U.S. Small Business Administration

FY 2018 Congressional Budget Justification
and
FY 2016 Annual Performance Report

Performance Budget — Performance Report

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FY 2014 – FY 2018 Strategic Plan Goals and Objectives

Strategic Goal One – Growing Businesses and Creating Jobs

Strategic Goal One has six Strategic Objectives:

1.1 – Expand access to capital through SBA's extensive lending network

1.2 – Ensure federal contracting goals are met and/or exceeded by collaborating across the federal government to expand opportunities for small businesses and strengthen the integrity of the federal contracting certification process and data

1.3 – Strengthen entrepreneurial ecosystems through a variety of strategic partnerships to provide tailored training, mentoring, and advising services that support entrepreneurs during every phase of their business growth

1.4 – Enhance the ability of current and future small business exporters to succeed in global markets by expanding access to financing, counseling, training, and other export tools

1.5 – Fuel high-growth entrepreneurship, innovation, and job creation by providing the tools small businesses need to start and grow their businesses

1.6 – Ensure that SBA's disaster assistance resources for businesses, non-profit organizations, homeowners, and renters can be deployed quickly, effectively, and efficiently in order to preserve jobs and help return small businesses to operation

Strategic Goal Two – Serving as the Voice for Small Business

Strategic Goal Two has three Strategic Objectives:

2.1 – Ensure inclusive entrepreneurship by expanding access and opportunity to small businesses and entrepreneurs in communities where market gaps remain

2.2 – Provide timely, instructive, and useful information to the small business community through SBA's extensive digital and in-person outreach efforts

2.3 – Foster a small business-friendly environment by encouraging federal agency awareness about the impact of unfair regulatory enforcement and compliance efforts and reducing burdens on small business

Strategic Goal Three – Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses

Strategic Goal Three has three Strategic Objectives:

3.1 – Streamline, simplify, and strengthen SBA's core programs and operations to ensure that they are high performing, effective, and relevant to the needs of the small business community

3.2 – Invest in the Agency's employee recruitment, hiring, training, work-life programs, and performance management so staff is engaged to more effectively serve small businesses

3.3 – Mitigate risk to taxpayers and improve oversight across SBA programs

Overview of Budget Request

President Trump has underscored job creation and economic growth as pillars of his Administration, and the U.S. Small Business Administration (SBA) is uniquely positioned to support his priorities through programs that champion small business startup and growth. Respecting the President's promise to be a responsible steward of taxpayer dollars, the SBA is committed to exercising its role as efficiently and effectively as possible.

The SBA provides tools and resources critical to the success of America's 28 million small businesses. These businesses account for more than 56 million jobs and create two out of three net new jobs in the U.S. each year. More than half of all Americans either work for or own a small business. The SBA works to ensure more Americans have the opportunity to start, scale, and succeed in businesses of their own.

Entrepreneurs at every stage of their businesses' growth cycle can benefit from the work of the SBA. To provide support, the SBA uses "three Cs and a D" — counseling, capital access, contracting, and disaster assistance — to aid small businesses whether they are starting up, expanding, or getting through a tough time. Resource partners like Small Business Development Centers, Veterans Business Outreach Centers, SCORE, and Women's Business Centers offer counseling geared to each constituency's specific needs. SBA's community lending partners provide financing solutions for businesses in need of capital — from microloans aimed at strengthening the smallest of small businesses to its signature 7(a) and 504 loans aimed at helping businesses operate, or purchase equipment and refinance fixed assets. The SBA also continues to provide support to high-growth small businesses through the Small Business Investment Companies and Small Business Innovation Research programs. The Agency supports training to small businesses on how to compete for government contracts, ensuring businesses owned by women, veterans, minorities, and other underrepresented communities have a fair shot at success. To that end, the SBA is committed to supporting and encouraging these emerging markets. The 8(a) Business Development program offers a broad scope of assistance to firms that are owned and controlled at least 51 percent by socially and economically disadvantaged individuals. The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. The SBA uses training, mentoring, and educational tools to not only help small businesses understand government contracting programs, but also access federal contracting dollars. Finally, the SBA assists small businesses and individuals recovering from declared disasters.

The SBA also works to help small businesses expand their markets through exports. Today, 96 percent of all consumers — and over three-quarters of the world's purchasing power — exist outside the United States. The growth in the middle class around the world is showing rapid increases in purchasing power, yet only about 1 percent of America's small businesses are selling to them. The SBA offers specific programs — Export Express, Export Working Capital and International Trade Loans — to provide financing solutions to small businesses that want to reach the global market. Through counseling and training assistance provided through U.S. Export Assistance Centers and State Trade Expansion Promotion grants, the SBA provides support through various channels to ensure that small businesses have access to exporting markets.

As the SBA continues to promote initiatives that best serve its constituencies, SBA senior leadership is carefully analyzing all programs to ensure they are still delivering the results for which they were created. The SBA is working to promote efficiency by responsibly eliminating redundant programs and those more appropriately delivered by the private sector. The SBA will also focus on ensuring the effectiveness of existing programs by providing them the resources they need to be successful.

Our nation's entrepreneurs are innovators who take a risk on an idea, invest in their communities, and create jobs. Their skills and creativity not only support their own families, but they also make our neighborhoods vibrant places to live and work and fuel our nation's economic strength. Through the SBA's FY 2018 budget request, the Agency reaffirms its commitment to supporting job growth and ensuring America remains competitive in an increasingly global economy.

This FY 2018 budget request reflects SBA's mission to serve our nation's entrepreneurs, both in their communities and online. This requires modern technology to ensure information is available to all sectors of the population, especially those in emerging markets for whom resources may be otherwise difficult to access. The SBA will provide excellent customer service, expand access to affordable loans through lending partners, and ensure taxpayers are receiving value for their investment. The Agency will also expand its reach, ensuring more people are aware of the skills and services delivered by its dedicated workforce and partners. The SBA will also build awareness of its programs through social media and other avenues. The budget supports SBA enterprise-wide technology modernization initiatives including hardware, software and application standardization, mobile shared services implementation, security vulnerability reduction, data center consolidation and migration to the cloud, and infrastructure upgrades. As more people learn about the services the SBA provides, a spirit of entrepreneurship will be revitalized in our country and more people will have the confidence, skills, and resources they need to succeed as small business owners.

To support this mission, SBA's total budget request for FY 2018 is $826.5 million that includes a recission of $2.6 million in unobligated subsidy. Of this amount, $156 million is for business loan administration and subsidy and $192 million is for entrepreneurial development programs. The SBA will continue to provide fee relief for small-dollar loans, up to $125,000, and for veteran lenders up to $350,000. An additional $159 million for the Stafford Act disaster funding is requested for administering loans to survivors of disasters defined by the Stafford Act.

A full-year 2017 appropriation was not enacted at the time the FY 2018 Budget was prepared; therefore, the Budget is built off the Further Continuing Appropriations Act, 2017. The amounts included for 2017 reflect the annualized levels provided by the continuing resolution.

The FY 2018 Budget is crafted around the Agency's *FY 2014-2018 Strategic Plan* that contains SBA's mission and three strategic goals. The SBA will develop its *FY 2018-2022 Strategic Plan* through 2017 with publication in February 2018. SBA's three strategic goals and twelve strategic objectives appear on the next page.

SBA Mission Statement

The mission of the U.S. Small Business Administration is to maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters.

Strategic Goal 1
Growing Businesses and Creating Jobs

- 1.1 Expand access to capital
- 1.2 Ensure federal contracting goals are met or exceeded
- 1.3 Strengthen entrepreneurial ecosystems
- 1.4 Enhance exporting abilities to succeed in global markets
- 1.5 Fuel high-growth small businesses and start-ups to drive innovation
- 1.6 Ensure disaster assistance can be deployed quickly, effectively, and efficiently

Strategic Goal 2
Serving as the Voice for Small Business

- 2.1 Ensure inclusive entrepreneurship
- 2.2 Provide useful information through digital and in person outreach
- 2.3 Foster a small business-friendly environment by reducing unfair regulatory burdens

Strategic Goal 3
Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses

- 3.1 Streamline, simplify, and strengthen program operations
- 3.2 Invest in SBA's employees
- 3.3 Mitigate risk to taxpayers and improve oversight across programs

Understanding the Budget Tables

This budget request is being submitted in accordance with the FY 2018 budget guidance memoranda from the Office of Management and Budget. A full-year 2017 appropriation was not enacted at the time the FY 2018 Budget was prepared; therefore, the Budget is built off the Further Continuing Appropriations Act, 2017. The amounts included for 2017 reflect the annualized levels provided by the continuing resolution.

Table 1 – Summary of New Budget Authority

This table shows the gross amount of new funding appropriated by Congress for FY 2016, under the FY 2017 Continuing Resolution, and the requested funding for FY 2018. New budget authority is different from total funding in that it does not include funds carried over from year to year and other sources of funding, such as fees and reimbursable expenses.

- *Gross New Budget Authority* is the amount appropriated by Congress.
- *Salaries and Expenses*, *Entrepreneurial Development programs*, *Business Loan program*, *Disaster Loan program*, *Inspector General*, *Office of Advocacy,* and *Surety Bond Guarantee* are the seven appropriation accounts for the SBA.

This table can be cross-referenced with Tables 2 and 7, as discussed below.

Tables 2 - 5 – Salaries and Expenses Budget

The top portion of Table 2 shows the sources of funds for the Salaries and Expenses Budget first by appropriation from Table 1 and then supplemented by all other sources. The bottom portion of Table 2 identifies the major expenditures of the Salaries and Expenses Budget. The following are the major categories:

- *Office Operating Budgets* (**Table 3**). These are the funds that program and administrative offices directly manage for daily operations, e.g., travel, supplies, and contracted services.
- *Agency-wide Costs* (**Table 4**). These are costs such as rent and telecommunications, which are managed centrally by the Agency.
- *Compensation and Benefits.* All Compensation and Benefits for the SBA are managed centrally. The Full Time Equivalents (FTEs) supported by Compensation and Benefits appear in **Table 9**, in addition to the FTEs that support Disaster, the Inspector General, the Office of Advocacy, and Line Item Initiatives.
- *Reimbursable Expenses*. These are programs for which the SBA receives reimbursable budget authority from other federal government agencies.

Summary of Changes in the Agency Operating Budget (**Table 5**) is a reconciliation of the amounts needed for the Salaries and Expenses operating budget shown in Table 2. The Summary of Changes section shows the major reasons for a requested increase or decrease in funding.

Table 6 – Entrepreneurial Development Programs

This table identifies the line items included in the Entrepreneurial Development programs account.

Table 7 – Sources of Funds: Appropriation Detail

This table shows the detail for all of the appropriation accounts. The Disaster Assistance and Business Loans programs accounts include additional detail regarding the administrative and loan program components. The Business Loan administrative account and a portion of the Disaster administrative account are transferred to and combined with the Salaries and Expenses account to cover the administrative cost of operating those programs.

Table 8 – Summary of Credit Programs and Revolving Fund

This table summarizes all credit programs (plus the Surety Bond Guarantee program, a revolving fund). Credit program activity is displayed by total program level, subsidy amount, and subsidy rate for each fiscal year.

Table 9 – Full Time Equivalent Employees

This table shows the number of Full Time Equivalent (FTE) employees by fiscal year and major program activity. FTE is different from positions or headcount in that it is calculated by the number of employee hours worked during the fiscal year.

Table 10 – Total Cost by Program and Activity

This table displays the full cost for administering each of SBA's major programs and services. This includes direct costs from the operating budget plus compensation and benefits, Agency-wide costs (such as rent and telecommunications), and indirect costs such as Agency overhead (e.g., financial management). This information varies from Table 3, which shows the direct operating budget costs for major program offices. It also differs from Table 6, which shows the total amount for the entrepreneurial development programs but excludes administrative direct, indirect, and overhead costs. The costs presented in Table 10 are used in the performance tables that are included in the Performance Budget. Table 10 does not include subsidy budget authority for business and disaster loan programs or the appropriation for surety bond guaranties.

Budget Tables

Table 1

FY 2018 Congressional Budget Justification

SUMMARY OF NEW BUDGET AUTHORITY

(Dollars in Thousands)

	FY 2016 Enacted	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Gross New Budget Authority					
Salaries and Expenses	$ 268,000	$ 267,491	$ 269,500	$ 265,000	$ (4,500)
Entrepreneurial Development Programs	$ 231,100	$ 230,661	$ 245,100	$ 192,450	$ (52,650)
Business Loan Program					
Administration	$ 152,726	$ 152,436	$ 152,726	$ 152,782	$ 56
Loan Subsidy	$ 3,338	$ 3,332	$ 4,338	$ 3,438	$ (900)
Business Loan Program - Total	$ 156,064	$ 155,767	$ 157,064	$ 156,220	$ (844)
Disaster Loan Program1\					
Administration - Stafford Act Disaster	$ 158,829	$ 158,527	$ 158,829	$ 158,829	$ -
Administration - Non-Stafford Act Disaster	$ 28,029	$ 27,976	$ 27,148	$ 27,629	$ 481
Administration - Total	$ 186,858	$ 186,503	$ 185,977	$ 186,458	$ 481
Inspector General	$ 19,900	$ 19,862	$ 19,900	$ 19,900	$ -
Office of Advocacy	$ 9,120	$ 9,103	$ 9,220	$ 9,120	$ (100)
Surety Bond Guarantee	$ -	$ -	$ -	$ -	$ -
Total, Gross New Budget Authority, Excluding Stafford Act Disaster Funding	$ 712,213	$ 710,859	$ 727,932	$ 670,319	$ (57,613)
Total, Gross New Budget Authority, Including Stafford Act Disaster Funding	$ 871,042	$ 869,386	$ 886,761	$ 829,148	$ (57,613)
Rescission of Prior Year Unobligated Subsidy Balances			$ (55,000)	$ (2,600)	
Total, Net Budget Authority			$ 831,761	$ 826,548	

1\ The request for Stafford Act Disaster administrative expenses is provided under the disaster relief cap adjustment authorized in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011. These funds will be used for administrative expenses resulting from major disasters pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. While the appropriation bill does not show the split between Stafford and Non-Stafford, SBA displayed the breakdown for comparative purposes.

Table 2

FY 2018 Congressional Budget Justification

SALARIES & EXPENSES BUDGET

SOURCES and EXPENDITURES

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
SOURCES: Salaries & Expenses Budget					
Salaries and Expenses Appropriation	$ 268,000	$ 267,491	$ 269,500	$ 265,000	$ (4,500)
Transfer to Entrepreneurial Development Programs Appropriation	$ (1,700)	$ -	$ -	$ -	$ -
Business Loan Administration Appropriation	$ 152,726	$ 152,436	$ 152,726	$ 152,782	$ 56
Subtotal, Appropriated Funds	$ 419,026	$ 419,926	$ 422,226	$ 417,782	$ (4,444)
Transfer from Disaster Loans	$ 9,000	$ 8,983	$ 9,000	$ 9,000	$ -
Carryover	$ (9,870)	$ -	$ -	$ -	$ -
Reimbursable Expenses	$ 1,500	$ 700	$ 700	$ 700	$ -
Estimated Fee Income	$ 19,368	$ 19,100	$ 19,100	$ 19,100	$ -
Recoveries and Unobligated Balances	$ (4,157)	$ -	$ -	$ -	$ -
Business Transfer	$ 234	$ 234	$ 304	$ 241	$ (63)
Total Sources of Funds	$ 435,101	$ 448,944	$ 451,330	$ 446,823	$ (4,507)
EXPENDITURES: Salaries & Expenses Budget					
Office Operating Budgets	$ 118,021	$ 96,201	$ 98,587	$ 93,391	$ (5,196)
Agency-Wide Costs	$ 52,598	$ 66,167	$ 66,167	$ 67,044	$ 877
Compensation and Benefits	$ 262,982	$ 285,876	$ 285,876	$ 285,688	$ (188)
Subtotal, Agency Operating Budget	$ 433,601	$ 448,244	$ 450,630	$ 446,123	$ (4,507)
Additional Operating Expenses					
Reimbursable Expenses	$ 1,500	$ 700	$ 700	$ 700	$ -
Total Expenditures of Funds	$ 435,101	$ 448,944	$ 451,330	$ 446,823	$ (4,507)

Table 3

FY 2018 Congressional Budget Justification

OFFICE OPERATING BUDGETS

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Executive Direction[1\]	$ 20,625	$ 20,855	$ 18,320	$ 17,478	$ (842)
Capital Access	$ 9,543	$ 8,099	$ 8,184	$ 8,121	$ (63)
Credit Risk Management	$ 29,920	$ 20,952	$ 21,904	$ 20,992	$ (912)
Investments & Innovation	$ 5,613	$ 5,539	$ 5,003	$ 2,550	$ (2,453)
Gov't Contracting/Business Development	$ 5,925	$ 3,294	$ 4,226	$ 3,300	$ (926)
Entrepreneurial Development	$ 1,113	$ 1,248	$ 1,250	$ 1,250	$ -
Chief Operating Officer	$ 11,176	$ 5,322	$ 8,200	$ 8,200	$ -
Chief Information Officer	$ 29,765	$ 25,951	$ 26,000	$ 26,000	$ -
International Trade	$ 588	$ 749	$ 625	$ 625	$ -
Field Operations[2\]	$ 3,752	$ 4,192	$ 4,875	$ 4,875	$ -
Total	$ 118,021	$ 96,201	$ 98,587	$ 93,391	$ (5,196)

1\ Executive Direction includes the Office of the Administrator, Office of General Counsel, Office of Congressional & Legislative Affairs, Office of Hearings & Appeals, Office of Communications & Public Liaison, Office of Performance Management & Chief Financial Officer, Office of the National Ombudsman, Office of Veterans Business Development, and Office of Intergovernmental Affairs. FY 2016 Actuals and FY 2017 Annualized CR reflects the Field Operations line item included in Executive Direction.

