

SMALL BUSINESS ADMINISTRATION
OMB FORM 83-I - PAPERWORK REDUCTION ACT SUBMISSION FOR
SMALL BUSINESS INVESTMENT COMPANY (SBIC) PROGRAM
IMPACT SBIC – IMPACT EVALUATION INFORMATION COLLECTION

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 appropriate section of each statute and regulation mandating or authorizing the collection of information.

This information collection is authorized by the Small Business Investment Act of 1958, as amended (Act), to license Small Business Investment Companies (SBICs) and to regulate their operations. Section 310(b) of the Act provides that each SBIC shall make such reports to SBA at such times and in such form as SBA may require. The pending final rule, “Small Business Investment Company (SBIC) Program – Impact SBICs” (Impact Rule), will amend SBIC regulations (13 CFR §107) to require SBICs licensed by SBA as Impact SBICs to make Fund-Identified Impact Investments to submit two Impact Evaluations to SBA. Fund-Identified Impact Investments, as defined in § 107.50 of the Impact Rule, means investments that meet an SBIC’s own definition of an impact investment as submitted to and approved by SBA when the SBIC was licensed.

Reporting requirement: As described in §107.665 (*Measurement and reporting requirements for Impact SBICs making Fund-Identified Impact Investments*), of the Impact Rule, the evaluations must be obtained from an independent third party based on industry standards¹ and must assess the social, environmental or economic impact of the SBIC’s investment strategy. Unless the licensee obtains SBA approval to do otherwise, the assessment system(s) and assessment provider(s) used must be consistent with the Impact SBIC’s plan approved during the licensing process. The SBIC must submit the first evaluation within two years of licensing and the second between the 5th and 7th year after licensing. Each evaluation must be submitted to SBA within 30 days of its completion.

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.

This information collection is one of SBA’s primary sources for oversight and monitoring of Impact SBICs. The respondents will consist of only Impact SBICs licensed by SBA to make Fund-Identified Impact Investments. Impact SBICs that restrict themselves to SBA-Identified Impact Investments and all other SBICs licensed by SBA are not required to submit Impact Evaluations. SBA staff will use the information to evaluate the SBIC’s Fund-Identified Impact Investment activities and the degree to which Impact SBICs licensed by SBA to make Fund-

¹ SBA intends to approve the following three industry standards in assessing evaluations: (1) the Impact Reporting and Investment Standards (“IRIS”), an impact evaluation framework created by the Global Impact Investing Network (GINI); (2) The G4 Sustainability Reporting Standards, produced by the Global Reporting Initiative (“GRI”); and, (3) The standards produced and maintained by the Sustainability Accounting Standards Board (“SASB”). These are the same standards currently approved under SBA’s Impact Investment Fund Policy.

Identified Impact Investments are operating in compliance with the Impact Investment strategy they are approved to use by SBA, as well as with other applicable SBIC program regulations.

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.*

Each Impact SBIC required to submit an Impact Evaluation is free to select the method for collecting and transmitting the pertinent information to SBA. There are currently no barriers to prevent transmission of information to SBA electronically, and it is anticipated that Impact Evaluations will be submitted via electronic mail, as an uneditable attachment. The form of presentation may be determined by the third party evaluator in accordance with prevalent industry standards.

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.*

No other report is available to SBA that would provide the relevant information presented in a third party Impact Evaluation; therefore, there is no duplication of information.

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.

This collection of information will not have a significant economic impact on a substantial number of small entities. The only entities required to submit Impact Evaluations are Impact SBICs licensed by SBA to make Fund-Identified Impact Investments. The economic impact on these entities is not significant. SBA estimates approximately 6 Impact SBICs making Fund-Identified Impact Investments in any given year. One independent provider charges between \$3,500 and \$7,500 for a full portfolio rating, depending on the size of the fund and the number of portfolio companies. Assuming a 10 year fund life, which is a relatively shorter lifespan than many SBICs have, two ratings completed at the maximum price of \$7,500 would require an Impact SBIC to spend a total of \$15,000 over the course of its life. On an annualized basis, the cost would be \$1,500 per year. Additionally, such fees would be offset in part by additional fee considerations provided to all Impact SBIC licensees.

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.

