# **2016**

# **SUPPORTING STATEMENT**

**0572-0088**

**7 CFR Part 1786, Prepayment of Rural Utilities Service Guaranteed**

**and Insured Loans to Electric and Telephone Borrowers**

A. JUSTIFICATION

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

This package is being submitted under a regular clearance as an extension of a currently approved collection. There was a program adjustment to account for an increase in the estimated number of respondents from 1 to 38 resulting in an increase in burden hours from 2 to 76. All of the respondents were Rural Utilities Service (RUS) electric program borrowers applying for discounted prepayments on RUS electric Loans under 7 CFR 1786, subpart F.

The Rural Electrification (RE) Act of 1936, as amended, authorizes and empowers the Administrator of RUS to make loans in the States and Territories of the United States for rural electrification and furnishing and improving electric and telephone service in rural areas and to assist electric borrowers to implement demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems. The RE Act also authorizes and empowers the Administrator of RUS to provide financial assistance to borrowers for purposes provided in the RE Act by guaranteeing loans made by the National Rural Utilities Cooperative Finance Corporation, the Federal Financing Bank (FFB), and other lending agencies.

This information collection package contains the paperwork and reporting burden for 7 CFR Part 1786, subpart E, “Discounted Prepayments on RUS Notes in the Event of a Merger of Certain RUS Electric Borrowers,” subpart F, “Discounted Prepayments on RUS Electric Loans,” and subpart G, “Refinancing and Prepayment of RUS Guaranteed FFB Loans Pursuant to Section 306(C) of the RE Act.” 7 CFR 1786, subparts E and F are authorized by Section 306(B) of the RE Act of 1936, as amended, and subpart G is authorized by Section 306(C) of the RE Act of 1936, as amended.

The overall goal of Subparts E and F is to allow Agency borrowers to prepay their RUS loan and the overall goal of Subpart G is to refinance. Subpart E allows certain electric borrowers to prepay outstanding RUS Notes at the Discounted Present Value of the RUS Notes with private financing. Subpart F allows borrowers to prepay, with private financing or internally generated funds, outstanding RUS Notes evidencing electric loans at the Discounted Present Value of the RUS Note. Subpart G allows the borrower of an electric or telephone loan made by the FFB and guaranteed by RUS to prepay and refinance a loan or an advance on the loan, or any portion of the loan or advance, after meeting certain conditions using the procedures prescribed in the borrower’s note.

**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.**

The documentation required by the regulations in this collection is collected from RUS’ electric and telecommunications program borrowers. The purpose of the information collected is to provide borrowers an opportunity to request prepayment of their notes and to allow RUS to determine that the borrower is qualified to prepay under the authorizing statutes.

The specific reporting burden to be cleared with this information collection package is as follows:

Subpart E, “Discounted Prepayments on RUS Notes in the Event of a Merger of Certain RUS Electric Borrowers.”

Applicants for prepayments of RUS Notes are required to submit the following to the appropriate RUS Regional or Power Supply Director, as appropriate, in order that RUS may determine eligibility and prepare the prepayment agreement. Completion time for this action has been included with each type of prepayment agreement.

1. A board resolution that requests approval of the prepayment of the borrower’s outstanding RUS Notes, states the intent of the borrower to comply with all eligibility criteria as set forth in §1786.99, and identifies the source of financing;
2. A list of all RUS Notes together with the outstanding amount on such Notes;
3. An opinion of counsel as to the effective date of the merger or consolidation; and
4. Such additional information as the Administrator may request. Additional information could possibly include the Administrator requiring that if the borrower is a party to a wholesale power contract with a power supply borrower financed pursuant to the RE Act, the borrower and the power supply borrower enter into a supplement to the outstanding wholesale power contract.

Subpart F, “Discounted Prepayments on RUS Electric Loans.”

Any borrower seeking to prepay Qualified Notes under this subpart should apply to the appropriate RUS Regional Director or the Director of the Power Supply Division. Completion time for this action has been included with each type of prepayment agreement. The application shall provide the following:

1. The borrower’s RUS designation;
2. The borrower’s name and address;
3. A certified copy of a resolution of the board of directors of the borrower indicating that the borrower wishes to enter into a prepayment agreement providing for the prepayment of all or a portion of its Qualified Notes;
4. A listing of each Qualified Note to be prepaid by loan designation, RUS account number, advance date, maturity date, original amount, and outstanding principal balance;
5. Evidence that the borrower has the ability to obtain the financing necessary to prepay its Qualified Notes and identification of the source of financing, and the need, if any, of obtaining a lien accommodation from RUS; and
6. Such additional information as the Administrator may request. Additional information could possibly include the Administrator requiring that if the borrower is a party to a wholesale power contract with a power supply borrower financed pursuant to the RE Act, the borrower and the power supply borrower enter into a supplement to the outstanding wholesale power contract.

