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DEPARTMENT OF AGRICULTURE

Forest Service

RIN 0596-AB73

National Environmental Policy Act Documentation Needed for Certain Special Use Authorizations

AGENCY: Forest Service, USDA.

ACTION: Notice of proposed interim directive; request for public comment.

SUMMARY: The Forest Service proposes to issue an interim directive to guide its employees in complying with the National Environmental Policy Act (NEPA) and the Council on Environmental Quality (CEQ) regulations for issuance of a special use authorization involving administrative changes where no changes are proposed in authorized activities or facilities. The interim directive would also clarify the definition of extraordinary circumstances. The intended effect is to facilitate consistent interpretation and application of NEPA requirements, CEQ regulations, and related agency policy by employees and to reduce the paperwork and delays that have resulted in a large backlog of unprocessed applications. Public comment is invited and will be considered in development of the final interim directive.

DATES: Comments must be received in writing by November 19, 2001.

ADDRESSES: Send written comments to Director, Lands Staff, 4th Floor-South, Mail Stop 1104, Sidney R. Yates Federal Building, Forest Service, USDA, P.O. Box 96090, Washington, DC 20090-6090, or send electronic mail to landside@fs.fed.us. If electronic mail is sent, the public is requested not to send duplicate written comments via regular mail. All comments, including names and addresses when provided, are placed in the record and are available for public inspection and copying. The public may inspect comments received

on this proposed interim directive in the Office of the Director, Lands Staff, 4th Floor-South, Sidney R. Yates Federal Building, 14th Street and Independence Avenue, SW., Washington, DC, between the hours of 8:30 a.m. and 4:30 p.m. on business days. Those wishing to inspect comments are encouraged to call ahead to (202) 205-1248 or (202) 205-0895 to facilitate entry into the building.

FOR FURTHER INFORMATION CONTACT: Randy Karstaedt, Lands Staff, (202) 205-1256; Kenneth Karkula, Recreation, Heritage, and Wilderness Resources Staff, (202) 205-1426; or Rhey Solomon, Ecosystem Management Coordination Staff, (202) 205-0939.

SUPPLEMENTARY INFORMATION:

Special Uses

The Forest Service controls the occupancy and use of National Forest System lands through issuance of a special use authorization, such as a permit, lease, or easement. The evaluation of a proposed occupancy and use is subject to the National Environmental Policy Act of 1969 (NEPA); issuance of the subsequent special use authorization is the means by which the NEPA decision is implemented. After approval of a use, the responsible official issues a special use authorization, such as a permit, lease, or easement, that provides the framework for a holder's use and occupancy of National Forest System lands and establishes conditions for issuance of a new special use authorization when authorized improvements change ownership and upon the termination of the current special use authorization.

In April 1997, the Forest Service completed a reengineering study of its special uses program to identify changes needed to manage the program in a more efficient and customer service-oriented manner. In 1998, the agency issued a final rule streamlining the special use application process and administration of special use authorizations at 36 CFR part 251, subpart B (63 FR 65940, November 30, 1998). The reengineering study found misunderstanding and inconsistency among agency employees in actions being taken to administratively change a current valid special use authorization, such as updating authorization rental fee clauses and incorporating new environmental requirements mandated

by new laws and regulations. The study also revealed a large backlog of unprocessed special use applications involving a change of ownership of authorized improvements or the issuance of a new special use authorization upon the termination of the current special use authorization which, if issued, would result in no change in the authorized activities or facilities. The study concluded that a primary cause of this backlog is the inconsistent application and misinterpretation of agency policy found in Forest Service Handbook (FSH) 1909.15, Environmental Policy and Procedures Handbook, chapter 30, which addresses categorical exclusion from documentation in an environmental assessment (EA) or environmental impact statement (EIS). These inconsistencies and misinterpretations have resulted in higher administrative costs to the agency and delayed service to the customer.

The Council on Environmental Quality (CEQ) regulations (40 CFR part 1500) encourage agencies to reduce paperwork and delays in processing applications by categorically excluding from documentation in an EIS or EA certain types of proposed actions that do not individually or cumulatively have a significant effect on the human environment. Forest Service direction on actions that may be considered for categorical exclusion is contained in FSH 1909.15, chapter 30, sections 31.1b and 31.2.

