

**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

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 annually submit a business plan along with 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, B and C, 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 Title 13 of the Code of Federal Regulations, section 124.112 (13 C.F.R. § 124.112).

SBA has made the following changes to the current SBA Form 1450:

- a) The prefatory language at the top of page, 1 and the certification language on page 5, has been revised to emphasize the persons completing the form must provide truthful and accurate information. Also, on page 1, we added where the form can be assessed and where the Participant should send hard copy with certification page **only**.
- b) Under 1) Business Information, “SBA Customer Number” has been removed because SBA no longer uses this number to identify small businesses. Instead, we use the Participant firm’s DUNS number.
- c) Under 1) Business Information, we added SAM (System for Award Management) to the CCR/DSBS update list because the General Services Administration (GSA) moved to a new data system, System for Award Management (SAM) in 2012.
- d) Under 2) Personal Financial Information, language has been added to clarify who needs to provide personal financial information (spouse of certain owners also need to provide form). We added this language to be consistent with changes to the 8(a) regulations that were published in the Federal Register on February 11, 2011, and which became effective March 14, 2011.
- e) Under 3) Annual Compensation Data and Attachment A, the title of the Individual Compensation Worksheet has been revised to be the “Individual/Entity Compensation Worksheet”. In addition, the questions on the worksheet have been revised to seek information relating to payment by 8(a) Participants to other companies owned or controlled by principals of the 8(a) Participant. These revisions bring the form into compliance with 13 C.F.R. § 124.112(b)(5). In addition, guidance has been added to Attachment A to clarify the type of information that is being sought.

- f) Under 4) Transferred Assets, language has been added to request details related to notification of transfer of assets. All additions to this section represent clarifications to existing regulations and requirements found in SBA's regulations published in the Federal Register on February 11, 2011 and effective March 14, 2011.
- g) Under 5) Tax returns, the phrase "tax return" has been substituted for the phrases "business tax return" and "individual tax return". Language has also been added to clarify who needs to provide tax returns (spouses of owners need to provide tax returns). Language has been added to clarify that all submission of tax returns must be signed. These changes/additions to this section represent requirements found in SBA's regulations published in the Federal Register on February 11, 2011 and effective March 14, 2011.
- h) Under 9) Access to Capital and Credit, language has been added to make it clearer what type of financial information is being sought.
- i) Under 12), a requirement has been added to provide a report for all 8(a) contracts performed during the year explaining how the performance of work requirements are being met (or have been met) for the contract. In addition, a new Attachment C, entitled "8(a) Contracts Annual Performance", has been added to the form to make it easier for Participants to provide the requested information. Language has also been added in item 12 and Attachment C to obtain information regarding joint ventures in which the 8(a) firm has participated. These changes/additions to this section represent requirements found in SBA's regulations published in the Federal Register on February 11, 2011
- j) Under Attachment A, the requirement to provide total compensation for previous years has been deleted since this is not needed or required by statute or regulation.
- k) Under Attachment B, "Mentor-Protégé Worksheet," we added one additional question. This question represents a requirement found in SBA's regulations published in the Federal Register on February 11, 2011 and effective March 14, 2011. The question requests the Participant firm to report on services (by category and hours) that it received from the mentor. Language was also added to clarify several of the questions and to add a certification by the mentor firm to bring the form into compliance with 13 C.F.R. § 124.520(b)(4).
- l) We also made various typographical and format changes to the form.

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 with Attachments A, B and C.

The SBA reviews and analyzes the information to determine whether these firms are eligible for continued participation in the 8(a) BD program. SBA also assesses the information to counsel the firms and provide business development assistance.

The SBA uses the approved information collection (SBA Form 1450 with Attachments A, B and C) 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 C.F.R. § 124.112(d);
3. Ensure the owner(s) remain economically disadvantaged, as defined in the SBA program regulations at 13 C.F.R. § 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. the firm's access to credit, capital and bonding;
 - b. the firm's level of sales obtained from both 8(a) contracts and non-8(a) contracts;
 - c. the status of any outstanding joint ventures and mentor-protégé agreements the firm may have;
 - d. the Participant's need for future 8(a) contracts; and
 - e. whether the Participant firm is actively making and following plans to transition out of the 8(a) BD program into the competitive contracting arena.

