

SUPPORTING STATEMENT
U.S. Department of Commerce
Economic Development Administration
Revolving Loan Fund Reporting and Compliance Requirements
OMB CONTROL NO. 0610-0095

A. JUSTIFICATION

This is a revision/extension request for approval.

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

The mission of the Economic Development Administration (EDA) is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. One of EDA's seven economic development programs is the Revolving Loan Fund (RLF) program, authorized by EDA's statute, the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. § 3149). The corresponding regulations are in 13 C.F.R. part 307.

Under the RLF program, EDA may award competitive grants to units of local government, state governments, institutions of higher education, public or private non-profit organizations, District Organizations, and Indian Tribes to establish RLFs. Following grant award and fulfillment of EDA's pre-disbursement requirements, an RLF grantee may disburse grant funds to make loans at interest rates that are at or below current market rate to small businesses or to businesses that cannot otherwise borrow capital. As the loans are repaid, the grantee uses a portion of interest earned to pay for administrative expenses and adds remaining principal and interest repayments to the RLF's capital base to make new loans. A well-managed RLF actively makes loans to eligible businesses and entities, continues to revolve grant funds, and, therefore, does not have a termination date.

One of the unique features of this program is that, by law, EDA must exercise fiduciary responsibility over its RLF portfolio in perpetuity—a significant challenge given that many RLF grants date back to 1979. EDA manages its RLF portfolio by requiring grantees to submit the ED-209, *Revolving Loan Fund Semiannual Report*; and ED-209I, *RLF Income and Expense Statement*.

All RLF Recipients, including those receiving Recapitalization Grants for existing RLFs, must complete and submit the semiannual report in electronic format, unless EDA approves a paper submission. RLF Recipients must certify as part of the semi-annual report to EDA that the RLF is operating in accordance with the applicable RLF Plan. RLF Recipients also must describe any modifications to the RLF Plan to ensure effective use of the RLF as a strategic financing tool.

Further, an RLF Recipient using either fifty (50) percent or greater (or more than \$100,000) of RLF Income for administrative costs in a six-month (6) reporting period must submit a

completed Form ED-209I for that reporting period in electronic format, unless EDA approves a paper submission. Grantees not meeting this threshold are required to complete and retain the form for four years, and to provide it to EDA upon request. Currently, approximately, twenty-five percent (25%) of the 617 RLF Recipients may also be required to submit the ED-209I form.

2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.

The collection of information is necessary pursuant public law 42 U.S.C. § 3149. Specifically, the purpose of the data collection is to enable monitoring, evaluation, and use of public funds in accordance with fiduciary responsibilities outlined in public law (42 U.S.C. § 3149) and regulations outlined in (13 C.F.R. Part 307). The principal nature of the collected information is predominately financial as it relates to economic development loans made to public and non-profit organizations. The information collected enables the EDA to:

1. Manage internal financial controls of the EDA's Revolving Loan Fund (RLF) Program with assets valued over \$864,000,000;
2. Monitor loan recipient compliance with grant award terms and conditions; and,
3. Establish RLF Program Performance Metrics.

The information is used by the National RLF Administrator (located in Washington DC), six regional RLF Administrators (located in Seattle, Denver, Austin, Atlanta, Chicago, and Philadelphia); and, 617 Grant Recipient Reporting Units (located throughout the U.S.). The collected RLF loan data is used to manage compliance of RLF Recipients per legal and programmatic requirements cited in 42 U.S.C. § 3149 and 13 C.F.R. Part 307.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.

All data collection is done electronically via a certified and accredited web-based net centric enterprise resource program (ERP) titled - Revolving Loan Fund Management System (RFLMS) Version 1.3. The information is collected predominately through electronic form ED-209 and form ED-209I which is contained within the RLFMS Ver 1.3.

4. Describe efforts to identify duplication.

Information reported on the forms is not available from other Federal agencies. This was considered in EDA's most recent revision of its forms.

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

Small businesses are not eligible for RLF investment assistance.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

If RFL reporting was performed less frequently in lieu of the current requirement of every six months, the EDA program would lose industry accepted fiduciary monitoring practices, lessen EDA's resources to manage internal financial controls, lessen EDA's ability to monitor loan recipient compliance with grant award terms and conditions, and lessen capacity to monitor program performance metrics. Other consequences would include decreased program transparency and possible erosion of public trust. Finally, the EDA would not be in compliance of 42 U.S.C. § 3149. Before implementation of the RLFMS program in 2010, a March 2007, Department of Commerce (DOC) Office of Inspector General (OIG) report titled *Aggressive EDA Leadership and Oversight Needed to Correct Persistent Problems in RLF Program* (Audit Report No. OA-18200-7-0001/March 2007; see copy in ROCIS) found that EDA failed to exercise adequate oversight of this program. Specifically, the OIG found that EDA:

