

SUPPORTING STATEMENT
2011
(0572-0121)

7 CFR 1780, Water and Waste Disposal Loan and Grant Program

OMB Terms of Clearance: This information collection request is approved for a period of 18 months pending publication of the proposed revisions to 7 CFR part 1780 at which time the Agency must submit a new information collection request associated with the revised regulatory requirements.

Agency Response: The revision of 7CFR 1780 has been an ongoing effort for the RUS Water and Environmental (WEP) Program Staff over the past several years. Among the formidable challenges have been the turnover of WEP staff due to retirements and the departure of other employees that created a vacuum in the effort to revise the regulation. In 2010, a team of field and National office staff collaborated with a contractor to refocus WEP's effort to rewrite the regulation. Some challenges still remain to streamline the regulation such as combining and revising sections so as not to impact other parts of the regulation, as well as embedding staff instructions to create greater efficiencies for field staff to deliver services to the public. RUS will continue working on the revision of 7 CFR 1780 with the goal of publishing a proposed rule by the end of 2011 and a final rule by mid 2012.

A. Justification

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

The Rural Utilities Service (RUS), an agency of the United States Department of Agriculture, is requesting OMB clearance of the reporting requirements relating to 7 CFR Part 1780, the regulation utilized to administer the water and waste loan and grant programs. In addition, applicants applying under 7 CFR 1777, Section 306C Water and Waste Disposal Loans and Grant," and 7 CFR 1778, "Emergency Community Water Assistance Grants" follow 7 CFR 1780 for application requirements.

Section 306 of the Consolidated Farm and Rural Development Act (CONACT), 7 U.S.C. 1926, authorizes RUS to make loans and grants to public agencies, American Indian tribes, and nonprofit corporations. The loans and grants fund the development of drinking water, wastewater, and solid waste disposal facilities in rural areas with populations of up to 10,000 residents.

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.

RUS state and field offices will collect the information from applicants, borrowers, and consultants. They will use the information to determine applicant eligibility and project feasibility. They will also use the information to ensure that borrowers operate on a sound basis and use the loan and grant funds for authorized purposes.

The regulation is divided into four subparts, A, B, C and D. Subpart A contains the general policies and requirements of the loan and grant program. Subpart B contains the loan and grant application processing requirements. Subpart C contains the requirements for planning, designing, bidding, contracting, constructing, and inspections. Subpart D contains the information needed by legal counsel to prepare Notes or Bonds and Bond Transcript Documents for public body applicants.

The recordkeeping and reporting burdens are as follows:

REPORTING REQUIREMENTS—NO FORMS

Relationship or Association With Employees

Applicants must identify and report any known relationship or association with a Rural Development employee such as close personal association, immediate family, close relatives, or business associates.

Statement on Availability to Obtain Credit Elsewhere

Applicants must certify in writing that they are unable to finance the proposed project from their own resources or through commercial sources at reasonable rates and terms. The Consolidated Farm and Rural Development Act, as amended, requires the credit elsewhere statement.

Notification of Service Statement

If it is not economically feasible to serve all users in an applicant's service area, then the applicant is required to notify those users who will not be served.

Liens on Real and Chattel Property

A lien on real and chattel property with an assignment of income will be taken on essential community facilities other than utility-type projects. A lien is a method of encumbering the property of a borrower and is necessary to protect the interest of the Government.

Financing Statement

A financing statement is necessary to perfect a lien on assured income to be generated by the facility for the life of the loan. A lien is a method of encumbering sources of assured income and is necessary to protect the interest of the Government. Financing statements are required for non-profit organizations and tribal governments as these two entities cannot issue bonds. These signed statements perfect the Agencies interest in the revenue streams generated by the utility.

Evidence of Public Notice

Applicants must publish a notice of intent to file an application with RUS in a general circulation newspaper. They must provide a copy of the published notice to RUS. Applicants also must conduct a public information meeting to allow public input into the proposed project when an election by the membership or public referendum is not required. They must provide Rural

Development a copy of the published notice and the minutes of the public meeting. The minutes serve as documentation of this meeting.

Intergovernmental Comments

Applicants must submit a copy of written comments from their State or regional clearinghouse stating whether the proposed project will be consistent and will not conflict with plans, goals, or objectives of the State or region in which the proposed project will be located.

