

These designations were undertaken by the Secretary when he determined that the State of Missouri was not in a position to enforce requirements that are at least "equal to" the requirements of FMIA and PPIA enforced by the Federal Government.

The Director of Agriculture of the State of Missouri has advised FSIS that on January 1, 2001, the State of Missouri will be in a position to administer a State meat and poultry products inspection program that includes requirements at least "equal to" those imposed under the Federal meat and poultry products inspection program.

Section 301(c) of the FMIA and section 5(c) of the PPIA provide that whenever the Secretary of Agriculture determines that any designated State has developed and will enforce State meat and poultry products inspection requirements at least "equal to" those imposed by the Federal Government under the FMIA and the PPIA with regard to intrastate operations and transactions, the Secretary will terminate the designation of such State. The Secretary has determined that the State of Missouri has developed, and will enforce, such a State meat and poultry products inspection program in accordance with the applicable provisions of the FMIA and the PPIA.

Since it does not appear that public participation in this matter would make additional relevant information available to the Secretary under the administrative procedure provisions in 5 U.S.C. 553, it is found upon good cause that such procedure is impracticable and unnecessary.

#### Executive Order 12866

This final rule is issued in conformance with Executive Order 12866 and has been determined not to be a major rule. It will not result in an annual effect on the economy of \$100 million or more and will not adversely affect the economy or any segment of the economy. Because this final rule is not a significant rule under Executive Order 12866, it has not undergone review by the Office of Management and Budget.

#### Effect on Small Entities

The FSIS Administrator has determined that this action will not have a significant economic impact on a substantial number of small entities, as defined by the Regulatory Flexibility Act (Pub. L. 96-354; 6 U.S.C. 601). As stated above, the State of Missouri is assuming a responsibility, previously limited to the Federal Government, of administering the meat and poultry

products inspection program for intrastate operations and transactions.

#### Additional Public Notification

FSIS has considered the potential civil rights impact of this final rule on minorities, women, and persons with disabilities. Public involvement in all segments of rulemaking and policy development is important. Consequently, in an effort to better ensure that minorities, women, and persons with disabilities are aware of this rulemaking, FSIS will announce it and provide copies of this **Federal Register** publication in the FSIS Constituent Update.

FSIS provides a weekly Constituent Update, which is communicated via fax to more than 300 organizations and individuals. In addition, the update is available on-line through the FSIS web page located at <http://fsis.usda.gov>. The update is used to provide information regarding FSIS policies, procedures, regulations, **Federal Register** notices, FSIS public meetings, recalls, and any other types of information that could affect or be of interest to our constituents and shareholders. The constituent fax list consists of industry, trade, and farm groups, consumer interest groups, allied health professionals, and other persons who have requested to be included. Through these various channels, FSIS is able to provide information to a much broader and diverse audience. For more information and to be added to the constituent fax list, fax your request to (202) 720-5704.

#### List of Subjects

9 CFR Part 331

Meat inspection.

9 CFR Part 381

Poultry and poultry products.

Accordingly, parts 331 and 381 are amended as follows:

#### PART 331—[AMENDED]

The authority citation for part 331 continues to read as follows:

**Authority:** 21 U.S.C. 601-695; 7 CFR 2.17, 2.55.

##### § 331.2 [Amended]

1. The table in section 331.2 is amended by removing "Missouri" from the "State" column and by removing the corresponding date.

##### § 331.6 [Amended]

2. The table in section 331.6 is amended by removing "Missouri" from the "State" column in two places and by removing the corresponding dates.

#### PART 381—[AMENDED]

3. The authority citation for part 381 continues to read as follows:

**Authority:** 7 U.S.C. 138F; 7 U.S.C. 450; 21 U.S.C. 451-470; 7 CFR 2.17, 2.55.

##### § 381.221 [Amended]

4. The table in section 381.221 is amended by removing "Missouri" from the "States" column and by removing the corresponding date.

##### § 381.224 [Amended]

5. The table in section 381.224 is amended by removing "Missouri" from the "State" column in two places and by removing the corresponding dates.

Done in Washington, DC, on: January 5, 2001.

