

SUPPORTING STATEMENT
U.S. Small Business Administration
HUBZone Application Data Update

A. Justification

1. Circumstances necessitating the collection of information.

Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the applicable section of each statute and regulation that mandates or authorizes the collection of information.

The U.S. Small Business Administration (SBA) is required by statute to administer the “Historically Underutilized Business Zone” (HUBZone) Program. The program requires that small business concerns apply to SBA for certification for the program. The requested information regarding updates to the financial information and employment levels supplied at the time of initial application for HUBZone certification are necessary for gauging the HUBZone Program’s ability to meet the Congressionally-mandated statutory goals of promoting capital investment and job creation in economically distressed communities. This requirement to submit updated information, as referenced in 13 CFR 126.403(b), necessitates this information collection.

Since the last submission SBA has made several changes to the form primarily for clarification purposes. In particular, the agency has revised fields for the Name of the business #2, EIN used on Form 941 #6, DUNS Number of the office of the firm performing the contract #7, and Address of the firm performing the contract #8. This information helps SBA to assess the accuracy and integrity of the data being provided. SBA has also added a new field that would enable the agency to collect information on increased capital investment as a result of HUBZone certification. Finally, the agency has revised the questions requesting employment data to clarify that such data must be based on the firm’s certification rather than contract activity.

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

Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

The HUBZone portfolio (currently numbering 4926 small business concerns) will be directed to respond to this requested for updated information.

The reports resulting from this required data submission will be used by SBA program managers to quantify the program’s effectiveness in promoting job creation and capital investment in distressed communities, the initiative’s stated goals. The reports are also used to satisfy inquiries from Congress, the Executive Branch and other government entities, as well as help SBA to formulate performance measures pursuant to the Government Performance and Results Act (GPRA); as amended by GPRA Modernization Act 2010. Specifically, SBA can now calculate HUBZone outputs (vis-à-vis: number of firms certified, total revenues generated by those firms and total employment of HUBZone and non-HUBZone residents). This data collection will help

the Agency to measure outcomes by facilitating calculations in terms of the program's goal of job creation in distressed communities.

While we would not expect that data obtained through this survey could be used to disqualify a certified HUBZone SBC, in the event that data is supplied to the U.S. Small Business Administration that could disqualify a certified HUBZone small business concern, that company will be apprised of the potential disqualification through a formal "Proposed Notice of De-certification." The company will be given an opportunity to correct any misinformation or explain the circumstance before SBA takes any final action pursuant to 13 CFR § 126.503.

3. Technological collection techniques.

Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce the burden.

The existing HUBZone database system, which accepts information via the Internet, has been adjusted so that virtually all respondents are able to enter the requested data into a pre-cast, online form.

Electronic transmission of this information provides an efficient means to process and collect the necessary data, and is consistent with Government Paperwork Elimination Act (GPEA) requirements. This data survey is submitted through the HUBZone Certification system which currently resides on a secure server that employs 128-bit SSL encryption, the same as used by commercial operators such as VeriSign. The system is set up so that anyone submitting information through the HUBZone certification system (including updates such as this) automatically has his/her private information encrypted as it moves to the HUBZone database and is only reconstituted as a readable file once it arrives.

Moreover, access to the HUBZone database is limited to HUBZone personnel only. No one, not even other SBA employees outside of the HUBZone section, can access the database without specific authorization.

4. Avoidance of duplication.

Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in item 2 above.

The collection of this data will be unique to the HUBZone Program and is not replicated in any form elsewhere in the Federal government. This data collection replicates the technical approach used in other portions of the HUBZone system in which all data fields maintained in the pre-existing HUBZone application will be auto-migrated to the reporting form, further reducing any need for duplication of efforts.

5. Impact on small businesses or other small entities.

If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

The requested information can be drawn from material maintained as a customary and usual business practice, but may require 0.5 hours to assemble. Use of the Internet to collect the resulting data means that a small business can file in a matter of minutes.

6. Consequences if collection of information is not conducted.

Describe the consequence to the Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

Without this annual data collection the managers largely must rely on conjecture, speculation and personal opinion in determining the program's success in meeting statutory goals. This data submission by HUBZone certified small business concerns will enable SBA to quantify the program's effectiveness in promoting job creation and capital investment in distressed communities, the initiative's stated goals.

