

Supporting Statement for Paperwork Reduction Act Submission

(Control # 3245-0007)

Extension of a Currently Approved Collection

The Small Business Administration (SBA) is requesting approval for an extension of the information collection for the Surety Bond Guarantee (SBG) Program. In July 2009, SBA submitted an emergency request for approval of changes to this information collection resulting from implementation of Section 508 of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5 (Recovery Act). The Recovery Act raised the maximum eligible contract amount from \$2 million to \$5 million, and, in certain circumstances, to \$10 million. It also gave SBA authority to partially deny liability under its surety bond guarantee in certain circumstances, and to also temporarily revise the size standard for participation in the SBG Program. These changes were designed to help more small businesses to bid on, and perform contracts by providing increased access to bonding, and are set to expire on September 30, 2010. OMB approved the request for a six month period ending January 31, 2010.

The currently approved SBG information collection consists of the seven forms listed below. Only small changes are being made to SBA Forms 990, 991, 994, 994B, 994H, and 994R at this time. Most of the changes are to clarify information requested or to re-position the various questions in a more logical sequence.

- 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)
- SBA Form 994R – Application for Surety Bond Guarantee Assistance – Rider (completed by the small business)

Summary of Changes:

The changes to the SBA Form 990 include adding: the bid date and time to box 7 in response to a request from our surety partners and the agency name to block 29 to clarify the surety agency of the attorney-in-fact signing the Guarantee Agreement.

Information on SBA Form 991, specifically the business name, trade name, and SBG number have been re-positioned in a more logical sequence.

The changes to Form 994 include: (1) the insertion of a question concerning affiliates in Part I (Business Information) to provide additional information for size determination purposes; (2) the modification and repositioning of the questions in Part III – Contract Information, concerning the number of employees, and the number of jobs created and retained to provide more accurate statistical data on Recovery Act bonds versus non Recovery Act bonds; and (3) the insertion of two questions in Part III to gather statistical data on California Department of Transportation (CalTrans) bonds, pursuant to SBA’s agreement with CalTrans to provide more bonding access to small contractors.

Language is being added to the certification in Part 3 – Contract Information - of SBA Form 994B. It 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 Recovery Act funds, including casinos or other gambling establishments, aquariums, zoos, golf courses, or swimming pools.

A portion of part C of SBA Form 994H – Special Handling of Checks - is being removed because it is no longer part of the claims reimbursement process.

Finally, the Business Name and Business Trade Name fields are being added to SBA Form 994R to more easily identify the specific guarantee to which the form applies.

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, 994F, and 994R are used to collect the information needed to evaluate applicants’ eligibility for SBG Program assistance. They are also used to compile program performance metrics and recipient demographical characteristics related to both regular and Recovery Act bonds. SBA Form 994H is used to pay participating sureties for claims arising from contractor defaults.

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

The data on six of the seven forms in this information collection is used by SBG Area Office staff, that processes 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, 994F, and 994R, 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 SBA's 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. Six of these forms can be completed using 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 forms are designed to minimize burdens by eliminating the duplication of information collected. SBA Forms 990, 991, 994, 994B, 994F, and 994R are designed so that the information is consolidated and there are no duplicative requests for the same information. 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:

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. The SBA Form 994R is completed only for Recovery Act bonds. For those applications submitted electronically, the forms are populated with the information input into the system.

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 reviews the information on SBA Form 994R to ensure compliance with Recovery Act provisions and to fulfill reporting requirements. 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). This information is necessary for SBA to make sound judgments. Records can be accessed only by Agency personnel who

have “a need to know” i.e., those who are involved in analyzing the applications and bond claims, 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 this SBG information collection request was published on July 21, 2009. (Volume 74, Number 138, Page 35902). The comment period closed on September 21, 2009. 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 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 only 2 data fields are being added to SBA Form 990, only a minimal burden increase will be imposed on respondents using the paper version. The fields will be pre-populated with the electronic version.

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, 7,183 in paper form and 10,782 electronic. The total Estimated Burden Hours for paper submission is 1,079 hours and for electronic submission is 1,001 hours, for 2,080 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 2,080 burden hours.

Clerical Employee Time – equal to a GS 7, Step 5 – (1,079 hours x \$22.38/hour = \$24,148.00
Professional Employee Time – equal to a GS 11, Step 4 – (2,080 hours x \$32.14/hour = \$66,851.00

Total Estimated Annual Cost Burden to Respondents = \$90,999.00

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.

Clerical/Technician Employee Time – GS 9, Step 4- (1,079 hours x \$26.57/hour = \$28,669.00

Professional Employee Time – GS 13, Step 5- (2,080 hours x \$47.21/hour = \$98,197.00

Total Annualized Cost to the Federal Government = \$126,866.00

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 83-1:

The percentage of electronic responses has increased based on SBA's experience since the implementation of the electronic processing system. SBA has also increased the estimate for completion of SBA Forms 990 and 994.

16. Collection of Information Whose Results will be Published:

This collection of information will not be published for any reason, except possibly 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 83-1:

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.

(Attachment 1) Estimated Burden Calculation

	Annual Responses			Est'd Burden Hours/Response		Extended Est'd Burden		
	Paper	Elect.	Total	Paper	Elect.	Paper	Elect.	Total
<u>Small Business</u>								
Form 991	463	199	662	10 min.	10 min.	77 Hrs.	33 Hrs.	110 Hrs.
Form 994	4,634	1,986	6,620	7 mins.	6 mins.	541 Hrs.	199 Hrs.	740 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.
Total Responses:	5,691	2,440	8,131			806 Hrs.	305 Hrs.	1,111 Hrs.
<u>Surety / Agent</u>								
Form 990	463	4,171	4,634	6 mins.	5 mins.	46 Hrs.	348 Hrs.	394Hrs.
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.
Total Responses:	1,492	8,342	9,834			273 Hrs.	696 Hrs.	961H rs.
Grand Total Responses:	7,183	10,782	17,965			1,079 Hrs.	1,001 Hrs.	2,080 Hrs.