

## Supporting Statement for Paperwork Reduction Act Submission

(Control # 3245-0007)

### 1. Circumstances Necessitating the Collection of Information:

The Small Business Administration (SBA) is requesting approval for an extension of the information collection for the Surety Bond Guarantee (SBG) Program, which expires on February 29, 2016.

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 \$6.5 million or up to \$10 million if a Federal contracting officer certifies that SBA's guarantee is necessary for the small business to obtain bonding. 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 six 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, and Report of Recoveries (completed by the surety)

Changes are being made to SBA Forms 990, 991, 994, 994B, 994F and 994H for clarification purposes.

### Summary of Changes

#### *SBA Form 990, Surety Bond Guarantee Agreement:*

Minor changes have been made in boxes 6 and 10 for clarification.

In box 16, the “3<sup>rd</sup> Low” bid spread has been removed because it is not needed for application decisions.

Language has been added to the surety's certification language between blocks 28 and 29 to clarify that submitting false information, in addition to making a false statement, is a violation of Federal law.

The term “Typed Name” in box 31 has been removed since it is not used in the electronic application process. A minor change will separate “Returned/Withdrawn” since they are different application decisions.

Minor changes have been made to the Submissions Instructions to clarify procedures under the electronic application process.

*SBA Form 991, Surety Bond Guarantee Agreement Addendum:*

Language has been added to the certification in paragraph 3 to clarify that submitting false information, in addition to making a false statement, is a violation of Federal law.

*SBA Form 994, Application for Surety Bond Guarantee Assistance:*

“LLC” has been added to the Type of Organization choices since there is currently no place to report a business as a LLC.

In Part III, the language referencing the project start and completion dates has been changed for clarification and consistency.

The two boxes in Part III that reference the California Department of Transportation have been removed because it is no longer necessary to track this data.

*SBA Form 994B, Surety Bond Guarantee Underwriting Review:*

Changes have been made to the Instructions to clarify the procedures used in the electronic application process.

In Part I, the language that references indemnity and personal financial statement attachments has been removed since the electronic application process has eliminated the need for paper attachments.

In Part 3, the language referencing the project start and completion dates has been changed for clarity and consistency.

Minor changes have been made to the section that is completed by SBA to coincide with the electronic application process.

*SBA Form 994F, Schedule of Work in Process:*

The order of the information collected has been changed to match the data entry screen.

*SBA Form 994H, Default Report, Claim for Reimbursement, and Report of Recoveries:*

The language in the General Instructions is being revised for clarification purposes.

**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 then 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:

The application portion of this information collection (Forms 990, 991, 994, 994B, and 994F) uses an electronic system. Contractors and surety agents can submit these SBG application forms online through the internet. Currently approximately 98% of the SBG applications are submitted electronically by surety agents to SBA. Most small businesses use paper forms when submitting their applications to their surety agents. The forms are also available in PDF format on the agency's website for those who want to submit a paper application. Form 994H cannot be submitted using the application 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 Application 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 on more than one form. The forms are pre-populated with information input into the system.

### 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 pre-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, 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 October 21, 2015. (80 FR 63862) The comment period closed on December 21, 2015 . SBA did not receive any comments.

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

10. Assurance of Confidentiality:

The data collected 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 to the Agency 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 SBA through the electronic application system is protected by SBA’s electronic security controls in accordance with Federal requirements.

11. Questions of a Sensitive Nature:

Each proprietor, partner, officer, director, and owner of the small business applicant for a surety bond is asked to provide his or her social security number. SBA is authorized under the Small Business Investment Act to make all investigations deemed necessary to determine whether individuals seeking assistance such as a guaranteed surety bond, have not engaged in, or are about to engage in any acts that would violate the act. The social security number facilitates this investigation and helps to identify and differentiate one individual from another with the same or similar names. Respondents are advised that providing the social security number is voluntary and also of the protections afforded by the Privacy Act.

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. There are a total of 1,026 respondents – 1,003 small businesses and 23 sureties.

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 21,046 responses, 8,853 in paper form and 12,193 electronic. The 8,853 paper responses are comprised of the paper forms used by the small businesses to submit their applications to their surety agents plus the minimal paper responses submitted to SBA by the surety agents. The 12,193 electronic responses include the majority of application forms that are submitted to SBA electronically by the surety agents and the small number of forms that are submitted electronically by small businesses to their surety agents. The total Estimated Burden Hours for paper submission is 1,745 hours and for electronic submission is 1,320 hours, for 3,065 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 3,065 burden hours.

*Clerical Employee Time – equal to a GS 7, Step 5 – (1,745 hours x \$21.49/hour = \$37,500.00*  
*Professional Employee Time – equal to a GS 11, Step 4 – (3,065 hours x \$30.87/hour = \$94,617.00*

Total Estimated Annual Cost Burden to Respondents = \$132,117.00

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- (1,745 hours x \$25.51/hour = \$44,515.00*  
*Professional Employee Time – GS 13, Step 5- (3,065 hours x \$45.33/hour = \$138,936.00*

Total Annualized Cost to the Federal Government = \$183,451.00

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

The increase in the number of burden hours requested is the result of increased program activity since the previous PRA submission. Program activity in FY 2015 was approximately 21% greater than program activity in FY 2012. Program activity is expected to increase in the next several years.

The National Defense Authorization Act of 2013 increased the eligible contract amount from \$2 million to \$6.5 million, or up to \$10 million if a Federal contracting officer certifies that SBA's guarantee is necessary for a small business to obtain bonding. This provision increased the pool of small businesses that can participate in the SBG Program.

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		
	Paper	Elect.	Total	Paper	Elect.	Paper	Elect.	Total
<b><u>Small Business</u></b>								
Form 991	154	66	220	10 min.	10 min.	26 Hrs.	11 Hrs.	37 Hrs.
Form 994	5,256	2,252	7,508	7 mins.	6 mins.	613 Hrs.	225 Hrs.	838 Hrs.
Form 994 F	2,808	1,204	4,012	20 mins.	18 mins.	936 Hrs.	361 Hrs.	1,297 Hrs.
<b>Total Responses:</b>	8,218	3,522	11,740			<b>Total Burden:</b> 1,575 Hrs.	597 Hrs.	2,172 Hrs.
<b><u>Surety / Agent</u></b>								
Form 990	99	4,847	4,946	6 mins.	5 mins.	10 Hrs.	404 Hrs.	414 Hrs.
Form 994 B	78	3,824	3,902	5 mins.	5 mins.	7 Hrs.	319 Hrs.	326 Hrs.
Form 994 H	458	N/A	458	20 mins.	N/A	153 Hrs.	N/A	153 Hrs.
<b>Total Responses:</b>	635	8,671	9,306			<b>Total Burden:</b> 170 Hrs.	723 Hrs.	893 H rs.
<b>Grand Total Responses:</b>	8,853	12,193	21,046			<b>Grand Total Burden:</b> 1,745 Hrs.	1,320 Hrs.	3,065 Hrs.