

Supporting Statement for Paperwork Reduction Act Submission

(Control # 3245-0007)

Revision of a Currently Approved Collection

1. Circumstances Necessitating the Collection of Information:

The Small Business Administration (SBA) is requesting approval for a revision of the information collection for the Surety Bond Guarantee (SBG) Program, which expires on February 28, 2013.

The SBG Program was created to encourage surety companies to issue bonds for small contractors. Through the SBG Program, SBA can guarantee bid, payment, and performance bonds on contracts up to \$2 million. The SBG Program is authorized by Title IV, Part B, Section 411 of the Small Business Investment Act, 15 U.S.C. 694, which states that SBA must have reasonable assurance that approval of surety bond guarantee assistance is in the best interests of the government. Additionally, the Small Business Investment Act specifies the necessary conditions for granting surety bond guarantee assistance and for paying claims resulting from any contractor defaults. (Copies of these provisions are attached)

The currently approved SBG information collection consists of the seven forms listed below.

- SBA Form 990 – Surety Bond Guarantee Agreement (completed by the surety)
- SBA Form 991 – Surety Bond Guarantee Agreement Addendum (completed by the small business)
- SBA Form 994 – Application for Surety Bond Guarantee Assistance (completed by the small business)
- SBA Form 994B – Surety Bond Guarantee Underwriting Review (completed by the surety)
- SBA Form 994F – Schedule of Work in Process (completed by the small business)
- SBA Form 994H – Default Report, Claim for Reimbursement, & Record of Administrative Action (completed by the surety)
- SBA Form 994R – Application for Surety Bond Guarantee Assistance – Rider (completed by the small business)

Changes are being made to SBA Forms 990, 991, 994, 994B and 994H for clarification purposes and where applicable, to remove references to the Recovery Act provisions. SBA Form 994R is being deleted from the information collection because it was used exclusively to capture information associated with Section 508 of the Recovery Act, which expired on September 30, 2009. Therefore, the revised collection will consist of six forms.

Summary of Changes

SBA Form 990, Surety Bond Guarantee Agreement:

In box 13, a choice has been added to indicate whether the application also includes a request for a guarantee of an Ancillary Bond information has been added to clarify whether or not an Ancillary Bond is guaranteed with the final bond.

The surety's certification language between blocks 28 and 29 has been revised to eliminate references to provisions in the Recovery Act which have expired. Paragraph 1 on the second page is being deleted as redundant given the surety's certification on page 1, and the Terms and Conditions on page 2 are being renumbered accordingly.

The SBA approval language in the block above block #31 is being revised to incorporate language in the second paragraph on page 2, and the second paragraph on page 2 is being deleted to eliminate redundancies.

Minor edits have been made to the language in the Instructions and Terms and Conditions portions on page 2 for clarity.

SBA Form 991, Surety Bond Guarantee Addendum:

Language is being added to the certification in paragraph 3 to clarify that the obligee is certifying that the payments due the principal have been made.

SBA Form 994, Application for Surety Bond Guarantee Assistance:

For clarification, the word "update" is substituted for the word "change" in the instructions in Parts I and II.

For consistency, the instructions in Part II are being revised to specify that all holders of outstanding stock/equity, not only those holders of 20% or more, must complete this part.

Revisions to Part IV are being made to reflect that the contractor fee may now be remitted through electronic payment and to eliminate redundancies and strengthen the language.

The certification language in Part V is being revised to make it clear that it applies to both the certification made on behalf of the small business as well as the persons signing in their individual capacity.

Minor changes are being made to the Application Procedures to simplify the language and make the instructions clearer.

SBA Form 994B, Surety Bond Guarantee Underwriting Review:

The language in Part 3 related to the Recovery Act has been eliminated.

SBA Form 994F, Schedule of Work in Process:

No changes are being made.

SBA Form 994H, Default Report, Claim for Reimbursement, & Record of Administrative Action:

The language in the General Instructions is being revised for clarification purposes and to delete references to obsolete forms.

