

Paperwork Reduction Act Submission
Supporting Statement
Annual Update for the 8(a) Business Development (BD) Program

Terms of Prior Clearance

On August 21, 2013, OMB approved reinstatement of this collection of information until August 31, 2016. This approval included certain terms and conditions the agency was required to meet prior to the expiration date and resubmission for approval. On July 26, 2016, OMB granted a two month extension of the August 31, 2016, expiration date and incorporated by reference the terms of the 2013 extension, which stated in pertinent part:

Before this information collection is resubmitted to OMB for another three-year approval, the Agency must ensure that the personnel responsible for collecting, using, and monitoring this information collection have received training on compliance with the Paperwork Reduction Act (PRA) requirements and further, that such personnel are provided a detailed plan for ensuring those requirements are met in a timely manner to prevent future violations of the PRA. Details of this plan must be included in the Supporting Statement with the next request for approval of this information collection.

SBA has complied with the terms of the prior clearance:

- Employees from the Office of Business Development -- the office responsible for this information collection -- participated in Paperwork Reduction Act training on October 5, 2015. This training was conducted by the Office of Information and Regulatory Affairs, of the Office of Management and Budget.
 - The Office of Business Development has developed and uses a detailed chart of all program forms and their expiration dates. This chart is updated bi-annually to assure all forms are up to date and clearance work begins well in advance of expiration.
 - SBA's Office of Records Management Division (RMD) notifies every office six months prior to any form's expiration date. The notice provides detailed instructions on the information collection renewal process, including deadlines for completing each phase. RMD also provides a draft copy of the required 60-day Federal Register notice and requires responsible offices to give input on any proposed changes to the information collection.
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 appropriate section of each statute and regulation mandating or authorizing the collection of information.*

The U.S. Small Business Administration's (SBA) 8(a) Business Development (BD) Program was created by Section 8(a) of the Small Business Act and implemented by Title 13, Part 124, Subpart A of the Code of Federal Regulations (CFR). The purpose of the 8(a) BD Program is to enhance the business development of small business concerns owned and controlled by socially and economically disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business.

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 C.F.R. 124.112.

Summary of Changes to the Collection of Information:

SBA conducted a comprehensive review of the entire 8(a) annual review collection and its associated burdens. In conducting the review, SBA assessed the practical utility of the various requirements and the internal processes to identify ways to reduce burden while still meeting the goal(s) of the program. As a result of its review efforts to date, SBA has streamlined the annual review process by requesting only pertinent information in an efficient and organized manner. The summary below reflects the changes to the information collection:

- Introduction Paragraph, with Attachments A and B, was removed because the information required in the attachments was incorporated into the revised Form 1450. Additionally, the document will be completed electronically and will not be required to be mailed to the Business Opportunity Specialist.
- Section 1 (Program Dates) was removed due to automation; the electronic system will populate this information.
- Section 2 (Personal Financial Information) was moved to Section 7 for a better flow. The statements were further clarified with plain language.
- Section 3 (Annual Compensation Data) is now covered in Section 4. The requirement is simplified and incorporated into the revised Form 1450.
- Section 4 (Transferred Assets) has been moved to Section 5 and is asked in the opening question for further clarification.
- Section 5 (Tax Returns) has been moved to new Section 7 (Required Documentation). Submission of personal tax returns is now only required from each disadvantaged owner upon whom 8(a) certification is based. The requirement to submit IRS Form 4506-T is no longer required. The submission of business tax returns is unchanged; however Entity-Owned Firms are only required to provide business tax returns if they have not previously been submitted to SBA as consolidated corporate tax returns. This requirement was reduced because it is overly burdensome to require full tax returns from each proprietor, partner, management member, officer, director, or owner of more than 10% stock in the Participant firm; it is duplicative to collect Entity-Owned tax returns annually. Per 13 CFR § 124.403(b)(4), SBA retains the ability to

request this information as needed, thus not introducing additional risk to the program.