In 1998, the Forest Service adopted an interim directive regarding categorical exclusions for certain ski area permit actions (63 FR 48170, September 9, 1998) to categorically exclude from documentation in an EA or EIS certain actions related to permit tenure or the change of ownership of authorized improvements when such actions are ministerial and no changes are proposed in the permitted activities or facilities. That interim directive implemented a provision of the Omnibus Parks and Public Lands Management Act of 1996 which provided that issuance of a ski area permit for activities authorized under a previous ski area permit does not constitute a major Federal action for the purposes of NEPA. In issuing that interim directive to its NEPA implementation handbook (FSH 1909.15, Environmental Policy and

Procedures Handbook), the Forest Service reviewed applicable statutory authority and regulations and concluded that a similar categorical exclusion should be provided for certain special use applications and authorizations. As suggested by the reengineering study, a record of EA's and resulting findings of no significant impact (FONSI's) for special uses has been collected, which shows that certain categories of actions involving special use authorizations generally have no significant effect on the human environment, supporting the Forest Service determination that the proposed changes to the categorical exclusions are appropriate and should be implemented.

Because the agency plans to propose additional revisions to this handbook within the next few years, the agency has concluded that these proposed categorical exclusions for certain special use authorization actions should be issued as an interim directive. Upon completion of other revisions to this handbook, this interim directive will be incorporated into an amendment at that time.

Accordingly, the Forest Service proposes to revise its NEPA implementation handbook (FSH 1909.15) to classify the following special use authorizing actions as categorical exclusions: (1) Amendment of a special use authorization during its term, for purposes of initiating an administrative change; (2) changes in ownership of authorized improvements during the term of an existing special use authorization; and (3) issuance of a new special use authorization upon termination of an existing special use authorization. Use of these new categories would be appropriate only when the special use authorization involves no change in the nature or scope of the occupancy and use and no change in the effects on the environment. The proposed direction for the categorical exclusions would be included as paragraphs under sections 31.1b and 31.2. The intent of these proposed changes to categorically exclude certain special use authorization actions is not to avoid environmental analysis and documentation, but rather to recognize that administrative amendments to authorizations, changes in ownership of authorized improvements, and issuance of a new authorization upon the termination of an existing authorization have little to no individual or cumulative environmental effect on the ground. The proposed interim direction is set out at the end of this notice.

The agency proposes to add two new paragraphs 10 and 11 to section 31.1b, Categories Established by the Chief. The categories in this section identify proposed actions requiring no additional analysis or documentation in an EIS or EA and for which a project or case file and a decision memo are not required.

Proposed paragraph 10 would address situations that involve the amendment of an existing special use authorization when there would be no change to the scope or nature of the authorized occupancy or use. Proposed paragraph 10 also would include examples of the type of administrative actions that could be considered. For example, updating authorization rental fee clauses to reflect a new or modified land use rental fee for a power line would have no significant effect on the environment and use of a categorical exclusion would be appropriate; however, if the utility company that owns the power line requests an amendment to its special use authorization to include additional power line extensions that are outside an existing utility corridor, then use of a categorical exclusion would not be appropriate.

Proposed paragraph 11 would address situations involving a change of ownership of authorized improvements during the term of an existing special use authorization. Actions within this category would allow issuance of a special use authorization to a new owner of the currently authorized improvements, as long as there is no change in the authorized occupancy or use of National Forest System lands.

The actions in these proposed categories normally do not individually or cumulatively have a significant effect on the quality of the human environment. For example, consider the case of a telephone line that has been in existence and authorized for a 30-year term. Five years remain in the authorized term when the telephone company is purchased by another entity. The new owner is not proposing any changes to the authorized use and occupancy. Agency review indicates that issuing a new special use authorization for the five years remaining in the term to effect a name change, when there is no change to the use or occupancy authorized, would not have a significant effect on the environment. Use of a categorical exclusion, as set out in this proposed interim directive, would be appropriate.

In summary, the proposed categorical exclusions in section 31.1b would be applicable to those cases that do not involve a physical change to the environment. Review of the proposed

action would ensure that the proposed categorical exclusions allow only for administrative changes that have no significant effect on the environment.

Section 31.2 of the handbook lists those categories of actions for which a project or case file and a decision memo are required. The Forest Service proposes to add a new paragraph 10 to section 31.2 to classify as a categorical exclusion the issuance of a new special use authorization upon the termination of the existing special use authorization, when the current holder and operations under the existing special use authorization are in full compliance with the terms and conditions of the special use authorization and no changes in the physical environment or facilities are proposed. Generally, special use authorizations are issued for terms ranging between 5 and 20 years.

