

2016 Supporting Statement  
7 CFR Part 4280, Subpart A  
Rural Economic Development Loan and Grant Program  
(OMB No. 0570-0035)

1. Explain the circumstances that make the collection of information necessary.

This information will discuss the paperwork burden for implementing the Rural Economic Development Loan and Grant program. All information requirements and paperwork listed represent the current operation of the program.

The collection of information is necessary to implement Section 313(b)(2) of the Rural Electrification Act of 1936 (7 U.S.C. 940(c)) that established a loan and grant program. The program provides zero interest loans and grants to Rural Utilities Service (RUS) intermediaries for the purpose of promoting rural economic development and job creation projects. The loans and grants under this program may be provided to approximately 1,600 electric and telecommunications utilities across the country that have borrowed funds from RUS. Under this program, the intermediaries may receive the loan funds and pass them on to businesses or other organizations. The intermediary is responsible for the repayment of the loan even if it does not receive payments from the ultimate recipient. Grants may be provided to establish revolving loan funds. Rural Business-Cooperative Service (RBS) needs to receive the information contained in this collection of information to select the projects it believes will provide the most long-term economic benefit to rural areas. The selection process is competitive and RBS has generally received more applications than it could fund. RBS also needs to make sure the funds are used for the intended purposes and, in the case of the loan, that the funds will be repaid. RBS must determine that loans made from revolving loan funds established with grants are used for eligible purposes.

2. Explain how, by whom, and for what purpose the information is to be used.

The various forms and narrative requirements are no more than what a prudent commercial lender would require in the private sector if they processed an application without governmental assistance. The information requested is necessary and vital in order for RBS to be able to make prudent and financial analysis decisions.

RBS has reviewed the program needs versus the burden placed on the public and is of the opinion that the program is necessary and will be beneficial to all parties involved. RBS, through its respective Specialty Lenders Division in Washington, DC, and its staff located in 47 State Offices throughout the United States, will be the primary user of the information collected. It is projected that 120 applicants per year will apply and be approved for a Rural Economic Development loan or grant.

The information collected will be used to evaluate applications for funding consideration, conduct an environmental review, prepare legal documents, receive loan payments, oversee the operation of a revolving loan fund,

monitor the use of RBS funds, and enforce other Government requirements such as compliance with civil rights regulations.

Specifically, the burden associated with 7 CFR Part 4280, Subpart A and to be cleared with this docket is as follows:

**REPORTING REQUIREMENTS - NO FORMS**

**Requesting a deferment period on loan**

The Agency allows the recipient to request a deferment period. This involves a letter or telephone call. Estimated 20 respondents for a total of 5 burden hours.

**Irrevocable letter of credit**

Former RUS electric borrowers that prepaid all their direct or insured electric program loans provide an irrevocable letter of credit as security for the zero-interest loan. This is because they no longer have a mortgage to the Government. Estimated 10 respondents for a total of 5 burden hours.

**Revolving loan fund plan**

A revolving loan fund plan is required for grants to establish revolving loan funds. The plan governs the use of the funds, how the revolving loan fund will be administered by the intermediary, intended uses once the funds revolve and lose their Federal character, the review and approval of loans from the fund, etc. This is needed because it is the document that will govern the use of funds for the life of the revolving loan fund. Estimated 30 respondents for a total of 480 burden hours.

**Operate and administer a revolving loan fund**

An intermediary that receives a grant for a revolving loan fund would need to operate and administer the fund in accordance with its plan. This involves reviewing loan applications, preparing loan documents and disbursing funds. Estimated 30 respondents for a total of 360 burden hours.

**Compliance reports**

RBS uses a copy of the reports prepared by RUS for its intermediaries to ensure compliance with certain laws and Executive Orders. Intermediaries are required to provide information to the RUS field person to complete the narrative report. Estimated 80 respondents for a total of 20 burden hours.

**Certification Regarding the Uniform Relocation Assistance and Real Property Acquisition**

If applicable, a certification that no relocation will occur as a result of the project. Estimated 120 respondents for a total of 30 burden hours.

**Board Resolution**

The intermediaries must submit a board resolution indicating their request for a loan or grant, discussing any potential conflicts of interest, agree to provisions of the regulation, etc. The applicant is a corporation and its

board is the only entity with the legal authority to enter in the loan or grant agreement. Estimated 120 respondents for a total of 30 burden hours.

**Assurances Required by 49 CFR sect. 24.4(a)**

An assurance required by 49 CFR Section 24.4(a) provides the required assurance statement that any relocation of persons or acquisitions of real property, as part of completing this project, will be handled in accordance with the law. Estimated 120 respondents for a total of 30 burden hours.

**Certification Regarding Lobbying**

A certification required by 31 U.S.C. 1352. This statute contains restrictions on lobbying. The applicant signs this certification to inform RBS that it is aware of the restrictions and will comply with the law. Estimated 120 respondents for a total of 30 burden hours.