Preliminary Engineering Report

Applicants must submit a preliminary engineering report (PER) prepared by a qualified engineer. The PER indicates areas to be served, scope and need of the project, cost estimate, annual operating expenses, etc. This report is necessary for RUS to determine project feasibility.

Supporting Documentation

Applicants must provide documentation of legal organization and authority to borrow funds, construct, operate, manage the facility, etc. The documentation may include articles of incorporation, certificate of incorporation and good standing, bylaws, rules, and organizational minutes. Applicants also must provide financial information such as financial statements, audits, or existing debt instruments. This information is necessary for RUS to determine an organization's legal existence, authority to perform certain functions, and financial capacity to borrow funds.

Taxpayer Identification Number

Applicants must provide their Internal Revenue Service Taxpayer Identification Number. RUS uses this number to assign case numbers for the applicants and to determine if they are delinquent on any other Federal debts. (This information is now reported on SF-424, so specific hours are no longer attributed to this collection.)

“Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions”

USDA regulations published at 7 CFR Part 3017 implement the government-wide debarment and suspension system for USDA's non-procurement transactions. Applicants are required to provide certification under these regulations. Form AD-1047 may also be used to obtain the required certification.

“Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1 – for Grantees other than Individuals”

USDA regulations published at 7CFR Part 3017 implement the Drug-Free workplace Act of 1988, which requires that recipients agree that they will maintain a drug-free workplace. Applicants are required to comply with the requirements for drug-free workplace and provide certification under these regulations. Form AD-1049 may also be used to obtain the required certification.

Agreements for Professional Services

Applicants must contract for the professional services rendered from an engineer, attorney, bond counsel, accountant, auditor, appraiser, or financial advisor. Contracts or other forms of agreement for services necessary for project planning and development are subject to Rural

Development concurrence. Applicants must submit them to RUS for review and concurrence to ensure the needed services will be available at a reasonable cost.

Contracts for Other Services

Contracts or other forms of agreement for services such as management, operation, and maintenance must be presented to RUS for review and concurrence. Although these functions are performed by a third party under contract, management, or written lease, applicants are responsible for operating, maintaining, and managing the facilities.

Positive Programs to Encourage Connections

Applicants must provide a positive program to encourage connection by all users as soon as service is available. They must provide evidence to RUS that a positive program has been provided.

User Agreement

All new users on a proposed system must enter into an enforceable user agreement with an applicant or borrower unless local laws or ordinances mandate connections to the system. This requirement is necessary to assure that the proposed number of users will be connecting to the system and paying for the service. RUS must approve the form of agreement.

Interim Financing

For all loans exceeding \$500,000, interim financing may be obtained from commercial sources for the construction period. When applicants can borrow funds at reasonable rates, interim financing may be used so that multiple advances of RUS funds will be unnecessary. RUS provides guidance on informing the interim lender of the agency's commitment. Applications, including construction bids, will be processed to the stage where the loan would be closed, immediately before construction begins. Before the loan is closed, applicants must provide statements from the contractor, engineer, architect, and attorney that they have been paid to date under their contracts. This process protects the Government from mechanic's liens and ensures that funds are used for authorized purposes.

Insurance

Fidelity or Employee Dishonesty Bond,

Property Insurance

General Liability Insurance

Flood Insurance

Workman's Compensation Insurance

These forms of insurance are normal in any organization. RUS requires them to be available at the time of loan closing or start of construction, whichever occurs first. Applicants are responsible for ensuring that adequate insurance and fidelity or employee dishonesty bond coverage is maintained. Rural Development will accept the insurance requirements proposed by applicants if RUS determines that the proposed coverage is adequate to protect the Government's financial interest.

Evidence of Other Funds

When applicants expect to use funds from other sources to complete projects being financed partially with RUS funds, they will present evidence of the other sources' funding commitment. This evidence ensures that necessary funds are available to complete the project.

Water Rights

When applicable, applicants must furnish these documents for Rural Development to review: (1) a statement from their attorneys about the nature of the water rights owned or to be acquired and (2) a copy of any contracts or stock certificates.

Appraisal Report

Applicants are responsible for determining that prices paid to acquire all property rights necessary for a project are fair and reasonable. Rural Development may require an independent appraisal in some instances to determine the present market value of the property.