The following is an example of a situation involving a special use authorization in which use of a categorical exclusion would be appropriate: An organization camp has been authorized for a term of 20 years and its term has expired. The holder applies for a new special use authorization and does not propose any change to the use or occupancy previously authorized. Agency review indicates that the use has been consistent with the terms and conditions of the authorization and that previous analysis determined there were no individually or cumulatively significant effects on the environment. Thus, the decision to issue a new special use authorization may be categorically excluded, so long as the requirements listed at 36 CFR 251.64 can be met and there are no significant effects on the environment.

In contrast, consider an example involving an oil and gas pipeline authorized 30 years ago. The special use authorization is due to expire, and the holder applies for a new special use authorization. The use and holder meet the requirements set out at 36 CFR 251.64. In this example, agency review indicates that the use had not previously been analyzed pursuant to NEPA, and new information shows threatened or endangered species may be significantly affected. Thus, continuing the use previously authorized may cause significant effects on the environment. A categorical exclusion would not be applied in this situation, and the appropriate level of NEPA analysis and documentation would have to be completed prior to issuance of a new special use authorization.

Extraordinary Circumstances

The proposed interim directive also would clarify the policy in the handbook regarding extraordinary circumstances at paragraph 2 of section 30.3 and the definition in section 30.5, which currently defines extraordinary circumstances as "conditions associated with a normally excluded action that are identified during scoping as potentially having effects which may significantly affect the environment." The agency proposes to make minor revisions to clarify this definition. The revised definition would state: "Instances where a proposed action normally excluded from documentation in an EIS or EA is identified as potentially having a significant effect on the resource conditions as set out in section 30.3, paragraphs 2a through 2g." Section 30.3 would be revised to clarify that it may be appropriate and permissible to categorically exclude from documentation in an EIS or EA those proposed actions where certain resource conditions are present, but only when the responsible official determines the proposed action would not have a significant environmental effect, either individually or cumulatively, on those conditions.

Considerable public and employee confusion exists regarding the application of a categorical exclusion to a proposed action when a listed resource condition is present. Additionally, Federal Circuit Courts have interpreted Forest Service direction on this issue differently. For example, the Seventh Circuit concluded that the Forest Service intended that the "mere presence" of any extraordinary circumstances precluded use of the categorical exclusion (*Rhodes v. Johnson*, 153 F.3d 785 (7th Cir. 1998)). However, the Ninth Circuit has held that an agency may issue a categorical exclusion even where a certain resource condition, in this case threatened or endangered species, is present (*Southwest Center for Biological Diversity v. U.S. Forest Service*, 100 F.3d 1443, 1450 (9th Cir. 1996); see also *Kirchbaum v. USFS*, 17 F. Supp. 2d 549, 557-58 (W.D. Va. 1998)).

The proposed revisions to the definition in section 30.5 and the direction in section 30.3, paragraphs 2, 3, and 4, would clarify the agency's intent that the presence of a listed resource condition does not automatically preclude use of a categorical exclusion. Treating the "mere presence" of a resource condition as an absolute bar to the availability of categorical exclusions has a major impact on the Forest Service's ability to

efficiently fulfill its land management responsibilities. The resource conditions identified in the agency handbook (FSH 1909.15, section 30.3, paragraphs 2a-2g) are intended to act as guideposts that alert decision makers to potential instances where a categorical exclusion would be inappropriate. The procedures were never intended to override the responsible official's ability to determine that no significant environmental effects are associated with a proposed action and, therefore, that a categorical exclusion is appropriate. The proposed interim directive would make explicit the agency's intent that even in the presence of certain resource conditions, a proposal could still be categorically excluded if the responsible official determines the proposed action would not have a significant environmental effect on those resource conditions. Paragraph 3 retains the important requirement regarding scoping for all proposed actions. Proposed changes to paragraph 3 would, however, remove redundant guidance on preparation of EA's and EIS's, as adequate guidance already exists in chapters 20 and 40 of FSH 1909.15. Paragraph 4 would be expanded to reference FSH 1909.15, section 18, on the need to review and document new information or changed circumstances.

In addition, paragraph 2b of section 30.3, which lists threatened and endangered species or their critical habitat as examples of resource conditions, would be expanded to include species proposed for threatened or endangered listing, sensitive species, or their designated or proposed critical habitat. The proposed interim directive is set out at the end of this notice.