**Seismic Certification**

A certification required by 42 U.S.C. 7701. The project owner must certify that any building constructed will comply with standards that reduce the damage caused by earthquakes. Estimated 120 respondents for a total of 30 burden hours.

**Application Narrative**

The narrative portion of the application describes the project, discusses how the project satisfies the selection factors specified in the regulation, and provides information to assist in conducting the environmental review of the project. Estimated 120 respondents for a total of 1,920 burden hours.

**Legal opinion of counsel**

The recipient of loans and grants are required to obtain a legal opinion from their attorney concerning the ability of the intermediary to engage in a project. A wage class of \$100 per hour for attorney fees has been assumed. Estimated 120 respondents for a total of 360 burden hours.

**Approval of third-party documents**

The agency is required to approve the third party documents between the intermediary and the ultimate recipient to determine that the loan funds will be used for approved purposes and in accordance with the regulation. Estimated 120 respondents for a total of 480 burden hours.

**Interest earned**

According to 7 CFR 3015, intermediaries must report and remit interest earned on advances of grant funds deposited in interest accounts. Estimated 5 respondents for a total of 15 burden hours.

**Intermediary and ultimate recipient audits**

RBS obtains from RUS a copy of the intermediaries audit conducted in accordance with Generally Accepted Accounting Principles. Former RUS borrowers would need to submit a copy of their audit to RBS. In addition,

ultimate recipients may be required to send to RBS a copy of an audit conducted in accordance with 7 CFR part 3052 if it is organized as a non-profit, or state or local government. Audits must be submitted only if the amount of Federal funds an ultimate recipient spends in 1 year is \$750,000 or more. RBS gets a photocopy of the audit to verify that funds are used for approved purposes. Estimated 90 respondents for a total of 23 burden hours.

### **Appeals**

The intermediary may appeal any appealable adverse decision made by the Agency that affects the intermediary in accordance with 7 CFR Part 11. Estimated 10 respondents for a total of 10 burden hours.

### **REPORTING REQUIREMENTS - FORMS APPROVED UNDER THIS DOCKET**

#### **Form RD 4280-1, "Survey of Recipients of Rural Economic Development Loan and Grant Program"**

This form will record the success of the project that was financed with either a loan or grant. It provides RBS with information on the jobs actually created from the projects financed under this program, and other information that would indicate the success of the project and its impact on the rural economy. Estimated 120 respondents for a total of 120 burden hours.

#### **Form RD 4280-2, "Rural Business-Cooperative Service Financial Assistance Agreement"**

This form will set forth the terms and understandings between the Intermediary and Rural Development regarding a grant by executing and dating a duplicate and one original. Estimated 120 respondents for a total of 120 hours.

This form has replaced form RD 4280-3 "Rural Economic Development Grant/Rural Micro-entrepreneur Assistance Program Agreement," included in the last submission. The Agency has condensed all of its grant financial assistance agreements into this form.

#### **Form RD 4280-4, "Rural Economic Development Grant Letter of Conditions"**

This form is evidence of acceptance of the terms and conditions between the Intermediary and Rural Development regarding a grant. Estimated 120 respondents for a total of 120 hours.

#### **Form RD 4280-5, "Rural Economic Development Loan Agreement"**

This form will set forth the terms and understandings between the Intermediary and Rural Development regarding a loan by executing and dating duplicate original. Estimated 120 respondents for a total of 120 hours.

#### **Form RD 4280-6, "Rural Economic Development Loan Letter of Conditions"**

This form is evidence of acceptance of the terms and conditions between the Intermediary and Rural Development regarding a loan. Estimated 120 respondents for a total of 120 hours.

**Form RD 4280-7, "Promissory Note"**

This form will set forth the terms and conditions in which the Intermediary will repay the loan to Rural Development. Estimated 120 respondents for a total of 120 hours.

**Form RD 1940-20, "Request for Environmental Information" (OMB Approval No. 0575-0094)**

Applicants are required to submit information for the Agency to conduct an environmental review. Estimated 57 respondents for a total of 14 burden hours.

**Form RD 1951-65, "Customer Initiated Payments (CIP) Enrollment Form" (OMB Approval No. 0575-0184)**

The intermediary must submit payments through the electronic method set up to improve the efficiency of Government collections. The intermediary must provide its account number, bank routing number, and a voided check to set up the payment process. Estimated 78 respondents for a total of 39 burden hours

**REPORTING REQUIREMENTS - FORMS APPROVED UNDER OTHER OMB NUMBERS**

**SF-424 Discretionary, "Application for Federal Assistance" (OMB Approval No. 4040-0004)**

This form is used to provide information on the applicant, including whether it is delinquent on Federal debt and the Congressional District of the project site. Estimated 120 respondents for a total of 90 burden hours. This is a common form and burden is accounted for as an RCF.

