

**SUPPORTING STATEMENT for OMB Form 83-1  
SBA Form 1450, 8(a) Annual Update**

**A. Justification** 8(a) Annual Update, SBA Form 1450 with Attachments A, B and C (Attachment C is new)

1. Circumstances necessitating the collection of information.

The U.S. Small Business (SBA) 8(a) Business Development (BD) program as authorized by sections 7(j)(10) and 8(a) of the Small Business Act (Act) (15 United States Code (U.S.C.) 636(j) (10) and 637(a)), was created to assist eligible small disadvantaged business concerns to compete in the American economy and access the federal procurement market. Under the Act, each small disadvantaged business participant (Participant) in the 8(a) BD program is required to submit a business plan annually and other supporting information to SBA as a condition of ongoing participation in the program.

Currently, all Participant firms submit the SBA Form 1450, “8(a) Annual Update”, which includes Attachments A and B, to annually update and report to SBA on the firm’s business progress and participation in the 8(a) BD program, particularly to meet the annual review and annual update requirements outlined in the SBA regulations at 13 CFR 124.112.

SBA is amending this existing information collection to include the new reporting requirements that are set forth in the SBA regulations at 13 CFR 124.604, which state that 8(a) Participants owned by Tribes, Alaskan Native Corporations (ANCs), Native Hawaiian organizations, (NHOs), and Community Development Corporations (CDCs) are required to submit, as part of each Participant firm’s annual review submissions, detailed information relating to how 8(a) participation has benefited the tribal or native members and/or the tribal, native or other community, including information about funding cultural programs, employment assistance, jobs, scholarships, internships, subsistence activities, and other services to the affected community. This is a new requirement necessitated by revised regulations for the 8(a) BD program effective March 14, 2011.

In order to collect this new benefits reporting information, SBA has added Attachment C, “8(a) Participant Benefits Report” form to the existing information collection. Only those firms owned by an Indian Tribe, ANC, NHO, or a CDC will complete Attachment C, “8(a) Participant Benefits Report.” The SBA Form 1450, Attachment A, and Attachment B will not currently be amended, and will continue to be required from all 8(a) Participants.

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

The existing information is collected once per year from small disadvantaged businesses that have been certified for participation in the 8(a) BD program. This information is collected via SBA Form 1450, Attachment A, and Attachment B. The new information to be reported on Attachment C will also be collected once per year, simultaneously with the submission of SBA Form 1450 and Attachments A and B.

The SBA reviews and analyzes the information to determine whether these firms are eligible for continued participation in the BD program. SBA also assesses the information to counsel the firms and provide business development assistance.

Currently, the SBA uses the approved information collection (SBA Form 1450, Attachments A and B) information to:

1. Confirm and update basic information such as name, address, and contact information;
2. Ensure the owner(s) have complied with compensation limitations imposed by the SBA program regulations at 13 Code of Federal Regulations (CFR) 124.112(d)
3. Ensure the owner(s) remain economically disadvantaged, as defined in the SBA program regulations at 13 CFR 121.104;
4. Ensure the Participant is still owned, managed and controlled by the individuals upon whom eligibility was originally based or by the entity upon whom eligibility is based (be it an Indian Tribe, ANC NHO, or a CDC);
5. Assess the firm's business development needs, including:
  - a. Determine the firm's access to credit, capital and bonding;
  - b. Obtain the firm's level of sales obtained from both 8(a) contracts and non-8(a) contracts;
  - c. Learn the status of any outstanding joint ventures and mentor-protégé agreements the firm may have;
  - d. Determine the Participant's need for future 8(a) contracts; and
  - e. Ensure the Participant firm is actively making and following plans to transition out of the 8(a) BD program into the competitive contracting arena.

