

Supporting Statement for Paperwork Reduction Act Submission

Revision of a Currently Approved Collection

This submission relates to a set of forms that are used in the Small Business Administration's (SBA) Surety Bond Guarantee (SBG) Program for the application and default/claims processes. As part of SBA's initiative to re-engineer the SBG Prior Approval process, which includes an electronic application processing system, SBA is revising the forms used in the SBG Program. The revised forms are designed so that a small business can use either the new electronic application system or the traditional forms to apply for SBG assistance. The currently approved SBG forms package consists of seven forms: SBA Forms 990, 991, 994, 994B, 994C, 994F, and 994H. SBA Forms 990, 991, 994, 994B, and 994F are being revised. (Attachment 1 includes a detailed description of the revisions to each of these forms.) SBA Form 994C is being eliminated since redundant information collected will be included on other forms and remaining data will be captured electronically. SBA Form 994H is not being revised.

Justification

1. Circumstances necessitating the collection of information: As stated in the Small Business Investment Act, SBA must have reasonable assurance that it is in the Government's best interest to grant the surety bond guarantee assistance requested. SBA has developed and implemented regulations pursuant to Title IV, Part B, Section 411 of the Small Business Investment Act, 15 U.S.C. 694, which identifies the proper standards and conditions necessary to grant SBG assistance and pay claims resulting from contractor defaults. SBA uses SBA Forms 990, 991, 994, 994B, and 994F to collect information used to determine if program applicants meet statutory and regulatory standards for assistance. These five forms are being revised.

Title IV, Part B, Section 411 of the Small Business Investment Act also gives SBA authority to establish procedures for reimbursing participating sureties for claims in the event of contractor default. SBA uses SBA Form 994H for this purpose. This form is not being changed.

2. How, by whom and for what purpose information will be used: SBG Area Office personnel, who process applications for SBG assistance, use the information contained on five of the forms (SBA Forms 990, 991, 994, 994B and 994F.) To provide SBG assistance to the applicant, SBA must determine that there is reasonable expectation that a contractor will successfully complete the bonded project. These employees use the data on the forms to evaluate the contractor's eligibility for assistance and to assess the probability of successful job completion. Based upon the information contained in the forms application package, SBG Area Office employees decide whether or not to approve the guarantee.

If a contractor defaults on a project, the surety company requests reimbursement from SBA for its guaranteed share of losses and related expenses. The information

contained on SBA Form 994H is necessary for SBA employees in the Claims and Recovery Division to ensure that SBA is paying its applicable guaranteed percentage of allowable amounts and items.

3. Technological collection techniques: The collection of information does involve the use of an electronic system. SBA is currently designing and developing enhancements to the existing SBG computer system, which will enable application data to be received via the internet. The forms used in the SBG application process are being revised to consolidate information collected, group similar information logically, and eliminate the need to collect the same information multiple times. The forms are available on the internet, and SBA also accepts them by mail or facsimile.
4. Avoidance of duplication: One of the reasons that the SBG program application forms are being revised is to eliminate duplication in the information being collected. Other than basic identification about a small business, the information on these forms is not otherwise collected by SBA.
5. Impact on small businesses and other small entities: The revised SBA Forms 990, 991, 994, 994B and 994F are designed to require minimal time and effort to complete. Depending on the specific circumstances of an application, only parts of SBA Forms 990, 994, and 994B must be completed. SBA Form 991 must be completed only if work on the project has begun prior to the small contractor's application for assistance. SBA Form 994F is required with the contractor's initial application and must be updated quarterly, not with every application. The application forms require mostly "yes", "no" and multiple choice responses in addition to basic identification information. A few questions require responses of an abstract nature.

If a contractor defaults, the surety company must use SBA Form 994H to request reimbursement for SBA's guaranteed share of allowable losses and expenses. Completed by the surety company and not the small business, SBA Form 994H requires completion of basic identification data, as well as an itemization of losses and expenses.

