

grant shall be made from amounts allocated for the State in the accounts specified in section 2009d(c) of this title for the fiscal year, by reducing each allocated amount by the same percentage.

**(c) Use of funds**

A State to which funds are provided under this section shall use the funds in rural areas for any activity authorized under the authorities described in section 2009d(d) of this title in accordance with the State strategic plan referred to in section 2009c of this title.

**(d) Maintenance of effort**

The State shall provide assurances to the Secretary that funds provided to the State under this section will be used only to supplement, not to supplant, the amount of Federal, State, and local funds otherwise expended for rural development assistance in the State.

**(e) Appeals**

The Secretary shall provide to a State an opportunity to appeal any action taken with respect to the State under this section.

**(f) Administrative costs**

Federal funds shall not be used for any administrative costs incurred by a State in carrying out this subchapter.

**(g) Expenditure of funds by State**

**(1) In general**

Payments to a State from a grant under this section for a fiscal year shall be obligated by the State in the fiscal year or in the succeeding fiscal year. A State shall obligate funds under this section to provide assistance to rural areas.

**(2) Failure to obligate**

If a State fails to obligate payments in accordance with paragraph (1), the Secretary shall make an equal reduction in the amount of payments provided to the State under this section for the immediately succeeding fiscal year.

**(3) Noncompliance**

**(A) Review**

The Secretary shall review and monitor State compliance with this section.

**(B) Penalty**

If the Secretary finds that there has been misuse of grant funds provided under this section, or noncompliance with any of the terms and conditions of a grant, after reasonable notice and opportunity for a hearing—

(i) the Secretary shall notify the State of the finding; and

(ii) no further payments to the State shall be made with respect to the programs funded under this section until the Secretary is satisfied that there is no longer any failure to comply or that the noncompliance will be promptly corrected.

**(C) Other sanctions**

In the case of a finding of noncompliance made pursuant to subparagraph (B), the Sec-

retary may, in addition to, or in lieu of, imposing the sanctions described in subparagraph (B), impose other appropriate sanctions, including recoupment of money improperly expended for purposes prohibited or not authorized by this section and disqualification from the receipt of financial assistance under this section.

**(h) No entitlement to contract, grant, or assistance**

Nothing in this subchapter—

(1) entitles any person to assistance or a contract or grant; or

(2) limits the right of a State to impose additional limitations or conditions on assistance or a contract or grant under this section.

(Pub. L. 87-128, title III, §381G, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1143; amended Pub. L. 107-171, title VI, §6026(c), May 13, 2002, 116 Stat. 372.)

AMENDMENTS

2002—Subsec. (a)(1), (2). Pub. L. 107-171, §6026(c)(1), substituted “section 2009d(f) of this title” for “section 2009d(g) of this title”.

Subsec. (b)(1). Pub. L. 107-171, §6026(c)(2), substituted “section 2009d(g) of this title” for “section 2009d(h) of this title”.

**§ 2009g. Guarantee and commitment to guarantee loans**

**(a) “Eligible public entity” defined**

In this section, the term “eligible public entity” means any unit of general local government.

**(b) Guarantee and commitment**

The Secretary, on such terms and conditions as the Secretary may prescribe, may guarantee and make commitments to guarantee notes or other obligations issued by eligible public entities, or by public agencies designated by the eligible public entities, for the purposes of financing rural development activities authorized and funded under section 2009f of this title.

**(c) Limitation**

The Secretary may not make a guarantee or commitment to guarantee with respect to a note or other obligation if the total amount of outstanding notes or obligations guaranteed under this section (excluding any amount repaid under the contract entered into under subsection (e)(1)(A)) for issuers in the State would exceed an amount equal to 5 times the sum of the total amount of grants made to the State under section 2009f of this title.

**(d) Payment of principal, interest, and costs**

Notwithstanding any other provision of this subchapter, a State to which a grant is made under section 2009f of this title may use the grant (including program income derived from the grant) to pay principal and interest due (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) on any note or other obligation guaranteed under this section.

**(e) Repayment contract; security**

**(1) In general**

To ensure the repayment of notes or other obligations and charges incurred under this

section and as a condition for receiving the guarantees, the Secretary shall require the issuer to—

(A) enter into a contract, in a form acceptable to the Secretary, for repayment of notes or other obligations guaranteed under this section;

(B) pledge any grant for which the issuer may become eligible under this subchapter; and

(C) furnish, at the discretion of the Secretary, such other security as may be considered appropriate by the Secretary in making the guarantees.

**(2) Security**

To assist in ensuring the repayment of notes or other obligations and charges incurred under this section, a State shall pledge any grant for which the State may become eligible under this subchapter as security for notes or other obligations and charges issued under this section by any eligible public entity in the State.

**(f) Pledged grants for repayments**

Notwithstanding any other provision of this subchapter, the Secretary may apply grants pledged pursuant to paragraphs (1)(B) and (2) of subsection (e) to any repayments due the United States as a result of the guarantees.

**(g) Outstanding obligations**

The total amount of outstanding obligations guaranteed on a cumulative basis by the Secretary pursuant to subsection (b) shall not at any time exceed such amount as may be authorized to be appropriated for such purpose for any fiscal year.

**(h) Purchase of guaranteed obligations by Federal Financing Bank**

Notes or other obligations guaranteed under this section may not be purchased by the Federal Financing Bank.

**(i) Full faith and credit**

The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for the guarantee with respect to principal and interest. The validity of the guarantee shall be incontestable in the hands of a holder of the guaranteed obligations.

(Pub. L. 87-128, title III, §381H, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1145.)

**§ 2009h. Local involvement**

An application for assistance under this subchapter shall include evidence of significant community support for the project for which the assistance is requested. In the case of assistance for a community facilities or infrastructure project, the evidence shall be in the form of a certification of support for the project from each affected general purpose local government.

(Pub. L. 87-128, title III, §381I, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1146.)

**§ 2009i. Interstate collaboration**

The Secretary shall permit the establishment of voluntary pooling arrangements among States, and regional fund-sharing agreements, to carry out projects receiving assistance under this subchapter.

(Pub. L. 87-128, title III, §381J, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1146.)

**§ 2009j. Annual report**

**(a) In general**

The Secretary, in collaboration with State, local, public, and private entities, State rural development councils, and community-based organizations, shall prepare an annual report that contains evaluations, assessments, and performance outcomes concerning the rural community advancement programs carried out under this subchapter.

**(b) Submission**

Not later than March 1 of each year, the Secretary shall—

(1) submit the report required by subsection (a) to Congress and the chief executives of the States participating in the program established under this subchapter; and

(2) make the report available to State and local participants.

(Pub. L. 87-128, title III, §381K, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1146.)

**§ 2009k. Rural development interagency working group**

**(a) In general**

The Secretary shall provide leadership within the Executive branch for, and assume responsibility for, establishing an interagency working group chaired by the Secretary.

**(b) Duties**

The working group shall establish policy for, coordinate, make recommendations with respect to, and evaluate the performance of, all Federal rural development efforts.

(Pub. L. 87-128, title III, §381L, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1146.)

**§ 2009l. Duties of Rural Economic and Community Development State Offices**

In carrying out this subchapter, the Director of a Rural Economic and Community Development State Office shall—

(1) to the maximum extent practicable, ensure that the State strategic plan referred to in section 2009c of this title is implemented;

(2) coordinate community development objectives within the State;

(3) establish links between local, State, and field office program administrators of the Department of Agriculture;

(4) ensure that recipient communities comply with applicable Federal and State laws and requirements; and

(5) integrate State development programs with assistance under this subchapter.