The proposed new information collection (Attachment C) will allow SBA to:

1. Identify and track the benefits that flow to affected communities, members, shareholders, etc. as a result of a firm's participation in the 8(a) BD program, but only when the firm is owned by an Indian Tribe, ANC, NHO, or CDC.
  2. Allow the firm to explicitly report on financial contributions, investments, services, or other benefits that were provided in the most previous year to affected communities, members, shareholders, etc. but only when the firm is owned by an Indian Tribe, ANC, NHO, or CDC.
3. Technological collection techniques.

The SBA Form 1450, including Attachments A and B is accessible electronically; the proposed Attachment C, "8(a) Participant Benefits Report" form" will be accessed electronically as well. Program Participants can electronically enter and/or modify their information using SBA's data system to complete and submit the form for review. However, the firm must submit a hard copy of the form containing a certification with a "wet signature."

4. Avoidance of Duplication.

There is minimal duplication of this information collection, in that 8(a) program Participants must submit certain identifying information (e.g. firm's name , principal's name and title) that

would have been submitted at time of application for instance. However, this information is merely to identify the source of the information. Other requested information is necessary in order to update a firm's file to help determine continued eligibility for the program. Such information includes the following:

- updates to the firm's business plan;
- changes in access to credit and capital;
- updates to business revenues;
- additions or changes to the 8(a) Participant's participation in any Mentor/Protégé Agreements or Joint Venture Agreements;
- new or additional information on taxes paid;
- reporting of any 8(a) contracts and non-8(a) contracts awarded;
- additions or changes to the Transition Management Plan; and
- certifications that the 8(a) Participant continues to comply with the regulations at 13 CFR Part 124.101 through 108.

With regard to the proposed Attachment C, even though SBA Form 1450 already requires submission of annual business financials from all 8(a) BD program participants, it is not known if these dollar amounts reflect benefits to affected communities because of a firm's participation in the 8(a) BD program, and if so, what type of benefits. The proposed Attachment C collects this specific information.

#### 5. Impact on small business or other small entities.

There are currently 7,793 firms participating in the 8(a) BD program. This information collection impacts them all; however, complying with these reporting requirements will not have a significant economic impact on these firms.

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

Without this information collection, SBA cannot determine:

1. if the 8(a) program Participant continues to meet the criteria for 8(a) BD program eligibility;
2. how well the 8(a) program Participant is progressing toward meeting its business plan goals and objectives and becoming competitive in the mainstream of the American economy; and
3. the level and type of business development assistance that needs to be provided to the 8(a) Program Participant.

In addition, if the information in the proposed Attachment C is not collected, SBA cannot make necessary changes and improvements in the delivery of the 8(a) Program. SBA also cannot identify if benefits were provided to the respective communities nor identify the kinds of benefits.

Finally, the agency's ability to protect the funds devoted to the 8(a) BD program and to report to Congress on the overall 8(a) BD program would be impaired without this information collection.

7. Existence of special circumstances.

None of the listed special circumstances are applicable. See response to number 10 regarding protection of proprietary and confidential information.

8. Solicitation of Public Comment.

The new benefits reporting requirement was initially identified in the proposed rule SBA published on October 28, 2009 in the Federal Register (74 FR 55694) to revise the 8(a) Business Development (BD) program rules. However, SBA unintentionally stated that there was no additional reporting or recordkeeping requirement resulting from that proposed rule. Nonetheless, SBA received many public comments about the need for this proposed new information collection and the best way to collect it. SBA considered those public comments before issuing the Final Rule on February 11, 2011 (76 FR 8222). One recommendation was that SBA delay implementation of the reporting requirement to allow affected firms additional time to gather and synthesize the data and for the Agency to analyze the requirement further. In response to these comments, in the Final Rule SBA did delay the effective date for the new benefits reporting requirement.