**Thomas J. Billy,**

*Administrator.*

[FR Doc. 01-743 Filed 1-10-01; 8:45 am]

BILLING CODE 1410-DM-P

## DEPARTMENT OF ENERGY

### Office of Energy Efficiency and Renewable Energy

#### 10 CFR Part 490

RIN 1904-AB-00

#### Alternative Fuel Transportation Program; Biodiesel Fuel Use Credit

**AGENCY:** Office of Energy Efficiency and Renewable Energy, Department of Energy (DOE).

**ACTION:** Final rule.

**SUMMARY:** The Department of Energy (DOE) adopts with changes an interim final rule published on May 19, 1999, to implement the Energy Conservation Reauthorization Act of 1998 (ECRA). This Act amended title III of the Energy Policy Act of 1992 (EPACT). ECRA allows fleets that are required to purchase alternative fueled vehicles under titles III and V of EPACT to meet these requirements, in part, through the use of biodiesel fuel use credits. The rule establishes procedures for fleets and covered persons to request credits for specified biodiesel fuel use and implements ECRA's credit eligibility and allocation provisions. The biodiesel fuel use credit gives fleets and covered persons, who are otherwise required under EPACT to purchase an alternative fueled vehicle, the option of purchasing and using 450 gallons of biodiesel in vehicles in excess of 8,500 pounds gross vehicle weight instead of acquiring an alternative fueled vehicle.

**DATES:** This final rule is effective February 12, 2001.

**FOR FURTHER INFORMATION CONTACT:**

David Rodgers, Office of Energy Efficiency and Renewable Energy, EE-34, U.S. Department of Energy, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-9118.

**SUPPLEMENTARY INFORMATION:**

- I. Introduction and Background
- II. Section-by-Section Discussion of Public Comments and Rule Provisions
  - A. Section 490.703—Biodiesel Fuel Use Credit Allocation
  - B. Section 490.704—Procedures and Documentation
  - C. Section 490.705—Use of Credits
  - D. Section 490.707—Increasing the Qualifying Volume of the Biodiesel Component
- III. Regulatory and Procedural Requirements
  - A. Review Under Executive Order 12866
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  - C. Review Under the Regulatory Flexibility Act
  - D. Review Under the National Environmental Policy Act
  - E. Review Under the Paperwork Reduction Act
  - F. Review Under Executive Order 12988
  - G. Review Under the Unfunded Mandates Reform Act of 1995
  - H. Congressional Notification

**I. Introduction and Background**

This notice of final rulemaking concludes a regulatory action that is mandated under section 7 of the Energy Conservation Reauthorization Act of 1998 (ECRA), Pub. L. No. 105-388. ECRA adds section 312 to title III of the Energy Policy Act of 1992 (EPACT), 42 U.S.C. 13211-13219. Section 312 allows titles III and V fleets and covered persons, that are required to acquire certain annual percentages of alternative fueled vehicles, to use biodiesel fuel use credits to meet, in part, these acquisition requirements. (Although title IV is included as one of the titles covered in ECRA, this inclusion appears to be a drafting error since title IV has no mandated acquisition requirements for fleets and covered persons.) DOE is required to allocate one credit to fleets and covered persons for using, in certain vehicles, 450 gallons (or "qualifying volume") of the biodiesel component of a motor fuel containing at least 20 percent biodiesel by volume.

Additionally, the vehicles in which the fuel is used must weigh more than 8,500 pounds gross vehicle weight rating. Fleets and covered persons must own or operate these vehicles and the biodiesel fuel must be used in these vehicles if the fleets and covered persons are to receive credits. Credits will be allocated only for the biodiesel fuel purchased after the enactment of ECRA, *i.e.*, November 13, 1998. The legislation prohibits the allocation of biodiesel fuel use credits for the

purchase of biodiesel when the biodiesel is used in alternative fueled vehicles that are utilized to satisfy the EPACT alternative fueled vehicle purchase requirements, or when biodiesel fuel use is required by Federal or State law. With the exception of biodiesel fuel providers, allocated credits can be used to satisfy up to 50 percent of a fleet's or covered person's alternative fueled vehicles requirements. For biodiesel fuel providers, biodiesel credits can satisfy up to 100 percent of the requirements.

