

1932] and described in sections 306C(a)(2), 306D, 306E, and 381E(d)(2) of such Act be transferred to and merged with the 'Rural Water and Waste Disposal Program Account' and any other prior balances from the Rural Development, Rural Community Advancement Program account that the Secretary determines are appropriate to transfer.'"

§ 2009e. Transfers of funds

(a) General authority

Subject to subsection (b) of this section, the State Director¹ of any State may, during any fiscal year, transfer from each account specified in section 2009d(c) of this title a total of not more than 25 percent of the amount in the account that is allocated for the State for the fiscal year to any other account in which amounts are allocated for the State for the fiscal year.

(b) Limitation

Except as provided in subsection (c) of this section, a transfer otherwise authorized by subsection (a) of this section to be made during a fiscal year may not be made to the extent that the sum of the amount to be transferred and all amounts so transferred by State directors under subsection (a) of this section during the fiscal year exceeds 10 percent of the total amount made available to carry out the authorities described in section 2009d(d) of this title for the fiscal year.

(c) Exceptions

Subsections (a) and (b) shall not apply to a transfer of funds by a State director if the State director certifies to the Secretary that—

(1) there is an approved application for a project in the function category to which the funds are to be transferred but funds are not available for the project in the function category; and

(2)(A) there is no such approved application in the function category from which the funds are to be transferred; or

(B) the community that would benefit from the project has a smaller population and a lesser per capita income than any community that would benefit from a project in the function category from which the funds are to be transferred.

(Pub. L. 87-128, title III, §381F, as added Pub. L. 104-127, title VII, §761, Apr. 4, 1996, 110 Stat. 1142.)

§ 2009f. Grants to States

(a) Simple grants

(1) Mandatory grant

The Secretary shall make a grant to any eligible State for any fiscal year for which the State requests a grant under this section in an amount equal to 5 percent of the total amount allocated for the State under section 2009d(f) of this title.

(2) Permissive grant

Before July 15 of each fiscal year, the Secretary may make a grant to any State to defray the cost of any subsidy associated with a guarantee provided by an eligible public entity

of the State under section 2009g of this title in an amount that does not exceed 5 percent of the total amount allocated for the State under section 2009d(f) of this title.

(3) Source of funds

The Secretary shall make grants to a State under paragraphs (1) and (2) from amounts allocated for the State in the accounts specified in section 2009d(c) of this title, by reducing each such allocated amount by the same percentage.

(b) Matching grants

(1) In general

Subject to paragraph (2), the Secretary shall make a grant to any eligible State for any fiscal year for which the State requests a grant under this section in an amount equal to 5 percent of the amount allocated for the State for the fiscal year under section 2009d(g) of this title.

(2) Eligibility

A State shall be eligible for a grant under paragraph (1) if the State makes commitments to the Secretary to—

(A) expend from non-Federal sources in accordance with subsection (c) an amount that is not less than 200 percent of the amount of the grant; and

(B) maintain the amounts paid to the State under this subsection and the amount referred to in subparagraph (A) in an account separate from all other State funds until expended in accordance with subsection (c).

(3) Source of funds

If the Secretary makes a grant under paragraph (1) before July 15 of the fiscal year, the 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.

¹ So in original. Probably should not be capitalized.

(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 non-compliance will be promptly corrected.

(C) Other sanctions

In the case of a finding of noncompliance made pursuant to subparagraph (B), the Secretary 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.)

Editorial Notes**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