**Office of Management and Budget Information Collection Review Package**

**Evaluation of Surety Bond Guarantee Program**

**January 27, 2019**

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# Supporting Statement Part A: Justification

## **A.1** **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.**

***Circumstances that make the collection necessary.***

 Under SBA’s Surety Bond Guarantee (SBG) Program, SBA guarantees bid, payment, and performance bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. SBA’s guarantee gives sureties an incentive to provide bonding for small businesses, thereby assisting small businesses in obtaining greater access to contracting opportunities. SBA's guarantee is an agreement between a surety and SBA that SBA will assume a certain percentage of the surety's loss should a contractor default on the underlying contract.

On July 30, 2018, SBA announced a temporary change in the fee structure for its SBG Program ([83 FR 36658](https://www.federalregister.gov/documents/2018/07/30/2018-16202/surety-bond-guarantee-program-fees)). The fee reductions were implemented October 1, 2018, decreasing the surety fee from a 26 percent to a 20 percent bond premium and decreasing the Principal fee from $7.29 per $1,000.00 of the contract amount to $6.00 per $1,000.00 of the contract amount. On August 14, 2019, SBA extended the expiration of the fee reduction period from September 30, 2019, until September 30, 2020, in an effort to collect more data to fully evaluate the effect(s) of lower fees on the SBG Program ([84 FR 40466](https://www.federalregister.gov/documents/2019/08/14/2019-17442/surety-bond-guarantee-program-fees)). Given that the fees have been stable for the last 12 years, SBA would like to evaluate the quantitative impacts of the decreased fees on the SBG Program. To properly evaluate the impacts of the fee changes, a multimethod approach will be applied including two study components: (1) statistical modeling using the SBG Program’s administrative data (collected under a separate approval, OMB Control Number 3245-0007) and (2) a web-based survey (this collection).

 The survey component of the evaluation will include the following:

A national survey of participating surety firms’ and agents’ perceptions of the SBG Program’s fee reductions and their explanations of how these reductions affected their bonding practices and processes. The surveys distributed to participating surety firms and agents will cover similar topics, including the perceived and actual effects of the fee reductions on use of the SBG Program, impacts on surety portfolios, impacts on the number of bonds and associated contract values, bond defaults, expansion of firm services, clientele, programs, and anticipated effects under various fee reduction scenarios.

Included with this package are the research questions (Appendix A) and a hardcopy (versus online) version of the Surety Firm and Surety Agent survey instruments (Appendices B.1 and C.1); screenshots indicating the appearance of the online version of the survey are also included in Appendices B.1 and C.1. Appendices B and C also include various emails, telephone scripts, and other materials that will be used to obtain a high response rate.

## A.2 Indicate how, by whom, how frequently, 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.

***For what purpose is the information to be used?***

 The evaluation will help SBA understand the effects lower rates have on the SBG Program’s utilization, portfolio composition, and perceptions of participating surety firms and agents. Additionally, the study will inform SBA whether such reductions positively or negatively affect small businesses. From these findings, SBA can determine whether to make such rate reductions permanent.

*Administrative Data*.

 The purpose of the evaluation’s statistical modeling will be to rigorously evaluate the effects of the SBG Program fee reductions by examining changes in the utilization of the program and in the portfolio of bonds the program has guaranteed. The evaluation design includes conducting two forms of regression-based modeling methods for estimating the number, value, and characteristics of bonds guaranteed in the 15-month Post-Intervention Period. The statistical models will use SBG Program administrative data to evaluate the effects of interventions by comparing the actual outcomes under the fee reduction against a counterfactual condition in which the fees were never reduced. The findings from the study’s statistical models informed the design and analysis of the study’s survey instruments.

***Survey of the Impacts of the Fee Reduction on the Surety Bond Guarantee Program.***

 The purpose of the surveys will be to obtain detailed insights from surety firms and agents on the effects of the fee reductions on the SBG Program. More specifically, the surveys will focus on further understanding the findings from the statistical models by examining the surety firms’ and agents’ perceptions of the fee reductions and their explanations of how these reductions affected their bonding practices and processes. These insights will better inform SBA’s understanding of the effects of fee reductions on participant thinking and planning, on the possible effects of extensions or modifications of the fee reductions, and on any policy recommendations for the SBG Program.