Environmental Impact

These proposed revisions to Forest Service Handbook (FSH) 1909.15 would clarify direction and improve consistent interpretation by field employees of requirements regarding NEPA documentation. Section 31.1b of FSH 1909.15 (57 FR 43180, September 18, 1992) excludes from documentation in an environmental assessment or impact statement "rules, regulations, or policies to establish Service-wide administrative procedures, program processes, or instructions." The agency's preliminary assessment is that this proposed action falls within this category of actions, and that no extraordinary circumstances exist as currently defined which would require preparation of an environmental impact statement or environmental assessment. A final determination will be made upon adoption of the final interim directive. In addition, pursuant

to 40 CFR 1505.1 and 1507.3, the agency is consulting with the Council on Environmental Quality (CEQ) to ensure full compliance with the purposes and provisions of NEPA and the CEQ implementing regulations.

Regulatory Impact

This proposed interim directive has been reviewed under USDA procedures and Executive Order 12866, Regulatory Planning and Review. It has been determined that this is not a significant action. This proposed action to clarify agency direction would not have an annual effect of \$100 million or more on the economy nor adversely affect productivity, competition, jobs, the environment, public health or safety, nor State or local governments. This proposed action would not interfere with an action taken or planned by another agency nor raise new legal or policy issues. Finally, this proposed action would not alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients of such programs. Accordingly, this proposed action is not subject to Office of Management and Budget review under Executive Order 12866.

Moreover, this proposed action has been considered in light of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), and it has been determined that this proposed action would not have a significant economic impact on a substantial number of small entities as defined by the act because it will not impose record-keeping requirements on them; it would not affect their competitive position in relation to large entities; and it would not affect their cash flow, liquidity, or ability to remain in the market.

Federalism and Consultation and Coordination With Indian Tribal Governments

The agency has considered this proposed interim directive under the requirements of Executive Order 13132, Federalism, and has made an assessment that the proposed interim directive conforms with the federalism principles set out in this Executive order; would not impose any compliance costs on the States; and would not have substantial direct effects on the States or the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, the agency has determined that no further assessment of federalism implications is necessary at this time.

Moreover, this proposed interim directive does not have tribal implications as defined by Executive Order 13175, Consultation and Coordination with Indian Tribal Governments, and therefore advance consultation with tribes is not required.

No Takings Implications

This proposed action has been analyzed in accordance with the principles and criteria contained in Executive Order 12630, Governmental Actions and Interference with Constitutionally Protected Property Rights, and it has been determined that the proposed action does not pose the risk of a taking of Constitutionally protected private property.

Civil Justice Reform Act

This proposed action has been reviewed under Executive Order 12988, Civil Justice Reform. If this proposed interim directive were adopted, (1) all State and local laws and regulations that are in conflict with this proposed interim directive or which would impede its full implementation would be preempted; (2) no retroactive effect would be given to this proposed interim directive; and (3) it would not require administrative proceedings before parties may file suit in court challenging its provisions.

Unfunded Mandates

Pursuant to Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538), which the President signed into law on March 22, 1995, the agency has assessed the effects of this proposed action on State, local, and tribal governments and the private sector. This proposed action would not compel the expenditure of \$100 million or more by any State, local, or tribal government or anyone in the private sector. Therefore, a statement under section 202 of the act is not required.

Energy Effects

This proposed interim directive has been reviewed under Executive Order 13211, Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use. It has been determined that this proposed interim directive does not constitute a significant energy action as defined in the Executive order.

Controlling Paperwork Burdens on the Public

This proposed interim directive does not contain any additional record-keeping or reporting requirements associated with the special uses program or other information collection

requirements as defined in 5 CFR part 1320 that are not already required by law or not already approved for use. The Office of Management and Budget (OMB) (Number 0596–0082) has approved the information collection associated with the special uses program. Accordingly, the review provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) and its implementing regulations at 5 CFR part 1320 do not apply.

Dated: August 31, 2001.

Sally Collins,
Acting Chief.