2\ FY 2017 Enacted and FY 2018 Request reflects a realignment and consolidation of the Field Operations line item from Executive Direction to previously labeled Regional and District Offices. FY 2016 Actuals and FY 2017 Annualized CR only reflects the Regional and District Offices.

Table 4
FY 2018 Congressional Budget Justification
AGENCY-WIDE COSTS
(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Arbitration/Conflict Resolution	$ -	$ 150	$ 150	$ 150	$ -
Express Mail	$ 288	$ 445	$ 445	$ 466	$ 21
Evidence/Evaluation	$ -	$ 1,725	$ 1,725	$ 1,725	$ -
Centralized Training	$ 1,056	$ 2,862	$ 2,862	$ 2,862	$ -
Judgment Fund	$ 425	$ 799	$ 799	$ 794	$ (5)
Office Security	$ 4,276	$ 4,539	$ 4,539	$ 4,730	$ 191
Performance Awards	$ 1,916	$ 2,240	$ 2,240	$ 2,362	$ 122
Postage	$ 162	$ 379	$ 379	$ 407	$ 28
Reasonable Accommodations	$ 47	$ 150	$ 150	$ 156	$ 6
Relocation	$ 160	$ -	$ -	$ -	$ -
Rent	$ 35,029	$ 41,500	$ 41,500	$ 41,500	$ -
Telecommunications	$ 5,901	$ 6,539	$ 6,539	$ 6,813	$ 274
Transit Subsidy	$ 1,358	$ 2,807	$ 2,807	$ 2,924	$ 118
Unemployment Compensation	$ 160	$ 212	$ 212	$ 247	$ 34
Workers Compensation	$ 1,820	$ 1,820	$ 1,820	$ 1,908	$ 88
Total	$ 52,598	$ 66,167	$ 66,167	$ 67,044	$ 877

Table 5
FY 2018 Congressional Budget Justification
SUMMARY OF CHANGES - Agency Operating Budget
(Dollars in Thousands)

Agency Operating Budget	
FY 2017 Enacted	450,630
FY 2018 Request	446,123
Change - Increase/(Decrease)	**(4,507)**
Summary of Changes:	
Mandatory salary and other pay adjustments	(188)
Increase in Agency-wide costs	877
Elimination of FAST	(3,000)
Conduct program evaluation of SBIC	500
Decrease in development investment for Certify.sba.gov	(926)
Insource of a lender enforcement contract (OCRM)	(912)
Reduction in office operating budgets, which includes travel and Digital Services	(858)
Total Change - Increase/(Decrease)	**(4,507)**

Table 6

FY 2018 Congressional Budget Justification

Entrepreneurial Development Programs

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
7(j) Technical Assistance Program	$ 1,407	$ 2,795	$ 2,800	$ 2,800	$ -
Entrepreneurship Education	$ 7,219	$ 9,981	$ 10,000	$ 2,000	$ (8,000)
Growth Accelerators	$ 3,500	$ 998	$ 1,000	$ -	$ (1,000)
HUBZone Program	$ 3,184	$ 2,994	$ 3,000	$ 2,500	$ (500)
Microloan Technical Assistance	$ 24,340	$ 24,952	$ 31,000	$ 25,000	$ (6,000)
National Women's Business Council	$ 1,286	$ 1,497	$ 1,500	$ 1,500	$ -
Native American Outreach	$ 1,778	$ 1,996	$ 2,000	$ 1,500	$ (500)
PRIME Technical Assistance	$ 5,000	$ 4,990	$ 5,000	$ -	$ (5,000)
Regional Innovation Clusters	$ 5,824	$ 5,989	$ 5,000	$ -	$ (5,000)
SCORE	$ 10,500	$ 10,480	$ 10,500	$ 9,900	$ (600)
Small Business Development Centers (SBDC)	$ 121,200	$ 116,778	$ 125,000	$ 110,000	$ (15,000)
State Trade Expansion Program (STEP)	$ 18,850	$ 17,966	$ 18,000	$ 10,000	$ (8,000)
Veterans Outreach[1\]	$ 12,808	$ 12,277	$ 12,300	$ 11,250	$ (1,050)
Women's Business Centers (WBC)	$ 17,335	$ 16,968	$ 18,000	$ 16,000	$ (2,000)
Total, Entrepreneurial Development Programs	$ 234,231	$ 230,661	$ 245,100	$ 192,450	$ (52,650)

1\ Includes Funding for Veterans Business Outreach Centers (VBOC), Boots to Business, Veteran Women Igniting the Spirit of Entrepreneurship (VWISE), Entrepreneurship Bootcamp for Veterans with Disabilities (EBV) and Boots to Business: Reboot.

Table 7

FY 2018 Congressional Budget Justification

SOURCES OF FUNDS: APPROPRIATION DETAIL

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Salaries and Expenses Appropriation					
Net New Budget Authority	$ 268,000	$ 267,491	$ 269,500	$ 265,000	$ (4,500)
Carryover from prior year	$ 39,888	$ 49,758	$ 49,758	$ 49,758	$ -
Carryover into next fiscal year	$ (49,758)	$ (49,758)	$ (49,758)	$ (49,758)	$ -
Transfer from Business Loans	$ 152,726	$ 152,436	$ 152,726	$ 152,782	$ 56
Transfer from Business Microloans	$ 234	$ 234	$ 304	$ 241	$ (63)
Transfer from Disaster Loans	$ 9,000	$ 8,983	$ 9,000	$ 9,000	$ -
Transfer to EDPA	$ (1,700)	$ -	$ -	$ -	$ -
Reimbursable Expenses	$ 1,500	$ 700	$ 700	$ 700	$ -
Estimated Fee Income	$ 19,368	$ 19,100	$ 19,100	$ 19,100	$ -
Recoveries & Unobligated balances	$ (4,157)	$ -	$ -	$ -	$ -
Total Budget Authority	$ 435,101	$ 448,944	$ 451,330	$ 446,823	$ (4,507)
Entrepreneurial Development Program Appropriation					
Net New Budget Authority	$ 231,100	$ 230,661	$ 245,100	$ 192,450	$ (52,650)
Transfer from Salaries & Expenses	$ 1,700	$ -	$ -	$ -	$ -
Reimbursable Expenses	$ 1,600	$ -	$ -	$ -	$ -
Carryover from prior year	$ 7,410	$ 8,169	$ 8,169	$ 8,169	$ -
Carryover into next fiscal year	$ (8,169)	$ (8,169)	$ (8,169)	$ (8,169)	$ -
Recoveries & Unobligated balances	$ 590	$ -	$ -	$ -	$ -
Total Budget Authority	$ 234,231	$ 230,661	$ 245,100	$ 192,450	$ (52,650)
Business Loans Appropriation					
Administrative Expenses					
New Budget Authority	$ 152,726	$ 152,436	$ 152,726	$ 152,782	$ 56
Transfer to Salaries & Expenses	$ (152,726)	$ (152,436)	$ (152,726)	$ (152,782)	$ (56)
Total Budget Authority	$ -	$ -	$ -	$ -	$ -
Loan Subsidy					
New Budget Authority	$ 3,338	$ 3,332	$ 4,338	$ 3,438	$ (900)
Carryover from prior fiscal year	$ 94,604	$ 94,604	$ 94,604	$ 39,604	$ (55,000)
Carryover into next fiscal year	$ (94,604)	$ (94,604)	$ (39,604)	$ (39,604)	$ -
Subsidy Cancellation	$ -	$ -	$ (55,000)	$ -	$ 55,000
Transfer to Salaries & Expenses	$ (234)	$ (234)	$ (304)	$ (241)	$ 63
Recoveries, Reprogramming & Other Adjustments	$ -	$ -	$ -	$ -	$ -
Total Budget Authority	$ 3,105	$ 3,098	$ 4,034	$ 3,197	$ (837)
Disaster Assistance Appropriation					
Administrative Expenses					
New Budget Authority-Stafford Act	$ 158,829	$ 158,527	$ 158,829	$ 158,829	$ -
New Budget Authority-Non Stafford Act	$ 28,029	$ 27,976	$ 27,148	$ 27,629	$ 481
New Budget Authority, Total	$ 186,858	$ 186,503	$ 185,977	$ 186,458	$ 481
Carryover from prior fiscal year	$ 207,664	$ 179,350	$ 179,350	$ 178,440	$ (910)
Transfer to Disaster Loan Subsidy	$ -	$ -	$ (910)	$ -	$ 910
Carryover into next fiscal year	$ (179,350)	$ (179,350)	$ (178,440)	$ (178,440)	$ -
Recoveries & Other Adjustments	$ 8,373	$ -	$ -	$ -	$ -
Transfer to Inspector General	$ (1,000)	$ (998)	$ (1,000)	$ (1,000)	$ -
Transfer to Salaries & Expenses	$ (9,000)	$ (8,983)	$ (9,000)	$ (9,000)	$ -
Total Budget Authority	$ 213,545	$ 176,522	$ 175,977	$ 176,458	$ 481

Table 7

FY 2018 Congressional Budget Justification

SOURCES OF FUNDS: APPROPRIATION DETAIL

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Loan Subsidy					
Carryover from prior fiscal year	$ 705,557	$ 568,105	$ 568,105	$ 352,385	$ (215,720)
Transfer from Disaster Admin Expenses	$ -	$ -	$ 910	$ -	$ (910)
Cancellation: Immediate/Expedited Disaster Assistant Program	$ -	$ -	$ -	$ (2,600)	$ (2,600)
Carryover into next fiscal year	$ (568,105)	$ (352,000)	$ (352,385)	$ (229,830)	$ 122,555
Recoveries & Other Adjustments	$ 5,492	$ 14,971	$ 15,000	$ 15,000	$ -
Total Budget Authority	$ 142,944	$ 231,076	$ 231,630	$ 134,955	$ (96,675)
Inspector General Appropriation					
New Budget Authority	$ 19,900	$ 19,862	$ 19,900	$ 19,900	$ -
Carryover from prior fiscal year	$ 5,769	$ 5,014	$ 5,014	$ 3,496	$ (1,518)
Carryover into next fiscal year	$ (5,014)	$ (4,000)	$ (3,496)	$ (2,800)	$ 696
Recoveries & Unobligated balances	$ (1,643)	$ -	$ -	$ -	$ -
Transfer from Disaster	$ 1,000	$ 998	$ 1,000	$ 1,000	$ -
Total Budget Authority	$ 20,012	$ 21,874	$ 22,418	$ 21,596	$ (822)
Office of Advocacy Appropriation					
New Budget Authority	$ 9,120	$ 9,103	$ 9,220	$ 9,120	$ (100)
Carryover from prior fiscal year	$ 690	$ 756	$ 756	$ 756	$ -
Carryover into next fiscal year	$ (756)	$ (756)	$ (756)	$ (756)	$ -
Recoveries & Other Adjustments	$ 103	$ -	$ -	$ -	$ -
Total Budget Authority	$ 9,157	$ 9,103	$ 9,220	$ 9,120	$ (100)
Total Financing Available	$ 1,058,094	$ 1,121,278	$ 1,139,709	$ 984,599	$ (155,110)

Table 8

FY 2018 Congressional Budget Justification

SUMMARY OF CREDIT PROGRAMS & REVOLVING FUND

(Dollars in Millions)

	PROGRAM LEVEL				SUBSIDY AMOUNT				SUBSIDY RATE			
	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request
Guarantied Business Loans												
Section 7(a) Guaranty	$22,734	$ 26,450	$27,500	$ 29,000	$ -	$ -	$ -	$ -	0.00%	0.00%	0.00%	0.00%
Section 504 CDC Guaranty	$ 4,673	$ 7,486	$ 7,500	$ 7,500	$ -	$ -	$ -	$ -	0.00%	0.00%	0.00%	0.00%
Section 504 Loan Refinancing	$ 41	$ 7,486	$ 7,500	$ 7,500	$ -	$ -	$ -	$ -	0.00%	0.00%	0.00%	0.00%
SBIC - Debentures	$ 2,514	$ 3,992	$ 4,000	$ 4,000	$ -	$ -	$ -	$ -	0.00%	0.00%	0.00%	0.00%
Total	$29,962	$ 45,414	$46,500	$ 48,000	$ -	$ -	$ -	$ -				
Direct Business Loans												
Microloan Direct Program	$ 35	$ 35	$ 44	$ 36	$ 3.3	$ 3.3	$ 4.3	$ 3.4	8.87%	8.87%	9.08%	8.91%
Total Business Loans	$29,997	$ 45,448	$46,544	$ 48,036	$ 3.3	$ 3.3	$ 4.3	$ 3.4				
Secondary Market Guaranties	$ 7,410	$ 11,977	$12,000	$ 12,000	$ -	$ -	$ -	$ -	0.00%	0.00%	0.00%	0.00%
Disaster Assistance	$ 1,181	$ 1,098	$ 1,600	$ 1,100	$ -	$ -	$ -	$ -	12.10%	12.10%	14.42%	12.54%
Surety Bond Guarantee Program	$ 1,424	$ 5,989	$ 6,000	$ 6,000	$ -	$ -	$ -	$ -	N/A	N/A	N/A	N/A

Note: Immediate Disaster Assistance Program/Expedited Disaster Assistance Program levels are supported by subsidy funds carried over from prior years. As a result, they have been removed from the table because funds are not being requested.

Table 9

FY 2018 Congressional Budget Justification

FULL TIME EQUIVALENT (FTE) EMPLOYEES

	FY 2016 Actual	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Regular Funds	1,918	2,155	2,155	2,100	(55)
Entrepreneurial Development Programs	22	25	25	25	-
Sub-Total, Regular S&E	1,940	2,180	2,180	2,125	(55)
Disaster Loan Making	1,012	800	800	800	-
Disaster Loan Servicing	150	160	160	160	-
Sub-Total, Disaster	1,162	960	960	960	-
Office of Advocacy	50	51	51	52	1
Inspector General	96	105	105	102	(3)
Total	3,248	3,296	3,296	3,239	(57)

Table 10

FY 2018 Congressional Budget Justification

TOTAL COST BY PROGRAM AND ACTIVITY

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Capital Programs				
7(a) Loans				
Loan Making	$ 58,854	$ 60,586	$ 62,759	$ 2,174
Loan Servicing	$ 4,602	$ 4,694	$ 4,862	$ 168
Loan Liquidation	$ 12,335	$ 12,575	$ 13,027	$ 451
Subtotal	$ 75,791	$ 77,855	$ 80,648	$ 2,793
504 Loans				
Loan Making	$ 20,243	$ 20,756	$ 21,501	$ 745
Loan Servicing	$ 2,418	$ 2,462	$ 2,550	$ 88
Loan Liquidation	$ 7,332	$ 7,461	$ 7,728	$ 268
Subtotal	$ 29,993	$ 30,678	$ 31,779	$ 1,101
Microloans				
Loan Making	$ 2,840	$ 2,922	$ 3,027	$ 105
Loan Servicing	$ 880	$ 904	$ 937	$ 32
Loan Liquidation	$ 248	$ 248	$ 257	$ 9
Microloan Technical Assistance	$ 34,055	$ 44,596	$ 37,418	$ (7,178)
Subtotal	$ 38,024	$ 48,671	$ 41,639	$ (7,032)
Prime Technical Assistance	$ 6,937	$ 7,158	$ 173	$ (6,984)
Surety Bond Program	$ 4,136	$ 4,175	$ 4,325	$ 150
Lender Oversight	$ 46,960	$ 37,278	$ 37,298	$ 21
Contracting Programs				
7(j) Program	$ 2,422	$ 4,451	$ 4,611	$ 160
8(a) Program	$ 47,281	$ 48,882	$ 50,640	$ 1758
HUBZone Program	$ 8,409	$ 8,436	$ 8,015	$ (421)
Prime Contracting Assistance	$ 18,328	$ 16,534	$ 15,787	$ (747)
Women's Business Program	$ 1,146	$ 1,184	$ 1,227	$ 43
Subcontracting Program	$ 4,759	$ 4,921	$ 5,098	$ 177
Subtotal	$ 82,345	$ 84,408	$ 85,378	$ 970
Entrepreneurship Programs				
SCORE	$ 17,020	$ 17,611	$ 17,375	$ (236)
Small Business Development Centers	$ 170,466	$ 181,536	$ 166,339	$ (15,196)
Native American Outreach	$ 2,963	$ 3,380	$ 2,778	$ (603)
Women's Business Ownership	$ 28,119	$ 30,041	$ 28,225	$ (1,816)
Entrepreneurship Education	$ 20,956	$ 24,427	$ 6,477	$ (17,950)
Subtotal	$ 239,524	$ 256,996	$ 221,195	$ (35,801)
Export Programs				
International Trade Promotion	$ 11,410	$ 11,836	$ 12,261	$ 426
STEP Program	$ 26,527	$ 26,231	$ 15,587	$ (10,643)
Subtotal	$ 37,937	$ 38,067	$ 27,849	$ (10,218)

