

**SUPPORTING STATEMENT**  
**Annual Survey of SBA HUBZone Firms with Awarded HUBZone Contracts**  
**(OMB Approval 3245-0350)**

**A. Justification**

**1. Circumstances necessitating the collection of information**

*Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the applicable section of each statute and regulation that mandates or authorizes the collection of information.*

The purpose of collecting these data is to perform economic impact analysis of the HUBZone Program. With the data collected, the Program will be able to measure the effect of the jobs creation and capital investment of the participating firms on a diversity of economic activity indicators of the designated communities such as unemployment rate, income and poverty rate.

An audit of the Historically Underutilized Business Zone Program (HUBZone Program) performed last year by the Government Accountability Office (GAO) identified the need to evaluate the success of the program. This data collection tool is an important component of SBA's ability to improve the measurement of the economic impact of the program on the relevant variables.

Amendments to the Information Collection:

SBA has made a few formatting and substantive changes to the form since last submission. For example, the Agency has divided the various categories of information into Section 1, 2, and 3 to make it easier to refer to and identify information and related responses. Other changes are more substantive in nature:

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1. Expanded Section 1 in the currently approved questionnaire to 12 questions. The purpose of these additional questions is to gather information about the firm related to the specific contract identified in the section 3 of the questionnaire. We added a question about the firm's doing business as (DBA), the SBA ID number, the employer identification number (EIN), and the physical address of the firm. Also, we ask that the firm identify additional DUNS that the firm may have, and to identify the principal office as defined in HUBZone, and the primary place of performance, that could be a job site or a firm's office.
2. The employment information in Section 2 is more detailed than in the original questionnaire. For example, we are asking the firms to provide exactly the same number of employees as they appear in the question one in part 1 of the form 941 that they have to submit every quarter to the IRS to pay their payroll taxes, as well as the

annual payroll provided in response to question 2, Part 1 of that same form. We are also differentiating between the employees that are part of the payroll and those that are temporary, leased, or PEO.

3. Eliminated the questions related to assets and liabilities of the firm, coming from their most recent financial statements, but kept the questions related to the total gross revenue for the previous three years in Section 2.
4. The current OMB approved questionnaire requests that Small Business Concerns (SBCs) update the financial information and employment levels that they provided at the time of the initial application to HUBZone. However, the information requested does not help to measure the direct effect of the SBCs' awarded contracts on job creation and investment in HUBZone areas across the United States. SBA has added a series of questions about job creation and capital expenditures related to the identified HUBZone contract in Section 3.

## **2. How, by whom and for what purpose information will be used.**

*Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.*

The reports resulting from this data submission will be used by SBA program managers to quantify the HUBZone program's effectiveness in promoting job creation and capital investment in historically underutilized business zones (economically distressed communities). Also, the HUBZone Program will use this information to satisfy inquiries from the Congress, the Executive Branch and other government entities related to the economic impact of the Program on the designated communities.

## **3. Technological collection techniques.**

*Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce the burden.*

The technology we will use is a web questionnaire. The firms will be able to answer the questions online. The information provided will populate a database that the analyst in the HUBZone program will be able to access and relate to information from other databases. The existing HUBZone database system, which accepts information via the Internet, will be adjusted for to enhance the capability of the system to receive the data related to the contracts that before we did not collect.

Electronic transmission of this information provides an efficient means to process and collect the necessary data, and is consistent with the Government Paperwork Elimination Act (GPEA) requirements. The HUBZone application currently resides on a secure server that employs 128-bit SSL encryption, the same as used by commercial operators such as VeriSign. The system is set up so that anyone submitting HUBZone application material (including updates such as this) automatically has his/her private information scrambled as it moves to the HUBZone database and only reconstituted as a readable file once it arrives. Moreover, access to the HUBZone database is limited to HUBZone personnel. No one, can access our database without specific authorization.

#### **4. Avoidance of duplication.**

*Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in item 2 above.*

One of the purposes of this information collection is to gather updated information, so although the respondents would have previously submitted similar information to the Agency, updated information is required to enable the Agency to comply with its statutory mandate for the HUBZone program.

#### **5. Impact on small businesses or other small entities.**

*If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-1), describe any methods used to minimize burden.*

The information collection seeks to reduce the compliance burden of the SBCs. The information requested is available in the official business documents of the firms or uses data provided by the firms to other agencies of the government. SBA is exploring new administrative sources of data that could be used to corroborate and expand on the information provided by the SBCs, without increasing the burden for the firms as well as for the SBA. Finally, because this collection method replicates the technical approach used in other portions of the HUBZone program, the Agency believes that this familiarity also eases the burden for the responding SBCs.

