

**2013 - SUPPORTING STATEMENT
0572-0146**

Special Evaluation Assistance for Rural Communities and Households Program

A. JUSTIFICATION

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

The Food, Conservation and Energy Act of 2008, Public Law 110-234 (Farm Bill) amended Section 306(a)(2) of the Consolidated Farm and Rural Development Act (CONACT) (7 U.S.C. 1926 (a)(2)). The amendment created a grant program to make Special Evaluation Assistance for Rural Communities and Households (SEARCH) Program grants.

Under the SEARCH program, the Secretary may make predevelopment and planning grants to public or quasi-public agencies, organizations operated on a not-for-profit basis or Indian tribes on Federal and State reservations and other federally recognized Indian tribes. The grant recipients use the grant funds for feasibility studies, design assistance, and technical assistance for direct loans, grants and guaranteed loans, to financially distressed communities in rural areas with populations of 2,500 or fewer inhabitants for water and waste disposal projects as authorized in Sections 306(a)(1), 306(a)(2) and 306(a)(24) of the CONACT. Eligible entities for the SEARCH grants are the same entities eligible to obtain a loan, grant, or loan guarantee from the Rural Utilities Service Water and Waste Disposal and Wastewater loan and grant programs. However, as applied to the SEARCH program, rural area has been defined as one with a population of 2,500 or less.

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.

Nonprofit organizations applying for SEARCH grants must submit an application which includes an application form, various other forms, certifications, and supplemental information. RUS will use the information collected from applicants, borrowers, and consultants to determine applicant eligibility, project feasibility, and the applicant's ability to meet the grant and regulatory requirements.

Failure to collect proper information could result in improper determinations of eligibility, improper use of funds, or hindrances in making grants authorized by the SEARCH program.

The following information/forms are collected and accounted for under this collection package:

AD-1047 - 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 for SEARCH grants are required to provide certification under these regulations. Form AD-1047 may also be used to obtain the required certification.

AD 1048, “Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Transaction.”

Form AD-1048 will be signed by applicant’s suppliers, auditors, contractors, etc., and retained by applicant in their files.

AD-1049 -Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - for Grantees Other Than Individuals.

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

Project Narrative

Applicants will provide a project narrative detailing the project to be financed with the SEARCH grant funds. The narrative will also provide details on the activities or tasks to be accomplished, objectives, timetables for task completion, and anticipated results.

Relationship or Association With RUS Employees

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

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.

Certifications for Contracts, Grants, and Loans (Regarding Lobbying):

Applicants must identify and report any known lobbying activity.

Certification regarding prohibited tying arrangements.

Applicants that provide electric service must provide the Agency a certification that they will not require users of a water or waste facility financed under this part to accept electric service as a condition of receiving assistance.

Narrative - Agreement for Engineering Services 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 RUS concurrence. Applicants must submit a narrative of the services to RUS for review and concurrence to ensure the needed services will be available at a reasonable cost.

Grant Agreement

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

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 \$500,000 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 \$500,000 in Federal awards and have an outstanding RUS 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 \$500,000 in Federal assistance and having a RUS loan balance less than \$1,000,000 may submit a management report instead of an audit report. RUS 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.

The following information/forms are collected and accounted for under other collection packages:

SF- 424, “Application for Federal Assistance.” (cleared under 4040-0004)

Applicants use this form as a required cover sheet for applications submitted for SEARCH grants. The application is an official form required for all Federal grants and requests basic information about the applicant and the proposed project.

SF-424A, “Budget Information--Non-Construction Programs.” (cleared under 4040-0006)

Applicants project costs and expenses for the grant project. The form also provides information on matching funds. This form is submitted as part of the pre-application and if the project is selected, as part of the formal application.

SF-424B, “Assurances--Non-construction Programs.”(cleared under 4040-0007)

Applicants read and sign this form to indicate the organization’s intent to comply with the laws, regulations, and policies to which a grant is subject

RD 400-1, “Equal Opportunity Agreement” and RD 400-4, “Assurance Agreement.”(cleared under 0575-0018)

Applicants read and sign these forms to assure RUS that they agree to and will comply with Title VI of the Civil Rights Act of 1964, and the Equal Opportunity Clause under Executive Order 11246 of September 24, 1965.

Form RD 1942-8, “Resolution of Members or Stockholders” (cleared under 0575-0015)

Nonprofit applicants prepare this form to indicate that the governing body has the authority to enter into a grant of a particular amount with RUS.

Form RD 442-7, “Operating Budget” (cleared under 0575-0015)

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.

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.

The Rural Utilities Service 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. The forms for this program are available as electronic forms on the Service Center eForms site (<http://forms.sc.egov.usda.gov/eforms/mainservlet>). In addition, applicants may apply through www.grants.gov.

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.

Information to be collected is in a format designed to minimize the paperwork burden on small businesses and other small entities. The information collected is the minimum needed by the Agency to approve loans and monitor borrower performance. Approximately 47 of the 50 respondents are considered small businesses according to the U. S. Small Business Administration Table of Small Business Size Standards under the categories of Water Supply Systems (221310) and Sewage Treatment Facilities (2213200).

