

subpart for projects other than business incubator projects to the extent funds are available to borrowers for business incubator projects from a rural business incubator fund administered by the Administrator in accordance with section 502 of the Act (7 U.S.C. 950aa-1).

(c) Zero-interest loans and grants may be used for Projects that enhance rural economic development by providing advanced telecommunications services and computer networks for medical and educational services, as follows: (1) For telecommunications end use and/or transmission facilities; and (2) Other portions of the project, such as modifications to buildings necessary to accommodate telecommunications equipment for medical care and other services, public or private education, and employment training.

(d) Zero-interest loans and grants may be used for community antenna television systems or facilities. The borrower will document that such facilities provide a tangible economic benefit to the proposed service area in accordance with §1703.46 of this subpart. Notwithstanding this, the Administrator reserves the right to deny any proposal for community antenna television systems or facilities. Community antenna television systems or facilities will be considered for funding in accordance with §1703.46 of this subpart and this section only when all of the following conditions exist:

(1) The proposed community antenna television system or facility is established in cooperation with a local educational and/or medical entity(ies) to provide educational and/or medical programming which addresses specific needs of rural residents;

(2) Services to be provided by the proposed community antenna television systems or facilities are not available in the area to be served, or services are not being provided by the existing television programming carrier at an affordable cost to residents; and

(3) Such community antenna systems or facilities will not present undue competition for existing television programming carriers in the area.

[57 FR 44317, Sept. 25, 1992, as amended at 59 FR 11706, Mar. 14, 1994; 59 FR 53930, Oct. 27, 1994]

#### §1703.18 Types of projects eligible for grant funding.

Grants may be made for the following purposes:

(a) The establishment and operation of a revolving loan program by Borrowers in accordance with §1703.22;

(b) Project feasibility studies to assist for-profit and non-profit entities in conjunction with a loan for an authorized project. Feasibility studies will include management assistance, consultation, and research for planning individual projects that the Borrower has determined will benefit the rural community. Feasibility studies which may be financed under this section must be performed by qualified entities subject to §1703.19. General requirements for grant funding. Feasibility studies must address the important aspects of project assessment and planning to ensure, to the extent practicable, the success of projects. These include the market, technical, economic, financial, and managerial issues related to project feasibility. Feasibility studies may be funded in connection with viable projects as a reimbursement to the project owner for expenses incurred during the initial planning stages of the project prior to project funding by RUS;

(c) The acquisition of technical assistance in conjunction with projects funded with zero-interest loans to enable for-profit and non-profit entities to obtain analysis of facilities and processes, managerial, financial and operational consultation. Grant funds may also be used in conjunction with zero-interest loans to enable non-profit business incubators to provide technical assistance. Technical assistance will enable project owners to identify and evaluate problems or potential problems and provide training in order that they may ultimately implement, manage, operate and maintain viable projects which are financed with zero-interest loan funds. Technical assistance financed under this section must be performed by qualified entities which are independent of the project owner subject to §1703.19. General requirements for grant funding;

(d) Business incubators established by non-profit organizations to assist in

## § 1703.19

## 7 CFR Ch. XVII (1-1-01 Edition)

developing emerging enterprises. Business incubators funded in conjunction with zero-interest loans will include those facilities in which single or multiple businesses may use premises, support staff, computer software, hardware, telecommunications equipment, machinery, janitorial services, utilities, or other overhead facilities. Grant funding may also be provided to allow business incubators to provide feasibility studies and technical assistance in accordance with paragraphs (b) and (c) of this section;

(e) Community development assistance to non-profit entities and public bodies for employment creation projects, or other projects which provide needed community facilities and services;

(f) Facilities and equipment to public, for-profit and non-profit entities to provide education and training to rural residents to facilitate economic development. Equipment and facilities may be funded to enable rural businesses to provide educational and job enhancement skills to employees;

(g) Facilities and equipment to public, for-profit and non-profit entities to provide medical care to rural residents. Equipment and facilities may be funded to enable eligible entities to provide medical training and related professional health care skills to rural health care providers;

(h) Projects which utilize advanced telecommunications and/or computer networks to facilitate medical or educational services or job training in accordance with paragraphs (f) and (g) of this section.

[59 FR 11706, Mar. 14, 1994, as amended at 59 FR 38341, July 28, 1994]

### **§ 1703.19 General requirements for grant funding.**

(a) Grants made under § 1703.18(a), establishment and operation of a revolving loan program by Borrowers, will be limited to Borrowers and can be made without zero-interest loans. Grants made under § 1703.18 (b) through (h) will be made only in conjunction with zero-interest loans, and on a pass-through basis.

(b) Pass-through grant funding for projects under § 1703.18 (b), (c), (f), (g) and (h) will be available for non-profit

and for-profit entities. Pass-through grant funding for projects under § 1703.18 (d) and (e) will be available only for non-profit entities.

(c) All projects funded with zero-interest loans and grants will require supplemental funding in accordance with § 1703.23. For grants made under § 1703.18(a), the portion eligible for RUS funding may be fully funded with grant funds. For all other grants funded under § 1703.18, the portion of project costs eligible for RUS funding may be funded up to 20 percent with grant funds.

(d) Grant funding will be provided only to the extent necessary for a feasible project. A feasible project is a project which expects to generate sufficient income to pay operating expenses and debts and compensate for depreciation of equipment and facilities for the project which is to be funded by RUS. Depreciation must be based on allowable depreciation schedules as set forth by the United States Internal Revenue Service. Borrowers whose analyses of projects show feasibility without grant funds should not apply for grant funding. Borrowers requesting pass-through grant funds will base grant funding requests on borrower projected income and expense projections for the project, and documentation regarding depreciation of the equipment and facilities for the project. The Administrator will determine whether the Borrower's projections of income, expenses and depreciation are reasonable.

(e) For projects that project insufficient operating revenue the first two years to show feasibility, borrowers should first consider the deferral provisions set forth in § 1703.29(b) before determining the appropriate level of requested grant funding. Zero-interest loan and grant funding will be approved in accordance with paragraph (d) of this section based on the option which results in the lowest required grant percentage.

(f) The owner of the pass-through project that receives grant funds will be encouraged to commit that the project will be a demonstration project.

(g) Borrowers or project owners must demonstrate the availability and commitment of other sources of funding