

SUPPORTING STATEMENT
(0572-0015)

Advance of Loan Funds and Budgetary Control and Other Related Burdens

Terms of Clearance: The OMB number and burden hours have been added as instructed by OMB.

This is a revision of a currently approved collection.

A. Justification

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

The Rural Utilities Service (RUS) was established in 1994 by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178, 7 U.S.C. 6941 et. Seq.) as successor to the Rural Electrification Administration (REA) with respect to certain programs, including the electric loan and loan guarantee program authorized under the Rural Electrification Act of 1936 (7 U.S.C. 901 et. Seq., as amended) (RE Act).

The RUS Administrator, acting on behalf of the United States and the Secretary of Agriculture, is authorized and empowered by section 2a of the Rural Electrification Act of 1936, as amended (RE Act) to “make loans in the several States and Territories of the United States for rural electrification and for the purpose of furnishing and improving electric and telephone service in rural areas, as provided in this chapter, and for the purpose of assisting electric Borrowers to implement demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems.” In accordance with section 2b of the RE Act, the Administrator may “make, or cause to be made, studies, investigations, and reports regarding matters, including financial, technological, and regulatory matters, affecting the condition and progress of electric, telecommunications, and economic development in rural areas, and publish and disseminate information with respect to the matters.”

The RUS Administrator signs the official mortgage and loan documents as the Mortgagee on behalf of the Federal government, and thereby, attests to the feasibility and security of the loan. In order to protect and ensure the Government’s security interest in loans, and in exercise of due diligence as custodian and guardian of the Government’s interest, in accordance with section 4 of the RE act “Loans ... shall not be made unless the Secretary finds and certifies that in his judgment the security therefor is reasonably adequate and such loan will be repaid within the time agreed.”

In addition, the RUS Loan Contract with the Borrower (Article V, Affirmative Covenants, Section 5.20, Miscellaneous Reports and Notices, Subsection (g), Other Information), states that the Borrower shall furnish to RUS “such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.” RUS Bulletin 26-1 provides guidance to Borrowers regarding budgeting, requisitioning, and expending of loan funds. RUS Bulletin 1767B-2 provides guidance to Borrowers regarding the work order procedures.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.

During the loan approval process, Borrowers have identified the type of projects they will be using RUS funds for. In order to draw down on the funds available, the Borrower must provide the Agency with information that supports the use of the funds for the approved purposes. The following items are provided by the Borrower to RUS as part of the advance of loan funds procedure:

RUS Form 219

When a prospective Borrower requests and is granted an RUS loan, a loan contract is established between the Federal government, acting through the RUS Administrator, and the Borrower. At the time a prospective Borrower submits a loan application, the Borrower must provide RUS with a list of projects for which loan funds will be spent, along with an itemized list of the estimated costs of these projects as part of the required loan application documentation. Thus, the Borrower receives loan funds based upon estimated cost figures. If, during or after completion of the project(s), the actual costs prove to be different from the estimated costs, the Borrower must reconcile the discrepancies with RUS. The RUS Form 219 allows the Borrower to adjust those estimated expenditures to reflect actual expenditures. This form serves as a connecting line and provides an audit trail that verifies the evidence supporting the propriety of expenditures for construction of projects that supports the advance of funds. This form complies with OMB Circular A-129, which provides guidelines for appraising property used as collateral for direct or guaranteed loans. In the case of these RUS loans, the facilities being constructed with RUS loan funds serve as the collateral for those loans. RUS Form 219 is necessary, therefore, to comply with the appraisal requirements of the Circular and to assure that RUS does not advance more money than the facilities constructed, which serve as collateral, actually cost.

Reimbursement of Special Equipment Costs

In order for Borrowers to receive an advance of loan funds for special equipment costs, they must make a written request to the Agency identifying these costs. Special equipment costs are considered those costs associated with meters, transformers, oil circuit reclosers and sectionalizers. This information may also be submitted on the

Summary of Special Equipment Costs section of the RUS Form 219. The Transformer Conversion Costs Section of the RUS Form 219 is used to complete column 10 of the Summary of Special Equipment Costs.

RUS Form 595

Borrowers submit RUS Form 595 to the Agency to request an advance of loan funds remaining for an existing approved loan and to report on the expenditure of previously advanced loan funds. The information collected enables the Government to ensure that loan funds are expended and advanced by RUS to Borrowers only for RUS approved budget purposes and amounts.