- Section 6 (Business Structure/Ownership Changes) was moved to new Section 2 (Certifications – Eligibility) in the revised Form 1450 in the form of a certification statement.
- Section 7 (Adverse Actions) was moved to Section 2 in the revised Form 1450 in the form of a certification statement.
- Section 8 (Business Financials) was moved to new Section 7 (Required Documents) for simplification. This requirement was removed for Entity-Owned firms who have previously provided consolidated financial statements for their parent entity, as it is duplicative.
- Section 9 (Access to Credit and Capital) was removed.
- Section 10 (Other Sources of Capital) was removed.
- Section 11 (Bonding Information) was removed.
- Section 12 (Business Activity Report) was moved to new Section 5 (Changes in Assets, Revenue, Contracts & Affiliates) and simplified with plain language.
- Section 13 (Number of Employees) was removed because it is duplicative. This information is already collected on the SBA Form 1010.
- Section 14 (Mentor/Protégé) was moved to new Section 6 (Mentor Protégé Program) for consistency purposes.
- Section 15 (Joint Venture) was moved to new Section 6 (Mentor Protégé Program) and clarified.
- Section 16 (Taxes) was removed; this section requested information that can be found on the firm’s tax returns which are submitted under new Section 7.
- Section 17 (Contract Forecast) was moved to new Section 3 (Business Plan) for consistency purposes.
- Transition Management Plan was moved to new Section 3 (Business Plan) for greater clarity and consistency.
- Individual/Entity Compensation Worksheet was revised and moved to new Section 4 (Withdrawals, Payments & Loans). The section is revised into a Yes/No format, instead of requiring the Program Participant to submit volumes of financial information. If any of the answers are “Yes”, the firm is required to provide further information. If the answer is “No”, the firm has nothing else to do.
- Mentor-Protégé Worksheet has been expanded. The first several sections (asked of the Protégé) have been clarified to comply with provisions of the new regulations 13 CFR 124.520, as well as expanded to enhance SBA’s understanding of the benefits the Protégé is receiving from the Mentor (i.e. number of training hours, dollar amounts of loans made, etc.). The revised worksheet asks several additional questions of the Protégé about facilities, equipment, bonding limits, new industries, process improvements, and number of employees. However, these additional questions are all in “Yes/No” format, with no additional documentation required for a “Yes” answer.
- 8(a) Contracts Annual Performance Worksheet has been revised and moved to a table in the new Section 5 (Changes in Assets, Revenue, Contracts, & Affiliates).

- Additional question – new Section 3 (Business Plan), requires the firm to answer whether any changes or updates have been made to the business plan or the capability statement. If “Yes”, the modifications/amendments must be submitted.
- Additional question in new Section 4 (Withdrawals, Payments, & Loans), requires the firm to answer whether agents, representatives, attorneys, accountants, consultants or other parties were used to assist in obtaining a Federal contract. If “Yes”, SBA Form 1790 must be completed and submitted.
- Additional question in new Section 5 (Changes in Assets, Revenue, Contracts, & Affiliates) requires the firm to answer whether there are any changes to the list of known affiliates or subsidiaries. The question is “Yes/No”, with further information only required if the answer is “Yes”.
- Additional question in new section 7 (Required Documents); the Benefits Report, only applicable to Entity-Owned firms.

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 information is collected once per year from small disadvantaged businesses that have been certified for participation in the 8(a) BD program.

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 to:

- a. Confirm and update basic information, such as name, address, and contact information;
- b. Ensure the owner(s) have complied with compensation limitations imposed by the SBA program regulations at 13 C.F.R § 124.112(d);
- c. Ensure the owner(s) remain economically disadvantaged, as defined in the SBA program regulations at 13 C.F.R § 124.104;
- d. 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);
- e. Assess the firm’s business development needs, including:
 - i. Obtain the firm’s level of sales obtained from both 8(a) contracts and non-8(a) contracts;
 - ii. Learn the status of any outstanding joint venture and mentor-protégé agreements the firm may have;
 - iii. Determine the Participant’s need for future 8(a) contracts; and
 - iv. Ensure 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.** *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 SBA Form 1450 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.

- 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 8(a) Participants must submit certain identifying information (e.g. firm's name, principal's name and title) that would have been submitted at the 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 to determine continued eligibility for program participation.

Such information includes the following:

- a. Updates to the firm's business plan;
- b. Changes in access to credit and capital;
- c. Updates to business revenues;
- d. Additions or changes to the 8(a) firm's participation in any Mentor/Protégé Agreements or Joint Venture Agreements;
- e. New or additional information on taxes paid;
- f. Reporting of any 8(a) contracts and non-8(a) contracts awarded;
- g. Additions or changes to the Transition Management Plan; and
- h. Certifications that the 8(a) Participant continues to comply with the regulations at 13 C.F.R. §§ 124.101 through 124.108.

