

2012

SUPPORTING STATEMENT

0572-0098

**7 CFR Part 1744, Subpart E, Borrower Investments
Telecommunications Loan Program**

OMB Terms of Clearance: None

RUS maintains that a 1-hour placeholder is needed because in the event a borrower requests to make a rural development investment as set forth in 7 CFR 1744, the Agency will need to be able to process the request without delay. If this collection package was not in place, the potential for delays such as waiting for 60-day notices and approval of a new package could impede assistance with rural projects in which a borrower would be investing. More important, a delay might impede the Agency oversight of a borrower making such an investment.

This is an extension of a currently approved information collection.

A. Justification

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

The Rural Utilities Service (RUS) is a credit agency of the USDA. The Rural Economic Development Act of 1990, Title XXIII of the Farm Bill, Public Law 101-624, authorized qualified RUS borrowers to make investments in rural development projects without the prior approval of the RUS Administrator, provided, however, that such investments do not cause the borrower to exceed its allowable qualified investment level as determined in accordance with the procedures set forth in 7 CFR Part 1744, Subpart E.

The intent of the Rural Economic Development Act is to encourage RUS Telecommunications borrowers to make investments in their rural communities in order to increase the quality of life in those areas. The Rural Economic Development Act prescribes certain limits on the amount each borrower is allowed to invest for the purpose of promoting rural economic development. When a borrower exceeds these limits, the security for the Government's loans could be in jeopardy. However, in the interest of encouraging rural development, RUS will consider approving such investments that exceed a borrower's qualified investment level. In order to adequately determine that the "excess" or proposed "excess" investment will not impair the borrower's ability to repay its loans or cause the borrower severe financial hardship, RUS requests that the borrower submit the following:

- (1) A description of the rural development project and the type of investment;
- (2) A reasonable estimate of the amount the borrower is committed to provide to the project including future expenditures; and
- (3) A pro forma balance sheet and cash flow statement for the period covering the borrower's future commitments.

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.

As stated in the response to Question 1, 7 CFR Part 1744, Subpart E promulgates the provisions mandated by the Rural Economic Development Act which allow borrowers to make investments in rural development projects up to a certain level without prior approval of the Administrator of RUS. All borrowers, therefore, are fully aware of the reporting requirements and additional consultations are usually not made. If a borrower's investment exceeds the qualified investment level, the borrower will be required to submit:

- (1) A description of the rural development project and the type of investment;
- (2) A reasonable estimate of the amount the borrower is committed to provide to the project including future expenditures; and
- (3) A pro forma balance sheet and cash flow statement for the period covering the borrower's future commitments.

The information will be used by RUS in considering whether or not to approve a borrower's request to make an investment in a rural development project when such an investment would cause the borrower to exceed its allowable investment level as defined in its mortgage. In making its decision, RUS will perform a financial review of the borrower's proposal and calculate the borrower's allowable investment level, as determined by the terms of the borrower's mortgage (taking into account the amount of investments allowed for rural development). During its review, the Agency considers the following factors: annual increases to a borrower's net worth and total assets; the borrower's ability to repay its outstanding indebtedness to RUS; and any potential threats to the Government's overall security for loans made to the borrower.

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.

RUS is committed to meeting the requirements of the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible. There are no preset forms in this collection. Borrowers submit the necessary information preferably with an original signature in a letter (via the mail) and any attachments that are in formats the borrowers use in their everyday business such as a **description of project & investment; Estimate of future investment; and Pro-forma balance sheet and income statement.**

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.

Each RUS borrower is required to submit a year-end financial and statistical report to the Agency (RUS Form 479, OMB approval number 0572-0031). This information provides a brief description, including dollar amounts, of a borrower's investments. This information is unique to each borrower. Generally, this specific information cannot be collected from any other source.

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.

Telecommunication borrowers are members of the “wired telecommunications carriers” (NAICS 517110) industry. The SBA size standard for this industry is 1500 employees. All telecommunications borrowers have less than 1500 employees and accordingly are considered SBA small businesses.

The data required by RUS in analyzing a borrower's proposed investments in rural development projects is the least amount required to ensure the security for the Government's loans. Similar information would be required by private lenders when analyzing a client's financial condition. All of the information RUS is requesting in order to study the borrower's proposed investment has already been prepared by the borrower in some form or another. It is therefore only a matter of submitting the information to RUS in order to request approval for that particular investment.

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.

