

SUPPORTING STATEMENT - PART A

Office of Strategic Capital Loan Application Part 1 and Application Part 2

OMB Control Number 0704-OSCL

1. Need for the Information Collection

Information collection is essential to process applications for loans and loan guarantees under Section 903 of the National Defense Authorization Act (“NDAA”) for Fiscal Year 2024 (Public Law 118–31).

Section 903 of the NDAA authorizes the Office of Strategic Capital (“OSC”), established within the Department of Defense’s (“DOD”) Office of the Under Secretary of Defense for Research and Engineering (OUSD(R&E)), to implement a pilot program to provide direct loans and loan guarantees to eligible entities. These investments are for technologies that fall within specified covered technology categories and have potential applications beyond defense. The eligibility and selection criteria for investments include the extent to which an investment supports U.S. national security or economic interests, the likelihood that direct loans would accelerate the investment, and the creditworthiness of the investment.

To properly underwrite the loans and assure that the loans satisfy these requirements, OSC must collect comprehensive information from entities seeking funding. This is accomplished through a two-part application process, where Application Part 1 gathers basic information for a preliminary assessment of whether the project is eligible, and Application Part 2 uses in-depth financial and technical information on the project's economic viability and economic benefits to confirm eligibility and assess alignment with OSC’s strategic program priorities and requirements. OSC will consult with the Office of Management and Budget on Application Part 1 findings and will, on a case-by-case basis, invite potential borrowers to submit an Application Part 2.

OSC must collect Application Part 1 and Application Part 2 from entities seeking funding. OSC will issue a Notice of Funding Availability (“NOFA”) to provide entities with an opportunity to submit applications.

2. Use of the Information

There are two related collection instruments: Application Part 1 and Application Part 2. In addition, OSC will publish a Notice of Funding Availability (NOFA) describing the OSC eligibility criteria for OSC loans and inviting the public to submit an Application Part 1.

Both Application Part 1 and Part 2 will be accessible to the public for download from the OSC website at <https://www.cto.mil/osc/>. The applicants download the application, which is a fillable PDF document, complete the application, and then email the application, along with any additional required documents, such as financial statements, to a designated OSC email box at OSC.Loan.Application@osc.mil. Application Part 1 requires less information and is designed to lighten the burden on applicants. OSC will review the Application Part 1 submissions, determine

which of the applications meet the eligibility requirements and appear to be financially viable projects, and then will prioritize them based on their readiness to proceed, the amount of subsidy each will cost, and the degree to which they support the defense and economic needs of the United States and align with OSC's mission. Based on that prioritization, a small subset of the original applicants will be invited to proceed further by submitting an Application Part 2. Application Part 2 is more extensive. Together, the Applications Part 1 and Part 2 collect various kinds of information about the borrower (or sponsor, as applicable), the project for which the financing is sought, and related issues such as the environmental, economic, national security, and social impact of the proposed project. The applications also collect information about the ownership and management of the borrower.

All the collected information will be reviewed and evaluated by OSC underwriters, technical advisers, and engineers, as appropriate to the transaction. The financial information will be analyzed using financial analysis tools to make sure that the borrower has the financial ability to repay the loan. Technical information regarding the underlying commercial project or transaction will be analyzed to make sure that the project relates to a technology within the 31 covered technology categories set forth in FY2024 NDAA §903(a) (10 USC §149), as well as to confirm the applicant's engineering representations. In certain cases, environmental engineers will review the underlying project or transaction for compliance with applicable environmental rules and regulations. Overall, the review process aims to determine loan eligibility and ensure alignment with strategic objectives. After complete underwriting due diligence, the information collected is summarized in a Credit Memorandum to be approved by a designated approver. The designated approver for a specific transaction will depend on the size of the transaction, with the largest being approved by the Director of OSC, middle range being approved by a Credit Committee, and the smallest approved by the Director of the OSC loan program. The specific thresholds for each level have not yet been finalized. Once the transaction is approved, the applicant will be notified and OSC will proceed to legally document the transaction.

3. Use of Information Technology

In connection with the first NOFA, the Application Part 1 and Part 2 fillable forms will be available as editable PDFs on the OSC website. Applicants will be required to submit the completed application form, along with any additional required documents (e.g. financial statements, technical plans, environmental information) to a designated email address at OSC.Loan.Application@osc.mil. Hard copy submissions will not be required or accepted.

In connection with future NOFAs, OSC anticipates implementing an electronic application portal. This shift aims to streamline processes, minimize paperwork, and enhance future data collection and management efficiency.