On May 19, 1999, DOE issued an interim final rule (64 FR 27169) that added a new subpart H to DOE's Alternative Fuel Transportation Program rules at 10 CFR part 490. The interim final rule became effective on June 18, 1999. The interim final rule established procedures for fleets that are required to purchase alternative fueled vehicles under titles III and V of EPACT to meet these requirements, in part, through the use of biodiesel fuel use credits. With changes, this final rule adopts the interim final rule.

**II. Section-by-Section Discussion of Public Comment and Rule Provisions**

DOE received from 10 interested organizations comments on the interim final rule. Most commenters addressed essentially the same issues.

**A. Section 490.703—Biodiesel Fuel Use Credit Allocation**

Five commenters all argued that there is no evidence that Congress intended to compel the use of biodiesel within the model year in which the biodiesel is purchased. It appears that the commenters wish to carry forward unused biodiesel to another model year or that they wish to sell excess purchases of biodiesel to other fleets. DOE believes that ECRA bases the allocation of biodiesel fuel use credits on biodiesel purchases. However, DOE points out that ECRA requires that the fuel must be purchased for use in the covered entities' vehicles to earn credits. Credits are earned when the fuel is purchased for use in the covered entities' vehicles, even though the fuel may be used at a later date. On this issue, DOE explained in the Preamble that "[t]he use of biodiesel fuel credit to serve as the acquisition of one alternative fueled vehicle is restricted to the model year, or the fiscal year in the case of Federal fleets, in which the biodiesel is purchased and cannot be carried forward like alternative fueled vehicle acquisition credits generated under Subpart F." DOE reinforced this statement by citing language from the House of Representatives Commerce

Committee Report 105-727. That report provided that credits "may only be used by the fleet or covered person that earned the credits and only in the year that the credit is issued, so they cannot be traded or banked." H.R. Rep. No. 727, 105th Cong., 2d Sess., at 20 (1998). (See also the discussion under section 490.705.)

Three commenters submitted similar comments on language contained in section 490.703 (b). That paragraph prohibits the allocation of biodiesel fuel use credits if: (1) the biodiesel is used in an alternative fueled vehicle; or (2) if the biodiesel fuel use is required by Federal or State law. They argue that there are certain circumstances where a covered fleet may want to acquire an alternative fueled vehicle (AFV) as a result of a local, State or Federal incentive program or policy, unrelated to EPACT AFV purchase requirements. Allowing fleets to count biodiesel fuel used in AFVs, provided those AFVs are not used to meet EPACT AFV requirements, according to one commenter, would increase the flexibility of covered fleets to integrate biodiesel fuel into their fuel mix. This commenter recommends that DOE amend the language in section 490.703(b) in two ways. First, that DOE clarify that the prohibition against allocating a credit for biodiesel fuel use in AFVs be restricted to only AFVs used to meet EPACT AFV purchase requirements. DOE agrees with this comment and has integrated it into the final regulatory language.

Second, this commenter suggests that DOE delete the prohibition against allocating a credit where biodiesel fuel use is also used to meet other Federal or State requirements. DOE does not agree with this comment. The statutory language in ECRA states quite clearly that no credit can be allocated if the fuel is required by Federal or State law. This prohibition appears to be intended to prevent fleets from meeting both EPACT and other Federal and State requirements through the same biodiesel fuel use.

**B. Section 490.704—Procedures and Documentation**

Eight commenters argued that the procedures and documentation requirements of section 490.704 should include only that information that is necessary to support the verification of the biodiesel fuel purchase. They claim that asking for information on vehicle make and model, vehicle model year and vehicle identification number does not relate to fuel purchases of biodiesel and could make reporting more onerous. Providing such information would

impose an unnecessary burden on the reporting entities. DOE agrees that requesting specific vehicle data may be burdensome, and believes that asking for such data may reduce the attractiveness of the biodiesel fuel use credit option. DOE has, therefore, revised the Annual Alternative Fuel Vehicle Acquisition Report For State Government and Alternative Fuel Provider Fleets (DOE/OTT/101 form). The revised form only requests that fleets claiming the biodiesel fuel use credit submit model year specific biodiesel purchases and that such fleets maintain records of those purchases for three years. The updated form is posted on the DOE's Office of Transportation Technologies website at <http://www.ott.doe.gov/credits>. It can also be obtained by calling the National Alternative Fuels Hotline at 1-800-423-1DOE.

