

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.

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative (SSBCI), which was funded with \$1.5 billion to strengthen State programs that support lending to small businesses and small manufacturers. Treasury allocated Federal funds to participating States, territories, the District of Columbia, and municipalities ("Participating States") in order to support statutorily eligible State or municipal capital access programs and other eligible State or municipal credit support programs, including loan guarantee, loan participation, collateral support, and venture capital programs. SSBCI is a one-time program of limited duration.

Treasury received 54 applications from eligible States and territories, plus the District of Columbia, by the state/territory application deadline of June 27, 2011. One of these applications was subsequently withdrawn. Treasury received five applications from eligible municipalities or consortia of municipalities by the statutory deadline of September 27, 2011.

As of December 19, 2011, Treasury has approved applications from 47 states, 3 territories, and the District of Columbia. All other received applications are still under consideration, and Treasury expects to make these awards in the beginning of calendar year 2012.

Treasury previously received emergency Paperwork Reduction Act (PRA) clearance for the SSBCI application package, as well as the quarterly and annual reports which are included as part of the Allocation Agreement. Treasury is now seeking:

- 1) Renewal of PRA clearance for SSBCI Allocation Agreement, because the quarterly and annual reports specified in the Allocation Agreement are required throughout the life of the program;
- 2) Renewal of PRA clearance for the SSBCI application package (albeit with a reduced annual burden), because some Participating States may need to submit this application package in order to request a modification of their SSBCI Allocation Agreement to add new programs not included in the Participating State's original approved application;
- 3) PRA clearance of the SSBCI Quarterly Technical Assistance Review, a voluntary information collection from Participating States in order for Treasury to assess the needs of individual Participating States in order to pro-actively determine whether the Participating State would benefit from additional technical assistance from Treasury to

implement the Approved State Programs; and

- 4) PRA clearance of the SSBCI Allocation Agreement for Municipalities, a modified version of the original SSBCI Allocation Agreement that contains specific provisions for municipal participants in the SSBCI, principally (a) a requirement that municipal applicants applying jointly for SSBCI funds shall document and provide to Treasury a copy of a cooperative agreement that details the roles and responsibilities among each municipality as a condition of closing; and (b) a requirement that, for any loans or investments made outside of the geographic borders of a Participating Municipality, that Participating Municipality shall warrant in writing that such a transaction will result in significant economic benefit to that municipality.

2. Method of collection and use of data

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

Because SSBCI is a onetime program under the Act with no new funding in subsequent year appropriations, Treasury will neither accept applications from any new applicants for SSBCI funding, nor accept applications from existing Participating States for additional SSBCI funds above the original allocation. However, Treasury anticipates that some Participating States may wish to use allocated funds for new programs during the SSBCI five year term. For example, a Participating State with approved collateral support and loan guarantee programs may wish to create a venture capital program and re-allocate its funds among the three programs. In that instance, a new, previously unapproved program would be receiving SSBCI funds, and Treasury's Modification Policy requires that the Participating State submit an abbreviated¹ application package for the new program, in addition to an explanation and justification for the proposed change. Treasury will use submitted information to determine if the proposed new program meets eligibility requirements.

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 Participating States. 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) track compliance with applicable laws and program requirements; and (2) track and report on the effectiveness of the program in meeting its policy objectives. Treasury's per-

¹ Unless otherwise indicated, Treasury will assume that the narrative responses that the Participating State provided to questions 2D and 5B in its previously approved application are still indicative of the Participating State's plans to provide access to capital to underserved businesses and communities, and of the Participating State's plans to ensure appropriate reporting mechanisms, audits, and other compliance activities. For this reason, Treasury will not require Participating States that request approval for a new State program to submit responses to these questions. However, if there has been a material change to the Participating State's plans in these areas, the Participating State should submit updated responses to these questions

response burden estimates for the quarterly and annual report are unchanged from its previously approved request.

C. Method of collection and use of data: Quarterly Technical Assistance Review.

Treasury staff will conduct this quarterly-review during individual conference calls with each Participating State in order to determine whether the Participating State may require additional technical assistance from Treasury to launch their program and to document best practices that Participating States have employed when launching new programs. Treasury does not require Participating States to submit anything in writing; all information may be provided by the Participating States orally.

