

CLAIMS UNDER THE OIL POLLUTION ACT OF 1990

SUPPORTING STATEMENT FOR 1625-0067

A. JUSTIFICATION

This Information Collection Request application supports a renewal of the existing information collection authorized under OMB 1625-0067. The current Office of Management and Budget (OMB) authorization supports the efforts of the U.S. Coast Guard National Pollution Funds Center (NPFC) to adjudicate claims submitted by affected parties for reimbursement from the Oil Spill Liability Trust Fund (Fund), in accordance with provisions of the Oil Pollution Act of 1990 (OPA). Finally, this application revises burden estimates to be consistent with the burden estimation process outlined by OMB in the 1999 publication *The Paperwork Reduction Act of 1995: Implementing Guidance*. Below we provide supporting information consistent with OMB instructions for completing an 83-I form.

1. Circumstances Requiring Information Collection

The information collection requirements described in this supporting statement are necessary to implement the claims provisions of the Oil Pollution Act of 1990 (OPA). To ensure fair and reasonable payments to claimants and to protect the interests of the Federal Government, all claims must be fully substantiated and the procedures for advertising and presentation of claims must be followed, set out in OPA. The Authority for this collection is 33 U.S.C. 2713 and 2714.

2. Purpose of Information Collection

This information collection request supports all claims adjudication activities undertaken by the NPFC. The NPFC will use the information collected under this request to determine whether claims submitted to the Fund are compensable from the Fund. For compensable claims, the information collected will also provide the basis for determining the appropriate reimbursement of removal costs or compensation for suffered/sustained damages from the Fund. If the information is not collected, NPFC will be unable to comply with the provisions of OPA that require that all claims must be fully substantiated.

3. Use of Electronic Collection

Electronic information collection is not practical for this information collection effort. Claims are one-time efforts that reflect a variety of circumstances, and may require supporting data that are unique to specific claims and may not exist in electronic form (e.g., financial statements).

4. Duplication of Effort

Current regulations under OPA require claimants to submit claims to responsible parties (RPs) where these have been identified, prior to submitting claims to NPFC. Claims

not settled RPs within 90 days of submission or denied may be filed with the NPFC for payment from the Fund. Claims to NPFC may require some duplication of effort for cases in which an RP is identified, to the extent that claimants must reassemble and resubmit materials.

5. Minimizing Burden on Small Entities

Because burden is determined by the complexity of the claim (e.g., the type and amount of costs/damages incurred) and not the size of the entity, it is not possible to systematically provide alternative information requirements for small entities without compromising the quality and consistency of the adjudication process.

6. Consequences of Less Frequent Collection

A claim represents a single, voluntary submission of information by each claimant after damage has occurred (i.e., following a spill). Reduced information collection would impair the ability of the Coast Guard to adjudicate claims as required by OPA.

7. Unusual ICR Requirements

Information will be collected in a manner consistent with 5 CFR 1320.6.

8. Public Comments

A 60-day Notice will be published in the *Federal Register* to obtain public comment on this collection

9. Payments or Gifts to Respondents

No payment or gift to respondents is provided.

10. Assurance of Confidentiality

All information will be handled in accordance with Agency policy ensuring compliance with the requirements of the Freedom of Information Act and the Federal Privacy Act.

11. Questions of a Sensitive Nature

The information collected for the NPFC claims process does not include questions of a sensitive nature.

12. Estimates of the Hour Burden

The NPFC claims process requires all claimants to read regulations, assemble materials, and submit claims. In addition, the process may require clarification of needed information, submission of supplementary information, and the effort required to submit a denied claim for reconsideration. Estimated claimant burden hours associated with all activities are based on review of claim files and instructions and consultation with Coast

Guard staff. These hours do not include the effort of paid preparers (e.g., attorneys and accountants) or consultants (e.g., scientists and analysts); that effort is included in cost burden in Exhibits 3 and 4. The description and calculation of total hour burden is described below.

