

**SUPPORTING STATEMENT  
2014  
OMB Control No. 0572-0121**

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

**A. Justification**

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

The Rural Utilities Service (RUS), an agency of the Rural Development, 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. The agency uses information submitted by entities applying for loans or grants to determine eligibility and evaluate project feasibility.

**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.**

Rural Development state and field offices collect the information from applicants, borrowers, and consultants. They use the information to determine applicant eligibility and project feasibility. They 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 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 OF THIS COLLECTION—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 also a method of encumbering sources of assured income and is necessary to protect the security 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 Federal Government's security 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. 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 RUS a copy of the published notice and minutes of the public meeting, which serve as documentation of the 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 with and whether or not the project conflicts 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. The information in the PER 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 (TIN). RUS uses the TIN 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 7 CFR 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 contracts or forms of agreement for review and concurrence to ensure the needed services are 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 concerning 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. RUS may require an independent appraisal in some instances to determine the present market value of the property.

### **User Connections**

When RUS 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 user's property. The right may be obtained through formal easements or user agreements. This requirement assures that the facilities financed with RUS 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 RUS 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 the Federal Government 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. 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 that 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 the Federal government.

### **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 their application is submitted to RUS, they must also provide 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. The 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 verify 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. The 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)" (Common Form approved under 4040-0004)**

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

**Form RD 442-7, "Operating Budget"**

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. The 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. The 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 RD 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, to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes. RUS has been examining ways for applicants to file electronically and the agency is in the process of developing an online application system for requests for financial assistance. It is anticipated that the first version of this online system will be operational in March 2015.

The application process requires three types of forms—with the prefixes RD, AD, and SF—as well as supporting documents and certifications. Forms are available electronically in fillable printable format and applicants may submit completed forms electronically as an email attachment. The forms are available through the Rural Development website or the USDA Service Center eforms locator link at <http://www.rurdev.usda.gov/rd/formlocator.html>. The following websites contain links to RD, AD, and SF forms, which are used Government-wide:

1. <http://www.rurdev.usda.gov/FormsAndPublications.html>
2. <http://www.ocio.usda.gov/policy-directives-records-forms/forms-management/approved-computer-generated-forms>
3. <http://www.gsa.gov/portal/forms/type/SF>

In addition to forms, applications 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 may be submitted electronically, if possible. The documents cannot always be submitted electronically with the required forms because of the electronic size of some of the drawings, charts, graphs, and sometimes maps and due to differing computer capabilities.

RUS and Rural Development State offices recommend parties interested in applying for this program notify the agency prior to completing an application package. A Rural Development representative will meet with interested parties, explain the application process and helps

applicants complete 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 in a fillable printable form. RUS encourages electronic submission of completed forms and supporting documentation, if feasible, or documents may be 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 makes 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 (862 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. All of the forms are available electronically and RUS does not prohibit transmission of the information electronically. The information to be collected is unique to each loan or grant and is the minimum RUS needs to approve loans and grants, monitor borrower performance, and carry out the authorized programs.

**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. Information is collected when an application for a loan or grant is submitted or at other times when necessary 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.
- c. Requiring more than an original and two copies.
- d. Requiring respondents to retain records for more than 3 years.
- e. Not utilizing statistical sampling.
- f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.
- g. Requiring a pledge of confidentiality.
- h. Requiring submission of proprietary trade secrets.

Other than the reporting requirements for the Daily Inspection Report, noted in 7.a, there are no special circumstances. The collection of information is consistent with the guidelines in 5 CFR 1320.6.

**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 in the Federal Register on July 14, 2014, at 79 FR 40707. 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. RUS contacted the following individuals on September 12, 2014, to obtain their views on the availability of data, clarity of instruction, and the frequency of collection and other concerns or comments:

**1. Davis County Rural Water System**

Ms. Diana Sipes  
 1082 North 350 East  
 Washington, IN 47501  
 Tel: (812) 254-4526

**2. Wahneta Water System, Inc.**

Ms. Lois Whittington  
 106 8<sup>th</sup> Wahneta Street East  
 Winter Haven, FL 33880  
 Tel: (863) 324-5389

**3. Valley Public Service Authority**

Mr. Bill Dunn (Engineer)  
PO Box 340  
Gloverville, SC 29828  
Tel: (864) 222-0339

The individuals interviewed were advised that their participation in the telephone interview was voluntary and their originations represented the typical small systems receiving loans and grants under the Water and Waste Loan and Grant Program. The three representatives of the water systems interviewed stated the volume of the paperwork required during the application process was time consuming and sometimes required additional assistance. The check-list requires quite a few documents that must be submitted along with the application and compiling the required documentation can be demanding. Some systems work as teams, having their consulting engineers assist them to complete the forms and documents. The individuals consulted stated the team approach works well because the USDA/Rural Development staff is very helpful and responsive to all requests for information.