Table 10

FY 2018 Congressional Budget Justification

TOTAL COST BY PROGRAM AND ACTIVITY

(Dollars in Thousands)

	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
Investment Programs				
SBIC Loans				
Loan Making	$ 6,350	$ 6,340	$ 6,840	$ 499
Loan Servicing	$ 10,020	$ 10,004	$ 10,761	$ 757
Loan Liquidation	$ 5,794	$ 5,785	$ 6,244	$ 459
Subtotal	$ 22,165	$ 22,130	$ 23,845	$ 1,715
SBIR/STTR Programs	$ 6,999	$ 5,225	$ 1,078	$ (4,147)
Growth Accelerators	$ 4,854	$ 1,521	$ -	$ (1,521)
Disaster Assistance Program				
Loan Making - Disaster	$ 190,305	$ 161,177	$ 161,597	$ 419
Loan Servicing - Disaster	$ 28,101	$ 23,800	$ 23,861	$ 62
Subtotal	$ 218,406	$ 184,977	$ 185,458	$ 481
Veterans Programs				
Veterans Business Development	$ 26,011	$ 26,217	$ 25,633	$ (585)
Executive Direction				
National Women's Business Council	$ 1,740	$ 2,097	$ 2,173	$ 75
Ombudsman	$ 1,309	$ 1,434	$ 1,449	$ 15
Faith-Based Initiatives	$ 1,001	$ 1,034	$ 1,071	$ 37
Subtotal	$ 4,050	$ 4,565	$ 4,693	$ 128
Regional and District Office Programs				
Field Offices - Counseling	$ 9,962	$ 10,469	$ 10,846	$ 377
Field Offices - Training	$ 18,490	$ 19,423	$ 20,122	$ 699
Subtotal	$ 28,452	$ 29,893	$ 30,968	$ 1,075
Other				
Inspector General	$ 27,076	$ 31,342	$ 31,278	$ (63)
Advocacy	$ 12,389	$ 12,890	$ 13,209	$ 319
Subtotal	$ 39,465	$ 44,232	$ 44,487	$ 255
Total Obligations	**$ 912,046**	**$ 904,045**	**$ 846,447**	**$ (57,598)**

FY 2018 Performance Plan and FY 2016 Performance Report

Overview

The mission of the U.S. Small Business Administration is to maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and to assist in the economic recovery of communities after disasters. The Agency has organized its annual performance plan and report around its *FY 2014-2018 Strategic Plan.* To ensure accountability and track progress, the Agency has developed Priority and Performance Goals to support its strategic goals and strategic objectives. The **strategies**, **initiatives**, **programs,** and **activities** that further them are bolded within each objective.

The SBA manages its performance through the development and analysis of executive dashboards that contain key metrics, rigorous data-driven quarterly performance reviews to discuss progress toward Priority and Performance Goals, and frequent reviews of strategies and initiatives by senior leadership. With an annual budget of $826.5 million including Stafford Act disaster funding in FY 2018, the SBA will support more than $44 billion in small business loans, help facilitate 23 percent of all federal contracting dollars to small businesses, counsel and train more than one million small business owners and entrepreneurs, support more than $1 billion in loans to disaster survivors, and nurture thousands of high-growth companies through $4 billion in long-term capital.

FY 2016 Progress Update

The GPRA Modernization Act of 2010 requires an annual review of performance goals and strategic objectives. The SBA conducted its third annual strategic objective review of FY 2016 activities to gauge progress against the Agency's *FY 2014-2018 Strategic Plan* using performance data and other evidence. The senior leadership team reviewed a broad range of information, identified key successes, challenges, risks, and opportunities, and developed a summary of findings to guide future actions. The SBA consulted with the Office of Management and Budget in the summer of 2016 on its strategic objective review. A Progress Update for each strategic objective is incorporated into the FY 2018 Annual Performance Plan.

The results of the review helped identify two strategic objectives making noteworthy progress and two strategic objectives as focus areas for improvement. First, Strategic Objective 1.2 (Contracting) has made noteworthy progress because of its current performance toward the Priority Goal to ensure that 23 percent of federal contract dollars are awarded to small businesses. The federal government continues to surpass its small business contracting goal and its goals for small disadvantaged businesses and service-disabled veteran-owned businesses. These successes are attributable to outreach and surveillance reviews between the SBA and other federal agencies.

The Agency also identified Strategic Objective 2.1 (Inclusive Entrepreneurship) as an area of noteworthy progress. In particular, the SBA has been more accessible and provided greater support for women-owned small businesses. The federal government exceeded its women-owned small business contracting goal in FY 2015 (most recent data available). Also, lending to women-owned small businesses has increased each year since FY 2014 with FY 2016 data demonstrating that lending increased by nearly 26 percent in lending dollars.

The Agency identified Strategic Objective 3.1 (Program Operations – Information Technology) as an area for improvement. Through the Strategic Objective Reviews, many program offices within the

Agency defined information technology issues as a hurdle to their progress. While the Agency has made progress in modernizing its systems to better support customers (e.g., SBA One, LINC, Disaster Assistance Loan Portal), some program offices faced limits presented by outdated technology or the lack of an information system. The Agency is examining an approach to ensure that all SBA programs have the ability to complete their work using information technology and maintain an ability to collect and retrieve accurate, quality data in a timely manner.

In addition, the SBA identified Strategic Objective 3.1 (Employees) as an area of focused improvement. While much work has been completed through the year to ensure that the SBA recruits and maintains an engaged and skilled workforce, certain challenges persist. The SBA continues to face lower employee engagement scores, which impact the ability of the Agency to achieve its mission. The extended length of time taken to recruit poses challenges for the program offices' ability to attract new talented employees.

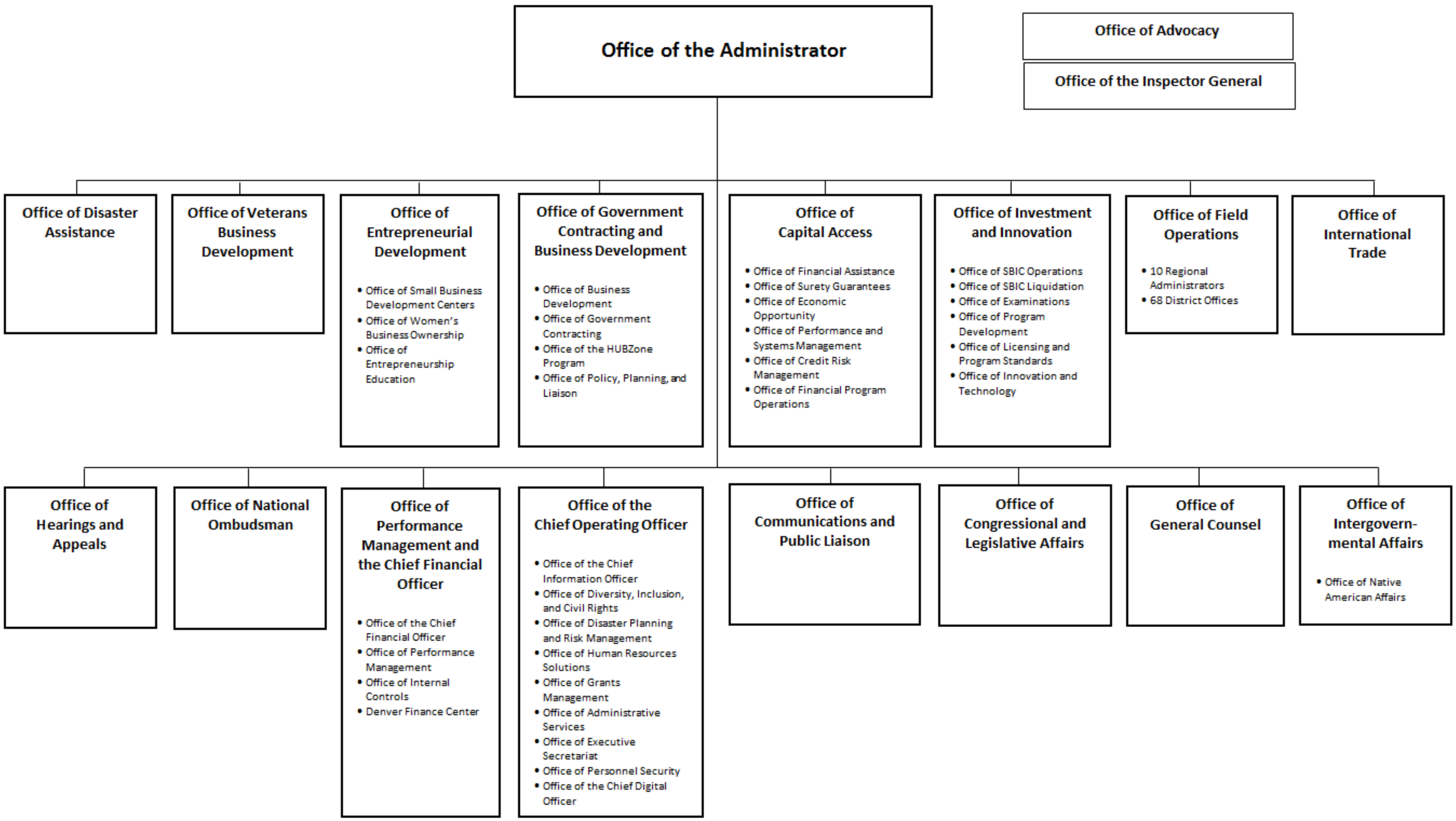
Evidence and Evaluation

The SBA uses several performance management tools to support decisions and improve outcomes. Program evaluation provides a more inclusive evidence base from which to make performance management improvements and to ensure the Agency is operating efficiently and effectively. Consequently, the Agency has recently increased its investment in program evaluation through the creation of a program evaluation framework. The framework outlines the necessary steps the Agency is taking to prioritize, invest, and use the results of program evaluations to inform decisions. The development and use of program evaluation as an additional element of the performance management system can better support the Agency's capacity for continuous improvement and modernization.

In addition to tracking, monitoring, and offering technical assistance on ongoing evaluations, the framework includes an annual call for evaluation proposals and budgetary support for several new program evaluations each year. The SBA has convened a Performance and Evaluation Community of Practice with members representing the various SBA program offices to serve as an advisory committee to the evaluation staff as the framework is implemented. Supporting evaluations that focus on program operations (formative evaluations) and outcomes (summative evaluations), the annual evaluation cycle expands the use of evidence to support management decisions.

As a tool to develop program evaluations, program managers and staff have been using learning agendas to identify and prioritize questions that, when answered, lead to the greatest performance improvements. The SBA will examine the questions generated from learning agendas to identify themes that have transferable applications across programs to form an SBA enterprise learning agenda. Moreover, the Agency will incorporate the use of evidence and program evaluation in the development of SBA's *FY 2018-2022 Strategic Plan*.

SBA Organization Structure



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Strategic Objective 1.1: Capital 25

Performance Goal: Support 757,000 jobs through capital assistance programs in FY 2018

FY 2016 - 2017 Priority Goal: By September 30, 2017, provide access to capital for small businesses through 2,500 active lenders in SBA's 7(a) loan program.

Strategies:

1. Offer loan guaranty products to assist small businesses in obtaining financing when they do not qualify for conventional credit
2. Strengthen and expand the network of lenders offering SBA products
3. Leverage network of resource partners to assist small business owners in accessing capital
4. Offer a guaranty surety bond product for small and emerging contractors

Strategic Objective 1.2: Contracting 36

Performance Goal: Ensure that 23 percent of federal contract dollars are awarded to small businesses in FY 2018

FY 2016 - 2017 Priority Goal: Through September 30, 2017, maximize small business participation in federal government contracting to meet the statutory goal of 23 percent, ensure subgoals are met, and reduce participation by ineligible firms

FY 2016 - 2017 Priority Goal: By September 30, 2017, support more disadvantaged small businesses by increasing the number of approved 8(a) certification applications by 5 percent each fiscal year

Strategies:

1. Ensure federal agencies are meeting their small business contracting goals
2. Simplify access to federal contracting; attract and educate small businesses on contracting opportunities
3. Improve certification processes and data for federal contracting
4. Increase small business contracting through training of the federal contracting workforce

Strategic Objective 1.3: Entrepreneurship 48

Performance Goal: Reach 1.2 million clients with online and in-person training, mentoring, and advising in FY 2018

Strategies:

1. Harness SBA's nationwide network of resource partners
2. Improve entrepreneurial ecosystems through cross-agency and public-private partnerships
3. Offer tailored training through structured initiatives and online access

Strategic Objective 1.4: Exports 62

Performance Goal: Expand access to export financing by increasing the number of small business exporters receiving financing through SBA loan programs to 1,600 small businesses in FY 2018

Strategies:

1. Expand market export opportunities
2. Increase access to trade financing
3. Provide tailored training and counseling to lenders and small businesses
4. Engage Trade Promotion Coordinating Committee and state government and resource partners for export promotion and support

Strategic Objective 1.5: High Growth and Innovation....................................... 70

Performance Goal: Issue $2.6 billion in debenture leverage to SBICs in FY 2018

Strategies:

1. Grow the deployment of long-term capital via the SBIC program
2. Improve the Small Business Innovation Research (SBIR) operations, outreach, and commercialization and Small Business Technology Transfer (STTR) programs
3. Strengthen the accelerator network targeted at high-growth startups and capital providers
4. Provide thought, policy, and executional leadership on the crowd-funding capital raising model

Strategic Objective 1.6: Disaster Assistance 78

Performance Goal: Ensure the customer satisfaction rate for disaster loan approvals is 71 percent in FY 2018

Strategies:

1. Promote disaster preparedness in targeting of pre-disaster outreach by region and type of disaster
2. Strengthen disaster operations to enhance effectiveness and efficiency
3. Utilize SBA's nationwide infrastructure for short- and long-term recovery

Strategic Goal Two – Serving as the Voice for Small Business

Strategic Objective 2.1: Inclusive Entrepreneurship 86

Performance Goal: Assist 36,350 emerging small businesses through capital assistance programs and 19,350 emerging small businesses through contracting programs in FY 2018

Strategies:

1. Expand access to capital, counseling, and contracting for small businesses and entrepreneurs in emerging communities
2. Help veterans become small business owners
3. Create entrepreneurial empowerment in Native American communities

Strategic Objective 2.2: Outreach 102

Performance Goal: Average 2.4 million site visits to SBA.gov each month in FY 2018

Strategies:

1. Implement a consolidated platform for businesses to access services to help them grow
2. Strengthen SBA's stakeholder outreach and brand

Strategic Objective 2.3: Reduce Regulatory Burdens 105

Performance Goals: Maintain Regional Regulatory Fairness Board membership at 76 percent or better and identify seven rules/regulations that disproportionately affect small business in FY 2018

Strategies:

1. Maintain a confidential, efficient, and customer-focused ombudsman process to receive comments from small business and liaise with federal agencies
2. Identify and reduce regulatory burdens on entrepreneurs and small businesses through stakeholder engagement, outreach to all segments of the small business community, and collaboration with federal agency partners

Strategic Goal Three – Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses

Strategic Objective 3.1: Program Operations 112

Performance Goals: Ensure an IT customer satisfaction rate of 85 percent, award 72.75 percent of SBA contracts to small business, and reduce the real estate footprint by an additional 2 percent in FY 2017

Strategies:

1. Implement process and operational improvements to simplify and speed up the delivery of SBA's programs and services and to improve customer satisfaction
2. Ensure efficient and effective management of Agency financial and acquisition resources
3. Implement and maintain modern, secure, and reliable information technology systems and services

Strategic Objective 3.2: Employees 121

Performance Goal: Ensure that the average time-to-hire will be less than 100 days in FY 2018

Strategies:

1. Recruit and maintain a high-performing, diverse, and outcome-driven workforce
2. Offer high-value learning and leadership opportunities
3. Foster an inclusive organizational culture that inspires employee engagement, cooperation, and fairness, while empowering employees to realize their fullest potential
4. Modernize and integrate human resources systems

Strategic Objective 3.3: Risk Mitigation 130

Performance Goals: Perform 300 risk-based reviews, review 100 percent of 8(a) Business Development firms and 10 percent of HUBZone firms, and conduct 65 programmatic and financial reviews of entrepreneurial development resource partners in FY 2018

Strategies:

1. Use technology and targeted reviews to conduct effective risk management
2. Ensure integrity of contracting programs and combat fraud, waste, and abuse
3. Maintain strong internal controls and decrease improper payments

Strategic Goal One – Growing Businesses and Creating Jobs

Strategic Objective 1.1: Capital

Expand access to capital through SBA's extensive lending network

Performance Goal: Support 757,000 jobs through capital assistance programs in FY 2018
FY 2016 - 2017 Priority Goal: By September 30, 2017, provide access to capital for small businesses through 2,500 active lenders in SBA's 7(a) loan program.
Objective Lead: Associate Administrator, Office of Capital Access
Programs/Activities: 7(a) loans, 504 Certified Development Company loans, 504 Debt Refinance Program, Secondary Market Guaranty, Microloans, Surety Bond Guaranty, Small Business Development Centers (SBDC), Women's Business Centers (WBC), SCORE, U.S. Export Assistance Centers
Strategies:

1. Offer loan guaranty products to assist small businesses in obtaining financing when they do not qualify for conventional credit
2. Strengthen and expand the network of lenders offering SBA products
3. Leverage network of resource partners to assist small business owners in accessing capital
4. Offer a guaranty surety bond product for small and emerging contractors

Access to capital is critical to the long-term success of America's small businesses. The top priority at the SBA is to continue to increase lending to small businesses. As the markets have improved from the recession, the SBA is working to ensure that remaining gaps in the commercial markets are filled and that small businesses are well positioned to take advantage of opportunities in a stronger economy. The Agency also continues to streamline and simplify its loan programs to make its products more accessible to lenders and borrowers.