Activities Required by Claims Process

Burden associated with the claims regulations generally involves five separate activities, and is estimated based on *average* effort per claim. These five activities are: obtaining and reading regulations; claim preparation; supplemental/clarifying activities; reconsideration requests; and preparation of advertisements. The per-claim estimates do not describe actual burden associated with a specific claim. Actual claims range from very simple (e.g., a damaged fishing net) to very complex (e.g., lost business from declines in tourism following a spill), and the burden associated with these claims varies considerably. Average estimates of burden, based on expert opinion and review of claim files, are summarized below in Exhibit 1:

EXHIBIT 1				
BURDEN HOURS BY CLAIMS PROCESS ACTIVITY				
Category	Obtain and Read Regulations	Claims Process Activity		
		Claim Preparation	Supplemental / Clarifying Activities	Reconsideration Requests
Third Party Damage Claims <i>(includes Loss of Profits and Earnings, Loss of Government Revenue, Loss of Subsistence Use, Public Service, Loss of Real or Personal Property)</i>	2	25	8	16
Removal Cost Claims	2	20	8	16
Responsible Party Claims <i>(includes Affirmative Defense and Limit of Liability)</i>	10	100	60	40
NRD Claims	4	79	40	40
		Preparation of Advertisement		
Advertising by Responsible Parties	2	15	n/a	n/a

Calculation of Total Hour Burden

The total hour burden estimate, in Exhibit 2 below, is based on the above hours estimates for each activity multiplied by the anticipated number of claims requiring that activity. The total number of claims anticipated is based on annual average claims received for the calendar years 2005 through 2007¹. This approach differs from the trend analysis used in earlier Paperwork Reduction Act submissions because recent data on actual claim numbers show that the number of claims has not continued to increase at the rates originally projected; however, the trend also indicates that the average claim has become more complicated. The number of claims expected to be submitted for reconsideration and the

¹ The number of claims anticipated will be updated once the full extent of the Deepwater Horizon (DWH) Oil Spill incident of 20 April 2010 is fully realized. DWH is the first ever Spill of National Significance (SONS) and a report that includes partial/incomplete data will adversely skew any conclusions reached based on it.

numbers of designated spills are based on historical averages from calendar years 2005 through 2007.² Finally, the number of claims anticipated to require clarification is based on the expert opinions and historical practice of NPFC staff.

Burden associated with initial review of regulations and claims filing applies to all claims. Burden associated with clarification and reconsideration efforts applies to the estimated numbers of claims requiring these activities. Claims are sorted into four categories of claim type to reflect different frequencies of clarification and reconsideration. The burden associated with responsible party's advertising applies to all designated spills (regardless of whether or not there are any associated claims). The total estimated annual hour burden estimates for all NPFC claims adjudication activities (including both claimant burden and RP advertising) is 14,800 hours. The anticipated number of cases, activities, and associated burden hours are summarized in Exhibit 2.

EXHIBIT 2					
NUMBER OF ANTICIPATED CLAIMS, DESIGNATIONS, AND RESULTING BURDEN HOURS (ANNUALLY)					
Claim Type	Initial Claims/ Designations	Number Requiring Clarification	Number Submitted for Reconsideration	Total Claims Submitted	Total Burden Hours**
Third Party Damage Claims* <i>(includes Loss of Profits and Earnings, Loss of Government Revenue, Loss of Subsistence Use, Public Service, Loss of Real or Personal Property)</i>	64	25	4	93	1992
Removal Cost Claims*	160	24	9	183	3856
Responsible Party Claims* <i>(includes Affirmative Defense and Limit of Liability)</i>	7	4	2	13	1090
NRD Claims*	13	6	0	19	1319
ADVERTISING	5**	n/a	n/a	5	10**
CLAIMS SUBTOTAL	244	59	15	323	8257
TOTAL BURDEN HOURS					8267***
* Number of claims reflects average of claim submissions to NPFC from CY 2005 to CY 2007.					
** Total burden hours for each claim type are calculated as follows: [(# of Claims) X (# of Hours for Reviewing the Regulations)] + [(# of Claims) X (# of Hours for Claim Preparation)] + [(# of Claims Requiring Clarification) X (# of Hours for Clarification Activities)] + [(# of Claims submitted for Reconsideration) X (# of Hours for a Reconsideration Request)] = Total Burden Hours					
***Total Burden Hours value rounded to nearest 10 for simplicity					

Total burden hours for the claimant, presented above in Exhibit 2, are calculated by multiplying the number of claims, number of claims requiring clarification, and the number of claims in which the claimant requests reconsideration by the hours required for each different activity, as set out in Exhibit 1. For example, using the information presented in Exhibits 1 and 2, Total Burden Hours for Third Party Damage Claimants are calculated as follows:

$$(64 \times 2) + (64 \times 25) + (25 \times 8) + (4 \times 16) = \mathbf{1992 \text{ Burden Hours}}$$

² Prior to DWI, the claims submission trend showed an overall downward trend, with the number of claims decreasing, while their complexity trend moved in the opposite direction.

