

September 15, 2016. FAA Order 7400.11A is publicly available as listed in the **ADDRESSES** section of this document. FAA Order 7400.11A lists Class A, B, C, D, and E airspace areas, air traffic service routes, and reporting points.

The Proposal

The FAA is proposing an amendment to Title 14 Code of Federal Regulations (14 CFR) part 71 by amending Class D airspace, Class E airspace designated as an extension, and Class E Airspace extending upward from 700 feet above the surface at W.K. Kellogg Airport (formerly W.K. Kellogg Field), Battle Creek, MI.

The airport name change to W.K. Kellogg Airport from W.K. Kellogg Field and the airport's geographic coordinates would be amended in the associated Class D and Class E airspace listed in this proposal.

Class E extension area airspace would be amended by removing the Battle Creek VORTAC from the airspace description due to its decommissioning.

Also, Class E airspace extending upward from 700 feet above the surface would be amended by removing the southwest segment, and the segment 7 miles northwest and 4.4 miles southeast of the Battle Creek ILS localizer northeast course extending 10.4 miles northeast of the localizer outer marker/nondirectional radio beacon. The northeast segment would be amended to within 2 miles each side of the 047° bearing (from 4 miles each side of the 049° bearing) from the airport extending from 7-mile radius of the airport to 10 miles northeast (from 10.9 miles) of the airport, and southeast segment would be amended to within 2 miles each side of the 126° bearing from the airport extending from the 7-mile radius to 7.4 miles (from 11.1 miles) southeast of the airport. This action would enhance the safety and management of the standard instrument approach procedures for IFR operations at the airport. Additionally, this action would amend Class E airspace extending upward from 700 feet above the surface by removing reference to the BATOL navigation aid and Battle Creek ILS localizer. This action would enhance the safety and management of the standard instrument approach procedures for IFR operations at the airport.

Lastly, this action would replace the outdated term Airport/Facility directory with the term Chart Supplement.

Class D and E airspace designations are published in paragraph 5000, 6004 and 6005, respectively, of FAA Order 7400.11A, dated August 3, 2016, and effective September 15, 2016, which is

incorporated by reference in 14 CFR 71.1. The Class E airspace designations listed in this document will be published subsequently in the Order.

Regulatory Notices and Analyses

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current, is non-controversial and unlikely to result in adverse or negative comments. It, therefore: (1) Is not a "significant regulatory action" under Executive Order 12866; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule, when promulgated, would not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Environmental Review

This proposal will be subject to an environmental analysis in accordance with FAA Order 1050.1F, "Environmental Impacts: Policies and Procedures" prior to any FAA final regulatory action.

List of Subjects in 14 CFR Part 71

Airspace, Incorporation by reference, Navigation (air).

The Proposed Amendment

Accordingly, pursuant to the authority delegated to me, the Federal Aviation Administration proposes to amend 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, B, C, D, AND E AIRSPACE AREAS; AIR TRAFFIC SERVICE ROUTES; AND REPORTING POINTS

■ 1. The authority citation for 14 CFR part 71 continues to read as follows:

Authority: 49 U.S.C. 106(f), 106(g); 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389.

§ 71.1 [Amended]

■ 2. The incorporation by reference in 14 CFR 71.1 of FAA Order 7400.11A, Airspace Designations and Reporting Points, dated August 3, 2016, and effective September 15, 2016, is amended as follows:

* * * * *

Paragraph 5000 Class D Airspace Areas.

AGL MI D Battle Creek, MI [Amended]

Battle Creek, W.K. Kellogg Airport, MI
(Lat. 42°18'23" N., long. 85°15'00" W.)

That airspace extending upward from the surface to and including 3,500 feet MSL within a 4.5-mile radius of W.K. Kellogg Airport. This Class D airspace area is effective during the specific dates and times established in advance by a Notice to Airmen. The effective dates and times will thereafter be continuously published in the Chart Supplement.

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Paragraph 6004 Class E Airspace Areas Designated as an Extension to a Class D or Class E Surface Area.

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AGL MI E4 Battle Creek, MI [Amended]

Battle Creek, W.K. Kellogg Airport, MI
(Lat. 42°18'23" N., long. 85°15'00" W.)

That airspace extending upward from the surface within the 4.5-mile radius of W.K. Kellogg Airport. This Class E airspace area is effective during the specific dates and times established in advance by a Notice to Airmen. The effective dates and times will thereafter be continuously published in the Chart Supplement.

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Paragraph 6005 Class E Airspace Areas Extending Upward From 700 Feet or More Above the Surface of the Earth.