4. Non-duplication

The information obtained through this collection is unique and is not already available for use or adaptation from another cleared source.

5. Burden on Small Businesses

Small Businesses are not disproportionately burdened by Application Part 1 or Part 2. Application Part 1 and Application Part 2 are designed to minimize the burden on all applicants, and other aspects of the transaction being equal, in order to properly underwrite the loan application, the same level and details of information are required for all transactions regardless of the size of the applicant. Among the design features minimizing the burden on applicants are the following:

- “If Applicable” Questions - Applicants encounter only relevant questions based on their previous responses, minimizing unnecessary queries, and streamlining the application process.
- Reusable Information Integration - Information provided in one application instance is easily referenced and duplicated, reducing redundant data entry across forms.

Application Part 1 primarily focuses on gathering essential data, requesting general information with less need for lengthy or resource intensive responses, which would be time-consuming. Detailed information is only required upon receiving a written invitation to complete and submit Application Part 2. This approach ensures efficiency, streamlining the procedure for applicants while maintaining the necessary level of detail for evaluation.

6. Less Frequent Collection

The information collections – Application Parts 1 and 2 – are only collected in connection with each Notice of Funding Availability. Multiple responses to the Applications Parts 1 and 2 are not required.

7. Paperwork Reduction Act Guidelines

This collection of information does not require collection to be conducted in a manner inconsistent with the guidelines delineated in 5 CFR 1320.5(d)(2).

8. Consultation and Public Comments

Part A: PUBLIC NOTICE

A 60-Day Federal Register Notice (FRN) for the collection published on Thursday, June 13, 2024. The 60-Day FRN citation is 89 FR 50303.

No comments were received during the 60-Day Comment Period.

A 30-Day Federal Register Notice for the collection published on Tuesday, August 20, 2024. The 30-Day FRN citation is 89 FR 67426.

Part B: CONSULTATION

No additional consultation apart from soliciting public comments through the Federal Register was conducted for this submission.

9. Gifts or Payment

No payments or gifts are being offered to respondents as an incentive to participate in the collection.

10. Confidentiality

A Privacy Advisory is set forth above the signature line on both Application Part 1 and Part 2, and provided to the respondents when they download the Application Part 1 and Part 2 from the OSC website.

A System of Record Notice (SORN) is not required for this collection because records are not retrievable by PII.

A Privacy Impact Assessment (PIA) is not required for this collection because PII is not being collected electronically.

Records and Disposition Schedule: Cut-off upon completion of full loan repayment or loan discharge and destroy 10 years after cut-off.

SERIES TITLE: MANAGEMENT AND OPERATIONS

SERIES DESCRIPTION: Records described in this series relate to the performance, management, and direction of the OSD and/or the DoD. Includes, but is not limited to, personnel management, security review, program progress, declassification, program management, project management, financial management, property management, Freedom of Information Act (FOIA) records and information management, organizational structure, work measurements, special task force/committee work (other than FACA), and other functions.

SERIES APPLIES TO THE FOLLOWING ORGANIZATIONS: File Numbers within the 200 Series reflect the mission of the Immediate Office of the Secretary of Defense and the Principal Staff Assistants within the OSD (e.g., Deputy Secretary of Defense, USDs, ASDs, and Agency Directors, etc.), the Office of the Chief Management Officer (CMO), Director, Cost Assessment and Program Evaluation (CAPE), Director, Operational Test and Evaluation (DOTE), Defense Advanced Research and Projects Agency (DARPA), Defense Human Resources Activity (DHRA), Defense Legal Services Agency (DLSA), Defense Media Activity (DMA), Defense Security Cooperation Agency (DSCA), Defense Technology Security Administration (DTSA), Department of Defense Education Activity (DoDEA), DoD Office of General Counsel (DoD OGC), the Office of Economic Adjustment (OEA), the Office of Military Commissions (OMC), Pentagon Force Protection Agency (PFPA), White House Military Office (WHMO), and the Washington Headquarters Services. However, other components may use file numbers that are applicable.

