

## **Supporting Statement for Paperwork Reduction Act Submission**

**(Control # 3245-0007)**

### **Recovery Act Submission**

The Small Business Administration (SBA) is requesting approval on an emergency basis for the information collection for the Surety Bond Guarantee (SBG) Program. Section 508, of the American Recovery and Reinvestment Act of 2009 (Recovery Act), Pub.L. 111-5, dated February 17, 2009, makes several changes to the SBG Program. This act raises the maximum eligible contract amount from \$2 million to \$5 million, and, in certain circumstances, to \$10 million. The act also gives SBA authority until September 30, 2010, to partially deny liability under its bond guarantee in certain circumstances, and to also temporarily revise the size standard for participation in the SBG Program. These changes are designed to help more small businesses to bid on and perform contracts by providing increased access to bonding. In order to maximize the benefit from these SBG program enhancements, it is critical that the agency implement them without additional delay. OMB's approval of the request for emergency review and approval would expedite SBA's implementation of the Recovery Act provisions that relate to the SBG Program.

The currently approved SBG information collection consists of the six forms listed below. Only SBA Forms 990, 994, and 994H are being changed as a result of the Recovery Act. In addition a new form Form 994R is being added.

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

#### **Summary of Changes:**

The change being made to the SBA Form 990 adds language to the certification portion between blocks 28 and 29. This is intended to ensure that the bond guarantee is not approved for a small business that is performing work for an obligee or for a contract that is related to the restricted uses of funds included in the Recovery Act, including casinos or other gambling establishments, aquariums, zoos, golf courses, or swimming pools.

On Form 994, the DUNS number is now being collected in Part I (Business Information) to provide data necessary for reporting purposes. The contract NAICS code, number of employees and number of jobs created and retained is being added to Part III (Contract Information) to

provide statistical data on Recovery Act bonds versus non Recovery Act bonds. Language in Parts II (Principal Information) and V (Applicant's Certification) is being modified for clarification purposes.

Form 994H is also being revised to require the Surety to certify that it has complied with all SBG program regulations and procedures being added to Form 994H,

Finally, a rider, Form 994R, is being added to the SBA Form 994, which must be completed only if the bond is related to the Recovery Act, that is, if the original contract amount is over \$2 million. The information on the rider is needed to fulfill reporting requirements on the outcomes and metrics related to the Recovery Act; to ensure that the Contracting Officer's certification information has been obtained for original contract amounts between \$5 million and \$10 million, as required; and to get certification from the small business that the contract to be bonded will not involve the uses prohibited under the Recovery Act.

### 1. Circumstances Necessitating the Collection of Information:

The SBG Program is authorized by Title IV, Part B, Section 411 of the Small Business Investment Act, 15 U.S.C. 694, which states that SBA must have reasonable assurance that approval of surety bond guarantee assistance is in the best interests of the Government. Additionally, the Small Business Investment Act specifies the necessary conditions for granting surety bond guarantee assistance and for paying claims resulting from any contractor defaults. SBA Forms 990, 991, 994, 994B, and 994F are used to collect the information needed to evaluate applicants' eligibility for SBG Program assistance. SBA Form 994H is used to pay participating sureties for claims arising from contractor defaults. Provisions in the Recovery Act also necessitate the need to collect information. Some of the data collected is used to provide assurance that the Act's provisions are being carried out as intended, and to compile program performance metrics and recipient demographical characteristics.

### 2. How, By Whom, and For What Purpose Information Will Be Used:

The data on five of the six forms in this information collection is used by SBG Area Office staff, who process SBG applications, to evaluate the likelihood that the applicant will successfully complete the bonded contract. Based on the information on SBA Forms 990, 991, 994, 994B, and 994F, SBG Area Office employees make decisions to approve or not approve SBG applications.

SBG employees in the Claims and Recovery Division (CRD) review the information on the SBA Form 994H that is submitted by the surety to request claims reimbursements. CRD employees determine whether or not the surety's claim meets SBA regulatory requirements prior to payment, and that SBA pays its guaranteed share of allowable losses and expenses.

This information is also used by program managers and SBA senior management to monitor program performance and success, and to report on program demographics.

### 3. Technological Collection Techniques:

This information collection uses an electronic system. Contractors and surety agents can submit the SBG application online through the internet. Based on experience with the electronic

processing system since its implementation, approximately 90% of the SBG applications are submitted electronically by surety agents. The forms are also available in PDF format on the agency's website for those who want to submit a paper application. Five of these forms can be completed the electronic application system. Form 994H cannot be completed using the electronic system because it is not used in the surety bond guarantee application process.

4. Avoidance of Duplication:

The SBA Forms in this information collection were revised last year to minimize burdens by eliminating the duplication of information collected. Other than the basic information about the business, the information is not otherwise collected by SBA.

5. Impact on Small Businesses and Other Small Entities:

When SBA Forms 990, 991, 994, 994B, and 994F were revised last year, the information was consolidated and duplicative requests for the same information was eliminated. Each of the SBA Forms 990, 994, and 994B were designed so that only one part has to be completed, depending on the circumstances of the application. SBA Form 991 has to be completed only if the contractor has begun the work prior to submitting the SBG application to SBA. The SBA Form 994F is submitted with the initial application, and then on a quarterly basis. For those applications are submitted electronically, the forms are populated with the information input into the system and can be printed.