Text of Proposed Interim Directive

Note: The Forest Service organizes its directive system by alphanumeric codes and subject headings. Only those sections of the Forest Service Handbook (FSH) 1909.15, Environmental Policy and Procedures Handbook, affected by this policy are included in this notice. The intended audience for this direction is Forest Service employees charged with issuing and administering special use authorizations. Selected headings and existing text are provided to assist the reader in placing the proposed direction in context, but primarily the revised text is set out here. Reviewers who wish to view the entire chapter 30 of FSH 1909.15 may obtain a copy from the address shown earlier in this notice and from the Forest Service home page on the World Wide Web/Internet at http://www.fs.fed.us/cgi-bin/Directives/get_directives/fsh?1909.15.

FSH 1909.15—ENVIRONMENTAL POLICY AND PROCEDURES HANDBOOK

CHAPTER 30—CATEGORICAL EXCLUSION FROM DOCUMENTATION

(No change to the following section 30.3, paragraphs 1 and 1a:)
30.3—Policy.

1. A proposed action may be categorically excluded from documentation in an environmental impact statement (EIS) or environmental assessment (EA) only if the proposed action:

a. Is within one of the categories in the Department of Agriculture (USDA) NEPA policies and procedures in 7 CFR part 1b.

(Proposed revision to the following section 30.3, paragraphs 1b and 2, as follows:)

b. Is within a category listed in section 31.1b or 31.2 and there are no instances of extraordinary circumstances (as described in the following para. 2 and defined in sec. 30.5) related to the proposed action that could result in a significant environmental effect.

2. Extraordinary circumstances (as defined in sec. 30.5) occur when a proposed action would have a significant effect on the resource conditions set out in the following paragraphs 2a through 2g. The responsible official may issue a categorical exclusion even when one or more of the resource conditions listed in paragraphs 2a through 2g are present, only if the official determines on a case-by-case basis that the proposed action would not have a significant effect on these resource conditions and thus an instance of extraordinary circumstances does not exist for that proposed action. The resource conditions to be considered in determining if extraordinary circumstances exist are:

(No change to the following paragraph 2a:)

a. Steep slopes or highly erosive soils. (Proposed revision to paragraph 2b, as follows:)

b. Threatened, endangered, proposed, and sensitive species or their designated or proposed critical habitat.

(No change to the following paragraphs 2c–2g:)

c. Flood plains, wetlands, or municipal watersheds.

d. Congressionally designated areas, such as wilderness, wilderness study areas, or National Recreation Areas.

e. Inventoried roadless areas.

f. Research Natural Areas.

g. Native American religious or cultural sites, archaeological sites, or historic properties or areas.

(Proposed revision to paragraph 3 and 4, as follows:)

3. Scoping is required on all proposed actions, including those that would appear to be categorically excluded (ch. 20 and 40).

4. If an action has been sufficiently analyzed in a completed EIS or an EA, but *not approved* in the appropriate decision document, issue a record of decision or a decision notice and finding of no significant impact without considering the categories in this chapter (ch. 30). If an action has been sufficiently analyzed in a completed EIS or EA and *approved* in the appropriate decision document, it can be implemented without considering the categories in this chapter (ch. 30). In these situations, consider the need to evaluate new information or changed circumstances that may have a bearing on the decision (sec. 18).

(No change to the following section 30.5, unnumbered paragraphs 1 and 2:)
30.5—Definitions.

Categorical Exclusion. (sec. 05)

Decision Memo. (sec. 05)

(Proposed revision to section 30.5, unnumbered paragraph 3, definition of

Extraordinary Circumstances, as follows:)

Extraordinary Circumstances.

Instances where a proposed action normally excluded from documentation in an EIS or EA is identified as potentially having a significant effect on resource conditions as set out in section 30.3, paragraphs 2a through 2g.

31—Categories of Actions Excluded From Documentation.

(No change to the following sections 31 through 31.1b, paragraph 9c:)

31.1—Categories for Which a Project or Case File and Decision Memo Are Not Required. At the discretion of the responsible official, a project or case file and a decision memo are not required but may be prepared for the categories of actions set forth in sections 31.1a and 31.1b.