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AGL MI E5 Battle Creek, MI [Amended]

Battle Creek, W.K. Kellogg Airport, MI
(Lat. 42°18'23" N., long. 85°15'00" W.)

That airspace extending upward from 700 feet above the surface within a 7-mile radius of W.K. Kellogg Airport, and within 2 miles each side of the 047° bearing from the airport extending from the 7-mile radius to 10 miles northeast of the airport, and within 2 miles each side of the 126° bearing from the airport extending from the 7-mile radius to 7.4 miles southeast of the airport.

Issued in Fort Worth, Texas on April 25, 2017.

Walter Tweedy,

*Acting Manager, Operations Support Group,
ATO Central Service Center.*

[FR Doc. 2017-08856 Filed 5-2-17; 8:45 am]

BILLING CODE 4910-13-P

LEGAL SERVICES CORPORATION

45 CFR Part 1629

Bonding Requirements for Recipients

AGENCY: Legal Services Corporation.

ACTION: Notice of proposed rulemaking.

SUMMARY: This proposed rule would revise the Legal Services Corporation's (LSC or Corporation) regulation about bonding requirements for LSC

recipients. It would require recipients to bond all their employees and to ensure that third parties who handle recipients' funds have bond coverage, allow recipients to use other forms of insurance similar to fidelity bonds, raise the minimum level of coverage, and allow recipients to use LSC funds to pay for bonding costs. This proposed rule will update part 1629 to reflect current insurance practices and simplify the language in the rule to reduce confusion.

DATES: Comments must be received by June 2, 2017.

ADDRESSES: You may submit comments by any of the following methods:

- **Federal Rulemaking Portal:** Follow the instructions for submitting comments.

- **Email:** lscrulemaking@lsc.gov. Include "Part 1629 Rulemaking" in the subject line of the message.

- **Fax:** (202) 337-6519.

- **Mail:** Stefanie K. Davis, Assistant General Counsel, Legal Services Corporation, 3333 K Street NW., Washington, DC 20007, ATTN: Part 1629 Rulemaking.

- **Hand Delivery/Courier:** Stefanie K. Davis, Assistant General Counsel, Legal Services Corporation, 3333 K Street NW., Washington, DC 20007, ATTN: Part 1629 Rulemaking.

- **Instructions:** LSC prefers electronic submissions via email with attachments in Acrobat PDF format. LSC will not consider written comments sent to any other address or received after the end of the comment period.

FOR FURTHER INFORMATION CONTACT: Stefanie K. Davis, Assistant General Counsel, Legal Services Corporation, 3333 K Street NW., Washington, DC 20007; (202) 295-1563 (phone), (202) 337-6519 (fax), or sdavis@lsc.gov.

SUPPLEMENTARY INFORMATION:

I. Regulatory Background

LSC created part 1629 in 1984 after several instances in which recipients lost LSC funds through the dishonest behavior of persons associated with the recipient. 49 FR 28717, July 16, 1984. While the recipient recovered the funds in some cases, in others, the recipient had to absorb the loss. *Id.*

Before enacting part 1629, LSC recommended that recipients have fidelity coverage as a basic internal control. See LSC Audit and Accounting Guide for Recipients and Auditors, revised June 1977, p. 3-3. LSC intended part 1629 to "make mandatory [this] important protection for the limited funds available to serve eligible clients." 49 FR 23396, June 6, 1984. LSC originally proposed requiring programs

to obtain fidelity bond coverage at a minimum level equal to 25% of the recipient's annualized LSC funding. *Id.* Based on comments received in response to the proposed rule, LSC decreased the required coverage level to 10%. 49 FR 28717, July 16, 1984. LSC also set a \$50,000 minimum coverage level "in response to the recognition that a loss to a small program is proportionally greater in effect than a similar one to a large program." *Id.*

LSC added rulemaking on part 1629 to its annual rulemaking agenda in April 2016. Regulatory action is justified for three reasons. First, the regulation is outdated. LSC has not revised part 1629 since it was adopted in 1984, and LSC should update it to reflect current insurance practices.

Second, the regulation was derived from a source that does not provide the optimal model for a federally funded grant-making entity today. The original rule was based on fidelity bonding provisions found in the Employee Retirement Income Security Act of 1974 (ERISA). See Section 412 of Public Law 93-406, and related regulations at 29 CFR 2550.412-1 and 29 CFR part 2580. ERISA concerns minimum standards for retirement plans in private industry. LSC no longer believes that this is an appropriate model for LSC to follow, and that instead LSC should look to current regulations governing similar grant-making entities and to reflect current insurance practices.