Small businesses that receive an SBA-backed loan report the number of jobs that will be supported by the loan. Jobs supported are an important outcome measure of the effectiveness of SBA financing and provide an indication of the Agency's impact on the economy. Providing a variety of loan products, including 7(a) loans, 504 loans, and microloans in an easy and streamlined manner through a large network of active lenders and increased referrals from SBA's network of counseling and training partners is how the SBA plans to support job creation and retention through financial assistance programs.

Progress Update: The SBA continued working towards its Agency Priority Goal of increasing the number of active 7(a) lenders in its lending network. The SBA did not meet its FY 2016 target largely due to continued bank mergers. However, the program increased lending volume by $544 million, leading to a record year of loan approvals. In addition, the SBA made significant progress streamlining and simplifying the loan application process, decreasing processing time, and lowering costs to participants. The number of jobs supported from 7(a) loans, 504 loans, microloans, and surety bond guarantees has increased since 2010 with the FY 2016 results showing more than 691,000 jobs supported.

Table 1.1a shows progress toward the FY 2016-2017 Agency Priority Goal of maintaining active lenders in the 7(a) SBA lending network. The SBA will revisit the development of FY 2018-2019 Agency Priority Goals upon further guidance from the Office of Management and Budget.

Table 1.1a: 7(a) Active Lenders Priority Goals

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Active Lending Partners Providing 7(a) Loans	Target	3,000	2,700	2,800	2,850	2,850	2,400	2,500	2,200
	Actual	3,537	2,476	2,345	2,244	2,163	2,045		
	Variance	18%	-8%	-16%	-21%	-24%	-15%		
Additional Information: The FY 2011 actual is a two-year cumulative number of FY 2010 and FY 2011. Beginning in FY 2012, the indicator is reported annually. The continual bank mergers impacted the number of active lending partners providing 7(a) loans. This is evidenced by SBA approving the transfer of over 60 portfolios due to mergers in FY 2016. However, the SBA had a record year of loan approvals in both volume and dollars.									

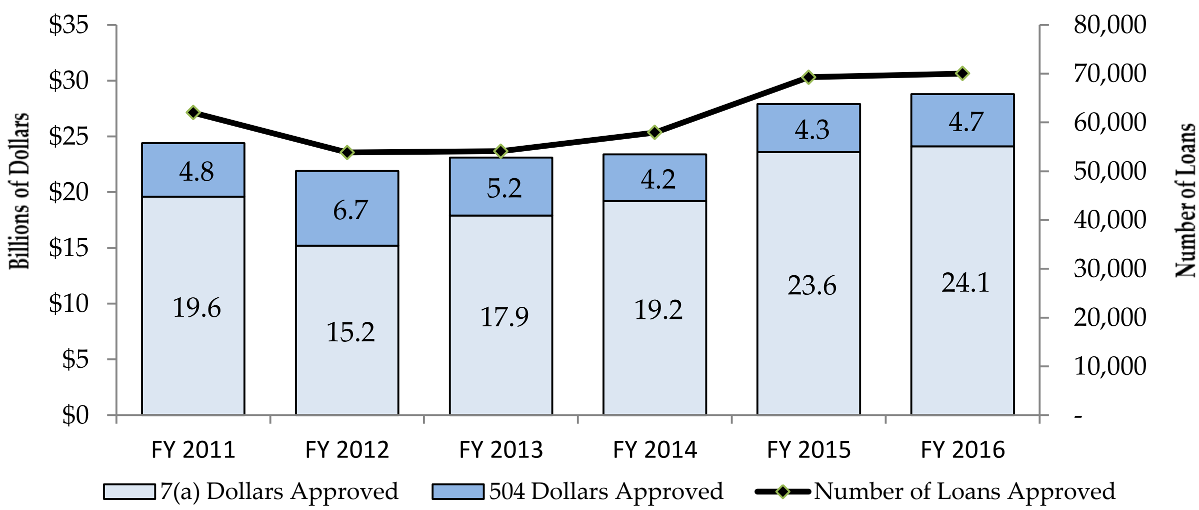
Table 1.1b provides results and targets on lending supported from combined 7(a) and 504 loans and the number of jobs supported from 7(a), 504, microloans, and surety bond guarantees.

Table 1.1b: 7(a), 504, Microloan and Surety Bond Guarantee Performance Goals

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Billions of Dollars of Lending Supported by 7(a) and 504 Loans	Target	23.7	22.4	23.7	24.3	24.8	30.9	34.4	35.0
	Actual	30.5	30.3	29.6	28.7	33.3	34.8		
	Variance	29%	35%	25%	18%	34%	13%		
Additional Information: The sum of the dollars of 7(a) loans approved is equal to the dollars of lending supported. For 504 loans supported, the calculation is the sum of 504 loans approved times 2.25, which represents the additional amount of private loan capital.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by 7(a), 504, Microloans, and Surety Bond Guarantees	Target	641,400	574,800	654,000	674,850	688,650	711,400	726,900	757,000
	Actual	700,736	609,437	621,869	615,364	728,820	691,212		
	Variance	9%	6%	-5%	-9%	6%	-3%		
Additional Information: The SBA established this performance goal in FY 2011 and has provided historical data for context. Continuation of the streamlining process has a positive impact on jobs supported. The FY 2016 jobs supported actual has been adjusted to exclude 7(a) cancelled loans as previously published in SBA's FY 2016 Agency Financial Report.									

Chart 1.1 shows the combined 7(a) and 504 loans approved. 7(a) loans account for about 92 percent of the total number of loans approved and for approximately 84 percent of the total approved lending dollars.

Chart 1.1: 7(a) and 504 Loans Approved Combined ($ Billions and Number of loans)



Strategy 1: Offer loan guaranty products to assist small businesses in obtaining financing when they do not qualify for conventional credit

SBA loan guaranty programs play a critical role ensuring access to capital for small businesses that in turn provide meaningful job growth and retention that drives the economy. When a small business is unable to obtain credit elsewhere on reasonable commercial terms, SBA's loan guaranty programs provide credit enhancement that allows lenders to offer terms (e.g., longer maturities) that they could not otherwise offer through conventional financing, which enables them to make the loans.

The **7(a) loan** program is the federal government's primary small business loan program, assisting small businesses to obtain financing when they are unable to obtain traditional credit. The SBA guarantees a portion of each loan (ranging from 50 to 90 percent) that participating lenders make to eligible small businesses. The 7(a) loan program enables small businesses to obtain financing of up to $5 million for various business uses with loan maturities up to 25 years. The 7(a) loan program allows small businesses with limited or no access to traditional capital markets to secure startup and growth funding that in turn increases employment, provides services to communities, and expands the local tax base. Maintaining a high volume of active lenders from one fiscal year to the next creates a consistent pipeline of SBA loans for small businesses.

Table 1.1c displays the cost to administer the program. It includes direct costs from the operating budget, including: contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. Lender Oversight is not included in the total program cost and activities beginning in FY 2014.

Table 1.1c: 7(a) Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 88,000	$ 93,610	$ 75,390	$ 66,578	$ 63,013	$ 75,791	$ 77,855	$ 80,648

Table 1.1d provides the targets and results for the 7(a) loan performance indicators.

Table 1.1d: 7(a) Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Billions of Dollars of 7(a) Loans Approved	**Target**	12.8	13.2	14.5	14.8	15.1	21.0	24.3	26.0
	Actual	19.6	15.2	17.9	19.2	23.6	24.1		
	Variance	53%	15%	23%	30%	56%	15%		
Additional Information: The performance data represent the gross loan approvals at the close of the fiscal year. Improvements in 7(a) loan program delivery and reduced fees continue to make the 7(a) loan program relevant to small businesses and small business lenders.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses Assisted by 7(a) Loans	**Target**	40,700	40,000	38,700	39,500	39,500	45,000	55,000	60,000
	Actual	46,749	39,022	40,574	45,730	55,742	57,083		
	Variance	15%	-2%	5%	16%	41%	27%		
Additional Information: 7(a) loan activity increased across all loan sizes, but the streamlined processing for loans under $350,000 was particularly effective in increasing the number of small businesses assisted by 7(a) loans.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by 7(a) Loans	**Target**	474,100	470,000	547,200	558,100	569,300	580,100	591,000	650,000
	Actual	582,707	454,814	483,976	503,853	623,466	587,716		
	Variance	23%	-3%	-12%	-10%	10%	1.3%		
Additional Information: 7(a) loan activity increased across all loan sizes, but the streamlined processing for loans under $350,000 was particularly effective in increasing the number of small businesses assisted by 7(a) loans. The FY 2016 jobs supported actual has been adjusted to exclude 7(a) cancelled loans as previously published in SBA's FY 2016 Agency Financial Report.									

FY 2016 Accomplishments and Challenges

The SBA did not receive a credit subsidy appropriation for the 7(a) loan program, relying instead on lender-paid fees to cover the cost to support $24.1 billion in lending. This financing supported more than 587,000 jobs and assisted more than 57,000 small businesses.

Improvements in portfolio performance resulted in a small reduction in servicing fees for lenders in FY 2016. The SBA 7(a) processing center began receiving applications through the new SBA One electronic application submission method. The format provides significantly more data on 7(a) loans with additional information that enhances program risk management, streamlines payment and reporting, improves efficiency of secondary market functions, and ensures lenders have access to real time data on their performance.

Small businesses in emerging markets represent a higher percentage of small-dollar loan recipients because of challenges in obtaining financing from traditional sources. The Agency's efforts to reach more small and emerging businesses are enhanced by streamlined loan delivery and increased participation in the Community Advantage Pilot Program. The 7(a) program increased overall loans to emerging businesses in FY 2016 by $1 billion.

The SBA eliminated the borrower up-front guaranty fees and annual servicing fees on 7(a) loans of $150,000 or less, resulting in 38,043 loans approved that supported nearly $2.26 billion in lending. As part of the mission to support and increase loans to veterans, the SBA implemented the Veterans Entrepreneurship Act of 2015 that eliminated borrower up-front guaranty fees on **SBAExpress** loans to qualifying veteran-owned small businesses. The SBA also reduced fees by 50 percent on all non-express 7(a) loans greater than $150,000 up to and including $5,000,000. Veterans received 3,538 7(a) loans totaling $1.36 billion in FY 2016. See Strategic Objective 2.1: (Inclusive Entrepreneurship) for more information on fee relief and veterans outreach.

FY 2017 and FY 2018 Planned Performance

In FY 2017, the SBA received no credit subsidy appropriation for the 7(a) loan program and will rely on fees to support estimated lending up to $27.5 billion. In FY 2018, the SBA requests no credit subsidy and will rely on fees to support estimated lending up to $29 billion. Also in FY 2018, the SBA is requesting legislation that would provide the SBA Administrator with flexibility to further increase the loan guarantee level by 15 percent under certain circumstances. Such flexibility could better equip the SBA to meet peaks in demand uninterrupted while continuing to operate at zero subsidy.

In FY 2017, the SBA waived 100 percent of borrower up-front guaranty fees on 7(a) loans up to $150,000, waived 50 percent of borrower up-front guaranty fees on all non-SBAExpress loans to veterans of $150,001 up to and including $500,000, and waived 100 percentof borrower up-front guaranty fees on SBAExpress loans to veterans (up to $350,000) to spur lending in emerging markets and maintain a zero subsidy.

In FY 2018, the SBA will continue to waive 100 percent of borrower up-front guaranty fees on 7(a) loans up to $125,000, waive 50 percent of borrower up-front guaranty fees on all non-SBAExpress loans to veterans of $125,001 up to and including $350,000, and waive 100 percent of borrower up-front guaranty fees on SBAExpress loans to veterans (up to $350,000) as long as the program subsidy remains zero.

The SBA will also work to expand 7(a) lending to increase exports (See Strategic Objective 1.4 Exports). To achieve this objective, the SBA Office of Capital Access will work closely with the Office of Field Operations and Office of International Trade to increase SBA's lending network through training and recruiting of lenders.

The **504 Certified Development Company** loan program is one of SBA's key economic development programs, providing plant, property, and/or major equipment financing. This program statutorily mandates job creation, community development, or public policy goals, such as manufacturing, to support economic development. A typical 504 project includes a loan from a private sector lender with a senior lien and an SBA-backed loan from a certified development company (CDC) in a second position. The maximum size of a 504 loan is $5 million (including the 504 Debt Refinance loans); however, 504 loans for small manufacturers and energy-related projects can be as much as $5.5 million.

Table 1.1e displays the cost to administer the program. It includes direct costs from the operating budget, including: contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. Lender oversight is not included in the total program cost and activities beginning in FY 2014.

Table 1.1e: 504 Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 38,888	$ 39,612	$ 40,474	$ 39,410	$ 40,018	$ 29,993	$ 30,678	$ 31,779

Table 1.1f provides the targets and results for the 504 loan performance indicators.

Table 1.1f: 504 Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Billions of Dollars of 504 Loans Approved	**Target**	4.8	4.1	4.1	4.2	4.3	4.4	4.5	4.8
	Actual	4.8	6.7*	5.2	4.2	4.3	4.7		
	Variance	0%	63%	27%	0%	0%	7%		
Additional Information: The SBA established this performance indicator in FY 2010. The number of CDCs is decreasing, and the results of FY 2012 and FY 2013 reflect spikes in funding levels due to the economic decline and support for the program provided in the Small Business Jobs Act. The FY 2012 increase in loans was attributable to the 504 Debt Refinance loan program. *FY 2012 is inclusive of 504 Refinance.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businessess Assisted by 504 Loans	**Target**	8,100	6,800	6,400	6,500	6,500	6,700	6,800	5,900
	Actual	7,752	9,038	7,502	5,725	5,618	5,722		
	Variance	-4%	33%	17%	-12%	-14%	-15%		
Additional Information: While the SBA did not meet the FY 2016 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs and loan eligibility restrictions should have a positive impact on future results. The implementation of the 504 Debt Refinance program in FY 2016 will increase the number of businesses served in FY 2017 and for the future.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Jobs Supported by 504 Loans	**Target**	88,800	75,900	79,400	81,000	82,600	84,300	86,000	66,000
	Actual	87,337	116,569	90,257	66,744	61,454	61,983		
	Variance	-2%	54%	14%	-18%	-26%	-26%		
Additional Information: While the SBA did not meet the FY 2016 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs, loan eligibility restrictions, and implementation of the 504 Debt Refinance program, should have a positive impact on future results.									

FY 2016 Accomplishments and Challenges

The SBA revised its 504 regulations in FY 2015 to expand eligibility and strengthen governance and oversight of the program with the objectives of simplifying processes and eliminating non value-added regulatory burden on CDCs. In FY 2016, the SBA built upon these successes by coordinating technical assistance and compliance activities based on these governance modifications. As a complement to this simplification effort and consistent with the re-engineering of the servicing center, the SBA eliminated some practices and non-value-add processes. The SBA updated its oversight and monitoring and introduced a new benchmarking system, called SMART, for CDC oversight.