Subpart G, “Refinancing and Prepayment of RUS Guaranteed FFB Loans Pursuant to Section 306(C) of the RE Act.”

Any borrower seeking to prepay and refinance an advance from the FFB under this subpart should apply by letter to the appropriate RUS electric or telecommunications program director, as appropriate. Completion time for this action has been included with each type of prepayment agreement.

The application letter shall provide the following:

1. The borrower’s RUS designation;
2. The borrower’s name and address;
3. A listing of each Note to be incorporated into a Refinancing Note by loan designation, RUS Note number, RUS account number, advance date, maturity date, original amount, outstanding balance, and date(s) of any substitute FFB Note(s) amending the original FFB Note;
4. A statement of the borrower’s intention to finance the premium by an addition to principal balance or to pay the premium in cash or with unsecured debt; and
5. A statement of the maturity options that the borrower wishes to select.

**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.**

Rural Development 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 and borrowers are not precluded from submitting the necessary information in electronic format. Borrowers can also submit the necessary information in a letter and any attachments are in formats the borrowers use in their everyday business.

**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.**

The documentation required is associated with particular requests and pertains to specific borrower loans. Some of the information necessary to process these applications may be on file with the agency but only the borrower can identify exactly which loan or note is to be prepaid, or in the case of Subpart G, being refinanced, and the amount that it desires to prepay. The information requested is borrower and transaction specific and is not available from any other source.

**5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-I), describe any methods used to minimize burden.**

All of the telephone borrowers and ninety percent of RUS electric program borrowers meet the Small Business Administration criteria for a small business. RUS has made every effort to ensure that the burden on the small entities is the minimum necessary to effectively administer the agency programs.

 **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.**

The collection of this information occurs only at the time that borrowers submit the prepayment request. The collection of this information is necessary in order for the agency to determine which loan or advance is being prepaid, or in the case of Subpart G, being refinanced, and to ensure that loan security and RE Act purposes are accomplished.

**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 are no requirements for respondents to report more than quarterly.

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

 There are no requirements for written responses in less than 30 days.

 **c. Requiring more than an original and two copies.**

 There are no requirements for more than an original and two copies.

 **d. Requiring respondents to retain records for more than 3 years.**

 There are no requirements for respondents to retain records for more than 3 years.

 **e. In connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.**

 This collection is not a survey.

 **f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.**

 This collection does not employ statistical sampling.

 **g. Requiring a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.**

 No pledge of confidentiality is required.

 **h. Requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information’s confidentiality to the extent permitted by law.**

 There is no requirement for submission of 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.**

Rural Utilities Service published a notice for comments in the Federal Register on October 29, 2015 at 80 FR 66488. No public comments were received.

RUS maintains close contact with borrowers through RUS’ general field representatives (GFR), field accountants, and a headquarters’ staff. GFRs have direct personal contact with the borrower in connection with the fulfillment of RUS requirements. GFRs pass on any substantive comments to the headquarters staff. Borrowers may consult with RUS’ GFRs, field accountants, and the headquarters’ staff at any time regarding comments or suggestions on procedures, forms, regulations, etc. Consultations take place on an individual basis, by telephone, e-mail, regular mail, fax, and at various meetings and conferences attended jointly by RUS staff and borrowers. RUS staff is readily available to the Agency’s customers. RUS also works closely with lending institutions such as the National Rural Utilities Cooperative Finance Corporation and CoBank, a nation-wide network of lending institutions and part of the Farm Credit System, which provides supplemental loan funds to borrowers.

The Agency works cooperatively with national and/or statewide associations representing RUS’ electric and telecommunications program borrowers such as: National Rural Electric Cooperative Association; National Rural Telecom Association; National Telephone Cooperative Association, United States Telecom Association; Western Telecommunications Alliance; Organization for the Promotion and Advancement of Small Telecommunications Companies; National Association of Development Organizations; Rural Community Assistance Program; and American Public Power Association, among others. In addition, RUS works closely with various Federal agencies including the National Association of Regulatory Utility Commissions, Federal Energy Regulatory Commission, Department of Energy, U.S. Department of Environmental Protection, Federal Communications Commission, Department of Justice, Treasury Department, and others as appropriate.

Suggestions and comments are always considered by the Agency and RUS remains committed to pursuing further reductions in both the burdens placed upon our borrowers/customers and the total volume of regulations imposed. RUS also maintains a website containing general information about the agency, specific information about the three major programs (electric, telecommunications, and water and waste) administered by the Agency; a directory of various program staff.

The agency contacted the following three respondents to discuss the information collection:

Judy E. Barten

DS&O Electric Cooperative, Inc.

P.O. Box 286

Solomon, KS 67480-0286

Tel: (785) 655-5209

Ms. Barten advised that the process for approval for prepayment is clearly defined and that the material requested is either readily available or is contained in the attorney’s opinion or the Board resolution. The process is not overly burdensome.