For example, SBCs have to submit a Form 941 (the Employer's Quarterly Federal Tax Return) to the Internal Revenue Service every quarter, and the questionnaire asks to provide two answers coming from the form, reducing the burden of searching for data specifically to comply with the HUBZone data collection effort.

## **6. Consequences if collection of information is not conducted.**

*Describe the consequence to the Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.*

Without this data collected on an annual basis, the managers must largely rely on secondary data sources as well as on conjecture and speculation in determining the program's success in meeting statutory goals. Therefore, the value of the HUBZone Program as a Federal initiative to encourage capital investment and promote job creation in economically distressed communities cannot be established.

## **7. Existence of special circumstances.**

*Explain any special circumstances that would cause an information collection to be conducted in a manner:*

- \* requiring respondents to report information to the agency more often than quarterly;*
- \* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;*
- \* requiring respondents to submit more than an original and two copies of any document;*
- \* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;*
- \* in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;*
- \* requiring the use of a statistical data classification that has not been reviewed and approved by OMB;*
- \* that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge,...*
- \* requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.*

Does not apply.

## **8. Solicitation of Public Comment.**

*If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public*

*comments received. Describe efforts to consult with persons outside the agency to obtain their views...*

SBA published the required 60 day comment notice in the Federal Register on October 26, 2009 at 74 FR 55076 (see attached copy). No comments were received.

**9. Payment or gifts.**

*Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.*

There are no payments or gifts given to any of the respondents.

**10. Assurance of confidentiality.**

*Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.*

There are some fields of information obtained from applicants that may deem to be confidential (i.e. – financial information and employment levels). Clients are supplied with an assurance of confidentiality to the full extent permitted by law, including the Freedom of Information Act and the Right to Financial Privacy Act. Furthermore, any data obtained from the client is automatically encrypted during electronic transmission to the Agency and is stored on a secure server that has regulated access limited to HUBZone personnel on an as-needed basis (progressive access depending on staff function and administrative seniority).

**11. Questions of a sensitive nature.**

*Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.*

None of the questions included in the form would qualify as sensitive material as described.

**12. Estimate of the hourly burden of the collection of information.**

*Provide estimates of the hour burden of the collection of information, well as the hour cost burden. Indicate the number of respondents, frequency of response, annual hour and cost burden, and an explanation of how the burden was estimated.*

Number of respondents: 500 (31% of 1,600-this is the average number of certified SBCs that were awarded contracts during the FY 2008 and FY 2009. It includes new and modified contracts.)

Number of responses per respondent – 1

Estimated hours to complete the form (on-line entry) per respondent – 0.5 hours

Burden hours –  $500 \times 0.5 = 250$  hours

Burden hours = 250 hours

Respondent's Cost for Burden Hours –

Estimated salary = \$41.31/hour (This is the hourly median wage for management occupations in the sector of construction. Source: SOC Program, BLS).

$250$  burden hours  $\times$  \$41.31/hour = \$10,327.

**13. Estimate of total annual cost burden for submission.**

*Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. Do not include hour cost burden from above.*

SB will submit these data on-line using an existing electronic collection process. No equipment or training is needed beyond access to the Internet via a personal computer. Any additional cost other than the hour cost burden reported above-if any-will be de minimis.

**14. Estimated annualized cost to the Federal government.**

*Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, including a quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.*

-- Annualized Cost to expand existing application database to accommodate new field entry for this material = \$300 (\$3,000 one time set-up cost with 10 year life).

-- Review and analysis --

GS-14 estimated salary -- \$50.41/hour compensation, \$63.00/hour compensation and benefits.

Using automated HUBZone Executive Information System to sort, analyze and print out data supplied by all 500 respondents = 2 hours.

Total estimated cost to government -- \$11,352 (Include payments to contractor for maintenance and service).

**15. Explanation of program changes in Items 13 or 14 OMB Form 83-I**

**16.**

*Explain reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I*

The burden decreased because before the survey was targeted to the total universe of HUBZone certified firms (at that time, the number was about 13,500; today it is about 8,000). Now, the survey will be completed by a sample of a subset of the total certified firms: those receiving HUBZone contracts (the number in average is about 1,600/year).

**17. Collection of information whose results will be published.**

*For collection of information whose results will be published, outline plans for tabulation and publication. Address complex analytical technique. Provide time schedules for the entire project.*

The analysis of the data will be published as part of an annual review of the economic impact of the HUBZone program. Expected time of report is the late summer of every year. The tabulation of the data will not affect the confidentiality of the SBCs. Also, the collected data will be used in reports to the Executive or Legislative branches of Government.