In order to solicit further feedback on the new benefits reporting requirement, SBA also held three Tribal consultations. For each meeting, SBA published a Notice in the Federal Register to take comments on the reporting and tracking of community benefits. Meetings were held in Las Vegas, NV (76 FR 12273); Anchorage, AL (76 FR 27859); and Milwaukee, WS (76 FR 27859). SBA representatives from the Office of General Counsel, the Office of Native American Affairs, and the Office 8(a) Business Development attended each session to help ensure a comprehensive discussion. SBA received many public comments at these consultations. All testimony presented at these tribal consultation meetings became part of the administrative record for SBA's consideration when the Agency deliberated on approaches to tracking community benefits, particularly when we created proposed Attachment C. The attached version of Attachment C reflects the specific meaningful input provided by the firms during the consultations.

SBA had also notified the public in the Final Rule published on February 11, 2011 (76 FR 8222) that it would submit the information collection related to the new reporting requirements to OMB for review and approval as required by the Paperwork Reduction Act (PRA) and OMB information collection regulations, including publication of the required public comment notice. This notice was published in the Federal Register on October 14, 2011, at 76 FR 63983. The comment period closed on December 13, 2011. SBA did not receive any comments in response to this notice.

9. Payment or gifts.

There are no payments or gifts to any respondent.

10. Assurance of confidentiality.

The Participant firms are advised on the Form 1450 that all information collected will be protected to the extent permitted by law, including the Freedom of Information Act, (U.S.C. 552), Privacy Act (5 U.S.C. 555a (and the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401)). Access to the information is limited to those persons who need the information to perform program functions.

SBA staff access to the information is restricted based on the staff member's assigned work responsibility. SBA staff in the field offices can only view firm information for the individual firms assigned to that SBA staff member. Only SBA program managers have full access to all data. Participant firms can only view their submitted information about their own firm.

Please see the attached SBA Privacy Act System of Record, SBA 30, Servicing and Contracts System/Minority Enterprise Development Headquarters Repository regarding system access controls.

11. Questions of a sensitive nature.

This form collects financial information through questions 2, 3, and 4, including personal financial information, tax returns W2s, etc. of the certain persons associated with the Participant.) SBA maintains the personal information in a Privacy Act system of record, SBA 30, which was last published on April 1, 2009, at 76 FR 14889, 14921. The information collected is required by program regulations at 13 CFR §§ 124.112; 124.301 to 303;124.403; and 124.604 to conduct the annual review of the 8(a) program Participants and make determinations as to the firms' continued eligibility, to review their progress in the 8(a) program, and to update the 8(a) Participant's business plans. Without this information, we cannot determine the needs of the Participant or whether the Participant remains eligible for the 8(a) Program, and continues to progress toward meeting its business plan goals.

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

There are approximately 7,793 annual review submissions per year, based on the average number of Annual Reviews over a three-year period (FY 2009- 8,260; FY 2010 - 7,765; and FY 2011- 7,353). While all active 8(a) Participant firms are required to provide Annual Review submissions, SBA estimates that approximately 90% to 95% of the total number of active 8(a) Participant firms in any one year will submit a completed SBA Form 1450 with the respective attachments as part of their Annual Review. This is because a firm can exit the 8(a) BD program at anytime and once a firm exits the program, it has no further requirement to complete the SBA Form 1450 or provide Annual Review submissions to SBA.

**SBA Form 1450 and Attachments A & B**

The approximate completion time for the existing SBA Form 1450, including Attachments A & B, is 2 hours per Participant firm per year. This estimate is based upon the Agency's use of the Form 1450 over the past several years.

Total Burden Hours = 7,793 submissions x 2 hours per submission =15,586 hours annually

Hour Cost Burden: As detailed below, the total cost burden for Participating firms to complete annually Form 1450 with Attachment A and B = \$900,247:

A company official with roughly the pay, benefits and responsibilities of a GS-12, step 1, (\$28.88 per hour for 2011 General Services (GS) base pay schedule) manager will complete the form. Assuming approximately 100 percent for overhead, general and administrative, and other employee-associated costs, the manager's time will cost the company approximately \$57.76 per hour. At \$57.76 per hour, for each Participant firm, the 15,586 hours for all Participant firms will cost \$900,247 annually.