### C. Section 490.705—Use of Credits

Most commenters argued that the language in Sections 705(a) and (b) is too narrow in limiting the biodiesel fuel use credit to fleets covered by section 490.201, section 490.302, section 490.307 and title III of EPACT. A consequence of narrowing the language, according to these commenters, is that the biodiesel fuel use credit regulation may not apply to certain private and municipal fleets if DOE adds these fleets to the Alternative Fuel Transportation Program. These commenters recommend expanding the regulatory language so that it applies to fleets or covered persons identified in EPACT titles III and V, rather than the specific sections in the regulation. DOE believes that the current regulatory language is appropriate. Specifically, DOE noted in the Preamble that these fleets would be covered if DOE decides to include them under this subpart in the Alternative Fuel Transportation Program. Section 490.701 also acknowledges that Title V fleets are covered under this subpart. However, DOE recognizes that the rule language could have been clearer. Therefore the language in sections 705(a) and 705(b) has been amended to include references only to EPACT titles III and V.

Seven commenters argued that section 490.705(a) should not restrict the allocation of a biodiesel fuel use credit to the model year in which it is generated. They also contended that fleets should be able to trade excess credits to other covered fleets or bank excess credits for future model years. One commenter asserts that this limitation will prevent over compliance and reduce the likelihood of achieving higher volumes and economies of scale

in biodiesel production. Six commenters meanwhile, claim that DOE's reliance on the House of Representatives Commerce Committee Report 105-727 for this restriction is misplaced. They contend that this is not the intent of Congress, and that the restriction would have an adverse impact on the production, sale and use of biodiesel.

Although DOE respects the commenters' views, DOE has not revised section 490.705. We believe that both the statutory language and the House of Representatives Commerce Committee Report support the restriction. Section 312(b)(1) of EPACT, as amended by ECRA, declares that a credit is to be allocated in the year in which the purchase of a qualifying volume of biodiesel is made. Furthermore, section 312(c) states that a credit under this section shall not be considered a credit as defined by section 508 of EPACT. DOE believes that this statutory view is supported by the House of Representatives Commerce Committee Report 105-727. It stated that biodiesel fuel use credits "may only be used by the fleet or covered person that earned the credits and only in the year the credit is issued, so they cannot be traded or banked."<sup>1</sup> For these reasons, the rule cannot allow trading or banking of biodiesel fuel use credits. To avoid future questions on this issue, DOE has added to this section a new paragraph (d). Paragraph (d) specifically speaks to this prohibition.

### D. Section 490.707—Increasing the Qualifying Volume of the Biodiesel Component

One commenter suggested that DOE annually publish in the **Federal Register** the "qualifying volume," which is the amount of biodiesel purchases required to be allocated one biodiesel fuel use credit. As reflected in section 490.707, section 312(d) gives DOE authority, via rulemaking, to increase the qualifying volume. Since the qualifying volume is set at 450 gallons and cannot be changed except via a rulemaking process, DOE sees no reason to annually publish the qualifying volume in the **Federal Register**. Thus, DOE has not revised this section. Interested parties can be assured that the qualifying volume will stay at 450 gallons, unless DOE commences a rulemaking to increase it. If this happens, DOE will notify the public via a **Federal Register** notice. DOE will provide ample time and opportunity for the public to submit comments.

<sup>1</sup> H.R. Rep. No. 727, 105th Cong., 2d Sess. at 20 (1998).

## III. Regulatory and Procedural Requirements

### A. Review Under Executive Order 12866

Today's regulatory action has been determined not to be a "significant regulatory action" under Executive Order 12866, "Regulatory Planning and Review," 58 FR 51735 (October 4, 1993). Accordingly, this rulemaking has not been reviewed by the Office of Information and Regulatory Affairs of the Office of Management and Budget.