Third, the current regulation is in some respects unclear or ambiguous. LSC has received requests for guidance on how to interpret certain provisions in part 1629, particularly those sections about the form and extent of coverage required by the rule. LSC does not believe that the language in part 1629 provides sufficiently clear guidance to LSC recipients or to LSC staff. LSC proposes crafting an approach that is tailored to LSC's needs and that simplifies the language in the rule to reduce confusion.

On October 17, 2016, the Operations and Regulations Committee (Committee) of LSC's Board of Directors (Board) voted to recommend that the Board authorize rulemaking on part 1629. On October 19, 2016, the Board authorized LSC to begin rulemaking. On April 23, 2017, the Committee voted to recommend that the Board approve publication of this NPRM in the **Federal Register** for notice and public comment. On April 24, 2017, the Board accepted the Committee's recommendation and voted to approve publication of this NPRM with a 30-day comment period.

II. Discussion of the Proposed Changes

Section 1629.1 Purpose

LSC proposes to add a purpose section stating who must be covered under the bond and what losses the bond must protect against. Part 1629 currently does not have a purpose section.

Section 1629.2 Definitions

LSC proposes to define *annualized funding level* to include the amount of the Basic Field Grant and special purpose grant funds a recipient receives annually from LSC. LSC believes it is necessary to include "special purpose grants" of LSC funds, such as Technology Initiative Grants, Pro Bono Innovation Fund grants, and emergency relief grants, in the definition of "annualized funding level" to ensure that the maximum amount of LSC funds are protected.

Section 1629.3 Who must be bonded?

LSC currently requires recipients to bond "[e]very director, officer, employee and agent of a program who handles funds or property of the program" 45 CFR 1629.2(a) (emphasis added). LSC considers the term "handles" to include access to funds or other recipient property or "decision-making powers with respect to funds or property which can give rise to [] risk of loss." *Id.* Through a review of recipient insurance policies, LSC has found that most grantees have fidelity coverage for all their employees. This common practice exceeds the current minimum requirements of part 1629. When employees who were not required to be bonded under part 1629 have misappropriated LSC funds, grantees that exceeded the minimum part 1629 coverage have typically been protected from loss. LSC believes this common practice is desirable and proposes to require that recipients carry coverage for all employees, regardless of whether the employees "handle" program funds.

LSC currently requires grantees to bond "agents" who handle funds or property of the program. 45 CFR 1629.2(a). But LSC has found that most recipients' policies do not cover the dishonest or fraudulent actions of agents and independent contractors. In fact, many policies explicitly exclude agents and independent contractors from the definition of "covered employee." This exclusion is problematic, as LSC recipients often turn to third parties to handle payroll functions. See Legal Services Corporation Board of Directors, Operations and Regulations Committee, Transcript of Rulemaking Workshop, Wednesday, May 18, 2016, pp. 82-84

(comments of Diana White). This means that LSC funds are handled by persons outside of the recipient's control and insurance coverage. In areas where there are few insurers to choose from, it may be impossible for recipients to get insurance that covers "agents" or "independent contractors."

To address these issues and adequately protect LSC funds from misappropriation by recipients and third parties, LSC proposes three changes to the existing rule. First, LSC proposes to require that recipients' bonds cover volunteers, in addition to directors, officers, employees, and agents of the recipient. Second, LSC proposes to require that recipients ensure that third parties who provide payroll, billing, and collection services to the recipient have fidelity bond coverage or similar insurance. The recipient may accomplish this either by extending its own insurance to the third party or by ensuring that the third party has its own fidelity bond coverage sufficient to protect LSC funds in the third party's hands. Finally, LSC proposes to include language allowing recipients to either cover subrecipients through their own fidelity policies or ensure that the subrecipients have policies adequate to protect subgranted funds.

Section 1629.4 What forms of bonds can recipients use?

Current § 1629.5 allows recipients to choose different forms of bonds, such as individual, blanket, or schedule. 45 CFR 1629.5. Section 1629.5 currently does not address whether recipients may choose types of insurance other than a fidelity bond that achieve the same purpose as a fidelity bond. Most LSC recipients now protect against employee dishonesty through riders to their standard commercial crime policies. Few grantees obtain separate fidelity bonds.