The individuals consulted generally acknowledged that the paperwork involved was necessary and the data needed is easily available, for the most part, because it is prepared as a standard part of maintaining business. One of the representatives raised one point of concern about the pre-application package and the actual application, noting that some of the questions or information requested were the same or similar. The representative thought this area of the process was duplicative but stated that the Rural Development staff is available for guidance. The cost associated with the preparation of an application package was mentioned by one representative, who noted cost could be a burden for small communities who might need to have financial assistance or obtain services of a consulting engineer. The representatives did not have specific ideas or suggestions for improving the application and funding process and were pleased with the level of service and assistance they receive from Rural Development.

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

There is no payment or gift to respondents.

**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. Information submitted to the agency by applicants and/or borrowers is covered by the provisions of the Freedom of Information Act (5 U.S.C. 552).

**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 questions of a sensitive nature.

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

RUS and Rural Development State offices recommend parties interested in applying for this program notify the agency prior to completing an application and a Rural Development

representative will meet with interested parties, explain the application process and help applicants complete forms through an electronic system called Community Program Application Package (CPAP). As indicated in response to Question 3, above, CPAP allows all of the forms associated with this collection to be completed electronically. In order to obtain an estimate for this information collection, data was collected from the CPAP system regarding the numbers of respondents and the type of loan and/or grant application they submitted and the information was averaged for the previous three year period. The estimate for the hour burden of this collection is 107,003. There were a total of 51,182 responses and the average time per response is 2.09 hours. A breakdown of line item differences is attached to this supporting statement to illustrate breakdown of the burden hours for each program and show the increase of 1,182 hours that resulted from Agency adjustment due to an increase in grant applications and awards under the Emergency Community Water Assistance Grant program (ECWAG) under 7 CFR 1778. The RUS Form 36 spreadsheet included in the information collection package provides the burden for the individual forms that are accounted for in this burden package.

**Estimate for annualized costs to respondents for the hour burden for collections of information, identifying and using appropriate wage rate categories.**

RUS estimates a cost of \$3,537,310 for respondents to comply with the regulation. The cost is based on 862 organizations filing applications of which 750 received funding. Of these, RUS expects to make approximately 615 loans to state and local governments, 98 loans to non-profit corporations, and 37 to tribal governments. In calculating the respondent cost, RUS estimates that 25 percent of respondent time is professional time and 75 percent of respondent time is clerical/administrative. The primary professional respondent would be a Utility Director and RUS based this hourly wage estimate of \$42.23 on the Bureau of Labor Statistics (BLS) 2013 National Industry-Specific Occupational Employment and Wage Estimates at <http://www.bls.gov/oes/current/oesrci.htm>, Sector 99-Federal, State, and Local Government, Occupational Code 11-1000. The cost of benefits of \$15.03, or 35.6 percent, is added to hourly compensation based upon information concerning the cost of benefits published by the BLS at <http://www.bls.gov/news.release/ecec.nr0.htm>. The total hourly compensation for the professional is estimated to be \$57.26 per hour. The hourly wage of \$18.46 for the clerical/administrative is selected from BLS Sector 99-Federal, State, and Local Government, Occupational Code 43-4199 (Information and Record Clerks). The cost of benefits \$6.57 is added to the \$18.46 median hourly wage for total hourly cost of \$25.03.

The estimate of annualized cost is summarized as follows:

51,182 responses @ \$57.26 per hour X .5207 hours per response = \$1,526,006  
 51,182 responses @ \$25.03 per hour X 1.57 hours per response = \$2,011,304  
 Total \$3,537,310

Total cost for respondents	\$3,537,310
Estimated cost per respondent	\$4,104

**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.**

Actions by the agency are necessary to administer the Water and Waste loan and grant programs. In determining qualification for applicants and feasibility for proposed projects, RUS employees analyze business and financial information submitted by the applicant. Agency employees are required to review written information from the borrowers relating to public notice, the borrowers' availability to obtain credit elsewhere, the borrowers real and chattel property upon which a lien encumbrance will be taken to protect the interest of the Government. RUS staff must review intergovernmental comments submitted by the applicant from their state or regional clearinghouse addressing whether the proposed project is consistent with plans, goals, or objectives of the State in which the proposed project is to be located.

Agency staff reviews preliminary engineering reports submitted by applicants to consider areas to be served by the proposed project, area need for the project, project cost estimated and estimated annual operating expenses to assure project feasibility. RUS staff also reviews supporting documentation from the borrower documenting the organization's legal organization and authority to borrow funds, construct, operate, and manage facilities. RUS staff reviews financial information such as statements, audits, or existing debt instruments to determine the organizations financial capacity to borrow funds.