- Did not have an adequate tracking and oversight system.
- Failed to ensure grantees' compliance with critical financial and audit reporting requirements.
- Failed to ensure efficient capital utilization by grantees. Under EDA's regulations, if an RLF grantee fails to satisfy its capital utilization requirement as set out in its RLF Plan for two consecutive reporting periods, EDA can require the grantee to sequester "excess funds" in a separate interest-bearing account and remit the interest earned on these funds to the U.S. Treasury. (13 C.F.R. § 307.16. Under this provision, "capital utilization rate" is the amount of RLF capital as currently loaned out or committed to be loaned out as a percentage of the RLF's capital base and "excess funds" is the difference between the actual percentage of RLF capital loaned and the applicable capital utilization percentage.) EDA's failure to require sequestration of excess funds on a consistent basis resulted in lower capital utilization rates and lower remittances to the U.S. Treasury than would be commensurate with adequate oversight of the program.
- Did not use single audits as a tool for managing the RLF program. Under OMB Circular A-133, single audits are required of most RLF recipients.

Therefore, requiring RLF ED-209 reporting on a less frequent schedule, in lieu of semiannual, would be a material conflict with the intent and recommendations of the 2007 DOC OIG Report.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

Information collection is consistent with OMB guidelines.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the 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, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

The Federal Register Notice soliciting public comments was published on February 9, 2011 (Vol. 76, No. 27, pg. 7149). One comment was received.

Public Comment Summary: Comment recommends the EDA limit its RLF reporting; i.e., ED-209 Form, to once every three years instead of semi-annually. Specifically, the commenter stated,

“It is my suggestion that the RLF reporting should be limited to a period of three years because in each succeeding year, the monies lose their identity therefore the reporting becomes increasingly less relevant.”

Actions taken by Agency in Response: EDA reviewed the comment, all applicable program public laws, consulted experienced field experts, and reviewed outside agency reviews related to the program.

Consult with Persons Outside Agency: The DOC, OIG commented on the appropriateness of the semi-annual reporting requirement in its March 2007 report titled *Aggressive EDA Leadership and Oversight Needed to Correct Persistent Problems in RLF Program*. Whereas, in Section I Sub-Section (2) Paragraph (B), the OIG states; “*It is essential that RLF Operators (aka Grantees) submit these reports and do so on time so that EDA can use them to monitor grant projects and ensure that operators are managing funds in accordance with their RLF plans and the agency’s administrative requirements.*”

It is the position of the EDA that semi-annual report schedule is the most appropriate to maintain critical program oversight and fiduciary responsibility.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

No payments or gifts will be provided to respondents.

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

There is no assurance of confidentiality provided to respondents regarding information collection under form ED-209 and form ED-209I. To the extent that information provided by respondents is not exempt from disclosure under FOIA, such information is generally available to the public.

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.

No collection of information includes information of a sensitive nature.

12. Provide an estimate in hours of the burden of the collection of information.

EDA estimates **2,699** total burden hours (including four-year records retention requirement).

The total hour burden consists of:

- ED-209, two (2) hours per ED-209 times 1,234 semi- annual responses (617+617) for a total of **2,468 hours**; and
- ED-209I, 43 minutes (rounded to 45 minutes). Since approximately 25% of the 617 respondents need to file semi-annually (154+154), there will be 308 total responses at 45 minutes equals an annual total of **231 hours**.

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in Question 12 above).

Not Applicable.

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

The estimated annual cost to the Federal government with respect to these information collections is **\$116,196**, calculated as follows:

ED-209:

2 hours * 2 per year * 617 reporting units * \$45/hour = **\$111,060**.

ED-209I:

45 minutes * 2 per year * 308 reporting units * \$45/hour = **\$10,395**.

15. Explain the reasons for any program changes or adjustments.

The number of responses and burden hours decreased due to program changes involving agency improvements including 100% electronic collection, elimination of two paper forms (ED-209A and ED-209S) and combination into one electronic form, and other refinements to ease the burden of reporting. **Responses reduced from 1,752 to 1,542; and burden hours reduced from 8,468 to 2,699.**

Improvements made to lessen the paperwork burden of this data collection process since the last OMB approval include;

1. All data collected is input electronically on a web-based net centric enterprise resource program.
2. Eliminated two forms; i.e., ED-209A and ED-209S, and integrated into one electronic form ED-209.)
3. Eliminated all duplicative fields in the new electronic ED-209 Form.
4. Automated and self-populated calculable fields to the greatest extent feasible.
5. Added ability to upload data directly from commercially developed client accounting software into the web-based system, thus eliminating time-consuming and duplicative data entry.
6. Added the option to upload all ED-209 updates from client software products using a .csv file.

16. For collections whose results will be published, outline the plans for tabulation and publication.

Specific details of information collected from respondents will not be published in a non-aggregate form. However, some of the information collected may be published in aggregate form as part of EDA's annual report, Government Performance and Results Act reporting, EDA's Balanced Scorecard, progress reports to the DOC and/or its OIG, or other summary report.

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

Not Applicable.

18. Explain each exception to the certification statement.

No exceptions are requested.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This information collection does not employ statistical methods.