

Department of the Treasury
Departmental Offices
State Small Business Credit Initiative
Supporting Statement for the State Small Business Credit Initiative

A. Justification

1. Circumstances necessitating the collection of information.

In calendar year 2011, the Department of the Treasury (Treasury) will implement title III of the Small Business Jobs Act of 2010 (the “Act”), the State Small Business Credit Initiative (SSBCI), by obligating all \$1.5 billion of appropriated funds (less an amount reserved for administrative expenses) to each of the 50 states, territories, District of Columbia and, under certain circumstances described in the Act, municipalities. Under the SSBCI, the Treasury will allocate Federal funds to participating states, territories or municipalities in order to support statutorily eligible state-run capital access programs and other eligible state-run credit support programs, including loan guarantee, loan participation, collateral support, and venture capital programs, and collateral support programs for a qualifying loan or swap funding facility. These programs leverage private lending to help finance small businesses and manufacturers that are not getting the loans they need to expand and create jobs. The SSBCI is a one-time program of limited duration. Treasury has currently received 11 applications, and made 2 allocations under the program. Treasury is seeking PRA clearance for necessary revisions to the reporting regime in the SSBCI Allocation Agreement and revisions to the SSBCI Application for the purposes of better administration of the program.

2. Method of collection and use of data

A. Method of collection and use of data: SSBCI Application.

Data will be collected by the Treasury through the revised application form submitted by states, territories, the District of Columbia and certain municipalities wishing to participate in the SSBCI. Treasury will use submitted information to determine if the applicants meet the eligibility requirements in order to receive the SSBCI funds.

In December 2010, the original SSBCI Application (OMB Control No 1505-0227) was submitted for review. This request seeks to add to existing questions and clarify existing questions.

- (i) Additional questions: Two additional questions added are intended to capture information relating to oversight and compliance:
- (ii) Clarification: Six questions are clarified in the application by adding more detailed instructions about best responses.

B. Method of collection and use of data: Quarterly and Annual Reporting Requirements in the Allocation Agreement.

Data pertaining to individual loans or investments made by financial institutions participating in approved programs using SSBCI funds will be collected by Treasury through quarterly and annual reports submitted by states, territories and municipalities. Some information provided in the annual report will dictate whether subsequent reporting is required.

Information provided in the quarterly and annual reports will be used to (1) ensure compliance with applicable laws and program requirements; and (2) track and report on the effectiveness of the program in meeting its policy objectives.

3. Use of information technology

A. Use of Information Technology: SSBCI Application Data Collection

Applicants will complete an interactive application (a fillable PDF form) and return the application via email; regular mail, or electronic mail. Data from applications will be stored electronically.

B. Use of Information Technology in the Quarterly and Annual Report Data Collection

States, territories, and municipalities that receive funds will upload the quarterly reports and annual report via an existing Treasury information technology platform. Treasury will store this information electronically.

4. Efforts to identify duplication

The information that will be collected does not overlap with any information collected under previously approved information collections.

Because SSBCI is a new program, the foundational documents need to be adjusted in light of lessons learned from the first few applicants. In the revised documents, Treasury has made efforts to ensure that the questions asked in the application fully capture the statutory language concerning eligibility. Treasury has also made efforts to clarify questions to ensure that the application reviewers have the best information on which to base their recommendations and to reduce burden on applicants by eliminating the need to request supplemental information.

Additionally, Treasury staff met with staff from the Small Business Administration (SBA), and the Community Development Financial Institutions (CDFI) Fund when drafting its revised application and allocation agreement. These meetings with SBA and CDFI Fund helped identify areas in order to streamline reporting and take advantage of existing systems that are currently in use at analogous Federal agencies.

5. Impact on small entities

This collection of information is not expected to have a significant impact on small entities. Many of the entities that will be providing the transaction-level data will be familiar with the types of information requested based upon their experience with existing state programs as well as the more extensive data collected by the SBA.

6. Consequences of less frequent collection and obstacles to burden reduction

SSBCI is statutorily required to have an application and annual reporting. Treasury cannot meet its statutory requirement to fund programs without using an application form to discern eligibility of programs. The SSBCI Application is anticipated to be a one-time collection because this program is not likely to be renewed.

Reporting elements specified in the Act limit the degree to which the reporting requirements in the SSBCI Allocation Agreement can be reduced below the current level.

7. Circumstances requiring special information collection

Not applicable.

8. Solicitation of comments on information collection

The information collection related to the SSBCI Application is necessary to comply with the Act and is requested under the emergency processing under OMB's PRA regulations.

The information collection in the quarterly and annual reports is necessary to comply with the Act. Treasury requests emergency processing under OMB's PRA regulations. However, because of the Treasury's strong interest in minimizing impact while enabling appropriate oversight, Treasury staff has conducted one-on-one conversations with lenders and states in order to develop the quarterly and annual reporting requirements. In addition, Treasury participated in a conference call with the Financial Services Roundtable, which represents lending institutions, and a second conference call with the Council of Development Finance Agencies, which represents the type of state agencies most likely to apply for SSBCI. Treasury made significant changes to its proposed data collection as a result of these exchanges, including substituting a unique loan/investment identifier number for the business's name and address (in order to allay privacy concerns) and removing the requirement that states report on credit scores and delinquencies.