User Connections

When Rural Development funds the costs of connecting a user to the system, applicants will obtain adequate rights to construct and maintain the connection line or other facilities located on the users property. This right may be obtained through formal easements or user agreements. This requirement assures that the facilities financed with Rural Development funds provide the intended service.

Lease Agreements

Applicants must provide written agreements or contracts with property owners when applicants do not own the right to use or control real property, but the right is essential to the successful operation of the facility during the life of the Rural Development loan. This written agreement is needed to protect the interest of the Government during the life of the loan and to assure that the facility can provide the intended service.

Notes, Bonds, Warrants, or Other Contractual Obligations

These are various debt instruments that applicants pledge as security and as authorized by State statutes. Loans will be secured by the best security position that will protect the interest of Rural Development during the loan repayment period.

Loan Resolution (Public Bodies), Bulletin 1780-27

The loan resolution is the agreement for financial assistance between RUS and public bodies. It sets forth the specific terms and covenants to be complied with as long as the loan is outstanding.

Loan Resolution Security Agreement, Bulletin 1780-28

The loan resolution security agreement is the legally binding document for financial assistance between RUS and non-public organizations. It sets forth the specific terms and covenants to be complied with as long as the loan is outstanding.

Grant Agreement, Bulletin 1780-12

The Grant Agreement sets forth the terms and conditions under which the applicant receives a grant. Applicants and the agency must execute the document before grant funds are disbursed.

Audits Based on Federal Assistance

Borrowers must submit audited financial statements annually in accordance with Generally Accepted Government Auditing Standards (GAGAS). The audit must comply with the requirements of OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations" or Water and Waste Disposal audit requirements.

The requirements for submitting an audit report under OMB Circular A-133 are based on the total amount of Federal financial assistance expended during a borrower's fiscal year from all Federal sources. Borrowers that expend \$300,000 or more in a year in Federal awards must have a single audit conducted for that year under OMB Circular A-133. Those that expend less than \$300,000 in Federal awards and have an outstanding loan balance equal to or greater than \$1,000,000 must submit an audit in accordance with Water and Waste Disposal audit requirements. Borrowers expending less than \$300,000 in Federal assistance and having a loan balance less than \$1,000,000 may submit a management report instead of an audit report. Rural Development will designate the type of audit borrowers must submit.

Management Reports

All borrowers must furnish management reports that will provide management a means of evaluating prior decisions and serve as a basis for planning future operations and financial strategies. This requirement is necessary to help assure that the facility will be properly managed and to protect the financial interest of the Government.

Construction Contract Forms

Contracts for construction to be paid for with RUS funds must be submitted to RUS for review and concurrence. The contracts must be adequate to protect the interests of both the borrower and RUS.

Borrower Attorney's Certification of Construction Contract

The borrower's attorney gives legal certification regarding the adequacy of contract documents. The attorney reviews executed contract documents, including performance and payment bonds, and certifies that they are adequate and properly authorized. This certification assures that the proper legal matters required of the borrower have been satisfied before the loan closing proceeds.

Sewage Treatment and Bulk Water Sales Contracts

Sewage treatment and bulk water sales are essential to borrowers' operations. Applicants that plan to contract with third parties to treat and supply bulk water must have written contracts for service. These contracts are subject to RUS review and concurrence to ensure that the service provided for in the contract will be available on a continuing basis at a reasonable cost.

Contracts Awarded Prior to Application

When applicants award construction contracts before they submit their application, they must submit documentation to ensure that the contract is awarded in accordance with procurement regulations. The documentation is necessary to ensure the applicant has not circumvented the regulations and is in compliance.

Monitoring Reports

Owners are responsible for maintaining a contract administration system to monitor the contractors' performance and compliance with the contracts. They must provide reports to Rural Development, explaining significant events that affect the progress of project construction.

Resident Inspector Resume

The resident inspector for a construction project must submit a resume' demonstrating that the inspector is qualified to perform the duties.

Daily Inspection Report

The construction inspector for a construction project must maintain a daily log of progress, problems, and any other items that may affect construction. These reports provide information to serve as a basis for decisions for payment, change orders, or other actions. The Agency may require these reports to be submitted on a weekly basis during the duration of the construction, or they will be made available for inspection during Agency visits.

