**Section 663.330 State Environmental Review**

a) Preliminary Environmental Review

1) All loan applicants shall submit an environmental checklist on forms prescribed by the Agency.

2) Prior to making a final determination on the acceptability of any Project Plan, the Agency shall undertake a preliminary environmental review of the project to determine whether the project qualifies for a categorical exclusion under subsection (b) or a detailed environmental review under subsection (c).

3) The scope of the Agency's environmental review shall include, but not be limited to, an assessment of the impacts of both the loan funded project and the overall project planning on rare and endangered species, historic and cultural resources, prime agricultural land, air and water quality, recreational areas, wetlands, floodplains, and other sensitive environmental areas. The review shall also assess the direct and indirect impacts of construction and ensure that all reasonable measures have been taken in the planning to avoid and mitigate negative environmental impacts.

b) Categorical Exclusion

The Agency may categorically exclude certain classes of projects from a detailed environmental review and public hearing requirement when, by virtue of their limited scope, the projects have no potential for negative environmental impacts. For projects categorically excluded from further environmental review process, the Agency shall provide to the applicant a Categorical Exclusion document summarizing the project. The applicant shall publish a notice and provide public access to the planning documents and the Categorical Exclusion document, allowing 10 days for written public comment. If no objection is raised to the Categorical Exclusion, the Agency shall issue an unconditional approval of the Project Plan. Should concerns be raised over potential environmental impacts, the Agency may proceed with a detailed environmental review under subsection (c) or issue a conditional approval under which the applicant shall incorporate mitigating measures that would resolve the environmental concerns.

c) Detailed Environmental Review

For all projects for which the Agency determines there is a potential for negative environmental impacts, the Agency will prepare a written Preliminary Environmental Impacts Determination (PEID) document summarizing the project and potential environmental impacts. The public will be given an opportunity to comment on the Project Plan and the PEID.

1) The Agency must send the PEID to the loan applicant and other interested parties, inviting public comment. The loan applicant shall hold a public hearing on the Project Plan and the Agency's PEID for the purpose of obtaining public comment. The public hearing shall be held after the Agency sends the PEID. The loan applicant shall allow an additional 10 days from the date of the public hearing for the submission of written comments from the public.

2) The time and place of the public hearing shall be announced at least 10 days before the hearing. In addition, the Agency's PEID document shall be displayed at a convenient local site prior to the hearing to obtain a level of public participation appropriate to the scope and impacts of the proposed project.

3) The loan applicant shall provide the Agency with an accurate summary of all public comments received, together with any proposed amendments to the Project Plan made in response to comments.

4) Upon receipt of the public hearing summary and after the expiration of the 10-day written comment period, the Agency shall issue:

A) An unconditional approval of the Project Plan (original or as amended);

B) A conditional approval of the Project Plan with special conditions;

C) A disapproval of the Project Plan based on evidence of significant negative environmental impacts for which appropriate mitigation measures have not been identified; or

D) A determination of the need for an Environmental Impact Statement (EIS) under the National Environmental Policy Act (42 U.S.C. 4331). The Agency may change its disapproval to approval or conditional approval based on the recommendations of the EIS.

d) Agency approval of a Project Plan shall be valid for purposes of loan funding for a period of 5 years. If the Project Plan has not received a loan agreement within the 5 years, the Project Plan must be updated and resubmitted to the Agency for review and approval. The Agency must prepare a revised environmental review and provide an opportunity for public comment.

e) At any time within 5 years from the date of Project Plan approval, the Agency may rescind its approval and require the Project Plan to be amended, if there are changes to the scope of proposed construction or significant alterations to planning area conditions or underlying assumptions that might alter previous conclusions regarding environmental impacts or cost analyses. For projects in which the amended planning would result in substantial changes in environmental or economic impacts, the Agency may require the applicant to provide an opportunity for public comment prior to granting approval of the amended Project Plan.