

PRA request for a non-material change to the SSBCI's existing PRA clearance

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative (SSBCI), which was funded with \$1.5 billion to strengthen State programs that support lending to small businesses and small manufacturers. Treasury allocated Federal funds to participating States, territories, the District of Columbia, and municipalities ("Participating States") in order to support statutorily eligible State or municipal capital access programs and other eligible State or municipal credit support programs, including loan guarantee, loan participation, collateral support, and venture capital programs. SSBCI is a one-time program of limited duration.

As of January [], 2012, Treasury has approved applications from 47 states, 4 territories, and the District of Columbia. All other received applications are still under consideration, and Treasury expects to make these awards in the beginning of calendar year 2012. Treasury expects that, in total, 62 states, territories, and municipalities will receive SSBCI funding.

Treasury previously received Paperwork Reduction Act (PRA) clearance for the SSBCI application package, SSBCI Allocation Agreement for states, SSBCI Allocation Agreement for Municipalities, and SSBCI Quarterly Technical Assistance Review.

Treasury is now seeking PRA clearance for the SSBCI National Compliance Standards. Section 3009(a)(2) of the Small Business Jobs Act of 2010, P.L. 111-240 ("the Act"), requires the Secretary of the Treasury to establish minimum national standards for state programs approved under the Act, and Section 4.6 of the SSBCI Allocation Agreement requires all Participating States to comply with any national standards that are established by Treasury after the date of the Allocation Agreement. On August 5, 2011, the Treasury Inspector General issued its report *Treasury Needs to Strengthen State Accountability for Use of Funds* (OIG-SBLF-11-002). In this audit, the IG recommended, among other things, that the State Small Business Credit Initiative program:

- Define supervision, oversight, and accounting; and set minimum standards for participating State oversight of SSBCI recipients, including defining a State's role in overseeing compliance with loan-use requirements and restrictions;
- Require that borrowers and lenders provide compliance assurances to the designated State agency responsible for administering the SSBCI funds, and require that the participating States review borrower and lender compliance assurances;
- Clarify whether the scope of assurances to be provided by participating States extend to borrower assurances about the use of loan proceeds; and
- Require that participating States disclose what oversight efforts it took in order to provide Treasury with the required program compliance assurances.

In its management response, SSBCI committed to issuing national compliance standards to address these concerns.

The focus of these national standards is on clarifying existing requirements and setting forth recommended best practices rather than introducing new mandatory requirements. The majority of these clarifications and recommended best practices reflect common business practices and do not imply any information collections, recordkeeping requirements, or third-party disclosures

covered by PRA. Other clarifications and recommended best practices contained in the document are already covered by the existing SSBCI PRA clearance, as described in further detail below. Therefore, Treasury believes that the changes to SSBCI's existing PRA collection are non-material.

There are no new mandatory information collections contained in this PRA clearance request. The only voluntary information collection is a copy of any audit containing findings, materials weaknesses, or significant deficiencies related to the Approved State Programs or the entity administering the Approved State Programs. Treasury estimates the information collection burden associated with this requirement to be 0.25 hours/year/Participating State, for a total of 15.5 hours/year (0.25 hours Participating State x 64 Participating States = 15.5 hours).

Treasury estimates that the recommended recordkeeping practices contained within the national compliance standards will result in a total estimated time burden of 4 hours/year/Participating State, for a total of 124 hours (4 hours/Participating State x 62 Participating States = 248 hours).

The recommended recordkeeping practices comprising this estimate are as follows:

- Maintaining a copy of the Participating State's risk monitoring and mitigation plan
- Maintaining documentation of the Participating State's risk monitoring test results
- Maintaining borrower use of loan proceeds records or results from an annual audit of lender files to ensure lenders are maintaining use of loan proceeds records
- Maintaining documentation on subsequent private financing
- Maintaining meeting minutes of loan or investment approval
- Maintaining a written conflict of interest policy

The national compliance standards contain only one recommendation regarding third-party disclosure—that Participating States execute a lender/investor participation agreement with each lender or investor enrolling loans in the Approved State Programs. Treasury estimates this burden at 5 hours/Participating State over the life of the program, with this burden concentrated most heavily in the first year. The burden associated with drafting the agreement is already included in the previous PRA estimate, since the approved Allocation Agreement already stipulates that Participating States must obtain certifications from lenders and investors regarding certain program requirements. The additional disclosure burden is the burden associated with collecting and maintaining a signed agreement containing these certifications. The vast majority of agreements will be executed in the first year, since most lenders and investors wishing to participate will complete the paperwork necessary for participation in the first year. The total annualized burden is therefore 62 hours [(5 hours over the allocation time period / 5 years in the allocation time period) * 62 Participating States].

The total burden associated with this non-material change is therefore:

Information collection	15.5 hours
Recordkeeping	248.0 hours
Disclosure	<u>62.0 hours</u>
	325.5 hours