### B. Review Under Executive Order 13132

Executive Order 13132 (64 FR 43255, August 10, 1999) requires agencies to develop an accountable process to ensure meaningful and timely input by State and local officials in the development of regulatory policies that have "federalism implications." Policies that have federalism implications are defined in the Executive Order to include regulations that have "substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government." On March 14, 2000, DOE published a statement of policy describing the intergovernmental consultation process it will follow in the development of such regulations (65 FR 13735). DOE has examined today's rule and determined that it does not have a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. No further action is required by the Executive Order.

### C. Review Under the Regulatory Flexibility Act

The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, requires preparation of an initial regulatory flexibility analysis for every rule for which the law requires publication of a general notice of proposed rulemaking unless the agency certifies that the rule, if promulgated, will not have a significant economic impact on a substantial number of small entities. The Regulatory Flexibility Act's requirements do not apply to this final rule because a general notice of proposed rulemaking was not required by law. Accordingly, DOE did not prepare a regulatory flexibility analysis for this rule.

### D. Review Under the National Environmental Policy Act

The Department has determined that this rule is covered by categorical

exclusion in paragraph A5 to subpart D, 10 CFR part 1021. Accordingly, neither an environmental assessment nor an environmental impact statement is required.

#### *E. Review Under the Paperwork Reduction Act*

This final rule contains a collection of information that the Office of Management and Budget (OMB) reviews under the Paperwork Reduction Act of 1995. The Paperwork Reduction Act of 1995 (Pub. L. 104-13, 44 U.S.C. Chapter 35) requires agencies to submit information collection requests for OMB review and approval. Accordingly, DOE submitted to OMB the interim final rule. DOE sought public comments on: (1) Whether the proposed collection of information is necessary, (2) the accuracy of DOE's estimate of the burden of the proposed information collection, (3) ways to enhance the quality, utility, and clarity of the information to be collected, and (4) ways to minimize the burden of the collection of information on those who choose to respond.

As mentioned in this rule's Preamble, several entities submitted comments recommending that DOE only require information that is necessary to verify the biodiesel fuel purchase. In particular, they contended that DOE should not require information on vehicle make and model, vehicle model year and vehicle identification number. They opined that this information does not relate to fuel purchases of biodiesel and would impose an unnecessary burden on the reporting entities. DOE incorporated these recommendations into its information collection request to OMB.

On October 25, 1999, DOE issued a **Federal Register** notice (64 FR 57445) that announced that DOE had submitted to OMB a proposed information collection request for the collection of biodiesel purchase data from fleets participating in DOE's Alternative Fuel Transportation Program. No additional comments were received in response to the October 25, 1999, **Federal Register** notice. During the OMB review period, DOE issued interim reporting guidance and placed that guidance on DOE's Office of Transportation Technologies website at <http://www.ott.doe.gov/credits>.

On February 2, 2000, OMB approved the biodiesel data collection and revised the Annual Alternative Fuel Vehicle Acquisition Report For State Government and Alternative Fuel Provider Fleets (DOE/OTT/101 form, approved under OMB Control No. 1910-5101). Fleets claiming the biodiesel fuel

use credit must submit to DOE model year specific biodiesel purchases and maintain records of those purchases for three years. The updated form is posted on the DOE's Office of Transportation Technologies website at <http://www.ott.doe.gov/credits> or can be obtained by calling the National Alternative Fuels Hotline at 1-800-423-1DOE.

#### *F. Review Under Executive Order 12988*

With respect to the review of existing regulations and the promulgation of new regulations, section 3(a) of Executive Order 12988, "Civil Justice Reform," 61 FR 4729 (February 7, 1996) imposes on executive agencies the general duty to adhere to the following requirements: (1) Eliminate drafting errors and ambiguity; (2) write regulations to minimize litigation; and (3) provide a clear legal standard for affected conduct rather than a general standard and promote simplification and burden reduction. Section 3(b) of Executive Order 12988 specifically requires that executive agencies make every reasonable effort to ensure that the regulation: (1) Clearly specifies the preemptive effect, if any; (2) clearly specifies any effect on existing Federal law or regulation; (3) provides a clear legal standard for affected conduct, while promoting simplification and burden reduction; (4) specifies the retroactive effect, if any; (5) adequately defines key terms; and (6) addresses other important issues affecting clarity and general draftsmanship under any guidelines issued by the Attorney General. Section 3(c) of Executive Order 12988 requires executive agencies to review regulations in light of applicable standards in section 3(a) and section 3(b) to determine whether they are met or it is unreasonable to meet one or more of them. DOE has completed the required review and determined that, to the extent permitted by law, this final rule meets the relevant standards of Executive Order 12988.