The universe of both surety firms and agents that participate in the SBG Program will be recruited to participate in the study. In total, 41 surety firms and 450 surety agents will be recruited to participate in separate 15-minute surveys. Recruitment efforts will begin with an initial email notification from SBA followed by an introductory study email including a link to the Surety Bond Guarantee Program Impacts on the Fee Reduction Survey along with an attachment with anticipated Frequently Asked Questions regarding the study (Appendices B1, C1, B2, C2, B3, C3, B4, and C4, respectively). Surety firms and agents may be contacted up to four times by email (Appendices B5, C5, B6, C6, B8, C8, B9, and C9) and up to two times by telephone (Appendices B7 and C7) to receive a reminder and encouragement to complete the Surety Bond Guarantee Program Impacts on the Fee Reduction Survey. This survey collection will be completed once.

***Frequency of information collected. Information shared with any other organizations inside or outside SBA or the government.***

 This information will be collected once. Data files and documentation will be prepared for restricted use only (with masking of data that could identify surety firms and agents, if needed). All results will be presented in an aggregated form in the final report, which will be made publicly available in the research section on the SBA website at <https://www.sba.gov/document/report--program-evaluation-evidence-registry-peer>.

## A.3 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 burden.

  As noted, both surveys will be provided online for surety firms and surety agents to complete. Most survey reminders will be sent via email. The web surveys will contain links to the Frequently Asked Questions and to a table of contents that the survey respondent can use to navigate between different sections of the survey. Additionally, the survey will be programmed so that respondents may choose to complete it on a mobile phone. Responses can be submitted by clicking the “Submit” button at the end of the survey. If a survey is largely complete but the respondent did not click “Submit,” the survey staff will contact the respondent, if possible, by email or will mark the survey as submitted, provided it meets criteria that will be set in advance of data collection. Electronic systems are used for all these steps.

## A.4 Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purpose described in item 2 above.

 Every effort has been made to avoid duplication. SBA has reviewed its own reporting requirements, the reporting requirements for surety firms and surety agents participating in the SBG Program, and special studies by other government and private agencies, and has determined that no current data are similar to the data proposed for collection in this study.

## A.5 If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

This data collection will obtain information from small businesses, including both surety agencies and surety firms. To minimize the burden on respondents, efforts have been made to simplify and streamline the survey. The estimated burden for completing the survey is approximately 15 minutes per respondent, largely due to the focus on a limited number of questions regarding program observations, individual firm/agency observations, and questions regarding hypothetical scenarios. The survey will be disseminated via an online platform, which will allow small business owners to take the survey at a time that is convenient for them and only answer questions that pertain to their experiences. For example, surety agencies that experienced increases in bond applications will be presented questions tailored to their experience. Additionally, the web-based survey does not require respondents to complete the survey during one time period; respondents can enter and reenter the survey and will be directed to their most recent question.

## A.6 Describe the consequence to 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.

 This is a one-time data collection. Without this data collection, SBA will not have information on surety firms’ and surety agents’ perceptions of the SBG Program’s fee reductions and how such reductions impacted bond portfolios. SBA also would not obtain insights from surety firms and surety agents regarding the anticipated impacts of various fee reduction scenarios.

## A.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 secret, 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.**

 For this data collection effort, no special circumstances provided above exist.

## A.8 If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments.

### A.8.A Federal Register Notice and Comments

 Notice of this study was published in the Federal Register at 84 FR 51707 on September 30, 2019 (Appendix A.2). No public comments were received.

### A.8.B Consultations Outside the Agency

 Seven respondents were consulted about the burden estimate and other characteristics of the data collection (i.e., frequency, clarity of instructions). Survey pretest respondents included four surety agents and three surety firms located across the continental United States that vary in clientele, firm size, and industry focus. The majority of respondents noted that they thought the ordering of the survey questions was appropriate, there were not any questions that they had difficulty answering, and there were not any terms used in the surveys with which they were unfamiliar. In an effort to frame both surveys as pertinent to all surety firms and agents, 2M Research (a contractor hired by the SBA to design and conduct the evaluation of the Fee Reduction) included language in both survey introductions outlining that the survey focuses on the reduced fees for bonds submitted to SBA for approval and asks survey participants to select the best response based on their experience and knowledge. Most pretest participants suggested adding response options and updating specific terms used in the survey. In this regard, pretest participants primarily recommended including an “Other (Please specify)” and/or a “No Effect” response option. Finally, pretest participants thought the FAQ document provided sufficient information before the completion of the survey and did not require any additional information. All revisions discussed above were incorporated into the Surety Bond Guarantee Program Impacts on the Fee Reduction Survey for Surety Firms (Appendix B.1) and the Surety Bond Guarantee Program Impacts on the Fee Reduction Survey for Surety Agents (Appendix C.1).