If this information was not collected, RUS could not thoroughly assess the economic impact of such an investment. A borrower *that has made* such an investment (as opposed to a borrower *proposing to make*) is in noncompliance with the terms of its mortgage

which may result in corrective action being taken by RUS. The absence of a thorough economic assessment by RUS of a borrower's investments would impair Rural Developments' obligation under the RE Act to ensure that security for the Government's loans is reasonably adequate.

The submission of information is only necessary when a borrower is seeking approval for an investment which would cause it to exceed the allowable investment level defined in its mortgage; therefore, the information could not be submitted less frequently.

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.

There is no requirement to respond more than quarterly.

- b. Requiring written responses in less than 30 days.

There is no requirement for a response 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 are in accordance with 7 CFR 1770, and normally required retention does not exceed 3 years.

- 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 for submission of 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 1320.8(d), a Notice to request comments was published on March 27, 2012 at 77 FR 18203. No public comments were received.

RUS maintains close contact with borrowers through its General Field Representatives (GFRs), field accountants, and headquarters staff. GFRs have direct personal contact with the borrowers in connection with the fulfillment of RUS requirements. GFRs pass on any substantive comments to the national office staff. Rural Development also conducts seminars for borrowers. Suggestions and comments are always considered by the Agency.

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

There has been no decision 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.

All information collected relating to borrower investments is available under the Freedom of Information Act and is not confidential.

However, RUS has written to all Telecommunications borrowers stating that “the Agency will attempt to withhold such information determined by the borrower to be information that, if released, would cause substantial competitive harm.”

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.

This collection does not contain any questions of a sensitive nature.

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

RUS is using a 1 hour place holder because no borrowers have been identified since the last collection as exceeding the allowable qualified investment level as determined in accordance with the procedures set forth in 7 CFR Part 1744, Subpart E. .

The estimate of burden hours is as follows (also see attached spreadsheet):

Regulation	Number of Respondents	Total Annual Responses	Hours Per Response	Total Hours
7 CFR 1744-E	1	1	9.5	10

* For calculation purposes, the "Hours Per Response" has been rounded up to 10.

Costs to respondents are estimated as follows:

Data collection,

Transcription and

review: @ \$30.94/hr X 8.0 hrs X 1 responses = \$246

Typing: @ \$20.44/hr X 1.5 hrs X 1 responses = \$ 31

Total costs to respondents = \$277

Respondents preparing data would be staff at a Rural Telecommunications Cooperative or Telecommunication company. The 'Cost to the public' wage figures used are from the "May 2011 Occupational Employment and Wage Estimates" at http://www.bls.gov/oes/oes_dl.htm. National 4-digit NAICS Industry-Specific estimates are used. The table (spreadsheet) is nat4d_M2011_dl.xls from the zip file oesm11in4.zip. The industry used is Wired Telecommunications Carriers (517100). For 'Data collection, Transcription and review' time an hourly wage of \$30.94 for 'Financial Specialists, All Other (11-9199)' is used. For 'Clerical' time an hourly wage of \$20.44 for 'Office and Administrative Support Workers, All Other (43-9799)' is used.

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 costs associated with this collection.

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

Cost to the Federal Government is estimated as follows:

Data processing @ \$20.16/hr X .5 hrs X 1 responses =	\$ 10
Analysis @ \$48.35/hr X 1.5 hrs X 1 responses =	\$ 73
Review and Approval @\$57.13/hr X.5 hrs X 1 responses =	\$ 29

Total cost to the Government	\$112
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The costs used are based on a operations chief at \$57.13 per hour (GS 14, step 5), a senior loan analyst at \$48.35 per hour (GS 13, step 5) and a clerical at \$20.16 per hour (GS 6, step 5).

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

Since the last submission 3 years ago, the Agency had no borrowers, nor does it see any borrowers in the foreseeable future, exceeding the allowable qualified investment level as determined in accordance with the procedures set forth in 7 CFR Part 1744, subpart E . It is this reason we will show a decrease from 2 respondents and responses to only 1 respondent and 1 response for a 1 hour placeholder.

It is very important for RUS to retain the 1 hour placeholder despite the fact that no RUS borrowers have used the process covered by this paperwork burden in the last six years. The events that have occurred in recent years in the communications business and the pressures that continue to affect both the communications and computing businesses create a business climate that adds both risk and opportunity to RUS borrowers.

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.

No such approval is sought.

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 does not employ statistical methods.