Other Costs Associated with Compliance

In addition to burden hours, costs associated with compliance include:

1. Paid preparer expenses (i.e., accounting and legal assistance)
2. Other direct expenses (e.g., postage, copying, advertising costs); and
3. For NRD claims, contractor expenses related to damage assessment

Exhibit 3 summarizes the average estimated hours of paid preparers and NRD contract support employed in the NPFC claims process by activity. Exhibit 4 summarizes the estimated cost burden on the public associated with compliance with the NPFC claims process.

EXHIBIT 3			
ACTIVITIES REQUIRED BY CLAIMS PROCESS			
Claimant Activity	Hours per Claim		
	Third Party and Other Claims	NRD Claims	RP Claims
	Paid Preparer*	Contract Support	Paid Preparer*
Obtain and read regulations	10	2	25
Claim Preparation	85	20	300
Supplemental/Clarifying Activities	20	10	100
Reconsideration Request	50	10	50

^a There are no estimated Paid Preparer hours for Removal Claims.

Assumptions

Paid Preparer Expenses: For claims involving third party damages and for claims by responsible parties (i.e., for affirmative defense and limit of liability), paid preparer costs are estimated at \$200 per hour, based upon input from actual 2007 claimant documents.

NRD Contractor Expenses: Contractor support is often necessary during the assessment phase of a natural resource damage assessment. Thus, their involvement may also be necessary when the claim is being prepared for submission to the NPFC. Since the complexity of an NRD claim is highly variable depending on the natural resources present at the location of the spill and numerous other factors it is difficult to predict a specific type of contract support necessary for each claim. As such, we compiled data on hourly rates for 9 different scientific specialties and used the average fully loaded hourly wage of \$135 for contractor support while preparing and responding to inquiries related to NRD claims.³ We then inflated it for 2005, 2006 and 2007 raising last reports \$135 to \$145.⁴

³ Natural Resource Economist (\$104.60), Biologist (\$84.71), Ecologist (\$130.63), Geologist (\$169.97), Hydrologist (\$181.48), Marine Biologist (\$153.88), Marine Scientist (\$128.17), Oceanographer (\$161.48), Toxicologist (\$98.70).

⁴ The effects of the late 2000s recession triggered an assumption of labor rates holding steady, therefore negating any increase in the overall costs previously presented.

Other Direct Expenses: Other direct expenses include postage, copying, and telephone expenses. NRD estimates are higher based on the quantity of information required and are reported in parentheses. These costs are estimated as follows:

1. Obtaining and reading regulations: \$5 per claim (\$20 for NRD)
2. Filing the initial claim: \$20 per claim (\$200 for NRD)
3. Providing supplementary or clarifying materials: \$20 per claim (\$200 for NRD)
4. Pursuing a reconsideration of the claim request: \$200 per claim (\$200 for NRD)
5. Responsible party advertising costs: \$ 6,840 per designation

Note that advertising costs reflect the requirement to advertise over a 30-day period. NPFC historical records of advertising costs show that costs vary from a few hundred dollars (e.g., to print posters and circulate letters in an area near a small spill) to advertisements in multiple metropolitan newspapers (costing thousands of dollars). \$6,840,226 represents the most recent cost provided by an RP.⁵

EXHIBIT 4				
ANNUAL COST BURDEN ESTIMATES FOR CLAIM SUPPORT AND OTHER COSTS				
Claim Type	Paid Preparer Costs	Other Costs (including advertising)	Contractor Costs (NRD only)	Total*
Third-Party Damages	\$1,356,000	\$2900	\$ -	\$1,358,900
Removal Costs	\$ -	\$5280	\$ -	\$5280
Responsible Party Claims	\$555,000	\$975	\$ -	\$555,975
Natural Resources Damage	\$-	\$17,354	\$177,034	\$194,388
Advertising	\$ -	\$34,200	\$ -	\$34,200
TOTAL	\$1,911,000	\$60,709	\$177,034	\$2,148,743**
<p>*Calculation for claim support for each claim types was calculated as follows and is explained in detail in Exhibit 5: [(# of Claims) X (# of Hours for Reviewing the Regulations) X (Hourly Wage for Paid Preparer)] + (# of Claims X Other Costs associated with Reading the Regulations) + [(# of Claims) X (# of Hours for Claim Preparation) X (Hourly Wage of Paid Preparer)] + (# of Claims X Other Costs associated with Claim Preparation) + [(# of Claims Requiring Clarification) X (# of Hours for Clarification Activities) X (Hourly Wage for Paid Preparer)] + (# of Claims Requiring Clarification X Other Costs associated with Claim Clarification Activities) + [(# of Claims Submitted for Reconsideration) X (# of Hours for a Reconsideration Request) X (Hourly Wage for Paid Preparer)] + (# of Claims Submitted for Reconsideration X Other Costs associated with Reconsideration Activities) = Total Cost of Claim Support</p> <p>**Total rounded to the nearest 10 for simplicity</p>				