## A.9 Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

 The participants in the study will not receive an incentive payment or gift.

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

 All information gathered from respondents participating in this study is for research purposes only and will be protected to the extent permitted by law, including, where applicable, the Freedom of Information Act, 5 U.S.C. 552., and the Privacy Act, 5 U.S.C. 552a. exception (b)(4), which allows SBA to deny Freedom of Information Act requests for information disclosures that could cause substantial competitive harm. The survey invitation email informs the respondent that the survey data will be held in confidence by SBA and the Contractor (Appendices B3, C3, B4, and C4). It states that no survey participants will be identified in any public reports, as the collection is purely for statistical reporting purposes. The Contractor agrees to adhere to the Privacy Act.

Data from the data collection efforts will be presented in aggregate form and, therefore, cannot be linked back to the response of any individual. To ensure that personal information remains private, the contract executed between SBA and 2M Research requires that the Contractor create and keep data on secure networks and sign confidentiality agreements binding them to protect private information. The Contractor will assign a unique ID number to each respondent and provide the data to SBA by this ID number. A separate file will associate the ID number with personal information. The Contractor will keep this second, separate file private. The Contractor will host its statistical software applications (e.g., Statistical Analysis Software [SAS], Stata) on powerful servers in a virtualized environment specifically designed to handle processing large datasets. Once the contract is completed, the Contractor will destroy the files that contain private information.

## A.11 Provide additional justification for any questions of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of 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.

 The data collection does not request information typically considered private or sensitive in nature.

## A.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. 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.**

 

Table 1 shows the estimates of the burden for the proposed data collection. The total number of burden hours is 158.4. The estimate includes respondent burden for both surety firms and surety agents. The estimate is based on an anticipated total of 491 respondents (41 surety firms and 450 surety agents) and an average survey completion time of 15 minutes. This burden estimate was developed by assuming an 80 percent response rate from the universe of both surety firms and surety agents. More information about these response rate estimates is presented in Part B. 

Table 1 also shows the estimated annualized cost to respondents. This cost has been calculated using average hourly earnings for 2018, obtained from the Bureau of Labor Statistics (BLS) estimates for occupational employment wages. The estimated annual costs burden for this data collection is $5,228.93. The cost estimate is based on the average survey hours and an average hourly wage of $36.96 for surety firm staff and $32.64 for surety agents.[[1]](#footnote-1)



Table - Estimated Annual Burden and Cost for Respondents

\*Surety firms’ and surety agents’ hourly wages were estimated from the BLS, 2018, Occupational Employment Statistics data. Surety firm staff were categorized under Insurance Underwriters (13-2053), which has a mean annual wage of $36.96. Surety agents were categorized under Insurance Sales Agents (41-3021), which has a mean annual wage of $32.64. Annual wages were calculated by multiplying the hourly wage by a “year-round, full-time” hours figure of 2,080 hours. Both wage values were used to calculate the study's total cost in USD of respondents and non-respondents for both surety firm and surety agent populations.

**Notes:** The recruitment and communication strategies and response rates reflect Dillman's Tailored Design Method (Dillman, 2000). Ultimately, the recruitment strategy leveraging both introduction and reminder emails and one telephone reminder is expected to result in an 80 percent response rate per participant population. Within this design method, diminishing returns are expected for sequential email and telephone reminders.

The total annual hours of burden associated with the study is 158.4, the sum of 25.5 and 133.0.

Enclosed in all email correspondence will be a Frequently Asked Questions document (Appendix B.3, C.3).

## A.13 Provide estimates of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start-up cost component annualized over its expected useful life; and (b) a total operation and maintenance and purchase of services component.

 There are no capital/start-up costs or ongoing operation/maintenance costs associated with this information collection.

## A.14 Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost and any other expense that would not have been incurred without this collection of information.