D. Method of collection and use of data: Allocation Agreement for Municipalities.

In addition to the submission of quarterly and annual reports required by all Participating States, as noted in (B), above, the Allocation Agreement for Participating Municipalities will require that municipal applicants applying jointly for SSBCI funds as a consortium shall document and provide to Treasury a copy of a cooperative agreement that details the roles and responsibilities among each municipality as a condition of closing. Additionally, for any loans or investments made outside of the geographic borders of Participating Municipalities, this Allocation Agreement requires that Participating Municipalities must warrant in writing that such a transaction will result in significant economic benefit to the municipality. This warranty will not be submitted to Treasury, but shall be maintained among the records of the authoring Participating Municipality.

3. Use of information technology.

A. Use of Information Technology: SSBCI Application Data Collection.

For the SSBCI application that Participating States use to request a modification, 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.

For the quarterly and annual reports, Participating States that receive funds will upload these reports via an existing Treasury information technology platform. Treasury will store this information electronically.

C. Use of Information Technology in the Quarterly Technical Assistance Review Data Collection.

Participating States will provide information orally only. Treasury will transcribe the notes of the conversation using Microsoft Word or via a fillable PDF. Data will be stored electronically. This is a quarterly collection from each Participating State, that will reoccur until December 2016.

D. Use of Information Technology in the Allocation Agreement for Municipalities.

Participating Municipalities will provide copies of their cooperative agreement via email to Treasury. Data will be stored electronically. This is a one-time collection from each consortium of municipalities applying for SSBCI participation in a single application prior to closing. Warrants certifying that a loan or investment made outside of municipal borders will not be collected by Treasury.

4. Efforts to identify duplication

There is no overlap among the data collections included in this request. Treasury has not requested any other data collections for the SSBCI program.

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 Small Business Administration's lending and credit support programs.

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. While Treasury does not anticipate frequent collection of the application form in the future, Treasury must maintain this collection in order to adequately assess requests for modifications that involve the addition of new programs. 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.

Section 3009 of the Small Business Jobs Act requires that Treasury provides technical assistance to Participating States and to generally disseminate best practices in program design. Because the rapid deployment of funds to small businesses unable to access capital due to the financial crisis is a primary objective of the legislation, Treasury believes it is important to pro-actively monitor any barriers in program implementation among the Participating States in order to facilitate a resolution. Additionally, because the SSBCI is a program of limited duration, it is important that Treasury have a mechanism for collecting data related to the implementation of Approved State Programs at the front-end of the SSBCI program period in order to a) provide technical assistance to overcome any implementation challenges, if possible; b) document the implementation best practices among Participating States; and c) to identify any policy obstacles to Treasury needs to assess prior to the termination of the program. Additionally,

Section 3004 of the Act gives specific permission for municipalities to apply jointly for SSBCI funds as a consortium, under specific conditions. Treasury has identified specific considerations related to how municipalities participate in the SSBCI that differ from States, particularly related

to the use of allocated funds. Both the cooperative agreement and the warranty for extra-municipal loans and investments are intended to document these differences in use of allocated funds and will assist Treasury and the Office of Inspector General in conducting oversight of the program.

7. Circumstances requiring special information collection

Not applicable.

8. Solicitation of comments on information collection

The information collections related to the SSBCI application, quarterly and annual reports, the Quarterly Technical Assistance Review, and the Allocation Agreement for Participating Municipalities are necessary to comply with the Act and are requested under the emergency processing under OMB's PRA regulations. Treasury has already collected its first quarterly reports, under the authority granted by the previous emergency PRA clearance, and the next reports are due January 30th. Finally, several Participating States have indicated that they will be requesting a modification to add new programs to their Allocation Agreements. Treasury must be able to collect the information necessary to expeditiously review and act on these requests.

Treasury is simultaneously publishing a 60-day notice in the Federal Register for the quarterly and annual reports, application, Quarterly Technical Assistance Review and Allocation Agreement for Participating Municipalities, so that Treasury may request longer-term PRA clearance once the emergency clearance expires.

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.

