.

(g) *Reserve.* See § 1940.552 (g) of this subpart. At the direction of the Administrator, units may be held for a specific multiple family housing program. At the Administrator's discretion, requests for these units may be handled on a first-come, first-served basis or on a priority basis.

(h) *Pooling of funds.* See § 1940.552 (h) of this subpart. RA is generally pooled at year-end. Pooled units will be placed in a reserve and will be made available administratively.

(i) *Availability of the allocation.* See § 1940.552 (i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.522 (j) of this subpart. States that reallocate funds to District Offices must also reallocate RA based on the formula used by the National Office to allocate program funds to jurisdictions.

(k) *Other documentation.* Not applicable.

§ 1940.577 Rental Assistance (RA) for existing projects.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart. RA appropriated for existing projects will first be used to replace contracts expiring each fiscal year and for the first few months of the following fiscal year. This is done to assure continued RA funding. RA units not needed for replacement purposes will be used for existing multiple family housing projects experiencing servicing problems.

(b) *Basic formula criteria, data source and weight.* No formula or weighted criteria is used to allocate replacement RA. The basic allocation for replacement RA will be made based on the following:

(1) *Criteria.* This allocation is based on the estimated need to replace RA contracts expiring from the depletion of funds.

(2) *Date source.* The most accurate and current information available from FmHA computerized data sources.

(c) *Basic formula allocation.* While no formula will be used, the basic allocation will be made to each State according to the need determined using the basic criteria.

(d) *Transition formula.* Not applicable.

(e) *Base allocation.* Not applicable.

(f) *Administrative allocation.* Not applicable.

(g) *Reserve.* See § 1940.552(g) of this subpart. The National Office maintains a reserve adequate to compensate for the differences between actual and projected replacement activity. Units will be administratively distributed for existing housing to either satisfy previously unidentified replacement needs or address servicing situations. Units will be distributed to any State when the Administrator determines that additional allocations are necessary and appropriate.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart. Units will be pooled at the Administrator's discretion.

(i) *Obligation of the allocation.* See § 1940.578(i) of this subpart.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart.

(k) *Other documentation.* Not applicable.

§ 1940.578 Housing Preservation Grant (HPG) program.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.575(b) of this subpart.

(c) *Basic formula allocation.* See § 1940.575(c) of this subpart.

(d) *Transition formula.* See § 1940.575(d) of this subpart.

(e) *Base allocation.* See § 1940.552(e) of this subpart.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. No administrative allocation is made.

(g) *Reserve.* See § 1940.552(g) of this subpart. A National Office reserve of approximately 10 percent of the program amount is to be established for the HPG program. Generally, a request for additional funds will be honored if necessary to fund feasible HPG projects within a State where the formula allocation is insufficient.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart. Funds may be pooled after all HPG applications have been received and HPG fund demand by State has been determined. Pooled funds will be combined with the National Office reserve to fund eligible projects. Remaining HPG funds will be available for distribution for use under the section 504 program.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart. The allocation is made available for States to obligate on an annual basis, although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) *Suballocation by the State Director.* Not applicable.

(k) *Other documentation.* Funds for the HPG program will be available for a limited period each fiscal year. Due to the requirements by law to allocate funds on a formula basis to all States and to have a competitive selection process for HPG project selection, FmHA will announce opening and closing dates for receipt of HPG applications. After the closing date, FmHA will review and evaluate the proposals, adjust State allocations as necessary to comply with with the law and program demand, and redistribute remaining unused HPG resources for use under section 504 (as required by statute).

§ 1940.579 Multiple Family Housing appropriations not allocated by State.

(a) *Section 514 Farm Labor Housing loans.* Funds are not allocated to States because of the small program size. Projects are funded on a first-come, first-served basis.

(b) *Section 516 Farm Labor Housing Grants.* Funds are not allocated to States because of the small program size. State Directors must obtain authorization from the National Office before permitting development of a full applications. Projects are funded on a first-come, first-served basis.

§§ 1940.580-1940.584 [Reserved]

§ 1940.585 Community Facility loans.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of National rural population—50 percent.

(2) State's percentage of National rural population with incomes below the poverty level—50 percent.

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

SF=

(criterion No. 1 × 50 percent) +
(criterion No. 2 × 50 percent)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (±15%).