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 to 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 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 RUS information as soon as possible. RUS cannot provide the borrower program benefits until it receives documentation to support the borrower's request.

- b. Requiring more than an original and two copies. There are no specific requirements.
- c. Requiring respondents to retain records for more than 3 years. There are no such requirements.
- d. Not utilizing statistical sampling. There are no such requirements.
- e. Requiring use of statistical sampling which has not been reviewed and approved by OMB. There are no such requirements.
- f. Requiring a pledge of confidentiality. There are no such requirements.
- g. 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 1320.9(d), a sixty (60) day Notice to request public comments was published in the *Federal Register* on April 24, 2013, at 78 FR 24156. No comments were received.

In July 2013, RUS contacted the following individuals outside the Agency to obtain their views on the paperwork burden imposed by this regulation:

City of Wallace, Wallace, Idaho, Joanne Mccoy-Jaggard, City Clerk Treasurer. Telephone: (208) 752-1147. Ms. Mccoy-Jaggard described the process as fairly easy. She did not site any specific problems with the paperwork involved. She voiced that the people she had to work with were great. She did have issues with the SAM Program but stated this was more user error as she had not kept the DUNS number updated.

Town of Colrain, Colrain, Massachusetts, Kevin Fox, Town Coordinator. Telephone: (413) 624-6306. Mr. Fox stated that the process to apply was straightforward. However, he did state that the process should not be a one size fit all process and felt some of the questions did not apply to very small communities. He also felt that the closing process was cumbersome.

City of Memphis, Memphis, Missouri, Stacy Alexander, Superintendent of the Water and Waste Water Department. Telephone: (660) 465-2013. Mr. Alexander felt that the process to apply was easy and that he did not feel any of the information requested was burdensome.

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

RUS 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.

See the attached spreadsheet for breakout. The collection is summarized as follows:

Number of Respondents	Total Annual Responses	Total Annual Hours
16	192	488

Director preparation time

16 responses @ \$48.20/hr x 378 hrs x 29.4% benefits (\$5,357).....\$ 23,576

Clerical time

16 responses @ \$17.37/hr. x 110 hrs x 29.4% benefits (\$562) \$ 2,473

Total \$ 26,049

RUS estimates a cost of \$26,049 for respondents to comply with this regulation. The cost is based on 16 organizations filing an application and 16 of them receiving a grant. RUS used a labor rate of \$48.20 per hour based on information from similar programs. Primary individuals for a grant respondent would normally be a director and a clerical staff member earning \$17.37 per hour plus 29.4% in benefits. Benefits as a percentage of total compensation for Private trade, transportation, and utilities industry workers were

29.4% of total hourly compensation. See, <http://www.bls.gov/ncs/ect/sp/ecsuphst.pdf>, Page 91. The Department of Labor, Bureau of Labor Statistics, Standard Occupational Classification wage rates were considered in the cost estimates. ¹

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:²

Preliminary contacts		
5 hours X 16 applicants X \$40.66 X 36.25% benefit (\$310)		= \$ 1,163
Application review phase		
5 hours X 16 applications X \$40.66 X 36.25% benefit (\$310)34.00		= \$ 1,163
Application processing phase		
5 hours X 16 applications X \$40.66 X 36.25% benefit (\$310)34.00		= \$ 1,163
Grant closing phase		
5 hours X 16 grantees X 40.66 X 36.25% benefit (\$310)34.00		= \$ 1,163
Audits and management reports		
5 hours X 16 grantees X \$40.66 X 36.25% benefit (\$310)34.00		= \$ 1,163
<u>Total estimated cost to the Federal Government is:</u>		<u>\$5,815</u>

The salary of \$44.66 per hour is based on a loan analyst (GS 12, step 5).

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

¹Historical data provided by the Bureau of Labor Statistics, Employer Cost for Employee Compensation Supplemental Tables Historical Data December 2006 – September 2012 is utilized to calculate the total cost of benefits.

² Cost of total benefits as a percentage of total hourly compensation for Federal Government employees has been calculated by multiplying 36.25% by the hourly OPM wage in accordance with OMB Memorandum M-08 13.

The first SEARCH grant was awarded in FY 2012. The initial estimate for the number of SEARH grant respondents in the previous submission was 50. The number of actual SEARCH respondents for this submission is 16, a decrease of 34 respondents.

Removal of Form SF-269a which is obsolete and SF-270 that was inadvertently included in the last submission resulted in a program decrease of 80 responses and 100 burden hours. The decrease in respondents resulted in an adjustment decrease of 268 responses and 562 burden hours for a net decrease of 348 responses and 662 burden hours for this submission.

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.

No such approval is requested.

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

There are no exceptions requested.

19. Collection of Information Employing Statistical Methods.

This collection does not employ statistical methods.