The majority of the revisions to the SBA Form 1450 are to avoid duplication. The existing SBA Form 1450 requires firms to enter information into the form as well as provide supporting documentation. To remove this duplication of effort, the revised SBA Form 1450 no longer requires summarizing information on the form that is also a required document submission. The revised form now has a single section that details all of the required documentation to submit, independent of the remaining questions on the form.

- 5. Impact on Small Business 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.*

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

The requested information is required to ensure adequate oversight and program integrity and guarantee that only firms meeting the eligibility criteria are certified for continued 8(a) Program participation. To reduce the burden of responding to this collection of information, the application primarily requires “Yes/No” responses and only requires narrative text where necessary. In addition, the electronic application provides a less burdensome and more effective and economical process for completion of the application form.

- 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 information collection, SBA cannot determine:

- a. If the 8(a) Participant continues to meet the eligibility criteria for the 8(a) BD Program;
- b. 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
- c. 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. Explain any special circumstances that would cause an information collection to be conducted in a manner:** *requiring respondents to report information to the agency more often than quarterly; requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; requiring respondents to submit more than an original and two copies of any document; requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years; in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study; requiring the use of a statistical data classification that has not been reviewed and approved by OMB; that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.*

None of the listed special circumstances are applicable.

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 on the availability of data, frequency of collection, clarity of instructions.*

A request for comment on the Form 1450 was published in the Federal Register (FR) on July 12, 2016 (81 FR 45201). A copy of this Federal Register notice is attached. Comments were due on or before September 12, 2016. SBA received no comments.

9. Payments 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 respondent.

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

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 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 own submitted information.

11. Questions of a Sensitive Nature. *Provide additional justification for 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 information necessary, specific uses for 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.*

This form collects financial information, through Sections 5 & 7, including personal financial information and tax returns of the individual(s) upon whom eligibility is based. SBA maintains the personal information in a Privacy Act system of record, SBA 30, which was last published on April 1, 2009, at 74 FR 14889, 14921. The information collected is required by program regulations at 13 C.F.R. §§124.112; 124.301 through 124.303; 124.403; and 124.604 to conduct the annual review of the 8(a) Participants and make determinations as to the firms' continued eligibility, to review the firms' progress in the 8(a) BD Program, and to update the 8(a) Participants' business plans. Without this information, SBA 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. Provide estimates of the hour burden of the collection of information. *The statement should:*

- *Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.*
- *If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.*
- *Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contraction out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.*

ANNUAL HOURLY BURDEN ON RESPONDENTS

There are approximately **5,399** annual review submissions per year. Once a firm exits the program, it has no further requirement to complete the SBA Form 1450 or provide Annual Review submissions to SBA. The approximate completion time for the SBA Form 1450 is **1.5** hours per Participant firm. This estimate includes completion of the Mentor-Protégé Worksheet, when applicable.

The total estimated burden of completing the Updated SBA 1450, is 1.5 hours x 5,399 current Program Participants = 8,098 total estimate burden hours.

ANNUALIZED HOURLY COST TO RESPONDENTS

As detailed below, the total cost burden for Participating firms to complete annually Form 1450 is = \$481,992:

A company official with roughly the pay, benefits and responsibilities of a GS-12, step 1, (\$29.76 per hour for 2016 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 \$59.52 per hour. At \$59.52 per hour, for each Participant firm, the 8,098 hours for all Participant firms will cost \$481,992 annually.

13. Provide an estimate of the total amount cost burden to respondents or record keepers resulting from collection of information.

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

14. Provide estimates of annual costs to the Federal Government. Also, provide a description of the method used to estimate cost, which should include 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.

For Form 1450, 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, (\$35.38 per hour for 2016 General Services (GS) base pay schedule). 5,399 submissions reviewed at approximately two hours for each form would result in 10,798 total hours of work. At \$35.38 per hour at a GS-13, step 1 salary, the total cost for the review will be \$382,033.

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 83-I. Explain reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

Changes have occurred regarding the number of current 8(a) BD Participants.

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.

Some of the data from this collection of information is included, in the aggregate, as part of an annual report on the 8(a) BD Program that SBA provides to Congress, or in various other agency reports.

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. Expiration date will be displayed.

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.