

Supporting Statement for Paperwork Reduction Act Submission

Extension of a Currently Approved Collection

This submission relates to the information collection for Small Business Administration's (SBA) Surety Bond Guarantee (SBG) Program for the application and default/claims processes. In April 2007 SBA submitted this information collection to OMB for review and noted that SBA was in the process of developing a web-based application system. OMB approved the April 2007 submission for a nine-month period ending May 31, 2008, to "allow implementation of a new electronic report system." In the conditional clearance OMB also directed SBA "to review its burden estimates and ...accurately report on the burden on small entities." SBA has now implemented the electronic system. The agency has reviewed the previously reported burdens associated with this information collection and also now reports the current burden associated with the electronic process.

The currently approved SBG information collection consists of the six forms listed below. All of these forms, except for Form 994H, may be completed using the e-application system. Form 994H is not part of the application for bond guarantee process; therefore it is not included in the e-application.

- SBA Form 990 – Surety Bond Guarantee Agreement
- SBA Form 991 – Surety Bond Guarantee Agreement Addendum
- SBA Form 994 – Application for Surety Bond Guarantee Assistance
- SBA Form 994B – Surety Bond Guarantee Underwriting Review
- SBA Form 994F – Schedule of Work in Process
- SBA Form 994H – Default Report, Claim for Reimbursement, & Record of Administrative Action

The SBG program also uses two other forms that are OMB approved under separate control numbers: SBA Form 912 – Statement of Personal History; and SBA Form 413 – Personal Financial Statement.

This electronic process reduces the burden to the contractor and surety agent and decreases processing time between submission of the application and a decision by the Agency. There are certain data fields that are common to all forms – such as identification data for the contractor, contract or surety agent – and will therefore pre-populate once the initial input is completed. The forms generated by the electronic system reflect the recent improvements that SBA made to the collection. As noted in the April 2007 submission, the forms were revised to eliminate redundant requests for information and clarify certain questions deemed necessary to make an informed decision on an application for guarantee. The information collected through the electronic system is the same and does not expand upon what has previously been approved.

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 surety bond guarantee assistance. Section 411 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.
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 SBA Forms 990, 991, 994, 994B and 994F to determine that there is reasonable expectation that the applicant 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. SBA employees in the Claims and Recovery Division use the information contained on SBA Form 994H 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. In September of 2007, SBA implemented an enhancement to the existing SBG computer system, which enables contractors and surety agent to complete the application online and submit the data via the internet. The forms are also available on the internet in PDF fillable format for those who prefer not to use the electronic system.
4. Avoidance of duplication: SBG program application forms were recently revised 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: 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. For electronic application submissions, the forms are populated with the information input and can be printed from the system.

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 January 29, 2008 (Volume 73, Number 19, Page 5257) SBA did not receive any comments.
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 is 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 forms, and projected program volume for the current and next two fiscal years.

The total burden is comprised of two parts, one for small business and surety companies that utilize the paper forms, and one for those that utilize the electronic process. We now also estimate that approximately 70% of the surety companies and 30% of small businesses will utilize the electronic process during the first two years. We anticipate a greater number of surety companies, agents, and small businesses will move to the electronic system over the next 24 to 36 months. Finally, the most significant benefit of the electronic process is sharply reduced cycle time for small businesses and sureties, the time between submission of all required information and a decision by SBA.

See Attachment 1 for the computation of the Estimated Burden Hours, which total 1,959.

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 1,959 burden hours:

Clerical Employee Time – equal to GS-7, step 5- (1,371 hrs. @ \$19.99 per hr) = \$27,406

Professional Employee Time – equal to GS-11, step 4 – (588 hrs. @ \$28.72 per hr.) = \$16,887

Total Estimated Annual Cost Burden to Respondents = \$44,293

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 (411 hours @ \$23.74 per hr) = \$9,757

Professional Employee Time – GS-13, step 5 – (176 hrs. @ \$42.18 per hour) = \$7,424

Total Annualized Cost to the Federal government = \$17,181

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 2.6% and the annual cost burden to respondents will increase by 2.1%. Based upon recent program activity and future program goal projections, the estimated number of respondents is higher. The cost burden to respondents is slightly higher as a result of inflationary increases in the hourly wages of employees.
 16. Collection of information whose results will be published: This collection of information will not be published for any reason, except for aggregated statistical data in various agency performance or budget related reports.
 17. Expiration date for collection of information: SBA will display the expiration date.
 18. Exceptions to certifications in block 19 on OMB Form 83-I: None.
- B. Collection of Information Employing Statistical Methods:
- Not applicable.