#### *G. Review Under the Unfunded Mandates Reform Act of 1995*

Title II of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4) requires each Federal agency to prepare a written assessment of the effects of any Federal mandate in a proposed or final agency rule that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million in any one year. The Act also requires a Federal agency to develop an effective process to permit timely input by elected officers of State, local, and tribal governments on a proposed "significant

intergovernmental mandate." Additionally, it requires an agency plan for giving notice and opportunity for timely input to potentially affected small governments before establishing any requirements that might significantly or uniquely affect small governments. The final rule published today does not contain any Federal mandate, so these requirements do not apply.

#### *H. Congressional Notification*

As required by 5 U.S.C. 801, DOE will report to Congress the promulgation of this rule prior to its effective date. The report will state that it has been determined that the rule is not a "major rule" as defined by 5 U.S.C. 801(2).

#### **List of Subjects in 10 CFR Part 490**

Administrative practice and procedure, Energy conservation, Fuel, Motor vehicles.

Issued in Washington, DC, on January 4, 2001.

**Dan W. Reicher,**

*Assistant Secretary, Energy Efficiency and Renewable Energy.*

Accordingly, the interim final rule amending part 490 of title 10, chapter II, subchapter D of the Code of Federal Regulations, which was published at 64 FR 27169 on May 19, 1999, is adopted as a final rule with the following changes:

#### **PART 490—ALTERNATIVE FUEL TRANSPORTATION PROGRAM**

1. The authority citation for part 490 is revised to read as follows:

**Authority:** 42 USC. 7191, 13211-13212, 13220, 13235, 13251, 13257, 13260-13263.

2. Amend § 490.703 by revising paragraph (b) to read as follows:

#### **§ 490.703 Biodiesel fuel use credit allocation.**

\* \* \* \* \*

(b) No credit shall be allocated under this subpart for a purchase of the biodiesel component of a fuel if the fuel is:

(1) For use in alternative fueled vehicles which have been used to satisfy the alternative fueled vehicle acquisition requirements under Titles III and V of the Energy Policy Act of 1992; or

(2) Required by Federal or State law.

3. Amend § 490.705 by revising paragraphs (a) and (b) and adding paragraph (d) to read as follows:

#### **§ 490.705 Use of Credits.**

(a) At the request of a fleet or covered person allocated a credit under this subpart, DOE shall, for the model year

in which the purchase of a qualifying volume is made, treat that purchase as the acquisition of one alternative fueled vehicle the fleet or covered person is required to acquire under titles III and V of the Energy Policy Act of 1992.

(b) Except as provided in paragraph (c) of this section, credits allocated under this subpart may not be used to satisfy more than 50 percent of the alternative fueled vehicle requirements of a fleet or covered person under titles III and V of the Energy Policy Act of 1992.

\* \* \* \* \*

(d) A fleet or covered person may not trade or bank biodiesel fuel credits.

[FR Doc. 01-744 Filed 1-10-01; 8:45 am]

BILLING CODE 6450-01-P

**FEDERAL RESERVE SYSTEM**

**12 CFR Part 201**

**[Regulation A]**

**Extensions of Credit by Federal Reserve Banks; Change in Discount Rate**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

**SUMMARY:** The Board of Governors has amended its Regulation A on Extensions of Credit by Federal Reserve Banks to reflect its approval of a decrease in the basic discount rate at each Federal Reserve Bank. The Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks.

**DATES:** The amendments to part 201 (Regulation A) were effective January 4, 2001. The rate changes for adjustment credit were effective on the dates specified in 12 CFR 201.51.

**FOR FURTHER INFORMATION CONTACT:** Jennifer J. Johnson, Secretary of the Board, at (202) 452-3259; for users of Telecommunications Device for the Deaf (TDD), contact Janice Simms, at (202) 872-4984, Board of Governors of the Federal Reserve System, 20th and C Streets NW., Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:** Pursuant to the authority of sections 10(b), 13, 14, 19, *et al.*, of the Federal Reserve Act, the Board has amended its Regulation A (12 CFR part 201) to incorporate changes in discount rates on Federal Reserve Bank extensions of credit. The discount rates are the interest rates charged to depository institutions when they borrow from their district Reserve Banks.