The SBA Form 994H is used by the surety company to request reimbursement of SBA's guaranteed share of allowable claims and related expenses. It is not completed by the small business.

6. Consequences If Collection of Information Is Not Conducted:

SBA is responsible for administering the SBG Program efficiently and timely, while protecting the taxpayer dollars. SBA Forms 990, 991, 994, 994B, and 994F provide data that is used by SBA to review an applicant's experience, financial condition, and character, used to decide whether or not to approve a bond guarantee. SBA uses the claims information submitted by the surety on the SBA Form 994H to determine the legitimacy of paying the claim. If this information was not collected or was not collected as frequently, SBA's ability to make sound underwriting and claims decisions would be compromised and taxpayer dollars would be placed at risk.

7. Existence of Special Circumstances: Information is submitted for each bond guaranteed, and some of the information is confidential (business and financial).

Records can be accessed only by Agency personnel who have "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: To expedite the implementation of Section 508 of the Recovery Act, SBA is requesting that OMB exercise its authority to waive the 60-day public comment requirement. SBA understands the need for the requirement, but compliance would result in a substantial delay in the implementation of the Section 508 provisions. SBA is issuing an interim final rule that will implement the SBG program changes resulting from the Recovery

Act. It will contain a description of the form changes necessitated by the Recovery Act, and request public comments.

9. Payments or Gifts: Payments or gifts to respondents are not provided.

10. Assurance of Confidentiality:

The subject information collection records can be accessed only by Agency personnel who have “a need to know” and are protected by the extent permitted by law. Disclosure of information is governed by Freedom of Information and Privacy Act provisions. All information submitted to the electronic application system through the internet is protected by SBA’s electronic security controls in accordance with Federal requirements.

11. Questions of a Sensitive Nature:

This information collection 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 this information collection is based upon past experience in completing the forms, and projected volume in the SBG Program.

Since the only change to the SBA Form 990 is additional certification language resulting from the Recovery Act, no additional burden will be imposed on the respondents by the change.

The increased burden by adding 5 additional fields and a rider to SBA Form 994, due to Recovery Act related changes, will be minimal. The total burden is comprised of two parts, one for paper submission and the other for electronic submission of the form. SBA estimates that there will be a total of 17,965 responses, 8,131 in paper form and 9,834 electronic. The total Estimated Burden Hours for paper submission is 1,013 hours and for electronic submission is 988 hours, for 2,001 total burden hours. Attachment 1 contains the breakdown of the estimated number of annual responses and burden hours.

The total estimated cost burden to respondents includes the cost to provide and maintain data. It consists of clerical duties, such as computer input, and professional responsibilities, including underwriting evaluation of the information collected. The following estimated annual cost burden is based on 2,001 burden hours.

*Clerical Employee Time – equal to a GS 7, Step 5 – (1,013 hours x \$22.38/hour = \$22,671.00*  
*Professional Employee Time – equal to a GS 11, Step 4 – (2,001 hours x \$32.14/hour = \$64,312.00*

Total Estimated Annual Cost Burden to Respondents = \$86,983.00

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 the costs associated with clerical and professional duties. The clerical duties include data input and processing fee checks. Professional employees evaluate the information provided on the forms to approve or disapprove an application for a surety bond guarantee. The following estimated annual cost to the Federal government includes Recovery Act changes.

*Clerical/Technician Employee Time – GS 9, Step 4- (1,013 hours x \$26.57/hour = \$26,915.00*

*Professional Employee Time – GS 13, Step 5- (2,001 hours x \$47.21/hour = \$94,467.00*

Total Annualized Cost to the Federal Government = \$121,382.00

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 8301:

The hour burden increase slightly due to the additional information requested as a result of the Recovery Act. The percentage of electronic responses has increased based on SBA's experience since the implementation of the electronic processing system. SBA has also revised the method used to calculate the number of respondents.

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, budget, and Recovery Act 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.

19. Is This ICR Related to the American Recovery And Investment Act of 2009 (Recovery Act)?

Yes.

**Estimated Burden  
Calculation**

	Annual Responses			Est'd Burden Hours/Response		Extended Est'd Burden		
	Paper	Elect.	Total	Paper	Elect.	Paper	Elect.	Total
<b>Small Business</b>								
Form 991	463	199	662	10 min.	10 min.	77 Hrs.	33 Hrs.	110 Hrs.
Form 994	4,634	1,986	6,620	6 mins.	5 mins.	483 Hrs.	186 Hrs.	669 Hrs.
Form 994R	34	15	49	1 min.	1 min.	1 Hr.	1 Hr.	2 Hrs.
Form 994 F	560	240	800	20 mins.	18 mins.	187 Hrs.	72 Hrs.	259 Hrs.
<b>Total Responses:</b>			8,131			<b>Total Burden:</b>		1,040 Hrs.
<b>Surety / Agent</b>								
Form 990	463	4,171	4,634	5 mins.	5 mins.	38 Hrs.	348 Hrs.	386Hrs.
Form 994 B	463	4,171	4,634	5 mins.	5 mins.	38 Hrs.	348 Hrs.	386 Hrs.
Form 994 H	566	N/A	566	20 mins.	N/A	189 Hrs.	N/A	189 Hrs.
<b>Total Responses:</b>			9,834			<b>Total Burden:</b>		961H rs.
<b>Grand Total Responses:</b>			17,965			<b>Grand Total Burden:</b>		2,001 Hrs.

(ATT. 1)