**Attachment C:**

According to official 8(a) BD program data, there are approximately 360 Tribally-owned firms, ANC-owned firms, NHO-owned firms, and CDC-owned firms currently participating in the program. These entities will complete Attachment C in addition to Form 1450 plus Attachments A and B.

The approximate completion time for Attachment C: 8(a) Participant Benefits Report is 1 ½ hours per reporting entity. This estimate is based upon the Agency's use of other forms, including Form 1450 with Attachments A and B, over the past several years. Although all active firms will be required to submit Attachment C: 8(a) Participant Benefits Report, firms exit the 8(a) BD program at any time and once a firm exits the program, it has no further requirement to complete this information collection. Consequently, SBA estimates that approximately 95% of the total number of Tribally-owned, ANC-owned, NHO-owned and CDC-owned firms in any one year will submit Attachment C benefits report and thus the approximate number of reports would be 342.

Total burden hours: 342 firms reporting on Attachment C per year x 1 ½ hours per submission =513 hours annually.

This results in a total of \$16,099 hours annually for SBA Form 1450 with Attachments A, B, and C.

**Hour Cost Burden:**

A company official with roughly the pay, benefits and responsibilities of a GS-12, step 1, (\$28.88 per hour for 2011 General Services (GS) base pay schedule) manager will complete the form. Assuming approximately 100 percent for overhead, general and administrative, and other employee-associated costs, the manager's time will cost the company approximately \$57.76 per hour. At \$57.76 per hour, for each Participant firm, the 513 hours for all Participant firms will cost \$29,631 annually. A breakdown of the annual burden to complete the form is as follows:

The total cost burden for Tribes, ANCs, NHOs and CDCs to complete annually proposed Attachment C is \$29,631 (513 hours x \$57.76 per hour GS 12 step 1, (GS base pay schedule for FY2011 and assuming 100 % overhead)..

Total Annual Cost Burden for all Participating firms to complete annually Form 1450, including Attachments A, B, and C is \$900,247 + \$29,631 = \$929,878.

13. Estimate of total annual cost burden of submission.

There are no capital, start-up or operational and maintenance costs to the Program Participant as a result of this information collection.

14. Estimated annualized cost to the Federal government.

For Form 1450 with Attachment A and Attachment B, each form will require approximately two hours of work at a GS-13 complexity level for review and analysis, which will include a review of the information on the form, data entry into the computer system, and filing. This estimated annualized cost is based upon our experience in performing numerous reviews of this form. We assume the level of review correlates to a base salary for a GS-13, step 1, (\$34.34 per hour for 2011 General Services (GS) base pay schedule). 7793 submissions reviewed would approximately two hours would result in 15,592 total hours of work. At \$34.34 per hour at a GS-13, step 1 salary, the total cost for the review will be \$535,429.

For the proposed Attachment C, each form will require approximately 1 ½ hours of work at a GS-13 complexity level for review and analysis, which will include a review of the information on the form, data entry into the computer system, and filing. This estimated annualized cost is based upon our experience in performing numerous reviews of other 8(a) forms. We assume the level of review correlates to a base salary for a GS-13, step 1, (\$34.34 per hour for 2011 General Services (GS) base pay schedule). 342 submissions reviewed for approximately 1 ½ hours would result in 513 total hours of work. At \$34.34 per hour at a GS-13, step 1 salary, the total cost for the review will be \$17,616.

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

Changes have occurred regarding the number of current 8(a) BD Participants. Also, because of the new reporting requirements imposed by the new regulations (CFR 13 Section 124.604) there has been an increase in the burden hours.

16. Collection of information whose results will be published.

The information collected will not be published.

17. Expiration date for collection of information.

Not applicable.

18. Exceptions to certifications in Block 19 on OMB Form 83-I.

Not applicable.

19. Collection of Information Employing Statistical Methods.

This collection of information does not employ statistical methods.