The SBA approved $4.7 billion in loans, which supported $10.7 billion total lending. The pricing on debentures has been extremely beneficial to small business borrowers with historically low average debenture funding rates (2.38 percent for 20-year rates in 2016). For the year, CDCs combined to issue over $3.5 billion in pooled debentures to the institutional investor community**.** The SBA anticipates an increase for FY 2017 loan volume due to improved economic conditions, streamlined application requirements that became effective July 2016, and the 504 Debt Refinance program that launched in June 2016. Also in FY 2016, the SBA began a process to further streamline its business loan regulations.

The SBA reviewed the activity levels of all CDCs and worked diligently to address underperforming CDCs to continue improving program delivery. This project may lower the number of CDCs licensed; however, the SBA continues to encourage participation of new CDC candidates.

FY 2017 and FY 2018 Planned Performance

In FY 2017, the SBA received no credit subsidy appropriation for the 504 Loan Program and will rely on fees to support up to $7.5 billion in lending. In addition, the SBA relaunched the 504 Debt Refinance Program at the end of FY 2016. The 504 Debt Refinance Program allows borrowers to refinance certain debt and lock in the cost of a portion of their existing debt without a business expansion component, often for substantially less than their current monthly payments. The SBA will be able to support an additional $7.5 million in FY 2017 and FY 2018 through the 504 Debt Refinance Program.

In FY 2018, the SBA requests no credit subsidy appropriation for the 504 Loan Program and plans to support up to $7.5 billion in lending. The 504 Loan Program has technology enhancements planned for FY 2017 and FY 2018 that will increase efficiencies and improve customer service. The Agency will conduct training and provide technical assistance to CDCs for capacity building and will coordinate with federal partners, lenders, and trade associations to create opportunities for program improvements and expansion. The SBA will continue to enhance the CDC management system tool, which tracks and provides feedback to the SBA and CDCs, and will further develop SMART, which tracks corporate governance and compliance. These solutions improve program efficiency and monitoring for the 504 loan program. The SBA will also offer a 25-year debenture in the 504 loan program, which complements the current 10- and 20-year debenture options. This authorization applies to debentures issued in FY 2018. The SBA will continue to train its field staff so that they have the tools and knowledge to recruit lenders.

The SBA offers a variety of specialized loan products to expand access to capital for small businesses in a variety of business ventures. For example, **Microloans** and **Community Advantage** loans are specifically targeted for emerging markets. These loan products are described in more detail under Strategic Objective 2.1 (Inclusive Entrepreneurship).

Strategy 2: Strengthen and expand the network of lenders offering SBA products

SBA loan programs remain critical to boost the supply of small business loans for small business owners who cannot access conventional credit. The SBA has strengthened relationships with existing SBA lenders. To retain existing lenders, the Agency focuses on improving customer service and reducing transaction processing time for lenders. The Agency also works with existing and new lenders to ensure they have the tools and resources they need to increase the volume of SBA loans.

Increased efficiency and an improved loan application submission experience are essential to growth in the quantity of small businesses assisted and attracting active lending partners. The SBA continues to increase use of technology and electronic loan applications for the 7(a) and 504 loan programs to improve quality and reduce the complexity of the lending process.

Table 1.1g provides the targets and results for the number of active 7(a) and 504 lending partners.

Table 1.1g: 7(a) and 504 Lender Partner Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Active Lending Partners Providing 7(a) Loans	**Target**	3,000	2,700	2,800	2,850	2,850	2,400	2,500	2,200
	Actual	3,537	2,476	2,345	2,244	2,163	2,045		
	Variance	18%	-8%	-16%	-21%	-24%	-15%		
Additional Information: The FY 2011 actual is a two-year cumulative number of FY 2010 and FY 2011. Beginning in FY 2012, the indicator is reported annually. Bank mergers have impacted the number of active lending partners providing 7(a) loans.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Active Lending Partners Providing 504 Loans	**Target**	267	267	267	267	240	240	240	235
	Actual	249	256	247	228	228	230		
	Variance	-7%	-4%	-7%	-15%	-5%	-4%		
Additional Information: The SBA reviewed the activity levels of CDCs and worked diligently to address underperforming CDCs in order to continue improving program delivery. The SBA continues to actively recruit new CDC candidates.									

<u>FY 2016 Accomplishments and Challenges</u>

The SBA continues to make enhancements and has implemented several components of SBA One. SBA One is an online lending platform for 7(a) loans, including SBAExpress. SBA One creates a one-stop shop for origination, including credit scoring, closing, and purchase. The platform uses existing web-based lending software, which reduces the need to develop costly infrastructure and streamlines internal processes. The platform provides greater assurance of program compliance to lenders at the time of loan origination. SBA's standardization efforts to incorporate the SBA One data and document set capabilities within the Capital Access Financial System will result in full adoption of the SBA One standard in FY 2017. SBA will provide projections for loans originated and closed using the SBA One data set.

The SBA continued to support the transition of the Central Servicing Agent contract to address IT security and operational issues and identify innovative technology projects to improve the 504 loan program.

Additionally, data analytics supported many initiatives, including SBA One and credit scoring, new loan program policies and procedures, and risk management processes. In support of policy changes, the SBA enhanced its systems. SBA programs rely on systems being available to support the loan and lender credit risk management and oversight processes. The SBA completed several IT security upgrades including integration of the loan authorization wizard into E-Tran, data center planning, and microloan system enhancements.

Lender Relations Specialists, who are located in SBA district offices, provided outreach and training to communicate improvements to lenders and awareness of SBA products. Regions 1-New England, 9-Pacific, and 10-Pacific Northwest had the highest percentage of active lenders based on potential new lenders for 7(a) and 504 loan programs.

The SBA has reduced its regulatory burden and expanded its Business Loan, Disaster Loan, and Surety Bond Guarantee programs by streamlining delivery, lowering costs, and facilitating job creation through a final rule of Affiliation for Business Loan programs and Surety Bond Guarantee programs. The final rule simplifies the criteria for size based on affiliation, eliminates confusion, and saves time and costs for the small business applicants and the lenders. This streamlining of requirements assists small business applicants because it is easier for lenders to determine whether applicants control or are controlled by large companies, which would jeopardize the eligibility.

FY 2017 and FY 2018 Planned Performance

The SBA knows it is important for small businesses to have access to capital. The Agency is therefore setting a goal of achieving the participation of 2,200 active lenders in the 7(a) loan program and 235 CDCs in the 504 loan program by FY 2018.

The SBA will continue to rely on information systems to support the loan and credit risk management processes. The following activities will continue: delivering data and analysis for loan programs; managing L/LMS (Loan and Lender Monitoring System), the lender portal, SAS datasets, SAS business intelligence tool, and the Disaster Loan Monitoring System; supporting web-based loan systems for 7(a), 504, disaster assistance loan funding and servicing, Surety Bond Guarantee, guaranty purchases, and microlenders; operating a Federal Information Security Management Act-compliant 24-hour data center with an alternate processing site; modernizing Common Business Oriented Language; and streamlining origination and lender risk management processes. The SBA will review contracts with third-party providers in an effort to increase efficiency and save costs.

Strategy 3: Leverage network of resource partners to assist small business owners in accessing capital

Each year, more than 1 million entrepreneurs come through SBA's resource partner network of small business development centers (**SBDC**), women's business centers (**WBC**), **SCORE** chapters, and veterans business outreach centers (**VBOC**). SBDC, WBC, SCORE, and VBOC business advisors help these entrepreneurs gain access to capital through traditional bank financing, SBA-guaranteed loans, equity contributions from angel investors, and venture capitalists that can help them expand their businesses. In addition, the SBA will work with U.S. Export Assistance Centers (USEAC's) to increase lending to exporters. For more information on entrepreneurial development, see Strategic Objectives 1.3 (Entrepreneurship) and 2.1 (Inclusive Entrepreneurship).

FY 2016 Accomplishments and Challenges

Professional SBDC business advisors helped clients obtain more than $5.1 billion in capital through SBA loans as well as conventional loans for their businesses. Women's business centers helped many small businesses work with microlending institutions, helping them access millions of dollars in loans. About 35 percent of WBCs are co-located with a microlending program. Consistent with the previous year, the WBC training conference focused on gaining access to capital. The WBCs are encouraged to collaborate with local lenders and microlenders as a way to help more women entrepreneurs access capital. The SBA also worked with SCORE volunteers who provided thousands of hours to help entrepreneurs access capital.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to make capital infusion a primary goal of the SBDC program. The SBDC network will leverage relationships with the lenders, including microlenders and CDFIs, and investors to support the capital acquisition needs of entrepreneurs. The SBA anticipates that the SBDCs will help their clients access at least $4 billion in each year in FY 2017 and FY 2018. SCORE will continue to help small businesses access capital by providing mentoring and online educational training workshops on finance. Several chapters will continue to offer online courses and business workshops that explain the various sources of financing and provide information on how to assess a company's financial needs.

Strategy 4: Offer a guaranty surety bond product for small and emerging contractors

SBA's Surety Bond Guarantee program provides access for small and emerging contractors to compete for and receive construction, service, and supply projects. Many federal, state, local, and private projects require a contractor to obtain bonding, which can be difficult in conventional commercial channels for small businesses without extensive credit histories or experience. The Surety Bond Guarantee program provides small contractors with an avenue to obtain bonding and continue to grow.

Under the Surety Bond Guarantee program, the SBA guarantees bid, payment, and performance bonds on contracts up to $6.5 million and up to $10 million with a federal contracting officer's certification for small and emerging contractors who cannot obtain bonding through regular commercial channels. The SBA guarantees between 70 and 90 percent of the loss if a contractor defaults, which provides sureties with the incentive to issue bonds to eligible small businesses, thus increasing small business access to public and private contracting opportunities.

Table 1.1h displays the cost to administer the program. It includes direct costs from the operating budget, including contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.1h: Surety Bond Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 4,865	$ 5,477	$ 4,615	$ 4,927	$ 4,594	$ 4,136	$ 4,175	$ 4,325

Table 1.1i provides the targets and results for the surety bond guarantee performance indicators.

Table 1.1i: Surety Bond Guarantee (SBG) Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Contract Value (Billions) of Bid and Final Bonds	Target	3.32	3.70	3.70	5.70	6.50	6.75	7.10	6.50
	Actual	3.66	3.92	6.15	6.41	6.35	5.72		
	Variance	10%	6%	66%	12%	-2%	-15%		
Additional Information: SBG's second largest surety producer is no longer participating, which is why the SBA did not meet its target. A soft surety market results in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Bid and Final Bonds Guaranteed	Target	7,600	8,850	8,850	13,500	13,750	14,000	14,700	12,000
	Actual	8,638	9,503	12,866	12,384	11,480	10,435		
	Variance	14%	7%	45%	-8%	-17%	-25%		
Additional Information: SBG's second largest surety producer is no longer participating, which is why the SBA did not meet its target. A soft surety market results in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by SBG	Target	64,000	14,900	14,900	23,000	24,000	32,000	34,000	26,000
	Actual	17,421	24,774	32,000	28,887	27,300	23,940		
	Variance	-73%	66%	115%	26%	14%	-25%		
Additional Information: SBG's second largest surety producer is no longer participating, which is why the SBA did not meet its target. A soft surety market results in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.									

FY 2016 Accomplishments and Challenges

The SBA guaranteed more than 10,000 bid and final (payment and performance) bonds for a combined contract value of over $5.7 billion, resulting in nearly 24,000 jobs supported. The Agency focused its outreach strategies on both strengthening its relationships with existing surety companies and agents and ensuring that more small contractors have access to a surety agent convenient to their geographical location.

The SBA partnered with the National Association of Surety Bond Producers (NASBP) to conduct training sessions for small contractors to prepare them to successfully enter and compete in the contracting marketplace. The first session was successfully completed in FY 2016 and additional sessions are planned in various geographical locations in FY 2017.

The application cycle time has averaged approximately two days, which is well below the goal of 4.5 days. The Agency also published a final rule to clarify requirements for surety company participation and to address future eligibility for defaulted contractors that cause a loss to the government. The claims standard operating procedures were updated, revised, and clarified.

FY 2017 and FY 2018 Planned Performance

The maximum guaranty percentage in the Preferred Surety Bond program will increase from up to 70 percent to up to 90 percent, as mandated by the National Defense Authorization Act of FY 2016. As a result, increased surety participation will enhance bonding opportunities for more small businesses and increase the capacity to support additional jobs.

The SBA is increasing the eligible contract amount for the Quick Bond Application and Agreement (Quick Bond) from $250,000 to $400,000. This change will help more small businesses, especially startup companies, to secure access to bonding necessary to start and grow their businesses.

The SBA will also conduct training sessions for small businesses in Washington, DC, Denver, and Seattle. The SBA will work with its field staff to increase the number of sureties in the program as well as the number of small businesses using the program. The Agency will continue to focus marketing and outreach efforts on emerging communities and geographically diverse areas of the country, including rural areas. SBA's efforts will continue to strengthen relationships with existing surety partners and add participants to offer bonding to more small businesses.

Strategic Objective 1.2: Contracting

Ensure federal contracting goals are met and/or exceeded by collaborating across the federal government to expand opportunities for small businesses and strengthen the integrity of the federal contracting certification process and data

Performance Goal: Ensure that 23 percent of federal contract dollars are awarded to small businesses in FY 2018

FY 2016 - 2017 Priority Goal: Through September 30, 2017, maximize small business participation in federal government contracting to meet the statutory goal of 23 percent, ensure subgoals are met, and reduce participation by ineligible firms

FY 2016 - 2017 Priority Goal: By September 30, 2017 support more disadvantaged small businesses by increasing the number of approved 8(a) certification applications by 5 percent each fiscal year

Objective Lead: Associate Administrator, Office of Government Contracting and Business Development

Programs/Activities: Small Business Prime Contracting Procurement Set-Aside, Subcontracting Program Compliance, Size Protests and Standards, Certificate of Competency, Federal Agency Surveillance Review, 8(a) Business Development, 7(j) Technical Assistance, HUBZone, Women-Owned Small Business Federal Contracting, Service-Disabled Veteran-Owned Small Business Procurement, Procurement Assistance, Mentor-Protégé

Most Serious Management and Performance Challenge 1: Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goals Achievements

Strategies:

1. Ensure federal agencies are meeting their small business contracting goals
2. Simplify access to federal contracting; attract and educate small businesses on contracting opportunities
3. Improve certification processes and data for federal contracting
4. Increase small business contracting through training of the federal contracting workforce

Small business contracting is a win-win; the federal government gets to work with the most innovative small businesses in America today — often with direct access to owners of the business — and small businesses get critical revenue to build and scale their operations. The SBA is working across the federal government to improve coordination and hold senior officials accountable for meeting their small business contracting goals. The Agency continues to simplify access to contracting and is improving the certification process and data quality for federal contracting. These efforts are focused on ensuring that at least 23 percent of all prime contracting dollars go to small businesses.

Information on specialized assistance for small businesses in emerging markets (businesses owned and controlled by socially and economically disadvantaged individuals, women, service-disabled veterans, and small businesses located in HUBZones) to maximize participation in prime contracting and subcontracting can be found under Strategic Objective 2.1: (Inclusive Entrepreneurship). For information regarding reducing fraud, waste, and abuse in contracting programs, refer to Strategic Objective 3.3: (Risk Mitigation).

Progress Update[1]: The SBA, in consultation with the Office of Management and Budget (OMB), has determined that the performance toward this objective is making noteworthy progress. For the third consecutive year, the federal government surpassed its statutory prime contracting goal and the SBA achieved its Priority Goal of 23 percent of federal contracting dollars going to small businesses. As a result of government-wide focus, small businesses have been awarded nearly $91 billion in federal contracting dollars. The goal for service-disabled veterans surpassed its 3 percent target (FY 2015 result of 3.93 percent) for the fourth time, and small disadvantaged businesses exceeded its 5 percent target (FY 2015 result of 10.06 percent). The Women-Owned Small Business (WOSB) contracts goal increased from 4.32 percent in FY 2013 to 5.06 percent in FY 2015. Although the HUBZone program continues to recruit new small businesses, the portfolio has not recovered, and the federal government did not meet its set-aside target. For the WOSB Federal Contract Program, SBA sought public comment through an Advanced Notice of Proposed Rule and held a stakeholder forum to gain insight on a certification program that best meets stakeholders' needs.