31.1a—Categories Established by the Secretary. The rules at 7 CFR 1b.3 exclude from documentation in an EIS or an EA the following categories:

(a) * * *

(1) Policy development, planning and implementation which relate to routine activities, such as personnel, organizational changes, or similar administrative functions;

(2) Activities which deal solely with the funding of programs, such as program budget proposals, disbursements, and transfer or reprogramming of funds;

(3) Inventories, research activities, and studies, such as resource inventories and routine data collection when such actions are clearly limited in context and intensity;

(4) Educational and informational programs and activities;

(5) Civil and criminal law enforcement and investigative activities;

(6) Activities which are advisory and consultative to other agencies and public and private entities, such as legal counseling and representation;

(7) Activities related to trade representation and market development activities abroad. (7 CFR 1b.3)

31.1b—Categories Established by the Chief. The following categories of routine administrative, maintenance, and other actions normally do not individually or cumulatively have a significant effect on the quality of the human environment (sec. 05) and, therefore, may be categorically excluded from documentation in an EIS or an EA unless scoping indicates extraordinary circumstances (sec. 30.5) exist:

(The unchanged text of paragraphs 1 through 9 is not set out.)

* * * * *

(Proposed new paragraphs 10 and 11, section 31.1b, as follows:)

10. Amendment to an existing special use authorization during its term, involving no change in the authorized use and occupancy other than administrative changes. Examples include but are not limited to:

a. Amending a special use authorization to reflect administrative changes, such as changes to the land use rental fee or conversion to a new type of special use authorization for a particular occupancy or use (for example, converting a permit to a lease or easement).

b. Amending a special use authorization to include nondiscretionary environmental standards or updating a special use authorization to bring it into conformance with current laws or regulations (for example, new water quality standards that require monitoring).

11. Change in ownership of authorized improvements during the term of an existing special use authorization, involving no change in the authorized use and occupancy of National Forest System lands other than administrative changes. Examples include but are not limited to issuance of a new special use authorization to a new owner of the authorized improvements, when there is no change to the authorized use and occupancy.

(No change to the following section 31.2 through (1):)

31.2—Categories of Actions for Which a Project or Case File and Decision Memo Are Required. Routine, proposed actions within any of the following categories may be excluded from documentation in an EIS or an EA; however, a project or case file is required and the decision to proceed must be documented in a decision memo (sec. 32). As a minimum, the project or case file should include any records prepared, such as:

(1) the names of interested and affected people, groups, and agencies contacted;

(Proposed revision to section 31.2 (2) and (3) as follows:)

(2) the determination that no instance of extraordinary circumstances related to the proposed action exists that may have a significant environmental effect on resource conditions; (3) a copy of the decision memo (sec. 30.5, para. 2);

(No change to the following section 31.2 (4) and (5):)

(4) a list of the people notified of the decision; (5) a copy of the notice required by 36 CFR Part 217, or any other notice used to inform interested and affected persons of the decision to proceed with or to implement an action that has been categorically excluded.

Maintain a project or case file and prepare a decision memo for routine, proposed actions within any of the following categories.

(The unchanged text of paragraphs 1 through 9, section 31.2, is not set out.)

* * * * *

(Proposed new paragraph 10, section 31.2, as follows:)

10. Issuance of a new special use authorization to the holder of an existing special use authorization when:

a. The existing special use authorization terminates at the end of its term;

b. The holder is in full compliance with the terms and conditions of the terminating special use authorization; and

c. There would be no change in the physical environment or facilities or the scope or intensity of the operations.

(No change to the rest of chapter 30, sections 32–33.)

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[FR Doc. 01–23408 Filed 9–19–01; 8:45 am]

BILLING CODE 3410–11–P

DEPARTMENT OF AGRICULTURE

Rural Telephone Bank

Amendment to Bylaws

AGENCY: Rural Telephone Bank, USDA.

ACTION: Notice of revised bylaws.

SUMMARY: The Board of Directors of the Rural Telephone Bank (Bank) adopted an amendment to the bylaws of the Bank on August 17, 2001. The bylaw amendment defines the terms “eligible” and “controlled” with respect to the purchase of Class C stock.

EFFECTIVE DATE: This action was effective August 17, 2001.

FOR FURTHER INFORMATION CONTACT: Roberta D. Purcell, Assistant Governor, Rural Telephone Bank, (202) 720–9554.

SUPPLEMENTARY INFORMATION: Bylaw section 2.2, paragraph (c) is revised and redesignated as paragraphs (c) and (d), and existing paragraph (d) is redesignated as (e) as follows:

Article II—Capital Stock and Special Fund Equivalents

Sec. 2.2 Rights, Powers, Privileges and Preferences of Each Class of Stock

(c) Class C stock shall have a par value of one thousand dollars (\$1,000) per share, shall be issued only at par, shall be held only by borrowers or by corporations and public bodies eligible to borrow under section 408 of the Act, or by organizations controlled by such borrowers, corporations and public