Other Loan Fund and Related Burdens – 7 CFR Part 1714

These items are related to advances of funds:

Interest Rate Term

For municipal and treasury rate loans, the Borrower will select the interest rate terms for each advance of funds. For the initial interest rate term of an advance, a letter from an authorized official of the Borrower indicating the selection of the term shall accompany the request for the advance.

Notification to Agency for Election to Prepay

If a Borrower elects to prepay all or a part of the remaining principal of the advance at face value for a municipal rate loan, it must notify the Agency in writing not later than 20 days before the rollover maturity date.

Notification to Agency for Election of New Interest Rate Term

If a Borrower wishes to elect a new interest rate term that is different from the term previously selected, it must notify the Agency in writing of the new term not later than 20 days before the end of the current term.

Extension of Fund Advance Period

Loan funds approved by the Agency have a set fund advance period. The Administrator may agree to an extension of the fund advance period, if the Borrower demonstrates to the satisfaction of the Administrator that loan funds continue to be needed for approved purposes. To apply for an extension, the Borrower must submit to RUS, at least 120 days before the automatic termination date a certified copy of a board resolution requesting an extension, evidence that the unadvanced loan funds continue to be needed for approved loan purposes, and notice of the estimated date for completion of construction.

Rescission of loans

A Borrower may request rescission of a loan with respect to any funds unadvanced by submitting a certified copy of a resolution by the Borrower's board of directors.

Other Loan Fund and Related Burdens – RUS Bulletin 26-1

These items are related to advances of funds:

Loan Budget Record Adjustments

When the balance in reserve for any primary budget purpose is insufficient to cover additional contracts or other documented needs applicable to that purpose the Borrower may request a transfer of funds. In making such a request the Borrower must submit a statement showing the reason the funds are no longer or presently not needed in the purpose from which the transfer is proposed, and the reason for insufficient funds in the purpose to which the transfer is to be made.

Advance of Funds for Land and Land Rights

With respect to Generation Facilities, for the purchase of land and land rights, funds will be approved for advance upon submission of a letter of request. The letter to RUS requesting approval should contain a summary of costs such as site purchase, recording fees, abstracts, and agent's commissions.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

Currently, RUS Form 219 and 595 are available on the RUS website; however, they may not be submitted electronically to RUS. RUS Borrowers can use the MS Excel version of the Form 219, from the website, and enter in the data easily. That electronic data is then used to complete the Form 595. RUS requests that approval to keep these forms posted on the Internet be continued.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The information required by this collection is available only from individual Borrowers and is project specific; therefore, no duplication of information exists.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.

All but a few electric Borrowers meet the Small Business Administration criteria for a small business. RUS has made every effort to ensure that the burden on these small entities is the minimum necessary to effectively administer the agency programs.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

Information necessary to monitor loan security and compliance with RE Act purposes could not be collected less frequently and allow the Agency to carry out its loan programs with due diligence.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information more than quarterly.

Though there is no requirement to respond more than quarterly, some RUS Borrowers will file the RUS Form 219 as frequently as every month.

b. Requiring written responses in less than 30 days.

There is no requirement to respond in less than 30 days.

c. Requiring more than an original and two copies.

There is no requirement for more than an original and two copies.

d. Requiring respondents to retain records for more than 3 years.

Record retention requirements for Agency shall be in accordance with normal business practices as set forth in 7 CFR 1767, Accounting Requirements for RUS Electric Borrowers.

e. That is not designed to produce valid and reliable results that can be generalized to the universe of study.

This collection does not involve a survey.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

This collection does not involve statistical sampling.

g. Requiring a pledge of confidentiality.

There is no requirement for a pledge of confidentiality.

h. Requiring submission of proprietary trade secrets.

There is no requirement to submit proprietary trade secrets.

8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

As required by 5 CFR 1320.9(d), a Notice to request public comments was published on 8/16/05 at 70 FR 48100 (copy attached). No public comments were received.

RUS maintains close contact with Borrowers through General Field Representatives and a headquarters staff. RUS also conducts seminars for its Borrowers. Suggestions are always considered by the Agency.

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.

There is no provision to provide payments or gifts to respondents.

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

No assurances of confidentiality have been provided.

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

There are no questions of a sensitive nature.