2. How, By Whom, and For What Purpose Information Will Be Used:

The data on five of the six forms in this information collection (Forms 990, 991, 994, 994B, and 994F), is used by SBG Area Office staff, that processes SBG applications, to evaluate the likelihood that the applicant will successfully complete the bonded contract. Based on the information on these forms SBG Area Office employees make decisions to approve or not approve SBG applications.

SBG employees in the Claims and Recovery Division (CRD) review the information on the SBA Form 994H that is submitted by the surety to request claims reimbursements. CRD employees determine whether or not the surety's claim meets SBA regulatory requirements prior to payment, and that SBA pays its guaranteed share of allowable losses and expenses.

This information collection is also used by program managers and SBA senior management to monitor program performance and success, and to report on program demographics.

3. Technological Collection Techniques:

This application portion of this information collection uses an electronic system. Contractors and surety agents can submit the SBG application forms online through the internet. Currently approximately 95% of the SBG applications are submitted electronically by surety agents. The forms are also available in PDF format on the agency's website for those who want to submit a paper application. Five of these forms can be completed using the electronic application system. Form 994H cannot be submitted using the electronic system because it is not completed as part of the surety bond guarantee application process.

4. Avoidance of Duplication:

The forms are designed to minimize burdens and the duplication of information collected. SBA Forms 990, 991, 994, 994B, and 994F are designed so that there are no duplicative requests for the same information. Other than the basic identification and demographic information about the business, the information is not otherwise collected by SBA.

5. Impact on Small Businesses and Other Small Entities:

This information collection necessarily impacts small business concerns – the contractors and surety companies that participate or seek to participate in the SBG program. However, the economic impact on these entities is not significant. In addition, the forms are designed to collect only that which is necessary for the particular transaction. For example, Forms 990, 994, and 994B were designed so that only a minimal amount of information has to be completed, depending on the circumstances of the application. SBA Form 991 has to be completed only if the contractor has begun the work prior to submitting the SBG application to SBA. The SBA Form 994F is submitted with the initial application, and then on a quarterly basis. Finally, for those applications submitted electronically, the forms are populated with the information input into the system.

6. Consequences If Collection of Information Is Not Conducted:

SBA is responsible for administering the SBG Program efficiently and timely, while protecting the taxpayer dollars. SBA Forms 990, 991, 994, 994B, and 994F provide data that is used by

SBA to review an applicant's experience, financial condition, and character, used to decide whether or not to approve a bond guarantee. SBA uses the claims information submitted by the surety on the SBA Form 994H to determine the legitimacy of paying the claim. If this information was not collected or was not collected as frequently, SBA's ability to make sound underwriting and claims decisions would be compromised and taxpayer dollars would be placed at risk.

7. Existence of Special Circumstances: Information is submitted for each bond guaranteed, and some of the information is confidential (business and financial). This information is necessary for SBA to make sound judgments. The collected information can be accessed only by Agency personnel who have "a need to know" i.e., those who are involved in analyzing the applications and bond claims, and are protected to the extent permitted by law. Disclosure of information is governed by Freedom of Information and Privacy Act provisions.

8. Solicitation of Public Comments: A Federal Register notice requesting comments on this SBG information collection request was published on July 24, 2012. (77 FR 43410) The comment period closed on September 24, 2012. SBA did not receive any comments.

9. Payments or Gifts: Payments or gifts to respondents are not provided.

10. Assurance of Confidentiality:

The subject information collection records can be accessed only by Agency personnel who have "a need to know". Respondents are notified with the application that disclosure of confidential information submitted will be protected to the extent permitted by law, including the Freedom of Information Act (5 U.S.C. 552), the Privacy Act (5 U.S.C. 552a) and the Right to Financial Privacy Act (12 U.S.C. 3401). All information submitted to the electronic application system through the internet is protected by SBA's electronic security controls in accordance with Federal requirements.

11. Questions of a Sensitive Nature:

This information collection does not contain any questions of a sensitive nature.