**SF LLL "Disclosure of Lobbying Activities" (OMN Approval No. 4040-0013)**

Used to record any lobbying activities by intermediaries as required by 31 U.S.C. 1352. Estimated 57 respondents for a total of 9 burden hours. This is a common form and burden is accounted for as an RCF.

**SF-270, "Request for Advance of Reimbursement" (OMB Approval No. 4040-0012)**

This form is used to request RBS funds to reimburse the recipient for using its funds on the project. Estimated 120 respondents for a total of 240 burden hours. This is a common form and burden is accounted for as an RCF.

**RECORDKEEPING REQUIREMENTS**

### Expenditures of funds supporting documentation

This provides the list of expenditures for zero-interest loans to determine the proper use of the Government's loan funds. Estimated 90 respondents for a total of 180 burden hours.

#### 3. Describe any consideration of the use of improved information technology to reduce burden any technical or legal obstacles to reducing burden.

The application process for loans or grants uses both electronic forms and a standardized format for submission of the narrative and other documents using Word or other application. Intermediaries have the option to submit forms electronically. Based on current intermediary interest levels, we are not projecting any submission being made electronically. Though not required by RBS, intermediaries prefer to submit with their application certain material on paper, such as supporting documents or letters from other parties, business plans already prepared by the ultimate recipient, geological survey maps for environmental clearance etc.

There is information sharing as well. The Financial and Operating Report for Distribution Borrowers (RUS form 7 and 7a OMB No. 0572-0032) is an online form contains month-end and year-end data and are submitted as part of an application for an RUS loan. The information is used to evaluate the intermediary's creditworthiness. RBS obtains a copy of the form from RUS and the form is online and automatically generated. The respondent does not fill out a form a second time for RBS. The information is merely shared between the two agencies.

#### 4. Describe efforts to identify duplication.

There is no duplication of information requested. Each rural economic development project RBS considers is unique. RBS has standardized the format of the application to simplify the process. Each applicant does not need to create a different format. RBS has also collected and processed from other Federal agencies the economic information, such as unemployment rates and income levels, rather than require applicants to obtain this information on their own. Intermediaries do not have to submit additional copies of their financial statements with each application. RBS uses the financial and operational information the intermediaries submit to RUS, which is currently available to RBS through the computer local area network.

#### 5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize the burden.

The methods used to minimize burden include using Government-wide forms that are familiar to many applicants, using standardized legal documents that the RUS borrower merely executes and providing the intermediary with the form of the legal opinion. No original work is required for these collection items. Executing legal documents and providing a financial accounting of the use of funds is a normal business practice for small businesses. RBS estimates that out of the 120 respondents 25 percent are small entities.

RBS also reviews the business plan that the small business usually has prepared for other financial institutions such as local banks.

As discussed under Question 4, RBS has also collected and processed the economic information from other Federal agencies rather than require applicants to obtain this information on their own. Intermediaries do not have to submit additional copies of their financial statements with each application. RBS uses the financial and operational information they submit to RUS.

6. Describe the consequences to Federal program or policy activities if the collection were conducted less frequently.

The application information is only collected once rather than frequently. It is necessary to receive this information to select the projects that will receive loan or grant funds. To provide loan security and proper oversight of funds provided under this program, RBS must review the use of the loan or grant funds and selected agreements between the borrower and the project.

Reports are collected annually, which is a generally accepted tradeoff between timely information and a reduced burden.

7. Explain any special circumstances that require the collection of information to be conducted in a manner:

- a. Requiring respondents to report information more than quarterly. There are no information requirements that require specific reporting on more than a quarterly basis.
- b. Requiring written responses in less than 30 days. There are no information requirements that require specific reporting in less than 30 days.
- c. Requiring more than an original and two copies. There are no information requirements that require more than an original and two copies.
- d. Requiring respondents to retain records for more than 3 years. The regulation and the legal agreements require the recipient to maintain records covering the use of loan or grant funds. Generally, RBS would review the records within a 3-year period but the recipient may need to retain selected receipts and records for more than 3 years. All the recipients are either electric or telecommunications utilities that have established record systems and they generally retain internal records covering their utility financing for more than 3 years.
- e. Not using statistical sampling. There are no such requirements.
- f. Requiring use of statistical sampling which has not been reviewed and approved by OMB. No such requirements exist.
- g. Requiring a pledge of confidentiality. There are no such requirements.
- h. Requiring submission of proprietary trade secrets. There are no such requirements.

8. Comments on Agency's notice in the Federal Register and efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of the instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

A Federal Register Notice was published on October 4, 2016 (Vol. 81, No. 192, page number 68402). No comments were received.