6. Consequences if collection of information is not conducted: The decision to issue an SBG guarantee on behalf of a small business is based upon such factors as its experience, financial condition, and character. SBA Forms 990, 991, 994, 994B, and 994F require the submission of data that is used to make this decision. The information collected on SBA Form 994H is used by SBA to determine the legitimacy of reimbursing the loss and expense amounts requested by sureties. If this information was not collected or was collected less frequently, SBA's ability to make sound decisions would be severely compromised and taxpayer dollars would be put at risk. If SBA did not collect this information, the Agency would be in violation of 13 CFR, Part 115 and the Small Business Investment Act.
7. Existence of special circumstances: Some of the information that is collected from small businesses is confidential (business and financial), but is necessary for SBA to

make sound judgments. Records are maintained under conditions that preclude access by Agency personnel without a “need to know” and are protected to the extent permitted by law. Disclosure of information is governed by Freedom of Information and Privacy Act provisions.

8. Solicitation of public comments: A Federal Register notice requesting comments on the SBG forms package renewal was published on September 20, 2006. SBA did not receive any comments; Vol 71, No. 182, Page 55046.
9. Payments or gifts: Payments or gifts to respondents are not provided.
10. Assurance of confidentiality: The subject information collection records are maintained under conditions that preclude access by Agency personnel without a “need to know” and are protected to the extent permitted by law. Disclosure of information is governed by Freedom of Information and Privacy Act provisions. Information obtained through the internet to the SBG electronic application system will be protected by SBA’s electronic security controls in accordance with Federal requirements.
11. Questions of a sensitive nature: This collection of information does not contain any questions of a sensitive nature.
12. Estimation of the hourly burden of the collection of information: The estimated annual burden imposed by SBA Forms 990, 991, 994, 994B, 994F, and 994H is based upon past experience with the old forms and approximate time savings anticipated with the new forms.

SBA Form 990: Total Annual Responses = 4,153
Hours per Response = 5 minutes
Total Hours = 346

SBA Form 991: Total Annual Responses = 593
Hours per Response = 10 minutes
Total Hours = 99

SBA Form 994: Total Annual Responses = 5,933
Hours per Response = 15 minutes for new contractors to the program and 5 minutes for existing contractors
Total Hours = 821

SBA Form 994B: Total Annual Responses = 4,153
Hours per Response = 15 minutes for new contractors to the program and 5 minutes for existing contractors.
Total Hours = 266

SBA Form 994F: Total Annual Responses = 800
Hours per Response = 20 minutes
Total Hours = 267

SBA Form 994H: Total Annual Responses = 639
Hours per Response = 20 minutes

Total Hours = 213

Total Estimated Annual Hour Burden to Respondents = 2,012

The estimated annual cost burden to respondents includes the cost to provide data to SBA and maintain the required information. The estimated cost is comprised of clerical duties, including computer input, and professional responsibilities, including underwriting evaluation that is based on the information captured by the forms. The following estimated annual cost burden is based on 2,012 burden hours:

Clerical Employee Time – equal to GS-7, step 5- (1,408 hrs. @ \$19.07 per hr) = \$26,850

Professional Employee Time – equal to GS-11, step 4 – (604 hrs. @ \$27.39 per hr.) = \$16,544

Total Estimated Annual Cost Burden to Respondents = \$43,394

13. Estimate of the total annual cost burden for submission: There is no additional cost to respondents.
14. Estimated annualized cost to the Federal government: The estimated annual cost to the Federal government includes costs associated with clerical and professional duties. Clerical duties include computer input and processing of guarantee fee checks. Professional employees evaluate the information provided on the forms to make a final determination regarding the approval/disapproval of the guarantee.

Clerical/Technician Employee Time – GS-9, step 4 (704 hours @ \$22.64 per hr) = \$15,939

Professional Employee Time – GS-13, step 5 – (604 hrs. @ \$40.22 per hour) = \$24,293

Total Annualized Cost to the Federal government = \$40,232

15. Explanation of program changes in items 13 or 14 on OMB Form 83-I: SBA estimates that the number of annual burden hours will decrease by 76% and the annual cost burden to respondents will decrease by 74+%. Based upon recent program activity and future program goals, the estimated number of respondents is lower because program activity has decreased. The estimated annual burden hours and cost burden are lower because the duplicative information requested on the forms has been consolidated, and only parts of the forms need to be completed according to the transaction requested.
16. Collection of information whose results will be published: This collection of information will not be published for any reason, except for statistical use.
17. Expiration date for collection of information: SBA is not seeking approval to not display the expiration date for OMB approval of the collection information.
18. Exceptions to certifications in block 19 on OMB Form 83-I: None.