Contracts between the borrower and providers of services such as management, operation, and maintenance must be presented to RUS for review and concurrence. RUS staff also reviews required evidence that applicants are providing a positive program to encourage connection and utilization by all users as soon as service is available.

For loans that exceed \$500,000, RUS provides guidance to borrowers concerning interim financing which the borrower may obtain from commercial sources for the construction period. Agency staff process applications, including construction bids to the stage where the loan would be closed immediately before start of construction. Before the loans are closed in these cases, RUS staff reviews the applicants' statements from the contractor, engineer, architect, and attorney that they have been paid to date under their contracts. The statements are required in order to protect the U.S. Government from mechanics liens and to ensure funds are applied for authorized purposes

RUS staff must review statements of borrowers' insurance, including fidelity or employee dishonesty bonds, general liability insurance, flood insurance and workman's compensation insurance. RUS reviews appraisal reports from the borrowers to determine fair and present market value of property rights acquired. RUS also reviews statements from the borrower relating to water rights owned or to be acquired and any of the borrowers' contracts and/or stock certificates.

RUS is required to review and approve written agreements or contracts with property owners when the applicants do not own the right to use or control real property but in cases when the right is essential to the successful operation of the property during the life of the RD loan. The written agreement is needed to protect the Government's security interest during the life of the loan and to assure that the facility can provide the intended service.

RUS must review financial audit statements submitted, usually annually, by the borrower in accordance with Generally Accepted Government Auditing Standards (GAGAS). Borrowers are required to furnish management reports to evaluate previously executed decisions and to serve as a basis for planning future operations and strategies. For any construction project financed with a RUS loan or grant, RUS must review and concur in any construction contracts between the borrower and contracts. The borrower’s attorney gives legal certification regarding the adequacy of contract documents and certifies that they are adequate and properly authorized. A copy of the certification is provided to RUS. In addition to RUS review of borrower’s construction contracts, applicants planning to contract with third parties to treat and supply bulk water must submit the contract for RUS review and concurrence. If contracts have been made with program applicants prior to award, then they must submit documentation to RUS so that can be sure the applicant has not circumvented regulations. Borrowers are required to maintain a contract administration system to monitor the contractors’ performance and must provide reports to RUS, explaining events that might affect the progress of project construction.

RUS staff must review the resume and qualifications of any resident inspector for a borrower’s construction project and may require that Inspection Reports and/or copies of inspection logs be submitted throughout the duration of the construction.

The calculation of costs to the Federal government are based on the salary of a community program specialist who is GS 12, Step 5-\$4107 performing the review and servicing. Benefits of \$14.89 are added and the total hourly wage plus benefit is \$55.96 per hour.<sup>1</sup> Cost to the Federal Government is estimated as follows:

Preliminary contacts—20 hours X 862 applicants X \$55.96	= 964,750
Application review phase—160 hours X 862 applications X \$55.96	= 7,718,003
Application processing phase—90 hours X 750 applications X \$55.96	= 3,777,300
Technical documents review phase—140 hours X 750 applications X \$55.96	= 5,875,800
Loan and grant closing phase—150 hours X 750 borrowers X \$55.96	= 6,295,500
Startup and servicing activities phase—140 hours X 750 borrowers X \$55.96	= 5,875,800
Audits and — 8 hours X 3,311 borrowers X \$55.96	= 1,482,268
Management reports—2 hours X 750 borrowers X \$55.96	= 83,940
Total estimated cost to the Federal Government:	\$32,073,361

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

The total burden hours for this collection is 107,003, an increase of 1,182 from the previous information collection package estimate (which was 105,821 burden hours). The increase is an agency adjustment due to an increase in the number of applicants who submitted applications during the past reporting period and then received grants under the Emergency Community Water Assistance Grants (ECWAG), 7 CFR 1778, program. The number of applicants increased from 4 to 14 and all of the 14 ECWAG applicants were awarded grants.

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<sup>1</sup> Cost of total benefits as a percentage of total compensation for Federal Government has been calculated by multiplying 36.25% by the annual OPM wage and adding that amount in accordance with OMB Memorandum M-08 13.

Even though the burden hours increased, overall respondent cost decreased from the last collection from \$4,440,619 to \$3,537,310, as illustrated in response to Question 12. The decrease in cost is due to an adjustment by agency to divide the burden hours between Professional and Administrative/clerical wage categories where previously respondent cost was based on only the professional wage category.

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

There are no plans for publication of information collected.

**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 to the certification statement involved with this collection request.

**B. Collection of Information Employing Statistical Methods.**

This collection does not employ statistical methods.