(e) *Base allocation.* See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) *Administrative allocation.* See § 1940.552(f) of this subpart. States participating in the formula base allocation procedures do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart. States may request funds by forwarding a completed copy of Guide 26 of Subpart A of Part 1942 of this chapter (available in any FmHA office), to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate the loan requested.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. State Director has the option to suballocate to District Offices.

(k) *Other documentation.* Not applicable.

§ 1940.586 Water and Waste Disposal loans.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of National rural population—50 percent.
(2) State's percentage of National rural population with incomes below the poverty level—50 percent.

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

SF=

(criterion No. 1 x .5) +
(criterion No. 2 x .5)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent (± 15%).

(e) *Base allocation.* See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) *Administrative allocation.* See § 1940.552(f) of this subpart. States participating in the formula and base allocation procedures do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart. Any State may request reserve funds by forwarding a completed copy of Guide 26 of Subpart A of Part 1942 of this Chapter (available in any office), to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate the loan requested.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) *Suballocation by the State Director.* See § 1940.552 (j) of this subpart. The State Director has the option to suballocate funds to District Offices.

(k) *Other documentation.* Not applicable.

§ 1940.587 Water and Waste Disposal grants.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

(1) State's percentage of National rural population—50 percent.
(2) State's percentage of National rural population with incomes below the poverty level—50 percent

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight according to its relevance in determining need. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

SF=

(criterion No. 1 x .5) +
(criterion No. 2 x .5)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart. States receiving administrative allocations do not receive formula allocations.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range for the transition formula equals 30 percent. (± 15%).

(e) *Base allocation.* See § 1940.552(e) of this subpart. States receiving administrative allocations do not receive base allocations.

(f) *Administrative allocation.* See § 1940.552(f) of this subpart. States participating in the formula and base allocation procedures do not receive administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart. Any State may request reserve funds by forwarding a completed copy of Guide 26 of Subpart A of Part 1942 of this Chapter (available in any office), to the National Office. Generally, a request for additional funds will not be honored unless the State has insufficient funds to obligate the grant requested.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart. Funds are generally pooled at mid-year and year-end. Pooled funds will be placed in the National Office reserve and will be made available administratively.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart. The allocation of funds is made available for States to obligate on an annual basis although the Office of Management and Budget apportions it to the Agency on a quarterly basis.

(j) *Suballocation by the State Director.* See § 1940.552(j) of this subpart. The State Director has the option to suballocate funds to District Offices.

(k) *Other documentation.* Not applicable.

§ 1940.588 Business and Industrial guaranteed loans.

(a) *Amount available for allocations.* See § 1940.552(a) of this subpart.

(b) *Basic formula criteria, data source and weight.* See § 1940.552(b) of this subpart. The criteria used in the basic formula are:

	Weight (percent)
(1) State's percentage of National rural population	33.3

	Weight (percent)
(2) State's percentage of National nonmetropolitan unemployment, and	33.4
(3) State's percentage of National rural population with incomes below poverty level	33.3

Data source for each of these criterion is based on the latest census data available. Each criterion is assigned a specific weight. The percentage representing each criterion is multiplied by the weight factor and summed to arrive at a State factor (SF).

SF=

(Criterion No. 1 x weight No. 1)+
(Criterion No. 2 x weight No. 2)+
(Criterion No. 3 x weight No. 3)

(c) *Basic formula allocation.* See § 1940.552(c) of this subpart.

(d) *Transition formula.* See § 1940.552(d) of this subpart. The percentage range for the transition formula equals 30% (±15%).

(e) *Base allocations.* See § 1940.552(e) of this subpart. Jurisdictions receiving administrative allocations do not receive base allocations.

(f) *Administrative allocations.* See § 1940.552(f) of this subpart. Jurisdictions receiving formula allocations do not receive initial administrative allocations.

(g) *Reserve.* See § 1940.552(g) of this subpart. A National reserve of approximately 10 percent of the program amount has been established for the B&I program. States may request reserve funds from the B&I reserve when all of the State's allocation has been obligated or will be obligated to the project for which the request is made.

(h) *Pooling of funds.* See § 1940.552(h) of this subpart. Funds are generally pooled at mid-year and year end. Pooled funds will be placed in a reserve and made available on a priority basis to all States.