3. Technological Collection Techniques

The SBA Form 1450, including Attachments A, B and C, is accessible electronically. The 8(a) Participants can electronically enter and/or modify their information using SBA's data system to complete and submit the form for review by accessing (http://www.sba.gov/sites/default/files/forms_1450.pdf). However, the firm must submit a hard copy of the certification page **only** containing a "wet signature" of the President, Partner or Proprietor. This document should be sent to the assigned Business Opportunity Specialist located at the serving District office.

4. Avoidance of Duplication

There is minimal duplication of this information collection, in that 8(a) 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. 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 comply with the Small Business Act and SBA regulations and to determine continued eligibility for program participation.

Other requested 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) firm'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 C.F.R. § 124.101 through 108.

5. Impact on Small Business or Other Small Entities

Although this information collection impacts small businesses, it will not have a significant economic impact on a substantial number of these businesses.

The majority of 8(a) BD Participant firms will continue to have a burden of two hours to complete Form 1450 along with Attachment A, B and C. Approximately 95% of all 8(a) Participant firms (or 7,423 out of 7,814 firms), will annually be required to complete SBA Form 1450 with Attachments A, B and C.

6. Consequences If Collection of Information Is Not Conducted

Without this information collection, SBA cannot determine:

1. if the 8(a) Participant continues to meet the criteria for 8(a) BD program eligibility;
2. how well the 8(a) 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) Participant.

Finally, the agency's ability to comply with the statutory requirements for administering the program, to combat waste, fraud, and abuse 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

A request for comment on Form 1450 was published in the Federal Register (FR) on December 12, 2011 (76 FR 77297). In response to either notice, SBA also published a supplemental notice and request for comments on February 8, 2013 at 78 FR 944. Copies of these Federal Register notices are attached. SBA received no comments.

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, (5 U.S.C. 522), 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's 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 information from SBA 30 (Attachment) regarding system access.

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 C.F.R. §124.112; §124.301 to 303; §124.403; and § 124.604 to conduct the annual review of the 8(a) Participants and make determinations as to the firm's continued eligibility, to review the its progress in the 8(a) BD 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) BD Program and continues to progress toward meeting its business plan goals.

12. Estimate of the Hourly Burden of the Collection of Information

Based on past experience, SBA estimates that approximately 95% of all 8(a) Participant firms will annually complete SBA Form 1450 with Attachments A, B and C. This is because a firm can exit the 8(a) BD program at any time. Once a firm exits the program, it has no further requirement to complete the SBA Form 1450 or provide Annual Review submissions to SBA. Based on 7,814 8(a) participant active firms, there will be approximately 7,423 annual review submissions per year (7,423 is 95% of 7,814) consisting of a completed Form 1450 with Attachments A and B.

SBA Form 1450 and Attachments A, B & C

The approximate completion time for the SBA Form 1450, including Attachments A, B and C, 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: 7,423 submissions x 2 hours per submission =14,846 hours annually.

Hour Cost Burden: As detailed below, the total cost burden for Participating firms to complete annually Form 1450 with Attachments A, B and C = \$857,504.96.

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 14,846 hours for all Participant firms will cost \$857,504.96 annually.

Total Annual Cost Burden for all Participating firms to complete annually Form 1450, including Attachments A, B and C: \$857,504.96.

13. Estimate of total annual cost burden of submission.

There are no capital, start-up or operational and maintenance costs to the 8(a) Participants as a result of this information collection.

14. Estimated Annualized Cost to The Federal Government

For Form 1450 with Attachments A, B and C, 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). 7,423 submissions reviewed at approximately two hours for each form would result in 14,846 total hours of work. At \$34.34 per hour at a GS-13, step 1 salary, the total cost for the review will be \$509,811.64

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

There has been a slight increase in the number of respondents to this information collection.

16. Collection of Information Whose Results Will Be Published

The results of the information collected will not be published, except perhaps in aggregated form as part of program or agency reports.

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.

ATTACHMENT:

SBA 30

SYSTEM NAME:

SERVICING AND CONTRACTS SYSTEM/MINORITY ENTERPRISE DEVELOPMENT
HEADQUARTERS REPOSITORY--SBA 30

SYSTEM LOCATION:

Headquarters and Field Offices. See Appendix A.