Forms Approved with Other Dockets:

Form RD 1927-9, "Preliminary Title Opinion"

Applicants' attorneys use this form to reflect title to real property owned or to be purchased. This form is cleared under 0575-0147. However, associated burden hours are approved in this collection.

Form RD 1927-10, "Final Title Opinion"

Applicants' attorneys use this form to reflect that the lien position on real property required by the Agency has been obtained. This form is cleared under 0575-0147. However, associated burden hours are approved in this collection.

Form RD 1924-18, "Partial Payment Estimate"

Applicants, engineers, and contractors may use this form to request partial payment on construction work completed under the terms of a contract. This form is cleared under 0575-0042.

Form RD 1924-7, "Contract Change Order"

Applicants, engineers, and contractors may use this form to request and approve changes to a project under the construction contract. This form is cleared under 0575-0042.

Form RD 400-1, "Equal Opportunity Agreement"

Borrowers read and sign this form to agree that the applicants, contractors, or subcontractors will comply with the Equal Opportunity Clause for construction work performed under contract or by the applicants. When the financial assistance exceeds \$10,000, the construction work is subject to the Equal Opportunity Clause under Executive Order 11246 of September 24, 1965, unless exempted. Contractors or applicants cannot discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. This form is cleared under 0575-0018.

Form RD 400-4, "Assurance Agreement"

Borrowers receiving loan and grant assistance read and sign this form to assure Rural Development that they will comply with Title VI of the Civil Rights Act of 1964 and regulations of Rural Development. This form is cleared under 0575-0018.

SF 424, "Application for Federal Assistance (For Construction)"

Applicants complete the form to apply for construction funds. This form is cleared under 4040-0004.

Form RD 442-7, "Operating Budget"

All applicants use the form to project income and expense items and a complete cash flow through the first full year of operations after they use the loan proceeds. These projections are

necessary in determining the source and reliability of the projected income and the adequacy of resources to repay the loan in a timely manner, operate and maintain the facility, and maintain adequate reserves. This form is cleared under 0575-0015.

Form RD 442-3, “Balance Sheet”

All applicants and borrowers use this form to present their assets, liabilities, and net worth. Borrowers whose gross annual income is less than \$100,000 may use it at year-end. This form is necessary for all applicants, who prepare it once to present a comparative balance sheet for the most current and prior years. This form is cleared under 0575-0015.

Form RD 1942-19, “Agreement for Engineering Services”

Applicants, their engineers, and Rural Development may use the form to set forth the necessary services to be provided by a project engineer. This form is cleared under 0575-0015.

Form RD 1942-8, “Resolution of Members or Stockholders”

Nonprofit applicants prepare this form to indicate that the governing body has the authority to enter into a loan of a particular amount with Rural Development. This form is cleared under 0575-0015.

Form RD 1942-46, “Letter of Intent to Meet Conditions”

Applicants complete this form to indicate the intent to meet the conditions of the loan established previously by RUS. This information is necessary to determine whether the Agency should continue further processing of the loan application. This form is cleared under 0575-0015.

Form RD 442-22, “Opinion of Counsel Relative to Rights of Way”

Applicants and their attorneys may use this form in obtaining continuous and adequate rights-of-way and interest in land needed for the construction, operation, and maintenance of a facility. This form is cleared under 0575-0015.

Form RD 440-11, “Estimate of Funds Needed for 30-Day Period Commencing”

Applicants use this form to request an amount of funds required in construction projects for a 30-day period. RUS concurs with the reasonableness of the amount. This form is cleared under 0575-0015.

Form RD 442-2, “Statement of Budget, Income, and Equity”

This form serves a dual purpose as a budget and an income and expense statement. Rural Development generally requires new borrowers to submit it each quarter for the first 3 years so the agency can monitor financial progress in the early years of operation. The report is then discontinued for those borrowers that are progressing satisfactorily. As a budget report, borrowers must submit their budget estimates before the beginning of each fiscal year. In these cases only, column three is to be completed. Borrowers, at their option, may also use this form as a year-end income and expense statement when audited financial statements are not prepared. This form is cleared under 0575-0015.

Form RD 442-30, “Water Purchase Contract”

Applicants use this form to enter into a contractual arrangement to ensure an adequate supply of water when the applicant is purchasing water from a supplier. Applicants use this form when they do not have an adequate water supply or any water treatment facilities. This form is cleared under 0575-0015.