9. Provision of payments to recordkeepers

Not applicable.

10. Assurance of confidentiality

The SSBCI is subject to all Federal regulations with respect to confidentiality of information supplied in the application and reporting process.

11. Justification of sensitive questions

No questions of a sensitive nature are asked in the SSBCI Application nor the SSBCI Allocation Agreement Quarterly and Annual Reporting.

12. Estimated burden of information collection

A. Estimated burden of information collection: SSBCI Application

There will be approximately 54 applicants applying for funds. SSBCI expects that these applicants will request funding for approximately 79 programs. SSBCI estimates the burden of collection to be approximately 10.5 hours per program funding request. The 10.5 hours is an increase of 0.5 hours from our previous PRA request and is a result of adding the two compliance questions. SSBCI estimates the total annual burden to be 829.5 hours (79 programs * 10.5 hours/program).

B. Estimated Burden of the Quarterly and Annual Reports

SSBCI anticipates that 54 states, territories, and/or municipalities will receive funds. We The estimated time to complete a quarterly report is 1 hour. Therefore, the estimated annual burden associated with quarterly reports is 216 hours (54 states * 4 quarterly reports/year * 1 hour/report).

Each annual report will require, on average, 6.36 hours of a state’s time, for a total annual burden of 343 hours (54 states * 6.36 hours/report).

This estimate is derived from calculating the weighted average of the annual burden hours under two different methods of data collection:

- (i) The state processes hardcopy loan enrollment forms completed by the lender, and then enters each of these loans into the required Microsoft Excel format (estimated at an average of 19.42 burden hours/year per state); or
- (ii) The state writes a query to export the data from its own internal database (e.g. MS Access, ABS) into the required Microsoft Excel format. Under this option, the only additional burden on the state (estimated at 2 hours/year) is the generation of the appropriate query; the state is already entering each individual loan into its internal database as part of its standard operating procedures.

Table 1 below illustrates how SSBCI estimated that the average annual burden for method (a) is 19.42 hours:

Table 1

Median total allocation for a Participating State	\$13,552,151
Annual average allocation disbursement (1/3 total allocation)	\$4,517,384
Expected percent invested in CAP program	40%
Average annual amount invested in CAP	\$1,806,953
Expected average loan size for CAP	\$100,000
Expected average insurance premium paid by state	5%
Expected average insurance premium paid by state/CAP loan	\$5,000
Expected average number of loans enrolled in state CAP/year (Note: This is derived by taking the average annual amount invested in CAP and dividing by the average insurance premium paid by the state/CAP loan.)	361
Time to record one CAP loan (hours)	0.05

Total time to record and report CAP loans (hours)	18.07
Expected percent invested in non-CAP programs	60%
Average annual amount invested in non-CAP programs	\$2,710,430
Expected state support per non-CAP investment	\$100,000
Expected average non-CAP investments/year	27
Time to record one non-CAP investment (hours)	0.05
Total time to record and report non-CAP investment (hours)	1.36
ANNUAL BURDEN ASSOCIATED WITH THE ANNUAL REPORT	19.42

Table 2 below illustrates how SSBCI calculated the average annual burden of the annual report as a weighted average of methods (i) and (ii):

Table 2

Annual burden associated with the annual report, for those entering data directly into Excel	19.42
Expected percent of users entering data directly into Excel	25%
Annual burden associated with the annual report, for those exporting from a database into Excel	2
Expected percent of users already collecting this data in internal databases	75%
ANNUAL AVERAGE BURDEN (weighted average for two methods)	6.36

Estimated Combined Annual Burden

Therefore, the total annual burden is estimated as shown in Table 3:

Table 3

Collection	Total annual burden
Application	830
Quarterly reports	216
Annual report	343
Total	1389

13. Estimated total annual cost burden to respondents

There are no cost burdens associated with the collection of the data. No purchases of equipment or services are necessary to complete these collections.

14. Estimated cost to the federal government.

The cost to the Federal Government is the Treasury staff time and IT systems requirements to develop the application, follow-up with applicants, review the applications, determine disbursements, collect reporting data, and report the results.

15. Reasons for change in burden

After further deliberation, it was determined that the previously submitted requirements did not enable Treasury to collect all information needed to monitor compliance with all statutory requirements and analyze program performance. In addition to this request to amend SSBCI's information collections, Treasury is also submitting a request to make conforming changes to the annual and quarterly reporting requirements set forth in the SSBCI Allocation Agreement.

16. Plans for tabulation, statistical analysis and publication

Treasury will conduct numerous types of analysis on this data. These analyses will include assessments of the effectiveness of the program (e.g. reach, amounts funded) as well as compliance checks. It is possible that a review/publication may result from these analyses. In addition, this analysis will be made available to the public for transparency.

17. Reasons why displaying the OMB expiration date is inappropriate

Display of the OMB expiration date will create confusion because this program has a limited duration and an explicit statutory deadline for submitting applications (June 27, 2010) that is likely to coincide with the OMB expiration date. This would cause undue confusion for would-be applicants.

18. Exceptions to certification requirement of OMB Form 83-I

Not applicable.