7. Existence of special circumstances.

Explain any special circumstances that would cause an information collection to be conducted in a manner, etc.

In updating the HUBZone application file -- as referenced in 13 CFR 126.403(b), with the requested data, clients are asked to provide information that may be deemed confidential (e.g. -- financial information and employment levels). This information will be protected to the full extent permitted by law, including the Freedom of Information Act.

The HUBZone statute provides authority for the SBA to conduct program examinations and /or random audits of the program participants. To assist with this examination and audit, SBA regulations require applicants certified as qualified HUBZone small business concerns to retain documentation demonstrating HUBZone qualifying requirements, including this update information, for 6 years from the date of submission to the SBA.

8. Solicitation of Public Comment.

If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

SBA requested public comments on this information collection in the Federal Register at 78 FR 10246 on February 13, 2013; no comments were received.

9. Payment or gifts.

Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

There are no payments or gifts given to any of the respondents.

10. Assurance of confidentiality.

Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

Clients are supplied with an assurance of confidentiality that to the extent permitted by law, including the Freedom of Information Act. Furthermore, the information provided will be protected by being automatically encrypted during electronic transmission to the Agency and be stored on a secure server that has regulated access limited to HUBZone personnel on an as-needed basis (progressive access depending on staff function and administrative seniority).

11. Questions of a sensitive nature.

Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

None of the information collected would qualify as sensitive material as described.

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

Provide estimates of the hour burden of the collection of information, well as the hour cost burden. Indicate the number of respondents, frequency of response, annual hour and cost burden, and an explanation of how the burden was estimated.

Number of respondents – 4926

Number of responses per respondent – 1

Estimated hours to complete the form (on-line entry) per respondent – 0.5 hours

Burden hours – $4926 \times 0.5 = 2463$ hours

Burden hours = 2463 hours

Respondent's cost for burden hours –

Estimated salary = \$50/hour (Nota Bene – *Most clients filling out the application are sole proprietors of small businesses in distressed communities, leading to the relatively low estimated salary for respondent. If the applicant firm is larger, we believe that the data entry is usually accomplished by a staff member, not the owner.*)

2463 burden hours x \$50/hour = \$123,150

13. Estimate of total annual cost burden for submission.

Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. Do not include hour cost burden from above.

The SBA is asking HUBZone certified firms to submit this data on-line using our existing electronic collection process. No equipment or training is needed beyond access to the Internet via a personal computer. Therefore, there is no cost burden for submission.

14. Estimated annualized cost to the Federal government.

Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, including a quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.

-- Annualized Cost to expand existing application database to accommodate new field entry for this material = \$250 (\$2,500 onetime set-up cost with 10 year life)

Review and analysis --

GS-13 estimated salary -- \$42.66/hour compensation, \$44.79/hour compensation and benefits.

Using automated HUBZone Executive Information System to sort, analyze and print out data supplied by all 5,000 respondents = 2 hours

Total estimated cost to government – $4926 \times 2\text{hr} \times \$44.79 = \$441,271.08 + \$2500 = \$443,377.08$

15. Explanation of program changes in Items 13 or 14 OMB Form 83-1

Explain reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-1

There has been an increase in the total burden due to an adjustment in the number of respondents. The original submission was based on randomly selected small pool of a greater number of certified firms. The business process of how firms were certified changed in 2009 from a strictly on-line application with spot checks for verification and validation of eligibility criteria based on random audits, to a more rigorous review of full documentation to validate and verify all eligibility criteria of all firms. The original submission was based on a randomly selected small pool of a greater number of certified firms.

16. Collection of information whose results will be published.

For collection of information whose results will be published, outline plans for tabulation and publication. Address complex analytical techniques... Provide time schedules for the entire project...

There are no plans to publish the collected information beyond the routine use of aggregated data in reports to the Executive or Legislative branches of government.

17. Expiration date for collection of information.

If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why the display would be inappropriate.

Not applicable.

18. Exceptions to certifications in Block 19 in OMB Form 83-1.

Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submission," of OMB Form 83-1

Not applicable. There are no exceptions to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB 83-1.