Most Serious Management and Performance Challenges: The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The Challenges are not presented in order of priority. Within each Management Challenge is a series of recommended actions to resolve the Challenge. https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

Figure 1.2: Most Serious Management and Performance Challenge 1

Challenge 1: Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goals Achievements	
Recommended Actions	Completion Date
1. Strengthen controls to ensure the accuracy of the federal government's annual small business procurement goals achievements reported in the Small Business Goaling Report. **2016 Achievement:** In addressing deficiencies identified in Office of Inspector General (OIG) reports, the SBA corrected weaknesses within its small business information systems that impact the accuracy of goaling data.	**September 30, 2017**
2. Implement a certification process for Women-Owned Small Business (WOSB) Federal Contract Program. **2016 Achievement:** After eligibility reviews resulted in identifying 25 potential ineligible firms, the SBA developed a new electronic application process at Certify.sba.gov that sets a path forward for implementing a certification program for the WOSB.	**September 30, 2017**
3. Revise the surveillance review process to ensure that surveillance reviews are conducted in a thorough and consistent manner. **2016 Achievement:** The SBA implemented a new methodology process to ensure consistency in conducting and rating surveillance reviews and increased the number of Procurement Center Representatives, allowing the Agency to conduct more thorough reviews.	**September 30, 2017**

[1] Due to data lags in federal contracting, SBA's FY 2016 Strategic Objective 1.2 Progress Update uses FY 2015 results.

4. Revise SBA's Program Fraud Civil Remedies Act (PFCRA) regulations so that the SBA can pursue violations of its federal contracting programs and demonstrate a capacity for taking enforcement actions under that statute. **2016 Achievement:** The SBA held preliminary discussions to litigate PFCRA cases involving false claims and statements regarding Small Business Act contracting and is working on promulgating a rule.	**September 30, 2017**

Table 1.2a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.2a: Prime Contracting Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 27,136	$ 28,126	$ 26,226	$ 18,529	$ 18,011	$ 18,328	$ 16,534	$ 15, 787

Table 1.2b shows progress toward the Priority Goal of meeting the 23 percent federal prime contracting target.

Table 1.2b: Prime Contracting Priority Goal and Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Contract Dollars Awarded to Small Businesses	**Target**	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%
	Actual	21.70%	22.30%	23.40%	24.99%	25.75%	Data Lag		
	Variance	-6%	-3%	2%	9%	12%	N/A		
Additional Information: The data supporting the FY 2016-2017 Priority Goals are not finalized until the third quarter of FY 2017. Every year, the SBA works with each federal agency to set their prime and subcontracting goals. The SBA ensures that the sum total of all of the goals exceeds the 23 percent target established by law.									

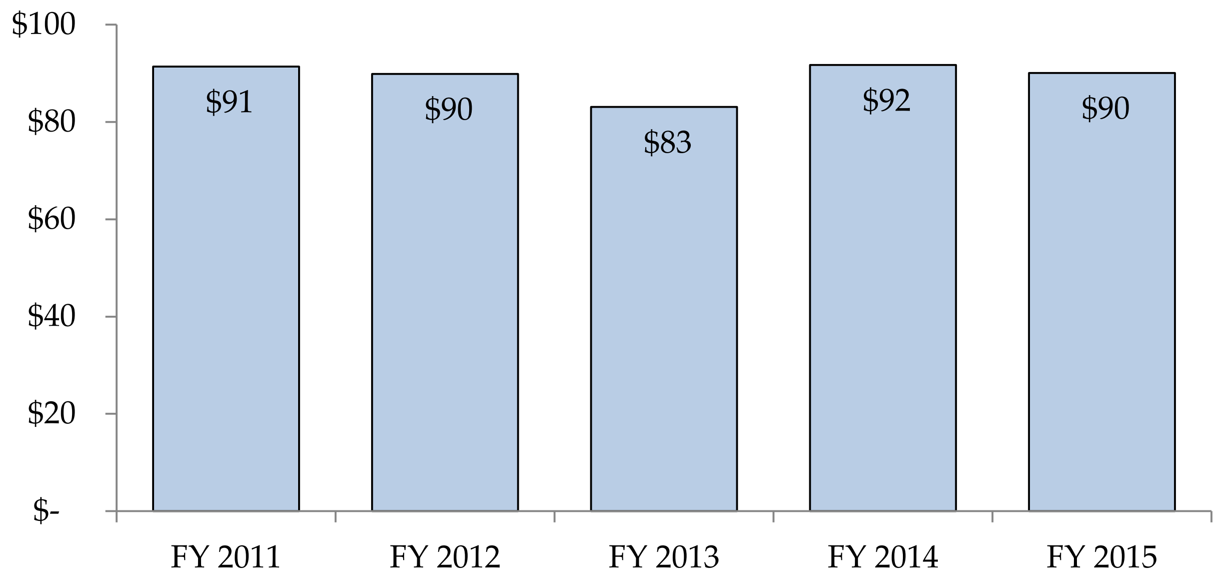
Table 1.2c shows progress toward the 8(a) Business Development Priority Goal. The SBA will be revisiting the development of FY 2018-2019 Agency Priority Goals upon further guidance from the Office of Management and Budget.

Table 1.2c: 8(a) Business Development Priority Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of 8(a) Approved Applications	**Target**	N/A	N/A	N/A	N/A	Baseline	600	630	N/A
	Actual	N/A	N/A	419	391	568	911		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	52%		N/A
Additional Information: The goal is to increase the number of approved applications by 5 percent from the previous fiscal year. The SBA had major success in this program by streamlining the application process.									

Chart 1.2 shows the total federal contract dollars awarded to small businesses. The U.S. Department of Defense had the highest dollar value in support of contracting to small businesses ($52.4 billion in FY 2015). The SBA supported the highest percentage of contracting to small businesses (73.7percent in FY 2016). For more information on SBA's small business contracting goal, see Strategic Objectives 2.1, 3.1, and 3.3.

Chart 1.2: Federal Contracting Dollars ($ Billions) Awarded to Small Businesses



Strategy 1: Ensure federal agencies are meeting their small business contracting goals

As chair of the Small Business Procurement Advisory Council (SBPAC), the SBA assists agencies in their acquisition planning efforts to help the federal government reach its 23 percent target for small business contracting. The approach includes launching new contracting initiatives, providing training, sharing best practices, publishing data on contracting, and hosting matchmaking events. Each month at the SBPAC, a different agency presents a best practice that has helped its small business contracting, briefs on upcoming outreach and training initiatives, and discusses upcoming rules impacting small business contracting.

The SBA also manages two small business certification programs — the **8(a) Business Development** program and the **HUBZone** program. The 8(a) Business Development program helps small, disadvantaged businesses compete in the marketplace through the provision of business development assistance. The HUBZone program helps small businesses in certain designated urban and rural areas gain preferential access to federal procurement opportunities.

Table 1.2d displays the targets and results for the federal contracting subgoals, the number of jobs supported from small businesses receiving federal contracts, and number of surveillance reviews.

Table 1.2d: Prime Contracting Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Prime Contracts Awarded to Disadvantaged 8(a) Small Businesses	**Target**	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Actual	7.67%	8.00%	8.61%	9.46%	10.06%	Data Lag		
	Variance	53%	60%	72%	89%	101%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Prime Contracts Awarded to Women-Owned Small Businesses	**Target**	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Actual	3.98%	4.00%	4.32%	4.68%	5.06%	Data Lag		
	Variance	-20%	-20%	-14%	-6%	1%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017. The shrinking of the gap demonstrates the efforts being made toward achieving the WOSB goal.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Prime Contracts Awarded to Service-Disabled Veteran-Owned Small Businesses	**Target**	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Actual	2.65%	3.03%	3.40%	3.68%	3.93%	Data Lag		
	Variance	-12%	1%	13%	23%	31%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Prime Contracts Awarded to HUBZone Small Businesses	**Target**	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Actual	2.40%	2.01%	1.76%	1.82%	1.82%	Data Lag		
	Variance	-20%	-33%	-41%	-39%	-39%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017. The SBA has not been successful in recruiting HUBZone applicants to the program.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported	**Target**	572,000	572,000	572,000	501,113	501,113	500,000	500,000	500,000
	Actual	609,333	527,000	479,515	549,000	537,000	Data Lag		
	Variance	7%	-8%	-16%	10%	7%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Surveillance Reviews Completed	**Target**	N/A	Baseline	30	30	30	30	30	30
	Actual	N/A	30	31	41	30	30		
	Variance	N/A	N/A	3%	37%	0%	0%		
Additional Information: The SBA introduced this performance indicator in FY 2013 and historical data have been provided for context. Surveillance Reviews (for prime contracting) and Small Business Performance Compliance Reviews (for subcontracting) are conducted to evaluate the implementation of regulations across the federal government.									

<u>FY 2016 Accomplishments and Challenges</u>

Due to data lags, the SBA reports on contracting data from the prior fiscal year. In FY 2015, the federal government achieved its prime contracting target of 23 percent for the third consecutive year with a result of 25.75 percent, which amounted to $90.7 billion in federal contracting dollars to small businesses. The federal government continued to exceed its service-disabled veteran goal of 3 percent with a FY 2015 result of 3.93 percent and small disadvantaged business goal of 5 percent with a FY 2015 result of 10.06 percent. For the first time, the federal government met the WOSB goal of 5 percent with an FY 2015 result of 5.06 percent. More agencies reached or surpassed all of their prime contracting goals, and the SBA exceeded all of its federal contracting goals. Current performance trends for FY 2016 indicate that the federal government may again exceed the 23 percent statutory requirement for the small business prime contracting goal.

To help meet these goals, SBA deploys highly skilled and trained analysts, procurement center representatives (PCRs), Industrial Specialists for Size protests, and Certificate of Competency determinations (ISS and ISC respectively) and actively engages staff across the federal government promoting small business set-asides and awards. PCRs participate in procurement strategies and review requirements that are not unilaterally reserved for small business. They identify whether requirements can be set-aside for small business concerns or specific small business socio-economic categories (i.e., women-owned, economically disadvantaged small business, service-disabled veteran-owned small business, HUBZone small business, and small and disadvantaged businesses in the 8(a) program). PCRs assess contracting actions or performance from more than 2,800 federal procurement centers across the 24 federal agencies. ISS and ISCs evaluate protested awards to small business or validate small business performance capability for specific contracts respectively. Their collective efforts ensure that awards set-aside for small business go only to eligible small businesses.

In FY 2016, the SBA published the results of the new study of the Women-Owned Small Business Federal Contract Program, which evaluated North American Industry Classification System (NAICS) sectors for inclusion in the program. The results, which included expanding the total number of NAICS from 83 to 113, were published and made effective on March 2, 2016. In addition, the SBA published the WOSB sole source rule in the Federal Acquisition Regulations (FAR). This rule enables contracting officers to issue a contract sole source to eligible program participants if there is an absence of at least two competitors in the marketspace.

Also, the SBA met monthly with agencies' Offices of Small and Disadvantaged Business Utilization (OSDBU) to provide training and updates, share best practices, and discuss progress toward prime and subcontracting goals as part of the Small Business Procurement Advisory Committee. The SBA completed negotiations with each federal agency to set its prime and subcontracting goals for FY 2016. The Annual Scorecard for both government-wide and individual agencies for FY 2015 is available online[2]. The scorecards measure each agency's progress in meeting its small business and socio-economic prime contracting and subcontracting goals and provide accurate and transparent contracting data.

The Administration continued to implement QuickPay as a tool to attract contractors. The tool allowed small businesses that are federal prime contractors to receive payment in 15 days rather than the previous 30 days. It also allowed the Federal Acquisition Regulatory Council to solicit public input on strategies that might be used over the longer term to help maintain effective cash flow and prompt payments to small business contractors. This system also ensures compliance with proper size classification of contractors to the FAR and helps address the SBA Inspector General's Management Challenge 1 that identifies procurement flaws whereby large firms obtain small business awards.

Central to federal procurement oversight is the role the SBA plays in conducting regulatory compliance reviews. The compliance reviews, known as Surveillance Reviews (for prime contracting)

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[2] The FY 2015 Scorecard is available at www.sba.gov/content/small-business-procurement-scorecards-0.

and Small Business Performance Compliance Reviews (for subcontracting), enabled the Agency to evaluate the implementation of regulations across the federal government to ensure that small businesses are afforded opportunities with federal contracting. SBA's Surveillance Review program completed 30 onsite compliance reviews covering the highest risk agencies that had not met their small business goal in FY 2015. These reviews assessed the quality of a contracting agency's small business program, evaluated its impact, and recommended changes to improve small business participation in the acquisition process.

Also, the Surveillance Review program, led by SBA area office directors and supported by PCRs and Business Opportunity Specialist (BOS's), instituted new follow-up reviews based upon marginal ratings or unsatisfactory ratings based on FY 2015 procurement data. These 12 follow-up reviews, part of the 30 onsite compliance reviews conducted in FY 2015, increased agency attention to correcting findings that inhibit small business participation. The Small Business Performance Compliance Review program, led by SBA's commercial market representatives (CMRs), focused on monitoring subcontracting programs, a commonly overlooked oversight area in federal acquisitions.

The Agency has collaborated with stakeholders to participate in outreach events to small businesses to increase awareness of the 8(a) Business Development (BD) program. The SBA presented numerous training sessions to diverse audiences to promote the program. Further, the Agency trained federal contracting and program officials from more than 13 agencies. As a result, more than 1,682 federal contracting and acquisition leaders received training on the benefit and use of the 8(a) BD program.

The SBA issued final regulations establishing a small business Mentor-Protégé program available to all agencies. The program allows small businesses to team with more experienced firms to provide assistance in order to enhance their capabilities, assists in meeting their small business goals, and improves the ability of the protégés to compete for contracts. The Mentor-Protégé program is available for all small business subgoals, including service-disabled veterans, HUBZone, and women-owned small businesses.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to analyze agency procurements to ensure small business set-asides and will continue to meet monthly with agencies' OSDBUs to provide training and updates, share best practices, and discuss progress toward prime and subcontracting goals. Of particular note for FY 2017, contracting goals will now include the overseas goaling exclusions. The SBA will work with agencies to negotiate their FY 2018 and FY 2019 goals and will issue the annual scorecard for both government-wide and individual agencies for FY 2016 (to be published in summer FY 2017). In FY 2017 and FY 2018, the Agency will conduct 30 surveillance reviews annually to assess a contracting entity's small business program, evaluate its impact, and recommend changes to improve small business participation in the acquisition process.

The HUBZone program will be a topic on the agenda of every monthly meeting of the Small Business Procurement Advisory Committee to assist agencies that are not meeting their HUBZone goal. Five federal agencies have consistently met or exceeded this goal. With their collaboration, the SBA plans to compile the high-performing federal agencies' best practices and distribute them to all of the other agencies to support their efforts to award more contracts to HUBZone small businesses, ultimately benefiting more individuals living in emerging markets.

The Agency plans to propose revisions to HUBZone regulations that will improve program operations. The proposed rule change constitutes a comprehensive revision of Part 126 of SBA's regulations to clarify the procedures of the HUBZone program and implement new measures to reduce fraud, waste, and abuse of the program. Several regulations require clarification or revision in order to address issues identified through program implementation.

The revised HUBZone regulations will improve operations and enhance procurement opportunities for small businesses located in emerging markets. These regulations will make it easier for small businesses to team together to perform government contracts.

Strategy 2: Simplify access to federal contracting; attract and educate small businesses on contracting opportunities

Small businesses are more likely to engage in federal contracting when the barriers to entry are removed and the process is simplified. Initiatives like QuickPay help small businesses get the cash flow they need to more quickly fund and grow their operations. Federal contracting is complex, and the risks associated with failure are high. Another barrier to entry is lack of past performance. The SBA assists with competitive but unproven small businesses by providing a contracting officer a Certificate of Competency (CoC) for an apparent awardee. This program, which provides a vetting of unproven small businesses, enables a firm to receive a contract and build past performance success that is vital to becoming a competitive contractor.

Also, section 7(j) of the Small Business Act authorizes the SBA to enter into grants, cooperative agreements, or contracts with public or private organizations that can deliver management or technical assistance to eligible individuals and enterprises. This assistance is delivered to 8(a)-certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low income, or small businesses owned by low-income individuals. Refer to Strategic Objective 2.1: Inclusive Entrepreneurship for more information regarding federal contracting in emerging markets.

FY 2016 Accomplishments and Challenges

The SBA continued to promote the Women-Owned Small Business Federal Contract program through the ChallengeHER campaign. This initiative, undertaken via co-sponsorship with American Express OPEN and Women Impacting Public Policy, educated women-owned small businesses in the federal supply chain. ChallengeHER events, hosted at various agencies and SBA district offices, have educated women entrepreneurs of contracting opportunities at 15 workshops across the country.

In recent years, the use of 7(j) training to assist small disadvantaged businesses (SDBs) has declined. The SBA found that historically about 250 firms were terminated or withdrew from the 8(a) Business Development program each year because they did not reap the benefits of the business development program, many of them not having been introduced to 7(j) training. These efforts, along with increased marketing of the 7(j) program, allowed the SBA to train more than 5,300 8(a) program participants and other small disadvantaged businesses. In addition, more than 519 firms received individualized intensive 7(j) counseling, exceeding last year by 34 percent. This training helped participating small businesses better prepare themselves for federal contracting opportunities.