CATEGORIES OF INDIVIDUALS COVERED BY THE SYSTEM INCLUDE:

Applicants and program participants in SBA's 8(a) Business Development program.

CATEGORIES OF RECORDS IN THE SYSTEM INCLUDE:

8(a) Business Development program applications, business development working files, business plan files and contract files containing personal and financial information.

AUTHORITY FOR MAINTENANCE OF THE SYSTEM:

Public Law 100-656, Small Business Act 15 U.S.C. 636, section (j) (Technical and Management Assistance); Public Law 100-656, 15 U.S.C. 637, section 8(a) (Business Development).

PURPOSE:

To collect confidential business and financial information used to determine if applicants and current 8(a) participants are in compliance with statutory and regulatory requirements for continued eligibility for program participation. This information facilitates the Agency in carrying out the functions of the Office of 8(a) Business Development.

ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING CATEGORIES OF USERS AND THE PURPOSES OF SUCH USES, THESE RECORDS MAY BE USED, DISCLOSED, OR REFERRED:

a. To a Congressional office from an individual's record, when that office is inquiring on the individual's behalf; the Member's access rights are no greater than the individual's.

b. To SBA volunteers, contractors, interns, grantees, experts and who have been engaged by SBA to assist in the performance of a service related to this system of records and who need access to the records in order to perform this activity. Recipients of these records shall be required to comply with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a.

c. To the Federal, state, local or foreign agency or professional organization which investigates, prosecutes, or enforces violation or potential violation of law, arising by general or program statute, or by regulation, rule, or order.

d. To the Department of Justice (DOJ) when any of the following is a party to litigation or has an interest in such litigation, and the use of such records by DOJ is deemed by SBA to be relevant and necessary to the litigation, provided, however, that in each case, SBA determines the disclosure of the records to DOJ is a use of the information contained in the records that is compatible with the purpose for

which the records were collected: SBA, or any component thereof; any SBA employee in their official capacity; any SBA employee in their individual capacity where DOJ has agreed to represent the employee; or The United States Government, where SBA determines that litigation is likely to affect SBA or any of its components.

e. In a proceeding before a court, or adjudicative body, or a dispute resolution body before which SBA is authorized to appear or before which any of the following is a party to litigation or has an interest in litigation, provided, however, that SBA determines that the use of such records is relevant and necessary to the litigation, and that, in each case, SBA determines that disclosure of the records to a court or other adjudicative body is a use of the information contained in the records that is a compatible purpose for which the records were collected: SBA, or any SBA component; any SBA employee in their official capacity; any SBA employee in their individual capacity where DOJ has agreed to represent the employee; or The United States Government, where SBA determines that litigation is likely to affect SBA or any of its components.

f. To appropriate agencies, entities, and persons when: SBA suspects or has confirmed that the security or confidentiality of information in the system records has been compromised; SBA has determined that as a result of the suspected or confirmed compromise there is a risk of harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the Agency or entity) that rely upon the compromised information; and the disclosure made to such agencies, entities and persons is reasonably necessary to assist in connection with SBA's efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.

POLICIES AND PRACTICES FOR STORAGE, RETRIEVAL, ACCESS, RETENTION AND DISPOSAL OF RECORDS:

STORAGE:

Electronic database records reside on SBA secured mainframe system.

RETRIEVAL:

Name of individual and business name.

SAFEGUARDS:

Access and use is limited to persons whose official duties designate such a need; personnel screening by password is used to prevent unauthorized disclosure.

RETENTION AND DISPOSAL:

In accordance with SACS/MEDHR NI-309-03-4.

SYSTEM MANAGER(S) AND ADDRESS:

PA Officer, Associate Administrator for 8(a) Business Development and the Field Office Systems Manager. See Appendix A.

NOTIFICATION PROCEDURES:

Individuals may make record inquiries in person or in writing to the Systems Manager or PA Officer.

ACCESS PROCEDURES:

PA Officer or Field Office Systems Manager will determine procedures.

CONTESTING PROCEDURES:

Notify officials listed above and state reason(s) for contesting and proposed amendment(s) sought.

RECORD SOURCE CATEGORIES:

Small business applicants or participants in the 8(a) Business Development program.