11. Justification of sensitive questions

No questions of a sensitive nature are asked in the SSBCI Application, the SSBCI Allocation Agreement Quarterly and Annual Reporting, the Quarterly Technical Assistance Review, or the Allocation Agreement for Participating Municipalities.

12. Estimated burden of information collection

A. Estimated burden of information collection: SSBCI Application

As stated previously, Treasury expects to receive applications only from those Participating States wishing to modify their SSBCI Allocation Agreements to add new

programs. Treasury’s previous PRA request estimated that the application burden is 10.5/hours per program. Because Treasury will not, in general, require Participating States to provide an updated response to questions 2D and 5B on the application (which address outreach to Low and Moderate Income communities and compliance activities, respectively), Treasury is reducing this estimate to 9/hours per program. Treasury estimates the total annual burden to be 135 hours (15 requests for new programs/year * 9 hours/program).

B. Estimated Burden of the Quarterly and Annual Reports

SSBCI anticipates that 62 Participating States will receive funds. The estimated time to complete a quarterly report is 1 hour. Therefore, the estimated annual burden associated with quarterly reports is 248 hours (62 Participating States * 4 quarterly reports/year * 1 hour/report).

Each annual report will require, on average, 6.36 hours of a Participating State’s time, for a total annual burden of 394 hours (62 Participating 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 Participating 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 Participating 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 Participating State (estimated at 2 hours/year) is the generation of the appropriate query; the Participating 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

The total burden for these reports is slightly higher than the burden estimated in the previously approved PRA request because the estimated number of respondents has been increased from 54 to 62, due to the higher than anticipated interest from eligible municipalities.

C. Estimated Burden of the Quarterly Technical Assistance Review

SSBCI anticipates that 62 Participating States will receive funds. The estimated time to participate in the conference call, which SSBCI staff use to complete the Quarterly Technical Assistance Review, is 1 hour. Therefore, the estimated annual burden associated with the Quarterly Technical Assistance Review is 248 hours (62 Participating States * 1 hour/call x 4 times per year).

D. Estimated Burden of the Allocation Agreement for Participating Municipalities

SSBCI anticipates that 3 applicants will require a cooperative agreement. The estimate time to complete this document is 40 hours per agreement, for a net, one-time total of 120 hours.

Municipalities that have applied for the SSBCI program anticipate a total of 195 loan or investment transactions per year. SSBCI estimates that approximately 20% of these transactions may occur outside of the boundaries of applicant municipalities and that for

each applicable transaction, the warranty will take approximately 1 hour to complete. Therefore, the estimated annual burden associated with warrants will take 39 hours (195 transactions * .20 * 1 hour/transaction)

E. Estimated Combined Annual Burden

In addition to the one-time burden of 120 hours for the Allocation Agreement for Municipalities, the total annual burden is estimated as shown in Table 3:

Table 3

Collection	Total annual burden
Application	135
Quarterly reports	248
Annual report	394
Quarterly Technical Assistance Review	248
Allocation Agreement for Participating Municipalities	39
Total	1064

13. Estimated total annual cost burden to respondents

There is no cost burden 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 Participating States, review the applications, determine disbursements, collect reporting data, and report the results.

15. Reasons for change in burden

Regarding the SSBCI application, the reason the burden is significantly reduced is that only those Participating States requesting a new program will be required to submit the application. In addition, the application accompanying a modification request will be somewhat abbreviated.

Regarding the quarterly and annual reports, the reason for the slight increase in burden is that the number of respondents has increased from the previous estimate; however, the burden per respondent remains constant.

Regarding the Quarterly Technical Assistance Review, Treasury determined the need to add this data collection so that Treasury will be able to ascertain whether Participating States require additional Treasury support to implement the Approved State Programs and in order to collect data necessary for Treasury to make a qualitative assessment regarding the best practices in program implementation.

Regarding the Allocation Agreement for Municipalities, Treasury determined the need for both the one-time and annual burden following policy decisions made related to the unique characteristics of Participating Municipalities that differ from those of Participating States.

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

Displaying the OMB expiration date associated with the emergency PRA clearance will likely create confusion, since Treasury expects to receive non-emergency, long-term clearance as well.

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

Not applicable.