Total cost burden estimates for claim support and other costs, presented above in Exhibit 4, are calculated by multiplying the number of claims, number of claims requiring clarification, and the number of claims submitted for reconsideration by the number of hours supplied for each activity by either a paid preparer or contractor and also with other costs associated with each activity. As an example, Exhibit 5 below shows how total cost burden for claim support and other costs are calculated for Responsible Party Claims.

EXHIBIT 5
EXAMPLE COST CALCULATION FROM EXHIBIT 4
RESPONSIBLE PARTY CLAIMS

⁵ The world-wide-web (internet) has been a facilitator for increasing potential claimants access to information on the OPA claims more quickly and effectively, whether directly from the RP or other sources, including the NPFC. For that reason, it is anticipated that these costs will likely remain constant and any increase be negligible.

Activity	Paid Preparer Cost			Total Cost by Activity
	Number of Claims*	Paid Preparer Hours**	Paid Preparer Wage/ hr.	
Obtain and read regulations	7	25	\$200.00	\$35,000
Claim Preparation	7	300	\$200.00	\$420,000
Clarifying Activities	4	100	\$200.00	\$80,000
Reconsideration Request	2	50	\$200.00	\$20,000
Total Paid Preparer Cost				\$555,000
Activity	Other Costs			
Obtain and read regulations	7	n/a	\$50	\$35
Claim Preparation	7	n/a	\$100	\$140
Supplemental/ Clarifying Activities	4	n/a	\$100	\$400
Reconsideration Request	2	n/a	\$200	\$400
Total Other Costs				\$975
TOTAL FOR CLAIM SUPPORT AND OTHER COSTS (RP)				\$555,975
* Information obtained from Exhibit 2				
** Information obtained from Exhibit 3				

Total Monetized Burden Estimate

OMB's guidance (i.e., in the 1999 *Information Collection Budget and The Paperwork Reduction Act of 1995: Implementing Guidance*) emphasizes the importance of monetizing hour burden estimates to provide single monetary estimates of total burden. Total monetized hour burden associated with the NPFC claims process is applied to the burden hours above, using the following values:

Claimant Costs (private sector): \$40.00 per hour

Because past claimants reflect a broad range of occupations and geographic locations, we use the 2003 national average salary adjusted to 2005 dollars for all occupations of \$18.87 per hour to approximate claimant wages. We then adjust this rate to include a 100 percent overhead rate to allow for benefits and other costs included in standard overhead rates, resulting in a cost of \$37.74 per hour.⁶ For 2007, we then inflated this with cost of living for two years at approximately 3% per year, yielding an average hourly rate of about \$40/hour. In addition, advertising is estimated to consume approximately 2 hours of staff time per advertisement at the above wage rate.

Claimant Costs (public sector): \$77.00 per hour

⁶ The Bureau of Labor Statistics assumes a standard overhead rate of 30 percent in order to capture the cost to employers of providing employee benefits. Because many of the parties filing claims are self-employed, we make the conservative assumption that the overhead rate would be higher.

To assess the cost of government effort, we use GS-13 level employee rates, based on the rates of reimbursement that the Coast Guard charges to RPs for adjudication activities. We assume that this rate of \$77.00⁷ per hour is fully loaded with overhead and applies to all government claimants (i.e., the government officials specifically involved in preparing claims).⁸

NPFC claims staff note that, in general, third party damage, removal cost, and RP claims are filed by private sector parties, while the majority of NRD claims are filed by public sector parties. Therefore, monetization of burden assumes that private sector claimant costs apply to third party damage, removal cost, and RP claims, and public sector claimant costs apply to all NRD. Exhibit 6 summarizes total monetized burden associated with the NPFC claims process. Monetized Claimant Hour Burden is calculated as follows:

Third Party Damage Claimants: (1992 Hrs) X (\$40.00) = **\$79,680**
 Removal Cost Claimants: (3,856 Hrs) X (\$40.00) = **\$154,240**
 Responsible Party Claims: (1090 Hrs) X (\$40.00) = **\$43,600**
 Natural Resource Damage Claims: (1,319 Hrs) X (\$77.00) = **\$101,563**
 Advertising: (10Hrs) X (\$40.) = **\$400**