The annualized cost to the Federal Government for data collection and reporting is $76,882.57 (see Table 2). This table includes costs associated with the Contractor conducting the project, the assistance provided by SBA administrators, and the project oversight provided by federal staff. Specifically, the cost for the Contractor to complete the study design, instrument design, data collection, Office of Management and Budget (OMB) supporting documentation, data analysis, and report writing is a fixed cost of $61,568.79. The estimated cost of federal employee oversight of the project is projected to be $15,313.78. The estimate is based on one Contracting Officer's Representative (COR) GS-14, Step 1, with an hourly wage of $56.15 and 62 hours of administrative oversight. In addition, we anticipate that one Program Analyst, GS-13, Step 1, with an hourly wage of $47.52, will spend 249 hours in oversight of the project.[[2]](#footnote-2)

Table - Annualized Burden and Cost to Federal Government for Data Collection

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Estimates | SBA COR | SBA Program Analyst | SBA Contractor | Total Federal Costs |
| Total burden (in hours) | 62 | 249 | --- | --- |
| Average hourly pay | $56.15 | $47.52 | --- | --- |
| Total Cost (in USD) | $3,481.30 | $11,832.48 | $61,568.79 | $76,882.57 |

## A.15 Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-1.

 This is a new data collection; therefore, this question is not applicable.

## A.16 For collections of information whose results are planned to be published, outline plans for tabulation and publication.

 This study will use quantitative methods to analyze the survey data and produce tabulations in a public report. The descriptive statistics will include frequencies, averages, and ranges for the data elements. Standard errors and 95 percent confidence intervals will be provided for the estimates in a technical appendix. A nonresponse analysis will also be conducted and will potentially be contained in a technical appendix. The report will present data in both tabular and graphical formats (e.g., pie charts) in an effort to clearly present key data points and overall results. The complete data collection schedule for the project is included below.

Data collection will begin 1 week following OMB approval and will continue for approximately 8 weeks. Recruitment and data collection efforts will involve two introductory emails (Appendices B.2, C.2, B.4, and C.4) followed by four reminder emails (Appendices B.5, C.5, B.6, C.6, B.8, C.8, B.9, and C.9); all introductory and reminder email correspondence will have enclosed a Frequently Asked Questions document (Appendices B.3 and C.3). After two reminder emails, participants may be contacted with a telephone reminder prompt (Appendices B.7 and C.7). A similar communication cadence will continue in which, after the first reminder phone call, participants will receive a third reminder email (Appendices B.8 and C.8) followed by a telephone reminder prompt (Appendices B.7 and C.7). If needed, participants will receive a post-survey clarification email (Appendices B.10 and C.10), which could potentially be followed by a clarification telephone call (Appendices B.11 and C.11). At the conclusion of data collection, all participants who completed the survey will receive a thank-you email.

Data file preparation will follow immediately so that the data analysis can begin promptly at the conclusion of the data collection phase. The draft of the Final Report will be submitted to SBA no later than 4 weeks following data collection, followed by the delivery of the final version of the Final Report 4 weeks later. The project data collection timeline is displayed in Table 3 below.

Table - Data Collection Schedule for Surety Firms and Surety Agents

|  |  |
| --- | --- |
| Activity | Estimated Date |
| Email Notification from SBA  | 1 week after OMB approval |
| Pre-Survey Notification Email  | 1 week after OMB approval |
| 1st Reminder Email | 2 weeks after OMB approval |
| 2nd Reminder Email | 3 weeks after OMB approval |
| Telephone Reminder Prompt | 4 weeks after OMB approval |
| 3rd Reminder Email  | 5 weeks after OMB approval |
| Telephone Reminder Prompt | 6 weeks after OMB approval |
| 4th Reminder Email | 6 weeks after OMB approval |
| Post-Survey Clarification Email | 7 weeks after OMB approval |
| Post-Survey Clarification Telephone Script | 7 weeks after OMB approval |
| Thank-You Email | 8 weeks after OMB approval |

## A.17 If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

 The study team plans to display the expiration date for OMB approval of the information collection on all instruments.

## A.18 Explain each exception to the certification statement identified in Item 19 "Certification for Paperwork Reduction Act."

 This study does not require any exceptions to the Certificate for Paperwork Reduction Act (5 CFR 1320.9).

1. Surety firms’ and surety agents’ hourly wages were estimated from the BLS, 2018, Occupational Employment Statistics data. Surety firm staff were categorized under Insurance Underwriters (13-2053), which has a mean annual wage of $76,880 and a mean hourly wage of $36.96. Surety agents were categorized under Insurance Sales Agents (41-3021), which has a mean wage of $67,890 and mean hourly wage of 32.64. Annual wages were calculated by multiplying the hourly wage by a “year-round, full-time” hours figure of 2,080 hours. [↑](#footnote-ref-1)
2. Federal employee pay rates are based on the General Schedule of the Office of Personnel Management for 2019 for the Washington, DC, locality and a 2,080-hour work year: <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2019/DCB_h.pdf> [↑](#footnote-ref-2)