B. Collection of Information Employing Statistical Methods:

- N/A

Attachment 1

Description of Form Revisions

SBA Form 990, Surety Bond Guarantee Agreement:

The information collected on this form has been rearranged and grouped according to the desired transaction. Not all information is collected for every guarantee, and some will be pre-populated on subsequent guarantees. Blocks 1-8 and 29-34 are required for all transactions; blocks 9&10 are required for bid bond guarantees; blocks 11-21 are required for final bond guarantees; and blocks 22-28 are required for changes. The existing form collects information for changes in the same boxes used for reporting final bonds. Blocks 22-28 on the revised form are designed to eliminate confusion for the submitter.

The revised form contains a separate block for “Co-Surety Name and Percentage”. Since the current form does not contain a separate block for this information, it is currently reported in the same block as “Surety Name”.

The following fields were eliminated on the revised form:

Surety Underwriter Name – only the name of the surety’s attorney-in-fact (block 29) is necessary

Project for Federal, State, Special District, Private, Local, Other – redundant, collected on SBA Form 994

Date Received and Received By – redundant, collected on SBA Form 994B

SBA Form 991, Surety Bond Guarantee Agreement Addendum:

The following additional fields have been included in the revised form:

Principals Business Name and SBG Number – necessary to identify the SBG Agreement that it pertains to

Reason why bond was not required prior to job starting – necessary to evaluate eligibility

SBA Form 994, Application for Surety Bond Guarantee Assistance:

The revised form incorporates SBA Form 1624, Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion Lower Tier Covered Transaction, and SBA Form 1261, Statements Required by Laws and Executive Orders, since all of these forms are completed by the small business applicant.

The information collected has been rearranged and grouped according to transaction desired or by frequency of collection. Not all information is required with every application, and some will be pre-populated on subsequent electronic applications. Parts I and II are completed with the small business's initial application and if business or principal information changes; Parts III and IV are completed for every application; and Part V is completed with the initial application and with any ownership changes.

The following additional fields, containing general information about the small business, have been included in Part I of the revised form, which is completed only with the initial application, and if information changes:

- Business telephone and fax numbers
- Type of business and NAICS code

The following additional fields about the contract, necessary to evaluate the application, have been included in Part III of the revised form:

- Bid/Final Bond Indicator
- Estimated Contract Amount
- Maintenance & Ancillary Bond
- Name and Type of Obligee
- Indicators for project similar to previous work, project pertains to an 8(a) contract, updated SBA Form 994F, and work started on project

SBA Form 994B, Surety Bond Guarantee Underwriting Review:

The information on this form has been rearranged and grouped according to the frequency of collection. Some of the questions have been re-worded for clarity. Not all information is required with every application, and some will be pre-populated on subsequent electronic applications. Part I is completed with the small business's initial application and is updated annually; Part 2 is completed with the initial application and is updated either quarterly or bi-annually; Part 3 and the Surety Review is completed with every application.

The following additional fields, containing general information about the small business, have been included in Part 1, which is completed with the initial application, and if information changes:

- Type of Business and NAICS code

The following fields have been eliminated since they are either redundant or are not necessary to evaluate the application:

- Project Similar to Previous Work Performed
- Work in Progress Verified by Obligee
- Equipment Owned or Leased
- Contractor's Surety Bonding Line Information
- Managing Agency of Surety and Employer ID
- Title and Address of Underwriter

The following fields, which were completed by SBA, have been eliminated because it will be captured electronically:

Meets SBA Size Standards
Information about Financial/Management/Technical Assistance requested
Expectation of Successful Project Completion
Reasonableness of Costs
Requirement for Bonds
Attachments

SBA Form 994F, Schedule of Work in Process:

The following, additional field, contains general information about the small business:
Tax ID or SS Number

The following fields have been eliminated because they are redundant:

Total Uncompleted Work
Total Uncompleted Work by Subcontractor
Bonded
Unbonded

SBA Form 994H, Default Report, Claim for Reimbursement, and Record of Administrative Action:

No Revisions