Form RD 1924-9 – Certificate of Contractor’s Release

This form is prepared by a contractor to certify that payments have been made in full for all material and labor used in the performance of a construction contract and to release an applicant/borrower from any claims which might arise by virtue of the contract. This form is cleared under 0575-0042.

Form 1924-10 – Release by Claimants

This form is prepared by a contractor to show that the contractor has paid all materials and labor used in a construction contract. All subcontractors and suppliers who have provided material and/or labor for the development work sign the form. Their signatures indicate their release to the applicant/borrower from any claims. This form is cleared under 0575-0042.

Form 1924-12 – Inspection Report

This form is prepared by the agency to record the results of an inspection of development work or an existing dwelling or other type building. An applicant/borrower signs the form indicating acceptance of the completed development work or existing facility. This form is cleared under 0575-0042.

Form 440-22 – Promissory Note

This form is executed as the evidence of indebtedness. This form is cleared under 0575-0015

Recordkeeping Requirements:

Borrower and Contractors Shall Maintain Accounting Records for 3 Years

These records are required so the Agency or the Comptroller General (or their representatives) may review them to determine that the borrower has complied with all financial requirements.

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 and responses, and the basis for the decision for adopting this means of collection.

RUS is committed to complying with the requirements of the E-Government Act and the Government Paperwork Elimination Act. The E-Government Act requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible. RUS is reviewing its short and long-range plans and needs to collect data from our borrowers. The Agency has been examining ways in which applicants can file applications electronically for the programs covered by the water and waste regulations, 7 CFR 1780.

The application process requires three types of forms—with the prefixes RD, AD, and SF—as well as supporting documents and certifications. All forms may be accessed through the Rural Development web site. For Rural Development (RD) forms, the web site directs applicants to the USDA Service Center eForms site. Administrative forms (AD), used by all USDA agencies, are not available at this site but are available through a Forms Management site maintained by the USDA Office of the Chief Information Officer (OCIO). Standard forms (SF), used

Government-wide, are available through the eForms and OCIO web sites. All forms are available electronically as follows:

1. <http://www.rurdev.usda.gov/FormsAndPublications.html>
2. <http://forms.sc.egov.usda.gov/>
3. http://www.ocio.usda.gov/forms/ocio_forms.html

The Service Center eForms site uses the Web-based Centralized Authentication and Authorization Facility (WebCAAF) for eAuthentication. The site allows eAuthentication account users to save forms online and submit them to the appropriate USDA Service Center if they have established credentials. This method of submission is not being used for the water and waste programs at this time. In addition to forms, complete applications also require documents that are not forms: Preliminary Engineering Reports, Environmental Reports, financial statements, audits, and certifications from the applicant and other parties involved in the project. These documents contain computer generated drawings, charts, graphs, and maps where appropriate. Because of the electronic size of the documents and widely differing computer capabilities, they generally cannot be submitted electronically with the required forms.

The forms that are available through the OCIO site are fillable and printable only. Applicants may find the forms needed, complete them online, store them in electronic format, and print them for submission with the application package.

RUS and Rural Development State offices recommend that parties interested in applying for this program notify the agency prior to completing an application package. A Rural Development representative will meet with the interested parties, explaining the application process and helping them complete the forms through an electronic system called Community Program Application Package (CPAP). CPAP allows all of the forms associated with this collection to be completed electronically, but the forms must be printed and signed by the applicant. A hard copy of the application package is kept on file in the appropriate servicing office of Rural Development.

All RD forms required after the application has been approved and not produced by CPAP are available from the eForms site. They may be completed, saved, and submitted electronically by e-mail typically. Supporting documentation requiring no forms may be submitted electronically, if feasible, or submitted in hard copy.

4. Describe efforts to identify duplication.

RUS has reviewed all financial assistance programs it administers to determine which programs may be similar in intent and purpose. If applicants or borrowers are applying to or participating in more than one RUS program simultaneously, the Agency would make every effort to accommodate the requests within the same set of applications and processing forms. If applicants are applying for or receiving a loan or other financial assistance from another Federal agency, RUS would use the forms and documents furnished the other agency as much as possible.