The “basic discount rate” is a fixed rate charged by Reserve Banks for adjustment credit and, at the Reserve Banks’ discretion, for extended credit for up to 30 days. In decreasing the basic discount rate from 6.0 percent to 5.5 percent, the Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks. The new rate of 5.5 percent was effective for all twelve Reserve Banks on the dates specified below. (Seven of the twelve Reserve Banks reduced the basic discount rate in two steps, from 6.0 percent to 5.75 percent, then from 5.75 percent to 5.5 percent, as specified in the footnote to § 201.51 of revised Regulation A.) The 50-basis-point decrease in the discount rate was associated with a 50-basis-point decrease in the federal funds rate approved by the Federal Open Market Committee.

These actions were taken in light of further weakening of sales and production, and in the context of lower consumer confidence, tight conditions in some segments of financial markets, and high energy prices sapping household and business purchasing power. Moreover, inflation pressures remain contained. Nonetheless, to date there is little evidence to suggest that longer-term advances in technology and associated gains in productivity are abating.

**Regulatory Flexibility Act Certification**

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 605(b)), the Board certifies that the change in the basic discount rate will not have a significant adverse economic impact on a substantial number of small entities. The rule does not impose any additional requirements on entities affected by the regulation.

**Administrative Procedure Act**

The provisions of 5 U.S.C. 553(b) relating to notice and public participation were not followed in connection with the adoption of the amendment because the Board for good cause finds that delaying the change in the basic discount rate in order to allow notice and public comment on the change is impracticable, unnecessary, and contrary to the public interest in fostering price stability and sustainable economic growth.

The provisions of 5 U.S.C. 553(d) that prescribe 30 days prior notice of the effective date of a rule have not been followed because section 553(d) provides that such prior notice is not necessary whenever there is good cause for finding that such notice is contrary to the public interest. As previously

stated, the Board determined that delaying the changes in the basic discount rate is contrary to the public interest.

**List of Subjects in 12 CFR Part 201**

Banks, banking, Credit, Federal Reserve System.

For the reasons set out in the preamble, 12 CFR part 201 is amended as set forth below:

**PART 201—EXTENSIONS OF CREDIT BY FEDERAL RESERVE BANKS (REGULATION A)**

1. The authority citation for 12 CFR part 201 continues to read as follows:

**Authority:** 12 U.S.C. 343 *et seq.*, 347a, 347b, 347c, 347d, 348 *et seq.*, 357, 374, 374a and 461.

2. Section 201.51 is revised to read as follows:

**§ 201.51 Adjustment credit for depository institutions.**

The rates for adjustment credit provided to depository institutions under § 201.3(a) are:

Federal Reserve Bank	Rate	Effective <sup>1</sup>
Boston .....	5.5	January 4, 2001
New York .....	5.5	January 4, 2001
Philadelphia .....	5.5	January 4, 2001
Cleveland .....	5.5	January 4, 2001
Richmond .....	5.5	January 4, 2001
Atlanta .....	5.5	January 4, 2001
Chicago .....	5.5	January 4, 2001
St. Louis .....	5.5	January 5, 2001
Minneapolis .....	5.5	January 4, 2001
Kansas City .....	5.5	January 4, 2001
Dallas .....	5.5	January 4, 2001
San Francisco .....	5.5	January 4, 2001

<sup>1</sup>On January 3, 2001, the rate for adjustment credit was 5.75 percent for the following Federal Reserve Banks: New York, Cleveland, Atlanta, Kansas City, Dallas, and San Francisco. On January 4, the rate for adjustment credit was 5.75 percent for the Federal Reserve Bank of St. Louis.

By order of the Board of Governors of the Federal Reserve System, January 5, 2001.

**Robert deV. Frierson,**

*Associate Secretary of the Board.*

[FR Doc. 01-784 Filed 1-10-01; 8:45 am]

BILLING CODE 6210-01-P