Teresa Miller

Ninnescah Rural Electric Cooperative Assn., Inc.

P.O. Box 967

Pratt, KS 67124-0967

Tel: (620) 672-5538

Respondent expressed appreciation for guidance received from the General Field Representative and for assistance when a question arose.

Michelle Canada

Arkansas Valley Electric Cooperative Corp.

P.O. Box 47

Ozark, AR 72949-0047

Tel: (479) 667-9458

Respondent stated that the instructions were fairly straightforward and necessary information was available or obtainable as soon as the Board of Directors passed a resolution in the next meeting.

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

Payments or gifts are not provided to respondents.

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

No assurances of confidentiality have been provided to respondents.

**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 questions of a sensitive nature.

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

There was a program adjustment to account for an increase in the estimated number of respondents from 1 to 38 resulting in an increase in burden hours from 2 to 76. All of the respondents were Rural Utilities Service (RUS) electric program borrowers applying for discounted prepayments on RUS electric Loans under 7 CFR 1786, subpart F.

The estimate was calculated by reviewing previous applications for prepayment or refinance over the last three year period. Over the last three years the Agency received 17 applications in 2013; 21 applications in 2014, and 76 applications in 2015 for an average of 38 respondents.  Based on past experience and the last three years, the Agency estimates that an average of 38 applications for prepayments per year under 7 CFR Part 1786, subpart F. Response time for each application is estimated to be 2 hours per response. Professional or Management time is required for completion of 75 percent of the application (or 1.5 hours per response) and Clerical/Administrative time is required for 25 percent (or .5 hours per response) of each response. The wage rates for wage categories are selected from the Department of Labor, Bureau of Labor Statistics, May 2014 National Occupational Employment and Wage Estimates located at <http://www.bls.gov/oes/current/oes_nat.htm>. The professional category is General and Operations Manager (Occupational Code 11-1021) at $46.77 per hour. The clerical/administrative category is Bookkeeping, Accounting, and Auditing Clerks (Occupational Code 43-3031 at $17.51 per hour. Data provided by the Bureau of Labor Statistics indicates that employer cost for employee benefits for the private industry was 30.5% of wages. *See;* Bureau of Labor Statistics Employer Costs for Employee Compensation – June 2015, <http://www.bls.gov/news.release/ecec.nr0.htm>. After calculating employer cost for employee benefits, total wage rate for Manager is $61.03 per hour; for Clerical/Administrative hourly cost plus benefits is $22.85. Total annualized cost to respondents for this information collection is $3,913.00, as calculated in the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Job Category | Hours per response  | Total Annual Responses | Total Hourly Wage  | Cost  |
| Professional Manager | 1.5 | 38 | $61.03 |  $3,479 |
| Clerical Admin | .5 | 38 | $22.85 |  $434 |
| Total cost |  |  |  | $3,913.00 |

**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 (b) Total operation and maintenance and purchase of services component.

There are no capital/start-up or operation/maintenance costs associated with the collection.

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

The estimated annualized cost to the federal government is $71,023. Wage rates used to calculate Federal Cost were found at the Office of Personnel Management, 2016 General Schedule Tables at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2016/DCB_h.pdf>. For each application for prepayment received, RUS estimates that 32 hours of Federal employee time is needed to process the request. Of the 32 hours, professional time (GS 13/Step 5, $50.04 per hour) is required for 75 percent, or 24 hours, of the review, analysis, and process, and clerical time (GS 6/Step 5-$21.35 per hour) is required for 25 percent, or 8 hours of the review. With the addition of cost of benefits[[1]](#footnote-1), the total hourly professional wage and benefits is $68.18. The total wage and benefits for clerical is $29.09. The calculation of annualized federal cost is shown below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Job Category | Hours per response  | Total Annual Responses | Total Hourly Wage  | Cost  |
| Professional Manager | 24 | 38 | $68.18 |  $62,180 |
| Clerical Admin | 8 | 38 | $29.09 |  $8,843 |
| Total cost |  |  |  | $71,023.00 |

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

This renewal package requests an extension of a currently approved collection. There is a program adjustment to account for an increase in the estimated number of respondents from 1 to 38 resulting in an increase in burden hours from 2 to 76. The increase is from averaging the reported number of prepayments over the last three year reporting period, specifically: 2013 had 17 respondents applying for prepayment; in 2014 there were 21 respondents applying for prepayment and in 2015, 76 borrowers applied for prepayment. There was no change in the regulations or in program operations.

 Prepayments are a function of an individual borrower’s financial condition, interest rate differential as well as other economic factors. The impact of the current economy on such entities has been a consideration in the decision of an individual borrower’s board of directors to submit a prepayment request.

**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.**

The Agency is not seeking such approval.

**18. Explain each exception to the certification statement identified in item 19 on OMB Form**

**83-I.**

None requested.

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

**1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.**

This collection does not employ statistical methods.

1. 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. [↑](#footnote-ref-1)