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

The term “small entity” has the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction” in accordance with 5 U.S.C. 601(6). The Small Business Administration (SBA) has established a Table of Small Business Size Standards, which matches to industries described in the North American Industry Classification System (NAICS). According to the small business size standards, 100 percent (852 respondents) of the applicants and borrowers of the water and waste programs are classified as small entities. Information to be collected is in a format designed to minimize the paperwork burden on small businesses and other small entities. The information to be collected is the minimum RUS needs to approve loans and grants, monitor borrower performance, and carry out the authorized programs. No unique methods will be used to minimize the burden to small entities.

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

The information collected under these programs is the minimum necessary to conform to the requirements of the program regulations established by law. Information is collected when needed and cannot be collected less frequently and meet the requirements of the programs. Failure to collect proper information could result in improper determinations of eligibility or improper use of funds.

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

- a. Requiring respondents to report information more than quarterly. A copy of the Daily Inspection Report must be provided to the Agency in one-week intervals for the duration of the construction project.
- b. Requiring written responses in less than 30 days. There are no information requirements for written responses in less than 30 days. However, in cases where a borrower’s income or financial situation has declined, the borrower should provide information as soon as possible. RUS cannot provide the borrower program benefits until it receives documentation to support the borrower’s request.
- c. Requiring more than an original and two copies. There are no specific requirements.
- d. Requiring respondents to retain records for more than 3 years. There are no such requirements.
- e. Not utilizing statistical sampling. There are no such requirements.
- f. Requiring use of statistical sampling which has not been reviewed and approved by OMB. There are no such requirements.
- g. Requiring a pledge of confidentiality. There are no such requirements.
- h. Requiring submission of proprietary trade secrets. There are no such requirements.

8. Describe efforts to consult with persons outside the Agency to obtain their views on availability of data, frequency of collection, the clarity of instructions and recordkeeping.

disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

As required by 5 CFR 1320.8(d), a Notice to request comments was published on March 29, 2011, at 76 FR 17379. No public comments were received.

The Agency regional offices maintain close contact with borrowers through Rural Development State Offices and the national office staff. Suggestions and comments are always considered by the Agency.

In addition, RUS contacted the following individuals on April 25, 2011, to obtain their views on the paperwork burden imposed by this regulation:

1. Joyce Hubbard, Manager
Ramer Water Company, Inc.
151 Johnny Shirley Road
Ramer, Alabama 36069
2. Debra Miller, Village Clerk
Village of Lyndonville, NY
70 Eagle Street
Lyndonville, NY 14098-0035
3. Todd Bullock, Town Manager
Town of Bethel, NC
P.O. Box 337
Bethel, NC 27812
4. Rhett White, Manager
Town of Columbia, NC
PO Box 704
Columbia, NC 27925

The individuals were advised that their participation in the telephone interview was voluntary. Their organizations represented the typical small entities receiving loans and grants under the water and waste program. They serve cities and towns with populations less than 10,000, and they all have a small customer base. Three of the four systems have had multiple projects approved before for loan and grant funding. The fourth system is a first-time borrower.

The representatives surveyed responded that the volume of paperwork required during the application process could be overwhelming the first time an application is made. However, Rural Development staff, helping them understand the forms and documents, guides them in completing and submitting the required information. All worked with their consulting engineers to obtain data and information for the basic application forms. The consulting engineers prepared the technical documents and oversaw the design, contracting, and construction phases of the projects. The coordination between the consulting engineers and Rural Development simplified the information collection for them.

One respondent stated the costs associated with the organization coordinating with the consulting engineer, attorneys, and auditors to get information created a financial burden on the system. The expenses were high for the system, which had 500 customers. A second respondent stated that requiring engineering services for a project such as installing a backflow valve should be reduced or eliminated. A third respondent said the two town staff overseeing the water or sewer system have multiple functions so using an engineer to focus on developing projects is essential but costly. Because their engineering consultants were experienced with the RUS application and funding processes, they helped lessen the time required to submit documentation and information to the Rural Development offices.

Several respondents commented that forms duplicating the same information often were required by different Federal agencies participating in a project. However, other funding partners such as State agencies required different forms and information that was not duplicated by our application process. One respondent stated that some funding partnerships that should be seamless are more complex than expected.