Exhibit 6				
TOTAL MONETIZED BURDEN ESTIMATE				
Claim Type	Claimant Hour Burden	Monetized Claimant Hour Burden	Additional Cost Burden (including paid preparer, contractor, and other direct costs)	Total Monetized Burden
Third-Party Damages	1992	\$79,680	\$1,358,900	\$1,438,580
Removal Costs	3856	\$154,240	\$5280	\$159,520
Responsible Party Claims	1090	\$43,600	\$555,975	\$599,575
Natural Resources Damage	1319	\$101,563	\$194,388	\$295,951
Advertising	10	\$400	\$34,200	\$34,600
TOTAL	8267	\$379,483	\$2,148,703	\$2,528,186

Conservative Assumptions

The burden estimates reported above are likely to represent upper limits of expected burden for two reasons:

1. The estimates do not assume that claimants have previously submitted the claim to an RP. For claims with an identified RP, the burden associated with submitting a claim to the Coast Guard is likely to be lower because all or a portion of the claim has already been prepared.
2. The estimates do not account for some expenses that have the potential to be reimbursed as part of the claim payment.

It is difficult to predict the number of claims that will be submitted to RPs and the requirements for these claims, and it is difficult to predict the portion of claim preparation

⁷ Coast Guard Standard Rates Instruction, COMDTINST 7310.1M

⁸ Note that in certain cases, other government employees may be involved in claim preparation, particularly for NRD claims.

that will be determined to be compensable. Therefore, the burden estimates are not adjusted to reflect these issues, and are likely to represent high-end estimates of actual burden.

13. Estimates of Cost Burden

There are no annualized capital and start-up costs.

14. Estimates of the Annualized Cost to the Federal Government

The annualized cost to the Federal Government of collecting information associated with claims is generally limited to advertising, initial processing of claims materials, and requests for clarifying or supplemental information. However, these activities have historically been tracked as part of the more general claims adjudication process and have sometimes been divided among Coast Guard and contractor staff. However, according to NPFC personnel, costs specific to information collection and management likely represent roughly five percent of the total claims adjudication cost.

The total annual cost associated with all claims adjudication activities includes the cost of 18 full-time equivalent (FTE) claims adjudication staff⁹, in addition to the total contractor budget associated with the claims division. Claims adjudicators are GS-13, with an estimated total cost of \$77 per hour (based on the rates of reimbursement that the Coast Guard charges to RPs for adjudication activities), and estimated to work an average of 2,000 hours annually. Estimated annual contracting costs of \$180,000 are based on the 2007 report, where a snapshot of a representative six months period of effort related to claims support, doubled to reflect annual costs. Based on these assumptions, total government costs for claims adjudication are \$2,376,000¹⁰, and costs specific to information collection and management represent roughly five percent of this cost, or \$118,800.

15. Reasons for Adjustments to Reporting in Paragraphs 13 or 14

The estimates reported in paragraph 14 differ from previous hour and cost burden estimates for NPFC activities under OMB # 1625-0067 for the following reasons:

1. **2005-2007 Time Period:** Data for the most recent 3 years were used in the calculation of average claims submissions and the most recent references for hourly rates was applied.
2. **Increase in the Monetized Burden:** The monetized burden increased by \$1,312,222, due in the most part, by an increase in the hours invested in the preparation of more complex Third Party claims and Responsible Party claims. The number of hours spent on these more complex claims as well as an increase in the hourly rate paid for experts to assist drove this cost up, while the number of claims declined and the time and cost of removal actually declined some.

⁹ Includes claim managers and claim assistant personnel from the NPFC Claims Adjudication Division and NPFC Natural Resource Damage Claims Division.

¹⁰ This information purposefully excluded contracting costs incurred as a consequence of the DWH oil spill incident, as this information would be partial/incomplete and would adversely skew the data and any conclusions reached based on it.

Because burden is determined by the complexity of the claim (e.g., the type and amount of costs/damages incurred) and not the size of the entity, it is not possible to systematically provide alternative information requirements for small entities without compromising the quality and consistency of the adjudication process.

There are no changes to the burden or information associated with this collection

16. Publication of Results

The information collected will not be published.

17. Display of OMB Date of Approval

OMB date of approval will be displayed.

18. Exceptions to Certification

No exceptions are requested.

B. COLLECTION OF INFORMATION USING STATISTICAL METHODS

This information collection effort addresses specific information supporting damage or removal cost claims by claimants. Statistical methods are not appropriate in this context.