In 1999, LSC issued an external opinion permitting recipients to use employee dishonesty insurance to satisfy the bonding requirements of part 1629 if the recipient could show that the policy gives the same level of protection as a fidelity bond. *See* External Opinion 1999–10–26, part 1629 Purchase of Employee Dishonesty Insurance in Lieu of a Fidelity Bond (October 26, 1999). To reflect this long-standing LSC policy, LSC proposes revising part 1629 to expressly allow recipients to substitute employee dishonesty policies or other methods of coverage for fidelity bonds. This revision gives recipients greater flexibility to choose the most readily available and cost-effective methods of insuring LSC funds. The revision also

will make clear that the substance and amount of coverage is more important than the form.

Section 1629.5 What losses must the bond cover?

Current § 1629.4 requires recipients to have bonds that protect them against "all those risks of loss that might arise through dishonest or fraudulent acts in the handling of funds [.]". The strict language—"all those risks of loss"—implies that recipients must be completely covered in the event of a loss, and that policies with deductibles would not be acceptable under current part 1629. That is because if a recipient has LSC funds stolen, and the policy requires the recipient to absorb a portion of that loss by paying a deductible, then the recipient's policy did not cover against "all those risks of loss." Such strict language makes sense under ERISA statutes and regulations, as they are designed to protect retirees' pension funds. But such language may prevent recipients from obtaining policies that will protect LSC funds adequately if policies without deductibles are prohibitively expensive.

LSC proposes to simplify the language about the types of losses that the bond must cover and to revise the rule to allow recipients to purchase policies that require payment of deductibles. LSC proposes revising the definition to state simply that the "bond must provide recovery for loss caused by such acts as: Fraud, dishonesty, larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wrongful conversion, willful misapplication, or any other fraudulent or dishonest act committed by an employee, officer, director, agent, or volunteer."

Section 1629.6 What is the required minimum level of coverage?

Under the existing rule, recipients must maintain bond coverage equal to at least 10% of the recipient's annualized LSC funding or of the initial grant if the program is a new grantee. 45 CFR 1629.1(a). The minimum level of coverage may never be less than \$50,000. *Id.* LSC proposes to increase the minimum coverage level, which has remained unchanged since 1984. Based on a sampling of current recipients' policies, the majority of recipients already exceed the \$50,000 minimum level of coverage. In fact, most policies provided coverage in excess of \$100,000. Because the common practice among recipients already is to insure recipient funds above the minimum amount required by current § 1629.1(a), LSC believes it is reasonable for LSC to

raise the minimum coverage level to \$100,000. LSC does not propose to change the minimum percentage for coverage.

Section 1629.7 May LSC funds be used to cover bonding costs?

Part 1629 currently is silent as to which costs associated with fidelity bond coverage—deductibles, premiums, rates, and single loss retention—are allowable using LSC funds. To improve clarity on this point, LSC proposes to allow recipients to use LSC funds to pay for the costs of bonding under this part if they are (1) consistent with 45 CFR part 1630, (2) in accordance with sound business practice, and (3) reasonable. This proposed rule is based on the Uniform Guidance, which allows for such costs. *See* 2 CFR 200.427.

LSC considered limiting the amount of deductibles that LSC would consider reasonable in the proposed rule. During the process of drafting this proposed rule, LSC examined a sample of recipients' current fidelity bonds and found that most of those recipients' policies have deductibles ranging from \$1,000 to \$5,000. LSC could not determine, based on research of external sources, whether there are current best practices in the nonprofit insurance world that would help LSC establish a reasonable limit on deductibles. LSC determined that it would need more data to set deductible limits and has therefore chosen to allow recipients the flexibility to consider the losses they are willing to absorb when deciding the appropriate deductibles.

List of Subjects in 45 CFR Part 1629

Fidelity bond, Grant programs—law, Insurance, Legal services, Surety bonds.

■ For the reasons set forth in the preamble, the Legal Services Corporation proposes to revise 45 CFR part 1629 as follows:

PART 1629—BONDING REQUIREMENTS FOR RECIPIENTS

- Sec.
- 1629.1 Purpose.
- 1629.2 Definitions.
- 1629.3 Who must be bonded?
- 1629.4 What forms of bonds can recipients use?
- 1629.5 What losses must the bond cover?
- 1629.6 What is the required minimum level of coverage?
- 1629.7 Can LSC funds be used to cover bonding costs?

Authority: 42 U.S.C. 2996e(1)(A) and 2996f(3).

§ 1629.1 Purpose.

This part is intended to protect LSC funds by requiring that recipients be

bonded or have similar insurance coverage to indemnify recipients against losses resulting from fraudulent or dishonest acts committed by one or more employees, officers, directors, agents, volunteers, and third-party contractors who handle LSC funds.

§ 1629.2 Definitions.