NOTE: If a component has a permanent File Number in another Series of this S

RECORDS CATEGORY: 206

CATEGORY TITLE: Budget and Finance

CATEGORY DESCRIPTION: Budget and apportionment records accumulated in an Agency in the course of formulating its budget for submission to the OMB and to the Congress; in defending its requests for funds before both bodies; and after enactment of an appropriation bill; and ensuring that the funds are used in such a way as to suffice for the appropriate period of time. The funds are made available to the Agency by the OMB, usually in quarterly portions. The Agencies must indicate and justify regularly to OMB their proposed rate of expenditure. After the funds have been made available to the OSD, its own controls over the funds are in its expenditure accounting records, and detailed information relative to expenditures is contained in the accountable officer's account. OSD budget records normally are created at all levels of organization. They show proposals from all operating levels as well as the OSD-wide coordinating work done by the budget office. Therefore, the records consist of detailed work papers and budgetary statements developed by single operating units, the more significant budget statements and related papers representing consolidated submissions prepared at the OSD level. The nature of the budget presentation itself is standardized by the OMB, which prescribes a format and procedures for all Federal Agencies. The budget submission, a record copy designated by the OSD, is a duplicate of the set of papers submitted to the OMB. These include summary statements of appropriations and expenditures, statements of contract authorizations, and statements of receipts as well as narrative summary statements that highlight the principal features of the OSD requests and supporting documents. The narrative presents the policies and the programs of the Agency that the budgetary requests are to support. In addition to the summaries, the submission includes schedules of obligations and statements on each type of appropriation and fund under which OSD operates. Finally, OMB requires additional supporting data on objects of expenditure, particular Agency programs, and figures based on the cost of various types of service operations, such as personnel and payroll activities.

FILE NUMBER: 206-21

FILE TITLE: Financial Transaction Records related to Procuring Goods and Services, Paying Bills, Collecting Debts, and Accounting

FILE DESCRIPTION: Financial transaction records include those created in the course of procuring goods and services, paying bills, collecting debts, and accounting for all finance activity, per the following definitions. Many records included in this item are maintained by accountable officers to account for the availability and status of public funds, and are retained to enable GAO, Office of Inspector General, or other authority audit. DISPOSITION: Temporary. Cut off after final payment or cancellation. Destroy 10 years after cutoff.

AUTHORITY: GRS 1.1, item 010 (DAA-GRS-2013-0003-0001)

PRIVACY ACT: Not applicable

FORMER FILE NUMBER(S): 101-20, 202-11, 204-09.1, 204-09.2, 206-08.2.1.1, 206-08.2.1.4, 206-08.2.3.1, 206-08.2.3.3, 206-08.2.4.1, 206-09.1, 206-11.1, 206-11.2, 206-12, 206-15, 206-17, 206-18, 206-19.1, 206-19.2, 208-04.1.1, 208-04.1.2, 208-06.1, 208-07.1, 208-07.2, 208-08, 208-11, 208-13, 208-14.3.1, 208-14.3.2, 211-04, 803-01.2, 1201-09.4.1.1, 1201-09.4.1.2, 1201-09.6a, 1201-09.6c, 1201-09.6d, 1201-10.1, 1201-10.2, 1201-11.3.1, 1201-11.3.2, 1202-10, 1906-17a, 1906-21, 1906-22, 1906-23, 1913-01

11. Sensitive Questions

No questions considered sensitive are being asked in this collection other than, in some cases, the personal financial and banking information of any personal guarantors of the loan. It is

possible, though not likely, that an applicant will suggest that the loan be additionally supported by the personal guarantee of an owner of the applicant. In that case, the financial underwriting would be based on the guarantor, and therefore, in order to assure that there is a reasonable assurance of repayment, it will be necessary for OSC to obtain and analyze the personal and banking information of the personal guarantor.

12. Respondent Burden and its Labor Costs

Given that this program is new, and the burden is estimated, a review of expected response rates will be conducted periodically so that the program may adjust burden rates with OMB. The initial estimate will serve as a baseline for this process. This estimate involves tasks such as drafting narrative responses, reviewing existing materials for inclusion, creating financial pro-forma models, and undergoing multiple levels of review and coordination with applicants and stakeholders.

The burden responses below to sections 12 – 14 are based on each NOFA or application – that is, they assume OSC offers only a single funding opportunity per year. As OSC programs grow, it will offer more funding opportunities each year, thus resulting in greater aggregate annual burdens. It is possible, though unlikely, that any given borrower will submit more than one application in any given year, for the simple reason that the funding opportunities will vary across OSC programs. OSC's best estimate at this time is that OSC could offer approximately five funding opportunities per year, or that applications could be accepted on a rolling basis, resulting in application numbers equivalent to approximately five funding opportunities per year. Therefore, OSC estimates that, once it is fully staffed and operating, the annual burden numbers set forth below should be multiplied by five.