**18. Expiration date for collection of information.**

*If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why the display would be inappropriate*

Not applicable

**19. Exceptions to certifications in Block 19 in OMB Form 83-1.**

*Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submission," of OMB Form 83-I*

Not applicable. There are no exceptions to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB 83-I.

## **B. Collection of Information Employing Statistical Methods**

- 1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection methods to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection had been conducted previously, include the actual response rate achieved during the last collection.*

The HUBZone Program will conduct a survey of a subset of SBCs in its portfolio; those that were awarded contracts during the previous fiscal year. The average number of certified HUBZone SBCs receiving contracts during the last two years was 1,604, representing 20% of The HUBZone portfolio. The survey will be directed via e-mail to a sample of 500 firms chosen randomly, and the existing HUBZone database system, which accepts information via the Internet, will be adjusted so that all respondents will be able to enter the requested data into a pre-cast, online form or spreadsheet.

We will obtain the set of HUBZone certified firms that received a contract from the FPDS-NG system. We estimate that the average number of participants is about 1,600, and the 500 firms that will be part of the sample will be chosen from this set.

### **Number of Entities in the universe covered by the Collection and in the Corresponding Sample**

<b>Number of SBCs receiving contracts (by unique DUNS)</b>	1,600
<b>Random sample (30% of the universe)</b>	500

The firms will be provided a questionnaire and a guideline with.

The previous HUBZone experience shows that 30% of the total universe may answer the questionnaire; in August 2005, from 12, 776 firms, 3,500 (27.4%) answered the questionnaire, and in 2006, from 11,891, 3,497 (29.4%) answered it. However, the results could not be used to infer about the universe because the “sample” was not chosen randomly.

The tabulation and analysis of the data will be conducted by Jorge Laboy-Bruno, the Economist of the HUBZone Program.



2. *Describe the procedures for the collection of information including:*
  - \* *Statistical methodology for stratification and sample selection,*
  - \* *Estimation procedure,*
  - \* *Degree of accuracy needed for the purpose described in the justification,*
  - \* *Unusual problems requiring specialized sampling procedures, and*
  - \* *Any use of periodic (less frequent than annual) data collection cycles to reduce burden.*

The sample selection will be done with a simple random sampling or a probability sample. The purpose is to obtain an estimate of the average number of jobs retained and created and an estimate an average level of capital expenditure generated by the HUBZone certified firms that were awarded HUBZone-type of contracts. The result will be aggregated at the National level. No strata will be used in this instance. Overtime, strata will be created on type of industry and regional division. The degree of accuracy will be 95%, meaning that for 100 samples, the real population mean will be located in the calculated confidence interval in 95 of them.

3. *Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling, a special justification must be provided for any collection that will not yield "reliable" data that can be generalized to the universe studied.*

We will use an online design for the survey. The design will include asking clear questions, definitions and guidance. We will populate information to be reviewed by the participants, reducing their time to answer the questionnaire.

As long as the sample of firms is chosen using random samples, then we should be able to generalize the results to the universe studied.

With respect to non-response, we will address the issue by stages: first, with a targeted campaign with emails (first, second and third). A resource in the helpdesk will be available to answer questions related to the questionnaires. Second, a resource will be assign to call the firms that did not answer after few weeks.

An acceptable rate of response will be 80 percent (about 400 questionnaires) for obtaining the data that will allow the program to complete its economic impact analysis. However, the Program will do all its best to obtain the largest rate of response.

4. *Describe any tests of procedures or methods to be undertaken. Testing is encouraged as an effective means of refining collections of information to minimize burden and improve utility. Tests must be approved if they call for answers to identical questions from 10 or more respondents. A proposed test or set of test may be submitted for approval separately or in combination with the main collection of information.*

We will test the questionnaire before implementing it, to ensure that the material is understood by selected participants, and that the questions and explanations are accurate and helpful.

**Given that some of the data to be provided could be used to disqualify a company from the program, how will accurate results be ensured?**

No data obtained through this survey could be used to disqualify a certified HUBZone SBC.

**What methods will be used to separate out effects of the HUBZone program from other effects, such as local economic conditions or wage inflation?**

One section of the questionnaire addresses the effects of the contracts awarded on the SBC's job hiring and investment plans. The statistical and econometric analysis of this self-reported data, combined with the analysis of data coming from site visits and from secondary data sources, will result in improving the measurement of the economic impact of the HUBZone program and in differentiating the impact of the program from other factors affecting the economic activity of the designated communities.