Annualized funding level means the amount of:

- (1) Basic Field Grant funds (including Agricultural Worker and Native American) and
- (2) Special grants of LSC funds, including Technology Initiative Grants, Pro Bono Innovation Fund grants, and emergency relief grants, awarded by LSC to the recipient for the fiscal year included in the recipient's annual audited financial statements.

§ 1629.3 Who must be bonded?

(a) A recipient must supply fidelity bond coverage for all employees, officers, directors, agents, and volunteers.

(b) If a recipient uses a third party for payroll, billing, or collection services, the recipient must either supply coverage covering the third party or ensure that the third party has a fidelity bond or similar insurance coverage.

(c) For recipients with subgrants:

- (1) The recipient must extend its fidelity bond coverage to supply identical coverage to the subrecipient and the subrecipient's directors, officers, employees, agents, and volunteers to the extent required to comply with this Part; or
- (2) The subrecipient must supply proof of its own fidelity bond coverage that meets the requirements of this Part for the subrecipient's directors, officers, employees, agents, and volunteers.

§ 1629.4 What forms of bonds can recipients use?

(a) A recipient may use any form of bond, such as individual, name schedule, position schedule, blanket, or any combination of such forms of bonds, as long as the type or combination of bonds secured adequately protects LSC funds.

(b) A recipient may use similar forms of insurance that essentially fulfill the same purpose as a fidelity bond.

§ 1629.5 What losses must the bond cover?

The bond must provide recovery for loss caused by such acts as fraud, dishonesty, larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wrongful conversion, willful misapplication, or any other fraudulent or dishonest act committed by an employee, officer, director, agent, or volunteer.

§ 1629.6 What is the required minimum level of coverage?

(a) A recipient must carry fidelity bond coverage or similar coverage at a minimum level of at least ten percent of its annualized funding level for the previous fiscal year.

(b) If a recipient is a new recipient, the coverage must be at a minimum level of at least ten percent of the initial grant.

(c) Notwithstanding paragraphs (a) and (b) of this section, recipients must not carry coverage under this part at a level less than \$100,000.

§ 1629.7 Can LSC funds be used to cover bonding costs?

Costs of bonding required by this part are allowable if expended consistent with 45 CFR part 1630. Costs of bonding such as rates, deductibles, single loss retention, and premiums, are allowable as an indirect cost if such bonding is in accordance with sound business practice and is reasonable.

Dated: April 27, 2017.

Stefanie K. Davis,
Assistant General Counsel.

[FR Doc. 2017-08857 Filed 5-2-17; 8:45 am]

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 54

[WC Docket Nos. 10-90, 14-58; Report No. 3075]

Petitions for Reconsideration of Action in Rulemaking Proceeding

AGENCY: Federal Communications Commission.

ACTION: Petitions for reconsideration.

SUMMARY: Petitions for Reconsideration (Petitions) have been filed in the Commission's rulemaking proceeding by Jennifer A. Manner, on behalf of HUGHES NETWORK SYSTEMS, LLC, Bohdan R. Pankiw, on behalf of Pennsylvania Public Utility Commission, and Arthur F. McNulty, on behalf of Pennsylvania Department of Community and Economic Development.

DATES: Oppositions to the Petitions must be filed on or before May 18, 2017. Replies to an opposition must be filed on or before May 30, 2017.

ADDRESSES: Federal Communications Commission, 445 12th Street SW., Washington, DC 20554.

FOR FURTHER INFORMATION CONTACT: Alexander Minard, Telecommunications Access Policy Division, Wireline Competition Bureau, at (202) 418-7400 or email: Alexander.Minard@fcc.gov.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's document, Report No. 3075, released April 25, 2017. The full text of the Petitions is available for viewing and copying at the FCC Reference Information Center, 445 12th Street SW., Room CY-A257, Washington, DC 20554. They also may be accessed online via the Commission's Electronic Comment Filing System at: <http://apps.fcc.gov/ecfs/>. The Commission will not send a copy of this document pursuant to the Congressional Review Act, 5 U.S.C. 801(a)(1)(A), because this document does not have an impact on any rules of particular applicability.

Subject: In the Matter of Connect America Fund, ETC Annual Reports and Certifications, FCC 17-12, published at 82 FR 14466, March 21, 2017, in WC Docket Nos. 10-90, 14-58. This document is being published pursuant to 47 CFR 1.429(e). *See also* 47 CFR 1.4(b)(1) and 1.429(f), (g).

Number of Petitions Filed: 2.

Federal Communications Commission.

Marlene H. Dortch,
Secretary.

[FR Doc. 2017-08858 Filed 5-2-17; 8:45 am]

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