To strengthen business development for 8(a) small businesses, the program increased efforts to expand the Mentor-Protégé program. This initiative streamlined the Mentor-Protégé application process and shortened response time from 45 days to less than two days, resulting in an increase in the number of agreement approvals by 11 percent from the previous year. In addition, the SBA hosted its second annual Mentor-Protégé conference, which increased Mentor-Protégé team knowledge of joint ventures and rules and compliance requirements for agreements.

Destination: HUB is in its second year and aims to more fully engage the economic development community to use the HUBZone program as a tool to increase job growth and capital formation in emerging markets. Key components of this initiative include training the small business community in securing and maintaining HUBZone certification and participating in roundtable discussions with members of the economic development community. The Agency conducted outreach sessions for the small business community on a monthly basis to increase understanding of the HUBZone program as a business development tool in seeking and securing federal prime and subcontracts.

The Agency continued to review all small business size standards and make necessary adjustments to reflect the current industry and federal market conditions as required by the Small Business Jobs Act of 2010 (Jobs Act). The review of and necessary adjustments to size standards enables small businesses to maintain or gain small business eligibility for federal small business contracting opportunities and expands a pool of qualified small businesses to meet their small business contracting needs.

FY 2017 and FY 2018 Planned Performance

The SBA will finalize the rules implementing the NDAA contracting provisions. The Agency will continue to increase awareness of contracting opportunities and engage other agencies and external stakeholders. It will continue to improve online offerings through the Government Contracting Classroom for an approach that helps small businesses find the right opportunities for federal assistance from wherever they engage with the SBA and its partners. In FY 2017, the SBA received $2.8 million for the 7(j) program in order to provide business development and contracting training to 8(a) program participants and host webinars to help small businesses learn how to apply for the 8(a) Business Development program. In FY 2018, the SBA requests $2.8 million for the 7(j) program in order to provide business development and contracting training to 8(a) program participants and host webinars to help small businesses learn how to apply for the 8(a) Business Development program.

The Agency will continue expanding opportunities to learn more about Mentor-Protégé program requirements and rules in FY 2017 and anticipates an increase in agreements. In addition to increasing mentoring and training through the 7(j) program, the SBA will host a matchmaking event with larger firms specifically introducing 8(a) firms interested in the Mentor-Protégé program.

The SBA will update and maintain its current Geographical Information System for HUBZone maps. This maintenance includes the preparation of geographic files that correspond to the map layers and the maintenance of the public web map applications. The SBA will enhance functionality to better monitor program operations and compliance.

The SBA will review the Destination: HUB concept to decide the best use of its resources. The Agency recognizes that the lack of federal contracts being awarded to HUBZone firms is the most crucial challenge. As such, the SBA will develop and implement an effort aimed at increasing contract awards to HUBZone small businesses.

The Agency will increase its use of videoconferencing to conduct weekly outreach for small businesses in order to improve their understanding of the HUBZone program as a business development tool. In future years, the SBA will rely more heavily on district offices in managing and conducting activities.

The Agency will complete the first five-year comprehensive review of small business size standards under the Jobs Act.

Strategy 3: Improve certification processes and data for federal contracting

Ensuring firms are eligible for small business contracting is paramount to the 8(a), HUBZone and WOSB programs' ability to help agencies achieve federal prime and subcontracting goals. It also ensures firms in emerging markets have access to much needed capital through the federal supply chain. Refer to Strategic Objective 2.1: Inclusive Entrepreneurship for more information regarding federal contracting in emerging markets.

Each agency is responsible for ensuring the quality of its own contracting data, but the SBA conducts additional analysis to help agencies identify potential data anomalies. As part of its ongoing data quality efforts, the SBA works with federal agency procurement staff to provide tools to facilitate data reviews, implement improvements to procurement systems, and conduct training to improve accuracy.

FY 2016 Accomplishments and Challenges

The SBA worked with agencies and the Office of Federal Procurement Policy (OFPP) to ensure small business contracting data are accurate. The Agency conducted continuous monitoring to minimize the risk of ineligible firms qualifying for its programs. The Agency also implemented changes in the System for Acquisition Management (SAM) and the Dynamic Small Business System (DSBS) to establish data fields to record certification dates for 8(a) and HUBZone firms and to differentiate WOSB program participants eligible for set-asides from other WOSB entities. These efforts improved socio-economic program effectiveness, reduced fraud, and enhanced contracting data integrity. Lastly, the technological changes increased confidence in the SBA and the federal government among the small business community.

The SBA launched a new portal for a single point of entry for applicable small businesses at Certify.sba.gov. This electronic application system replaces the previous WOSB Repository and sets the stage for a future certification capability.

In accordance with the Small Business Jobs Act of 2010, the SBA reviewed all size standards. Approximately 60 percent of the size standards reviewed was adjusted where necessary to reflect the current industry and market conditions.

Due to a participation decline in the 8(a) program, the SBA conducted customer and stakeholder feedback. The Agency continued to review the 8(a) program with the aim of minimizing the administrative burden for potential and current 8(a) participants and ultimately increasing small business participation. A streamlined application pilot project requiring fewer documents from small businesses proved effective. Along with the effort to streamline the application process, the SBA is developing a new digital platform to increase the accessibility of the application process. Certify.sba.gov is expected to deploy the 8(a) application module in FY 2017.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to work with agencies and OFPP to ensure small business government contracting data are accurate. This approach includes checks on pre-certification applications and continuous monitoring to help reduce the number of ineligible firms and increase confidence in small business data government-wide. The Agency is preparing to publish a final rule for Lower Tier Subcontracting and proposed rules for HUBZone and WOSB certification and for implementation of small business provisions in NDAA 2016.

The Agency will continue to streamline the 8(a) Business Development program. Efforts are underway to notify the public after securing OMB's approval of the new application forms. The SBA established a Priority Goal to increase the number of approved firms by 5 percent each fiscal year through FY 2017. In an effort to increase retention of firms through the nine-year program, the SBA plans to reduce the administrative burdens of the annual review process.

The Agency is continuing with plans to implement WOSB program certification in FY 2017 to increase the number of women-owned certified small businesses seeking federal contracts.

The SBA will work with the General Services Administration Integrated Award Environment to modify the Electronic Subcontracting Reporting System to improve subcontracting data. The Agency will develop a plan for data quality improvement for bundling of contract requirements and will work with interagency partners to improve data collection and analysis capabilities to improve reporting and management and ensure maximum participation by small business concerns. In accordance with the Small Business Jobs Act of 2010, the SBA will review size standards for additional sectors and, where necessary, propose amendments to the applicable standards. The SBA will also finalize the rules on monetary-based standards and employee-based size standards. The Agency will review and update its size standards methodology white paper to address National Defense Authorization Act of 2013 requirements and other outstanding policy issues. It will also update its databases for size standards analysis, especially economic census tabulations, Federal Procurement Data System-Next Generation, and the Federal System of Award Management.

Strategy 4: Increase small business contracting through training of the federal contracting workforce

Contracting officers play a critical role in achieving mission outcomes and increasing small business participation in the federal supply chain. As new contracting tools and regulations become available, the federal acquisition workforce needs to be well trained.

FY 2016 Accomplishments and Challenges

The Agency continued to improve operations and enhance procurement opportunities for small businesses located in emerging markets. As part of this process, the Agency briefed the federal contracting force via the Offices of Small and Disadvantaged Business Utilization on implications of the proposed revisions.

The SBA Government Contracting Classroom, available online, continued to grow and offered free, self-paced, online learning courses to help small businesses and other stakeholders better understand the federal contracting marketplace. The Classroom launched new modules that focused on preparing small businesses to acquire federal government contracts.

The Agency has collaborated with stakeholders to participate in outreach events to small businesses to increase awareness of the 8(a) program. The SBA presented numerous trainings to diverse audiences to promote the program and its proper use. The SBA participated in a joint U.S. Department of Defense (DoD)/SBA small business training conference. In an effort to train, educate, and develop productive working relationships that benefit small businesses, the conference brought together more than 500 of DoD's small business professionals.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to increase awareness of contracting opportunities. The Agency will improve online offerings, an approach that allows small businesses to find the right opportunities for federal assistance from wherever they engage with the SBA and its partners. The Agency will continue to meet monthly with agencies' Offices of Small and Disadvantaged Business Utilization to provide training and share best practices. The SBA will continue to participate in a joint effort with the DoD to provide training to SBA procurement center representatives, business opportunity specialists, and DoD's small business professionals and contracting officers. The training will focus on small business contracting program regulatory changes and review SBA and DoD collaborative responsibilities.

The 8(a) program will conduct outreach to promote the streamlined procedures to resource partners. This approach should help increase participation in the 8(a) program and encourage more disadvantaged small businesses to participate in federal contracting opportunities. The Agency will also continue to provide 8(a) program training to the federal contracting force. These sessions are vital for creating contract opportunities for 8(a) program participants. Additionally, the SBA will continue to engage with staff on a joint small business training conference. Future training topics include non-manufacturer rule waivers, protest process, limitation on subcontracting, and additional updates on changing rules.

In FY 2017, during implementation of revised regulations for the HUBZone program, the Agency will train offices of small and disadvantaged business utilization, contracting officers, and program managers. The Agency will work with acquisition offices on their buying activities to improve government-wide performance against the statutory HUBZone contracting goal of 3 percent.

In FY 2017 and FY 2018, the Agency will train the acquisition community in the use of the government-wide Mentor-Protégé program and the application of HUBZone price evaluation preference in full and open competition. These activities should increase participation of 8(a) and HUBZone-certified firms in the marketplace and increase the number of awards of 8(a) and HUBZone set-asides, which will support the federal acquisition community in attaining the HUBZone contracting goal.

Strategic Objective 1.3: Entrepreneurship

Strengthen entrepreneurial ecosystems through a variety of strategic partnerships to provide tailored training, mentoring, and advising services that support entrepreneurs during every phase of their business growth

Performance Goal: Reach 1.2 million clients with online and in-person training, mentoring, and advising in FY 2018
Objective Lead: Associate Administrator, Office of Entrepreneurial Development
Programs/Activities: Small Business Development Centers (SBDC), SBDCNet, Women's Business Centers (WBC), SCORE, SBA Learning Center, Veterans Business Outreach Centers (VBOC), Boots to Business, Regional Innovation Clusters, and Entrepreneurship Education
Strategies:
1. Harness SBA's nationwide network of resource partners
2. Improve entrepreneurial ecosystems through cross-agency and public-private partnerships
3. Offer tailored training through structured initiatives and online access

Entrepreneurs and small business owners who receive training, mentoring, and advising services increase sales, create more jobs, and have greater economic impact on their communities. SBA's resource partner network — including 63 small business development centers (SBDCs) with more than 900 outreach locations, more than 100 women's business centers (WBCs), 20 veteran business outreach centers (VBOCs), and more than 11,000 SCORE volunteers in 300 chapters — helps foster a robust national entrepreneurial ecosystem. This support, along with SBA's Learning Center, and Entrepreneurship Education initiatives, assists more than 1 million business owners and entrepreneurs each year.

As evidence to support this effort, evaluation studies show a direct positive correlation between hours of business advising and related assistance a client receives and the improvement in longevity, profitability, and business growth. For this reason, SBA's entrepreneurial development performance goal focuses on driving participation in the resource partner advising and mentoring programs and training courses.

Progress Update: The SBA continued to make progress strengthening entrepreneurial development by providing advising, mentoring, and training services to small businesses. The SBA developed new regulations for the WBC and updated regulations for the SBDC programs to provide comprehensive guidance to grantees. The SBA increased the number of VBOC and WBC locations, allowing more entrepreneurs throughout the country to access vital small business services. Through strategic partnerships, the SBA provided specialized and targeted services to reach older entrepreneurs and the previously incarcerated.

The SBA created a new team to improve the evaluation and performance management of these programs and ensure services are efficient, effective, and evidence based. However, current statutory restrictions prevent the SBA from collecting some descriptive data on the small businesses its resource partners serve. To better assess progress and enhance the use of evidence, the Agency and OMB request legislative authority to collect specific data from grantees to be used for internal evaluation purposes. The SBA seeks the authority in allowing the Administrator to request basic client data already collected by resource partners for the purpose of program evaluation and assessment. All Office of Entrepreneurial Development (OED) programs and initiatives have program evaluations.

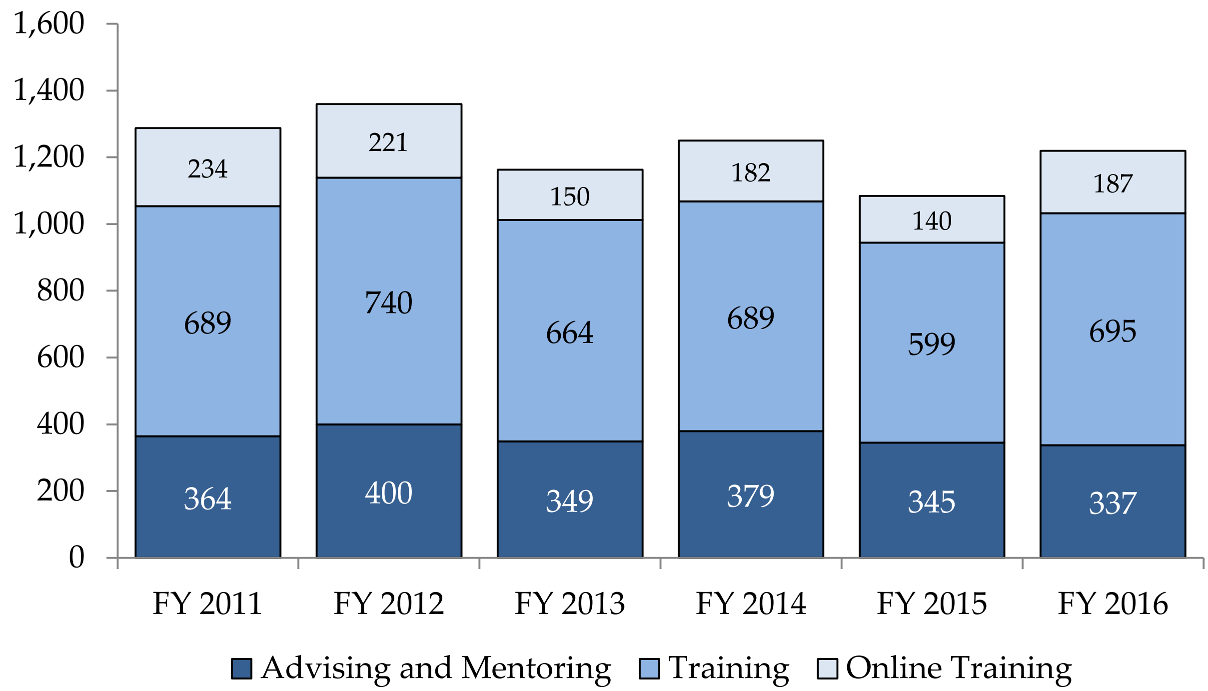
Table 1.3a shows progress toward the performance goals that track the number of clients advised, mentored, and trained by SBA's resource partners (SBDCs, WBCs, and SCORE.)

Table 1.3a: Entrepreneurial Development Performance Goals

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SBDC, WBC, and SCORE Clients Trained	**Target**	N/A	Baseline	695,000	705,000	701,000	734,000	635,000	674,000
	Actual	689,114	739,616	663,525	688,688	599,990	695,405		
	Variance	N/A	N/A	-5%	-2%	-14%	-5%		
Additional Information: The SBA tracks the number of clients trained by resource partners as an indicator of knowledge transfer to startup and existing small businesses.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of SBDC, WBC, and SCORE Clients Advised and Mentored	**Target**	N/A	N/A	Baseline	373,000	402,000	424,700	368,200	331,200
	Actual	364,344	N/A	348,519	379,210	345,163	336,831		
	Variance	N/A	N/A	N/A	2%	-14%	-21%		
Additional Information: In FY 2016, SCORE and SBDC clients engaged in repeat consultations as their business needs evolved and personal advisor relationships were cultivated, decreasing the number of total clients. However, the existing client satisfaction and business outcomes increased.									

Chart 1.3 shows entrepreneurial development advising, mentoring, and training trends.

Chart 1.3: Entrepreneurial Development Advising, Mentoring, and Training Trends (Thousands)



Strategy 1: Harness SBA's nationwide network of resource partners

SBA resource partners educate, train, advise, and mentor locally-based and high-growth innovative small businesses with potential to expand. Partners help entrepreneurs turn ideas and concepts into new business ventures. Through its resource partners, the SBA works to develop or expand advising, mentoring, and training programs focused on key areas, including emerging markets, procurement, exports, and emerging and expanding technology sectors. The SBA plans to strengthen SBA's outreach center programs by reducing duplicative services, coordinating best practices and encouraging innovative partnerships to more efficiently and effectively serve small business entrepreneurs.