12. Estimation of the Hourly Burden of the Collection of Information:

The estimated annual burden imposed by this information collection is based upon past experience in completing the forms, and projected volume in the SBG Program.

Although a data field is being added to Form 990, the burden increase to respondents will be extremely minimal.

The total burden is comprised of two parts, one for paper submission and the other for electronic submission of the form. SBA estimates that there will be a total of 13,563 responses, 6,218 in paper form and 7,345 electronic. The total Estimated Burden Hours for paper submission is 934 hours and for electronic submission is 724 hours, for 1,658 total burden hours. Attachment 1 contains the breakdown of the estimated number of annual responses and burden hours.

The total estimated cost burden to respondents includes the cost to provide and maintain data. It consists of clerical duties, such as computer input, and professional responsibilities, including underwriting evaluation of the information collected. The following estimated annual cost burden is based on 1,658 burden hours.

Clerical Employee Time – equal to a GS 7, Step 5 – (934 hours x \$21.07/hour = \$19,679.00
Professional Employee Time – equal to a GS 11, Step 4 – (1,658 hours x \$30.26/hour = \$50,171.00

Total Estimated Annual Cost Burden to Respondents = \$69,850.00

13. Estimate of the Total Annual Cost Burden for Submission:

There is no additional cost to respondents.

14. Estimated Annualized Cost to the Federal Government:

The estimated annual cost to the Federal government includes the costs associated with clerical and professional duties. The clerical duties include data input and processing fee payments. Professional employees evaluate the information provided on the forms to approve or disapprove an application for a surety bond guarantee.

Clerical/Technician Employee Time – GS 9, Step 4- (934 hours x \$25.01/hour = \$23,359.00
Professional Employee Time – GS 13, Step 5- (1,658 hours x \$44.43/hour = \$73,665.00

Total Annualized Cost to the Federal Government = \$97,024.00

15. Explanation of Program Changes or Adjustments in Items 13 or 14 on OMB Form 83-1:

The 422 hour reduction in burden hours is a result of the Quick Bond Application and Agreement (Quick Bond) that was approved in August 2012 under OMB Control number 3245, for contracts no larger than \$250,000. The percentage of electronic responses has increased based on SBA's experience since the implementation of the electronic processing system

16. Collection of Information Whose Results will be Published:

This collection of information will not be published, except for aggregated statistical data in various agency performance and budget reports.

17. Expiration Date for Collection of Information: SBA will display the expiration date.

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

None.

B. Collection of Information Employing Statistical Methods:

Not Applicable.

(Attachment 1) **Estimated**
Burden
Calculation

	Annual Responses			Est'd Burden Hours/Response		Extended Est'd Burden		
	<u>Paper</u>	<u>Elect.</u>	<u>Total</u>	<u>Paper</u>	<u>Elect.</u>	<u>Paper</u>	<u>Elect.</u>	<u>Total</u>
<u>Small Business</u>								
Form 991	90	39	129	10 min.	10 min.	15 Hrs.	7 Hrs.	22 Hrs.
Form 994	3,030	1,298	4,328	7 mins.	6 mins.	354 Hrs.	130 Hrs.	484 Hrs.
Form 994 F	1,400	600	2,000	20 mins.	18 mins.	467 Hrs.	180 Hrs.	647 Hrs.
Total Responses:	5,738	2,459	8,197			836 Hrs.	317 Hrs.	1,153 Hrs.
<u>Surety / Agent</u>								
Form 990	140	2,653	2,793	6 mins.	5 mins.	14 Hrs.	221 Hrs.	235 Hrs.
Form 994 B	118	2,233	2,351	5 mins.	5 mins.	10 Hrs.	186 Hrs.	196 Hrs.
Form 994 H	222	N/A	222	20 mins.	N/A	74 Hrs.	N/A	74 Hrs.
Total Responses:	480	4,886	5,366			98 Hrs.	407 Hrs.	505 H rs.
Grand Total Responses:	6,218	7,345	13,563			934 Hrs.	724 Hrs.	1,658 Hrs.