Part A: ESTIMATION OF RESPONDENT BURDEN

1) Collection Instrument(s)

Application Part 1

- a) Number of Respondents: 50
- b) Number of Responses Per Respondent: 1
- c) Number of Total Annual Responses: 50
- d) Response Time: 15 hours
- e) Respondent Burden Hours: 750 hours

Application Part 2

- a) Number of Respondents: 10
- b) Number of Responses Per Respondent: 1
- c) Number of Total Annual Responses: 10
- d) Response Time: 40 hours
- e) Respondent Burden Hours: 400 hours

2) Total Submission Burden

- a) Total Number of Respondents: 50 (Applicants completing Part 2 must have previously completed Part 1 so they are not counted twice)

- b) Total Number of Annual Responses: 60
- c) Total Respondent Burden Hours: 1,150 hours

Part B: LABOR COST OF RESPONDENT BURDEN

1) Collection Instrument(s)

Application Part 1

- a) Number of Total Annual Responses: 50
- b) Response Time: 15 hours
- c) Respondent Hourly Wage: \$59.70
- d) Labor Burden per Response: \$895.50
- e) Total Labor Burden: \$44,775

Application Part 2

- a) Number of Total Annual Responses: 10
- b) Response Time: 40 hours
- c) Respondent Hourly Wage: \$54.25
- d) Labor Burden per Response: \$2,170
- e) Total Labor Burden: \$21,700

2) Overall Labor Burden

- a) Total Number of Annual Responses: 60
- b) Total Labor Burden: \$66,475

The Respondent hourly wage was determined by using wage estimates from the Bureau of Labor Statistics Wage Estimate Website (https://www.bls.gov/oes/current/oes_nat.htm).

13. Respondent Costs Other Than Burden Hour Costs

There are no annualized costs to respondents other than the labor burden costs addressed in Section 12 of this document to complete this collection.

14. Cost to the Federal Government

Part A: LABOR COST TO THE FEDERAL GOVERNMENT

1) Collection Instrument(s)

Application Part 1

- a) Number of Total Annual Responses: 50
- b) Processing Time per Response: 73.7 hours
- c) Hourly Wage of Worker(s) Processing Responses: \$135.00
- d) Cost to Process Each Response: \$9,950
- e) Total Cost to Process Responses: \$497,475

Application Part 2

- a) Number of Total Annual Responses: 10

- b) Processing Time per Response: 207 hours
- c) Hourly Wage of Worker(s) Processing Responses: \$135.00
- d) Cost to Process Each Response: \$27,945
- e) Total Cost to Process Responses: \$279,450

2) Overall Labor Burden to the Federal Government

- a) Total Number of Annual Responses: 60
- b) Total Labor Burden: \$776,925

Initial start-up costs involved the salary costs for staff involved in setting up the OSC team responsible for screening and reviewing the applications. The cost of reviewing the Full Application (Application Part 1 and Application Part 2) is approximately \$0.78M per year, which includes \$50k licensing costs.

For the labor cost to the Federal Government, OSC assumes that the total (fully loaded) cost per person includes the annual salary (\$170K), plus fringe benefits, plus operational expenses (combined, estimated at 65.6% of salary). This fully loaded cost is multiplied by a factor equal to the number of staff working on the applications times the percentage (%) of each employee's time. The detail assumptions are as follows:

- There is a Project manager involved in overseeing the Application Part 1 and Part 2 review process and spends 16.2% of their annual time (2,080 hours) on Application Part 1, (for a total of 337 hours, or 6.7 hours per application) and 16.6% of their annual time on Application Part 2 (for a total of 345 hours, or 34.5 hours per application.)
- For reviewing and screening Application Part 1, it is assumed ten (10) employees, each employee dedicating 16.2% of their annual time, equaling a total of 337 hours per employee, and 6.7 hours per employee per application.
- For reviewing Application Part 2, it is assumed five (5) employees, each dedicating 16.6% of their annual time, or a total of 345 hours per employee, and 34.5 hours per employee per application.

Please see the costs break-up in the table below:

Part C: TOTAL COST TO THE FEDERAL GOVERNMENT

- 1) Total Labor Costs, with factored Operational Costs, to the Federal Government: \$776,925
- 2) Total Operational and Maintenance Costs: Factored into Labor figure.
- 3) Total Cost to the Federal Government: \$776,925

15. Reasons for Change in Burden

This is a new collection with a new associated burden.

16. Publication of Results

The results of this information collection will not be published.

17. Non-Display of OMB Expiration Date

We are not seeking approval to omit the display of the expiration date of the OMB approval on the collection instrument.

18. Exceptions to “Certification for Paperwork Reduction Submissions”

We are not requesting any exemptions to the provisions stated in 5 CFR 1320.9.