The respondents were generally favorable about finding instructions, regulations, and forms for the program. All acknowledged that the Rural Development staff was helpful and knowledgeable about the program. They helped the organizations keep up with the appropriate paperwork to submit throughout the application, approval, and construction phases. The staff regularly met with the borrowers, explained processes, and provided the organizations with necessary documents. One respondent was dissatisfied with finding program information and forms on the Internet.

None of the systems installed new or upgraded technology to comply with any information requirements under the program. One respondent said that the town had updated its billing system, but the improvement was independent of the need to comply with the program.

All of the representatives acknowledged that they expected the program to require much paperwork, but they did not cite any specific problems with the paperwork involved. Some paperwork and costs associated with providing the information is a standard, customary part of doing business as an on-going concern. Having annual audits and operating budgets are necessary for the organization to comply with some State laws as well as meet RUS requirements, for example. The representatives did not offer new or creative ideas for improving the application and funding processes or the information required during the various phases.

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

Rural Development has not made any such decisions or payments.

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

No assurance of confidentiality is provided. Under the Freedom of Information Act, the public can request most data collected from respondents. The information collected under the provisions of these programs is not considered to be confidential. Organizations such as nonprofit entities and public bodies from which the information is collected ordinarily are required to make their activities available for public scrutiny.

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

The information collected does not contain any questions of a sensitive nature such as sexual behavior, religious beliefs, or other matters commonly considered private.

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

The program level authority for this program is \$893,046,411. Based on this level, the agency anticipates receiving about 852 applications and making about 730 loans/grants. Of these, the Agency expects to make approximately 600 loans to state & local governments; 100 loans to non-profit corporations; and 30 to tribal governments. See the attached spreadsheet. The collection is summarized as follows:

Regulation	Number of Respondents	Total Annual Responses	Total Manhours	Wage Class	Total Direct Costs
7 CFR 1780	852	50,678	105,821	36.49	\$3,861,408

RUS estimates the total cost for the respondents to be \$4,440,619 to comply with this regulation. The cost is based on 852 organizations filing an application of which 730 received funding. RUS used \$36.49 per hour based on 2010 wages for management occupations (NAICS 999300 Local Government, Bureau of Labor Statistic). Primary respondents for a loan and grant recipient would be a utility director earning an average of \$30 to \$35 per hour. Based on these estimates, the direct cost would be \$3,861,408 and indirect costs of 15 percent of direct costs, \$579,211 for a total cost of \$ 4,440,619 for the public cost.

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

There are no capital and start-up costs or purchase of services components involved with this collection.

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

The cost to the Federal Government is estimated as follows:

Preliminary contacts—20 hours X 852 applicants X \$51.00	= 869,040
Application review phase—160 hours X 852 applications X \$51.00	= 6,952,320
Application processing phase—90 hours X 730 applications X \$51.00	= 3,350,700
Technical documents review phase—140 hours X 730 applications X \$51.00	= 5,212,200
Loan and grant closing phase—150 hours X 730 borrowers X \$51.00	= 5,584,500
Startup and servicing activities phase—140 hours X 730 borrowers X \$51.00	= 5,212,200
Audits — 8 hours X 3,311 borrowers X \$51.00	= 1,350,888
Management reports—2 hours X 730 borrowers X 51	= 74,460

Total estimated cost to the Federal Government is: \$28,606,308

The salary of \$51.00 per hour is based on a community program specialist (GS 12, step 5) plus 25 percent for fringe benefits.

15. Explain the reasons for any program change or adjustments reported in items 13 or 14 of the OMB Form 83-I.

Since the previous collection the number of applicants and projects decreased proportionally due to a decrease in the budget and increase in the subsidy rate for this program. As a result, this collection reflects an overall decrease of -158 respondents, -255 responses and -50,208 burden hours since the last submission. For a detailed comparison of the changes, please refer to the spreadsheet entitled *0572-0121-Q. 15 Breakdown Spreadsheet*. Please note that projects funded by the American Recovery and Reinvestment Act (ARRA) are documented under a separate collection and therefore would be not included with this package.

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

RUS has no plans to publish the information collected under the provisions of this program.

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

There is no such approval requested.

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

There are no exceptions requested.

B. Collection of Information Employing Statistical Methods.

This collection does not employ statistical methods.