(i) *Availability of the allocation.* See § 1940.552(i) of this subpart. There is a 6-day waiting period from the time project funds are reserved to the time they are obligated.

(j) *Suballocation by the State Director.* Not applicable.

(k) *Other documentation.* Not applicable.

§ 1940.589 Community and Business Programs appropriations not allocated by State.

Watershed Protection Loans, Resource Conservation and Development Loans, and Flood Prevention Loans: State allocations will not be made for these type loans. Instead, obligating documents may be submitted to the Finance Office when a loan is approved. Only states that are authorized to process PL 534 loans may submit obligating documents to the Finance Office for that type loan. Resource Conservation and Development (RC&D) loan funds will be used in preference to community facility funds in designated RC&D areas for loan purposes included in Subpart A of Part 1942 of this chapter.

§§ 1940.590-1940.600 [Reserved]

Dated: May 21, 1985.

Dwight O. Calhoun,

Acting Associate Administrator, Farmers Home Administration.

[FR Doc. 85-13723 Filed 6-7-85; 8:45 am]

BILLING CODE 3410-07-M

Animal and Plant Health Inspection Service

9 CFR Part 94

[Docket No. 84-119]

Importation of Cheese

Correction

In FR Doc. 85-11827, beginning on page 20389, in the issue of Thursday, May 16, 1985, make the following correction:

On page 20389, in the third column, "DATES: May 16, 1985." should have read: "DATES: Effective date: May 16, 1985."

BILLING CODE 1505-01-M

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 85-NM-46-AD; Amdt. 39-5081]

Airworthiness Directives; Boeing Model 757-200 Series Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment adds a new airworthiness directive (AD) which requires inspection of the lavatory drain ducts of the Boeing Model 757 series airplanes. This action is prompted by a reported wire bundle fire caused by leaking waste liquids contaminating damaged electrical wiring. Failure to correct these problems could result in additional wire bundle fires.

DATES: Effective June 28, 1985.

Compliance required as indicated in the body of the AD, unless already accomplished.

ADDRESSES: The service bulletins specified in this AD may be obtained from the Boeing Commercial Airplane Company, P.O. Box 3707, Seattle, Washington 98124. This information may be examined at the FAA, Northwest Mountain Region, 17900 Pacific Highway South, Seattle, Washington or 9010 East Marginal Way South, Seattle, Washington.

FOR FURTHER INFORMATION CONTACT: Mr. Alvin Habbestad, Aerospace Engineer, Systems and Equipment Branch, ANM-130S, Seattle Aircraft Certification Office; telephone (206) 431-2942. Mailing address: FAA, Northwest Mountain Region, 17900 Pacific Highway South, C-68966, Seattle, Washington 98168.

SUPPLEMENTARY INFORMATION: A recent inflight incident occurred in which both generators on a Boeing Model 757-200 airplane dropped off the line. The right generator could be reset, but when attempting to reset the left generator, smoke appeared from the left and right forward vent louvers in the passenger cabin. Investigation of the area revealed that eight power distribution wires were burned through in the side wall area of the forward left hand side of the electronics bay. It was determined that leaking waste fluids had contaminated damaged wires and caused the fire.

The Boeing Company has used a Trojan hot stamp wire marking machine to code airplane wiring. The machine was first used for marking 30 mil thick insulated wire, but was later used on certain of the newer 8.4 mil thick Kapton insulated wire. The machine can operate with the type face sufficiently misaligned, so that the lettering can cut into the insulation. This had negligible effect on the thicker insulation, but with the newer Kapton insulation it was possible for the type face to cut through the insulation and cause small pinholes. This amendment requires that wires damaged in such a manner be replaced.

The lavatory waste ducts use narrow clamps at several locations to secure the sleeves used in connecting and sealing sections of the ducting. Over a period of time, the clamps can come loose or cut into the sleeve, allowing a leak to develop. Even though the waste ducts are empty, except when draining the lavatory holding tanks, the cumulative effects of the leaking waste fluids can become noticeable over a period of time. The electrical short referred to above occurred when the amount of conductive lavatory waste fluid leaking from the waste duct was sufficient to spread from one damaged wire to another in the bundle, and cause an arc between two