Failure to collect and review this information (the third-party impact evaluations) would significantly handicap SBA's ability to fulfill its statutory oversight and program evaluation responsibilities, specifically related to assessing compliance with Impact SBIC requirements. SBA will neither penalize nor reward an Impact SBIC based solely on the results of Impact Evaluations, but Impact SBICs subject to this information collection will face penalties if they fail to obtain the required impact assessments.

7. Existence of special circumstances.

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.

No special circumstances exist.

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.

The notice regarding this new information collection was published as part of the proposed rulemaking, "Small Business Investment Company (SBIC) Program – Impact SBICs," published on Wednesday, February 3, 2016 (81 FR 5666). SBA received one comment on the proposed reporting requirement to submit an assessment of their impact investment strategy from third party evaluators (§107.665 of the Impact Rule). The commenter suggested that a comprehensive impact assessment should be recommended but not required, because SBA's definition of Fund-Identified Impact Investment is not tied to the achievement of comprehensive impact results based solely on the results of Impact Evaluations, and also because many credible impact fund managers do not undergo such assessments. SBA did not adopt this suggestion as SBA places importance on the commitment to getting measured and actually being measured. Although SBA does not assess penalties for not achieving comprehensive impact, SBA considers such measurements important and will take into account the results in considering any subsequent SBIC license application.

9. Payment or gifts.

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

No payments or gifts are provided to 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.

Assurances of confidentiality to the extent permitted by law are provided to Impact SBICs

responding to this collection, which may include confidential SBIC and portfolio company financial data that is protected from disclosure under the Freedom of Information Act; specifically, exemptions 4, 6 and 8, which allow SBA to withhold financial data on individual companies. Records are maintained under conditions designed to preclude access by persons other than Agency personnel with a need to know.

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 information collection may obtain confidential business and financial information of an SBIC and/or portfolio company data, which SBA reviews to assess compliance with program requirements. Although this information is needed to fulfill SBA's statutory responsibilities with respect to SBIC program oversight, it is not retrieved by individual/personal identifiers.

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

Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Also provide estimates of annual costs to respondents for the hour burden for the information collection; identifying and using appropriate wage rate categories.

The estimated annual hour burden of this information collection is based upon the approximation of 6 Impact SBICs making Fund-Identified Impact Investments in any given year:

Number of respondents: 6

Number of responses per respondent: 2 over approximately 10 years

Estimated hours to complete form: approximately 24 hours per assessment (total time required to contact the provider and initiate an assessment)

Total burden hours: approximately 48 hours over 10 years = annualized burden of 4.8 hours

The estimated annual hour burden of this information collection is therefore 4.8 hours.

The estimated hourly cost to respondents is calculated using the high end of costs typically associated with an independent third party for providing a full portfolio evaluation and rating (industry charges between \$3,500 and \$7,500, depending on the size of the fund and the number of portfolio companies):

Estimated total cost over approximately 10 years: $2 \times \$7,500 = \$15,000$

Estimated annualized hour cost per respondent: \$1,500

Total estimated annual cost burden: 6 respondents \times \$1,500 = \$9,000

13. Estimate of total annual cost burden.

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

There is no annual cost burden to respondents other than the estimated cost of the hour burden provided in item 12.

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, 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.

The estimated annual cost of this information collection to the Federal government is calculated using base hourly rates obtained from the 2016 General Services schedule for a GS-13, Step 5, of \$40.10 (base annual salary of \$83,694) and a GS-14, Step 5, of \$47.39 (base annual salary of \$98,899):

Number of responses: 6 per year

Hours to review: GS-13-5 @ 4 hours per year; GS-14.5 @ 1 hour per year

Total estimated annual cost: $[6 \times 4] \times \$40.10 + [6 \times 1] \times 47.39 = \$1,246.74$

Total estimated hour cost: \$207.79

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.

Not applicable. This is a new information collection.

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.

Not applicable. Results of this collection of information will not be published.

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. SBA has no plans to restrict display of an OMB approval date.

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

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

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

B. Collection of Information Employing Statistical Methods

This collection of information does not employ statistical methods.

Attachments:

- Authorizing Statutory Provision
- Federal Register Notice (81 FR 5666)
- Related Final Rule: Small Business Investment Company (SBIC) Program – Impact SBICs

