

**Supporting Statement for Paperwork Reduction Act Submission
(Control # 3245-0007)**

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 06/30/2019.

1. Circumstances Necessitating the Collection of Information:

The SBG Program was created to encourage surety companies to issue bonds for small business 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. The SBG Program is authorized by Title IV, Part B, Section 411 of the Small Business Investment Act, 15 U.S.C. 694, which 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, Report of Recoveries and Record of Administrative Action (completed by the surety)

As described below, minor changes are being made to this collection, primarily to clarify procedural and system enhancements.

Summary of Changes

Generally, SBA has amended this information collection to clarify the submission procedures for using the electronic application process, as well as the instructions directing applicants to the participating surety agency list on <https://www.sba.gov/funding-programs/surety-bonds#paragraph-13> instead of to SBG Area Offices. Also, as discussed below, additional changes have been made to the forms specifically identified below.

SBA Form 990, Surety Bond Guarantee Agreement:

- Revised the “Terms and Conditions” section to more clearly state in paragraph 1 that a Surety is required to give SBA notice of any changed conditions that impacts

underwriting of the bond, and also in paragraph 6, to point out that a Surety is required to comply with all relevant standard operating procedures in addition to the regulations .

SBA Form 994, Surety Bond Guarantee Agreement:

- Added questions relating to the citizenship and character of certain individuals associated with the applicant to the “Individual Certification” section instead of collecting the information on SBA Form 912, Statement of Personal History. This change streamlines the application process by obviating the need for a small business to complete two separate forms.
- Revised the document attached to the form, the “Statements Required by Law and Executive Order” to update or clarify applicable legal notices and requirements.

SBA Form 994B, Surety Bond Guarantee Underwriting Review:

- Deleted the need for a signature but clarified in the instructions that this form is submitted as part of the application and that the certification about the accuracy of the information is covered by the certification in Form 994.
- Added instructions on when this form is to be completed – for bonding lines and for first time contractors and how the form can be submitted (electronically and by paper).

SBA Form 994F – Schedule of Work in Process

- Simplified the instructions and reorganized the chart to reflect order of information to be collected.

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

- Changed title from – “Default Report, Claim for Reimbursement, and Report of Recoveries to “Default Report, Claim for Reimbursement, Report of Recoveries and Record of Administrative Action.”
- Deleted Language in the General Instruction section and the Instructions and Clarification of Selected Form 994H Items section to eliminate insignificant form instructions.
- Replaced the Surety Alpha Codes with Surety Name in Section A of the form to conform to revised application procedures.

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 who are responsible for processing SBG applications and evaluating 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 for surety bond assistance.

With respect to the sixth form, SBA Form 994H, SBG employees in the Claims and Recovery Division (CRD) review the information submitted by the surety to request claims reimbursements in the event of contract default. CRD employees determine whether 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:

Contractors and surety agents can submit these SBG forms online. Currently, 100% of this information collection is submitted electronically by surety agents to SBA. The forms are also available in PDF format on SBA's website for those who want to submit a paper application. To help alleviate burden, after the initial submission, the forms are prepopulated with available information previously entered into the system.

4. Avoidance of Duplication:

The forms are designed to minimize burdens and avoid duplication of information collected. SBA Forms 990, 991, 994, 994B, 994F and 994H 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, and in those instances, the information is auto populated after initial entry.

5. Impact on Small Businesses and Other Small Entities:

This information collection 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 are 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. Finally, as noted above, for those applications submitted electronically, the forms are pre-populated with the information entered into the system, thereby minimizing the amount of time necessary to complete the form.

6. Consequences If Collection of Information Is Not Conducted:

SBA is responsible for administering the SBG Program efficiently and timely, while protecting 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 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 is protected to the extent permitted by law. Disclosure of information is governed by Freedom of Information Act and the Privacy Act.

8. Solicitation of Public Comments: A Federal Register notice requesting comments on this SBG information collection request was published on March 22, 2019 at 84 FR 10880. The comment period closed on May 21, 2019. 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 National Institute of Standards and Technology.

11. Questions of a Sensitive Nature:

The applicant business and any indemnitor of the bond are required by law to provide their social security numbers, or other taxpayer identification numbers, in order to do business with SBA. Other individuals signing the application (e.g., officers and directors who are not indemnitors) are requested to voluntarily provide their social security numbers. SBA is authorized under the Small Business Investment Act (Act) to conduct criminal background checks and 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.

12. Estimation of the Hourly Burden of the Collection of Information:

The estimated annual burden imposed by this information collection is based upon SBA’s analysis of the Fiscal Year 2018 submissions in the SBG Program. There was a total of 2,501 respondents – 2,000 small businesses and 501 sureties and agents.

The total estimated burden is based on electronic submissions of the forms. SBA estimates that there will be a total of 39,820 electronic responses. The electronic responses include the application forms that are submitted to SBA electronically by sureties, agents and by small businesses to their surety agents. The total Estimated Burden Hours is 8,453 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 to be submitted. The following estimated annual cost burden is based on 13,903 burden hours and a median hourly wage according to the Bureau of Labor Statistics (May 2018 National Occupational Employment and Wage Estimates - https://www.bls.gov/oes/current/oes_nat.htm)

Small Business Time – (Miscellaneous Construction and Related Workers equivalent)

- 5,462 hours x \$18.68/hour = \$102,023.93

Clerical Staff (Secretaries and Administrative Assistants equivalent)

- 5,450 x \$18.69/hour = \$101,860.50

Professional Employee Time – (Insurance Sales Agents equivalent)

- 3,071 hours x \$24.33 = \$74,713.38

Total Estimated Annual Cost Burden to Respondents = \$278,597.81

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 professional duties. Professional employees evaluate the information provided on the forms to approve or disapprove an application for a surety bond guarantee. In addition, the professional duties include data input and processing fee payments.

Employee Time – GS 13, Step 5 (DC/MD/VA locality)

-8,533hours x \$53.85 = \$459,475.13

Total Annualized Cost to the Federal Government = \$459,475.13

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

The increase in total annual response and estimated burden from the previous submission are due to an increase of bond guarantee production and an 85% increase in the number of businesses assisted between Fiscal Years 2016 and 2018.

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 83-1:

None.

B. Collection of Information Employing Statistical Methods:

Not Applicable.

(Attachment 1)	Estimated Burden Calculation		
	Annual Responses	Estimated Burden Hours/Response	Extended Estimated Burden
SMALL BUSINESS			
Form 991	70	10 min	12
Form 994	10,900	15 min	2,725
Form 994 F	10,900	15 min	2,725
total responses:	21,870	total burden:	5,462
SURETY / AGENT			
Form 990	8,500	10 min	1,417
Form 994 B	8,500	10 min	1,417
Form 994 H	950	15 min	238
total responses:	17,950	total burden:	3,071
CLERICAL STAFF			
Information Collection/Preparation	10,900 *	30 min	5,450
GRAND TOTAL RESPONSES:	39,820	GRAND TOTAL BURDEN:	13,983

*not included in Grand Total Responses because the Clerical Staff time is included in the estimated burden for "Small Business" and "Surety/Agent"

Response Explanation:

Form 991: Required only if job started prior to application.

Form 994: All Parts of Form required to be completed with initial application. Subsequent electronic applications for same business only requires information contained in Part III, Part IV and Part V of the application.

Form 994F: Required once per application. *(Prior Approval Program Only)*

Form 990: Required once per initial application and each subsequent change to contract or bond amount. *(Prior Approval Program Only)*

Form 994B: Required once per application. *(Prior Approval Program Only)*

Form 994H: Required for each claim reimbursement request. *(Prior Approval Program Only)*