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

The information collection consists of 16,215 hours of burden to the public as shown on the spreadsheet attached to this package. The costs associated with this collection are estimated to be \$449,095 derived as follows:

Inventory of Work Orders:

| | | |
|--------------|---------------------------------------|---------------|
| Professional | 6,030 responses X 1 hr. X \$33/hr. = | \$198,990 |
| Clerical | 6,030 responses X .5 hr. X \$17/hr. = | <u>51,255</u> |
| | | \$250,245 |

Reimbursement of Special Equipment Costs

| | | |
|----------|-------------------------------------|----------|
| Clerical | 700 responses X .5 hr. X \$17/hr. = | \$ 5,950 |
|----------|-------------------------------------|----------|

Financial Requirement and Expenditure Statement

| | | |
|--------------|---------------------------------------|---------------|
| Professional | 2,010 responses X 2 hrs. X \$33/hr. = | \$132,660 |
| Clerical | 2,010 responses X 1 hr. X \$17/hr. = | <u>34,170</u> |
| | | \$166,830 |

Interest Rate Term

| | | |
|--------------|---------------------------------------|-----------|
| Professional | 1,340 responses X .5 hr. X \$33/hr. = | \$ 22,110 |
|--------------|---------------------------------------|-----------|

Notification to Agency for Election to Prepay

Due to recent experience the Agency expects no submissions

Notification to Agency for Election of New Interest Rate Term

Professional 200 responses X .5 hr. X \$33/hr. = \$3,300

Extension of Fund Advance Period

Professional 10 responses X 1 hr. X \$33/hr. = \$ 330

Rescission of Loans

Due to recent experience the Agency expects no submissions

Loan Budget Record Adjustments

Professional 10 responses X 1hr. X \$33/hr. = \$ 330

Advance of Funds for Land and Land Rights

Due to recent experience the Agency expects no submissions

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

(a) Total capital and start-up cost component (annualized over its expected useful life); and

There are no capital or start-up costs associated with this collection.

(b) Total operation and maintenance and purchase of services component.

There are no operation and maintenance or purchase of services component costs associated with this collection.

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

The cost to the Federal Government is estimated as follows:

Professional Time is attributed to a Engineer – GS 12, step 5
Clerical Time is attributed to a Financial Assistant – GS 9, step 5

Inventory of Work Orders

Professional 6,030 responses X 1 hr. X \$38.00/hr. = \$229,140

Clerical 6,030 responses X .5 hr. X 26.00/hr. = \$ 78,390

Summary of Special Equipment Costs

Clerical 700 responses X .5 hr. X \$26.00/hr. = \$ 9,100

Financial Requirement and Expenditure Statement

Professional 2,010 responses X 1 hr. X \$38.00/hr = \$ 76,380

Clerical 2,010 responses X 2 hrs. X \$26.00/hr. = \$104,520

Interest Rate Term

Clerical 1,340 responses X .5hr. X \$26.00/hr. = \$17,420

Notification to Agency for Election to Prepay

The Agency does not anticipate any activity for this item

Notification to Agency for Election of New Interest Rate Term

Clerical 200 responses X .5 hr. X \$26.00/hr. = \$2,600

Extension of Fund Advance Period

Clerical 10 responses X 1 hrs. X \$26.00/hr. = \$ 260

Rescission of Loans

The Agency does not anticipate any activity for this item

Loan Budget Record Adjustments

Clerical 10 responses X 1 hr. X \$26.00/hr. = \$ 260

Advance of Funds for Land and Land Rights

The Agency does not anticipate any activity for this item

Therefore, the total cost to the Federal government in support of this information collection is \$518,070.

15. Explain the reasons for any program changes or adjustments reported in questions 12 or 13 of the supporting statement.

“The respondents decreased by 30 from 700 to 670. However, it is anticipated that the Form 595 will now be submitted 3 times instead of 2 times per respondent, resulting in an increase in annual responses. These changes result in an overall burden increase of 1,395 hours.”

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There are no plans for publication.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

RUS requests approval not to include the expiration date on RUS Form 219 and 595. RUS Borrowers often develop their own systems to replicate RUS Forms 219 and 595, they then import the information into these forms from their automated financial and recordkeeping systems. In these cases, they do not update the expiration date each time it changes or they do not include the date at all.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-1.

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods.

This collection of information does not employ statistical methods.