RBS continually consults with the intermediaries that will submit the information required in this revised regulation in order to obtain their views. RBS maintains close contact with the intermediaries and their trade representatives. RBS officials responsible for this program have made numerous local and regional presentations over the years and have solicited comments. The agency has held national conferences each year since 1989 (except for 1995) on this program and obtained feedback.

The information collection contained herein and the estimates of the associated public burden were discussed with the following potential respondents:

- (1) Eddie Miller  
North Carolina Association of Electric Cooperatives  
(919) 875-3049
- (2) Linda Salmonson  
East River Electric Power Cooperative, Inc.  
(605) 256-8015
- (3) John Chisum  
Caney Fork Electric Cooperative, Inc.  
(931) 473-3116

These eligible applicants and recipients did not believe the paperwork or reporting process was neither difficult nor more burdensome than other Federal programs.

9. Providing payments or gifts to respondents.

No payments or gifts are provided to respondents.

10. Describe any assurances of confidentiality provided to respondents and the basis for the assurances in statute, regulation, or Agency policy.

It is not current Agency policy to provide copies of submitted applications to others. Specific information that would be deemed confidential in nature, such as business financial information, is not provided outside the agency. Certain portions of the application that are general in nature such as the amount of the application and nature of the project, may be requested under the Freedom of Information Act but the released material is edited to maintain confidentiality.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitude, religious beliefs, and other matters that are commonly considered private.

Financial information is required. This collection of information does not contain any sensitive questions.

12. Provide estimates of the hour burden of the collection of information.

Based on Agency records, we estimate 120 intermediaries will apply under this program. Each applicant must submit a loan or grant application resulting in a total of 120 applications. The number selected is projected to be 65 intermediaries. Of those selected, 20 are projected to receive grants and the other 45 are projected to receive loans. Therefore, we projected the collection requirements for 20 grant recipients and 45 loan recipients. Each recipient will sign the legal documents and submit the required report.

The cost to the respondents is estimated at \$30 per hour based on Agency observations of intermediary salary levels, with the exception that the average cost of legal services, including legal secretary and attorney services, is estimated at \$115 per hour.

Total respondent burden is estimated as follows:

Number of respondents:	120
Total annual responses:	2180
Total hours:	4,781
Total annual cost:	\$234,235

See separate spreadsheet for burden breakdown for each item.

13. Provide estimates of annualized cost to the respondents.

There are no capital/start-up or operation and maintenance costs.

14. Provide estimates of annualized cost to the Federal Government.

Federal Government

The estimated wage of Federal employees compiling the information is \$25 per hour. The wage grade amounts include a GS-12, step 2 (30.75 per hour) and GS-9 step 1 (20.52 per hour). Both amounts were obtained from the base 2016 General Schedule Pay Scale. Administrative costs include 36.25% increase for benefits, the cost of promulgating the regulations, publication in the Federal Register, developing and printing the proposed forms, etc. The cost to the Government is broken down as follows:

<u>Action</u>	<u>Num. of Disclosures</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Acknowledge and Review Application	120	1	\$25	\$3,000
Evaluate and Score	120	16	\$25	\$48,000
Inform applicants of selection results	120	1	\$25	\$3,000
Legal Document Preparation	120	8	\$25	\$24,000

Review third-party Documents	120	8	\$25	\$24,000
Release and Advance of funds	120	16	\$25	\$48,000
Monitoring	90	16	\$25	\$36,000
Administrative	90	20	\$25	<u>\$45,000</u>
Total				\$231,000

15. Explain reasons for changes in burden, including the need for any increase.

In this renewal submission the 240 burden hours for the SF 270 was removed. SF-270 is now a common form and burden will now be submitted under an RCF. Burden for forms RD 1940-20 (14 hours) and RD 1951-65 (39 hours) was previously shown under "Forms approved under other OMB numbers" is now accounted for in this collection. These changes result in a decrease of -187 burden hours for this submission.

16. For collection of information whose results are planned to be published for statistical use, outline plans for tabulation, statistical analysis, and publication.

The information collected will not be published for statistical use.

17. Approval not to display the expiration date for Office of Management and Budget (OMB) approval.

These forms are used in other Rural Development information collections; therefore, it is not practical to include an OMB expiration date because of the different expiration dates for each collection. RD is seeking approval to not display the OMB expiration date on these forms.

18. Exceptions to certification statement.

There are no exceptions to the certification.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept?

The SCI calls for changes to improve services to the USDA customers. One aspect is providing one stop service for greater customer convenience in accessing USDA programs. The Rural Economic Development Loan and Grant Program will be available through the SCI. The information collected would be available for use by Natural Resources Conservation Service, Farm Services Agency, and Rural Housing Service. However, the information would seldom, if ever, be used by these agencies because the only applicants under this program are RUS electric and telecommunications utilities. The intermediaries would not be applicants under the programs offered by the other agencies at the service center.