To better inform resource partners, the SBA has an SBA Partner Training Portal (PTP) that provides standardized information and training for business counselors on SBA products and services to help the partners better serve entrepreneurs. In addition, the Lean for Main Street Training Challenge launched in FY 2016 in partnership with the National Science Foundation and their renowned I-Corps© provide a new tool for resource partners to use with clients. The challenge awarded five resource partners to attend I-Corps© and adapt the program for main street businesses. Each launched a pilot training program at their respective organizations, and curricula will be shared with the resource partner network.

The **Small Business Development Center (SBDC)** program provides SBA cooperative agreements to 63 small business development centers and leverages a unique mix of federal, state, and private sector financial resources. Approximately 2,650 qualified business professionals at SBDCs offer existing and future entrepreneurs free one-on-one expert business advice and low-cost training. The SBDC program's portfolio of services is as diverse as its localized customer needs, providing professional business advice on topics from building a basic business plan for a self-employed entrepreneur to providing marketing expertise to high-growth manufacturers. SBDCs provide clients with professional business assistance regarding market research, loan preparation packages, financial planning, cash flow, and procurement contracts. Other special emphasis areas include: e-commerce; technology transfer; assistance for veterans—both active-duty and returning personnel; IRS, EPA, and OSHA regulatory compliance as well as research and development. Based on client needs, business trends and individual business requirements, SBDCs modify their services to meet the evolving needs of their local communities.

For companies involved in technology, a number of SBDCs with technology expertise are recognized as Small Business Technology Development Centers (SBTDCs). Likewise, in the international trade arena, SBDCs have widespread expertise in export counseling and are actively involved with efforts to increase U.S. exporting among small businesses.

Table 1.3b displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.3b: SBDC Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 130,323	$ 126,473	$ 113,484	$ 120,507	$ 121,627	$ 170,466	$ 181,536	$ 166,339

Table 1.3c provides the targets and results for the SBDC performance indicators.

Table 1.3c: Small Business Development Center (SBDC) Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SBDC Clients Trained	**Target**	N/A	Baseline	350,000	350,000	350,000	340,000	270,000	249,000
	Actual	352,290	332,421	330,781	291,366	267,420	261,255		
	Variance	N/A	N/A	-5%	-17%	-24%	-23%		
Additional Information: In FY 2016, the SBDC program shifted resources to focus on providing more counseling hours per client. This resulted in fewer clients trained. Therefore, in 2017, the SBA reduced its target for SBDC Clients Trained to reflect this focus, thereby creating and maintaining long-term clients. The SBA is decreasing its FY 2018 target for SBDC Clients Trained to reflect the proposed proportional decrease in funding.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of SBDC Clients Advised	**Target**	N/A	Baseline	200,000	220,000	220,000	220,000	190,000	179,000
	Actual	205,408	211,091	201,596	194,121	187,478	192,172		
	Variance	N/A	N/A	1%	-12%	-15%	-13%		
Additional Information: In FY 2016, the SBDC program shifted resources focusing in providing more counseling hours per client. This resulted in fewer clients trained. Therefore, in 2017, the SBA reduced its target for SBDC Clients Trained to reflect its focus on providing more counseling hours per client, thereby creating and maintaining Long Term Clients. In FY 2018, the SBA decreased its target for SBDC Clients Trained to reflect the proposed proportional decrease in funding.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses Created by SBDC	**Target**	12,500	15,600	12,500	12,500	13,000	13,000	13,000	12,000
	Actual	13,664	14,357	14,201	13,415	13,123	14,419		
	Variance	9%	-8%	14%	7%	1%	11%		
Additional Information: In FY 2018, the SBA decreased its target for Number of Small Businesses Created by SBDC to reflect the proposed proportional decrease in funding. The SBDC data on small businesses created represents a subset of entrepreneurs who returned to the SBDC to report on their progress; whereas, the WBC data represents all clients who have received service, which has been collected through a survey.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Billions of Dollars of Capital Infusion from SBDC	**Target**	3.7	3.7	3.4	4.0	4.0	4.0	4.0	4.0
	Actual	3.6	4.0	4.5	4.7	4.7	5.1		
	Variance	-3%	8%	32%	18%	18%	28%		
Additional Information: Billions of dollars of capital infusion includes financing provided to small businesses from various sources including the SBA. As the economy improved, robust lending for small businesses helped SBDCs exceed the target.									

FY 2016 Accomplishments and Challenges

In FY 2016, SBDC professional business advisors helped clients start more than 14,000 new businesses; provided training and advising to nearly 450,000 entrepreneurs, including 69,000 long-term clients; helped clients obtain more than $5 billion in capital for their businesses; and helped clients secure $1 billion in government contracts.

SBDCs continued to increase their focus on programs and services designed to help emerging markets, bringing inclusive entrepreneurship to the forefront of the already vast array of services provided to their local small business markets. This effort led to an increase in advising and training services The SBDCs continued to focus on export assistance and maintained a cadre of certified trade specialists.

FY 2017 and FY 2018 Planned Performance

For FY 2017, the SBDC program anticipates providing assistance to more than 460,000 entrepreneurs including long-term advising to 55,000 clients, helping more than 13,000 entrepreneurs start new businesses, and assisting clients to obtain $4 billion in capital for their businesses. For FY 2017, the SBA will focus on the proven benefits of long-term advising through intensive entrepreneurial education and international trade in an increasingly global economy. The SBDC program will also deliver more resiliency-focused training and advising.

For FY 2018, the SBA requests $110 million for SBDCs. The SBA will achieve savings while the SBDC network will continue to focus on serving long-term clients, which evidence has shown leads to higher outcomes of capital infusion and new business starts.

The **Women's Business Center (WBC)** program provides grants to more than 100 non-profit organizations that provide quality advising and training services primarily to women entrepreneurs, many of whom are socially and economically disadvantaged. Participating organizations must match the federal funding with one non-federal dollar for every two federal dollars during the first two years and on a one-to-one basis thereafter. Many WBCs provide multilingual services, offer flexible hours, including evenings and weekends, and allow children to attend training classes with their mothers. WBCs predominantly use long-term training courses to maximize the delivery of services to primarily nascent entrepreneurs. Many of the training courses focus on business and financial planning that help women entrepreneurs gain financial literacy. WBCs also provide direct advising to clients and help them access loans, federal contracts, and exporting opportunities.

Table 1.3d displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.3d: WBC Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 19,446	$ 19,446	$ 18,350	$ 25,633	$ 23,143	$ 28,119	$ 30,041	$ 28,225

Table 1.3e provides the targets and results for the WBC performance indicators.

Table 1.3e: Women's Business Center (WBC) Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of WBC Clients Trained	**Target**	N/A	Baseline	95,000	105,000	111,000	120,000	125,000	125,000
	Actual	115,805	114,931	114,310	119,351	120,341	122,986		
	Variance	N/A	N/A	20%	14%	8%	2.5%		
Additional Information: The SBA predicts that the number of WBC clients trained will increase in FY 2017 and FY 2018 as the SBA places greater priority in developing its quality of services in terms of hours served and enhanced export training.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of WBC Clients Advised	**Target**	N/A	N/A	Baseline	20,000	22,000	22,200	22,200	22,200
	Actual	23,118	22,020	19,455	20,686	20,375	22,429		
	Variance	N/A	N/A	N/A	3%	-7%	1%		
Additional Information: The SBA predicts WBC clients advised levels to remain steady in FY 2017 and FY 2018 as the SBA prioritizes development of its quality of services in terms of hours served and enhanced export training.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Created by WBCs	**Target**	618	590	475	600	650	730	11,000	11,000
	Actual	701	694	637	708	766	17,435		
	Variance	13%	18%	34%	18%	18%	N/A*		
Additional Information: The SBA adopted a new data collection and calculation method for FY 2016 that more accurately represents the performance of the WBC program. The metric now accounts for the jobs created from the training and counseling offered; whereas, previous data only accounts for jobs created from counseling. The number reported for FY 2016 reflects new business starts accomplished during the previous calendar year. The FY 2017 target has been updated to reflect this new methodology. The change in methodology is further explained in the Data Quality Records that are at www.SBA.gov/performance.									

FY 2016 Accomplishments and Challenges

The WBC program reached more than 140,000 small business owners and helped more than 17,000 entrepreneurs start businesses. Over the past few years the SBA continued to streamline its grant process, which helped WBCs spend more time delivering services. This approach should continue to improve program performance in FY 2017 and FY 2018 as WBCs are better able to reach more clients. The SBA also institutionalized a quarterly dashboard that is shared with all of the WBCs for transparency around performance. This allows WBCs to better understand how they are performing compared to similar WBCs.

The WBC network exceeded its target for small business creation. The increase is attributed to the enhanced program management of the network both on an individual and national basis. The SBA also worked with centers to improve their business models, moving more clients from training to counseling to achieve better outcomes.

One of the program's main challenges is the ability to collect consistent outcome data. In FY 2014, the SBA began developing and planning for the first WBC survey, which launched in FY 2015 and continued in FY 2016. The survey collected information on outcomes such as business starts, access to capital or contracts, and job creation for all clients advised and trained.

Also, the WBC program has taken the initiative to broaden outreach to clients whose first language is not English. To meet this demand, approximately 30 percent of the WBC grantees began using the DreamBuilder online curriculum to help deliver more services in Spanish.

The Agency has drafted new WBC regulations aimed to clarify and improve program operations. Currently, there are no regulations for the WBC program. The proposed rule would codify policy and procedural requirements, all of which are currently included in the Notice of Award. Implementing these regulations would result in standardization and transparency to the delivery of the WBC program.

FY 2017 and FY 2018 Planned Performance

For FY 2017, the SBA received $18 million for WBCs. In turn, WBCs will advise and train more than 147,000 clients and help 11,000 of them open new businesses. The SBA will open more new centers in order to cover more areas of the country that currently do not have a WBC. The Agency will also conduct a survey of WBC clients that will cover both advising and training to better understand the value and impact of WBC program services. Further, the WBCs will be better equipped to help their clients prepare for and recover after a disaster. The SBA will leverage other public and private partnerships to expand opportunities for women entrepreneurs across the country.

For FY 2018, the SBA requests $16 million for WBCs. The SBA will achieve savings while the WBCs advise and train more than 147,000 clients and help clients open 11,000 new businesses. The centers opened in 2017 will still be in the initial stage of the grant and will begin building clientele.

The **SCORE** program is the largest volunteer business mentoring program in the federal government. SCORE has a volunteer cadre of more than 11,000 business professionals who donate more than 1 million hours a year to America's entrepreneurs through online training and in-person at more than 800 locations nationwide through 350 chapters. This national network of business volunteers leverages 1.1 million hours of professional service offered online and in-person each year. The grant to SCORE funds volunteer recruitment, training and support, equipment and leases, technology, management systems, evaluations, marketing materials, and course development necessary for a successful volunteer provider network. SCORE mentors provide free or low-cost mentoring and training to entrepreneurs in a wide range of settings. Training is information that is presented in group settings or online to help an entrepreneur acquire knowledge, skills, and competencies on a business-related subject. Mentoring is personalized one-on-one advice or guidance that is provided to help entrepreneurs navigate through planning, starting, growing or managing a business.

Table 1.3f displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.3f: SCORE Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 12,980	$ 10,499	$ 11,546	$ 12,110	$ 13,326	$ 17,020	$ 17,611	$ 17,375

Table 1.3g provides the targets and results for the SCORE performance indicators.

Table 1.3g: SCORE Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SCORE Clients Trained	**Target**	N/A	Baseline	250,000	250,000	240,000	274,000	240,000	300,000
	Actual	221,019	292,264	218,434	277,971	212,229	311,164		
	Variance	N/A	N/A	-13%	11%	-12%	14%		
Additional Information: SCORE's FY 2016 performance was impacted by its investment in technology that allowed it to engage entrepreneurs virtually, thereby increasing the number of clients trained between FY 2015 and 2016 by 47 percent. During this period, SCORE hosted its first ever virtual conference; offered expanded webinar offerings; and increased the volume of online and in-person workshops. Importantly, SCORE collaborated with regional and national partners to gain an audience. The FY 2018 target reflects the continued implementation of this strategy.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of SCORE Clients Mentored	**Target**	N/A	N/A	N/A	Baseline	160,000	182,500	156,000	130,000
	Actual	135,818	166,509	127,468	164,403	137,310	122,230		
	Variance	N/A	N/A	N/A	N/A	-14%	-33%		

Additional Information: In FY 2016, SCORE mentoring clients engaged in repeat consultations as their business needs evolved and personal advisor relationships were cultivated, decreasing the number of total clients from the previous year while positively impacting existing client satisfaction and business outcomes. The FY 2018 target reflects this ongoing change in strategy.

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Created by SCORE	**Target**	1,082	1,080	700	700	5,400	5,400	5,400	40,000
	Actual	816	828	628	5,339	39,495	Data Lag		
	Variance	-25%	-23%	-10%	663%	631%	N/A		
Additional Information: The SBA adopted a new data collection and calculation method for FY 2016 that more accurately represents the performance of the SCORE program. The number reported for FY 2015 reflects new business starts accomplished during the indicated fiscal year. FY 2016 data will be available summer FY 2017. The FY 2018 target has been updated to reflect this new methodology.									

FY 2016 Accomplishments and Challenges

SCORE mentored and trained more than 430,000 clients and conducted an outreach campaign to attract additional mentoring clients using local community outreach, national partnerships, public service announcements, and social media channels. SCORE continued its efforts to ensure diversity among clients and mentors and also maintained its focus on training for veterans and communities impacted by disasters. SCORE continues its commitment to serve America's entrepreneurs in a client-focused and cost-effective manner. Their digital services will continue to expand with online mentoring, dedicated audience portals, online learning, and business templates.

FY 2017 and FY 2018 Planned Performance

For FY 2017, SCORE will continuously serve a client base of 396,500 clients, including those in emerging markets. SCORE will continue to recruit diverse business mentors with industry experience, training expertise, and a deep commitment to each client. SCORE will further support these business mentors through its national infrastructure, continued innovation in service delivery, and constant engagement with financial, procurement, and startup communities. For FY 2018, the SBA will achieve savings and requests $9.9 million for SCORE to mentor and train 430,000 clients.

Strategy 2: Improve entrepreneurial ecosystems through cross-agency and public-private partnerships

The SBA collaborates with other agencies to proactively build an informed framework and the necessary federal infrastructure to stimulate inter-agency cooperation to improve and create new entrepreneurship initiatives. This approach includes increased information sharing about Agency activities that support or are related to entrepreneurship.

Through public-private partnerships with for-profit companies, academic institutions, and professional associations, the SBA extends entrepreneurship services to a diverse community of small businesses. Partners offer immediate access to small business matters, expert knowledge, and an opportunity to maximize shared resources in the creation of business assistance, services, and training. Co-sponsored and donated resources often drive innovative solutions that keep SBA services relevant to rapid market trends and audience needs.

Regional Innovation Clusters (RICs) connect and enhance innovation assets so that small businesses can effectively leverage them to commercialize new technologies and expand into new markets, thereby positioning themselves and their regional economies for growth. Regional Innovation Clusters are on-the-ground collaborations between business, research, education, financing, and government institutions that work to develop and grow the supply chain of a particular industry or related set of industries in a geographic region. Within a cluster, businesses are better able to commercialize innovative technology and create products and services beyond the resources, capabilities, and capacity of a single small business. Through industry-specific technical assistance, SBA clusters help small business innovators commercialize promising technologies needed by government and industry buyers.

Table 1.3h shows Regional Innovation Cluster performance indicators.

Table 1.3h: Regional Innovation Cluster (RIC) Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of RIC Participants Obtaining an Innovation Milestone	**Target**	N/A	N/A	N/A	N/A	Baseline	50%	52%	N/A
	Actual	N/A	N/A	69%	46%	51%	49%		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		N/A
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of RIC Participants Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	N/A	Baseline	60%	62%	N/A
	Actual	N/A	63%	52%	57%	57%	59%		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		N/A
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018.									

FY 2016 Accomplishments and Challenges

In an effort to build collaboration and increase the efficacy of the cluster-based approach to entrepreneurship and economic development, the SBA continued to collaborate with other federal agencies, industry associations, and universities. The SBA, together with the Department of Commerce's Economic Development Administration, the JPMorgan Chase Foundation, and Harvard Business School, hosted the second U.S. Cluster Initiative convening in Oklahoma City. Approximately 65 cluster initiatives participated and discussed ways to improve cluster service delivery, messaging, and impact evaluation.

The SBA oversaw 14 Regional Innovation Clusters. In alignment with the multi-agency Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) initiative, the new Hardwood Products Cluster supports communities in Appalachia affected by the coal economy. Both the newly-awarded Saint Louis Biosciences Cluster and the Oklahoma-South Kansas UAS Cluster are affiliated with Promise Zones — areas of high poverty where federal agencies are making a focused effort to enhance economic well-being, health, education, and safety. The Oklahoma-South Kansas UAS Cluster also serves one of the communities selected through the inter-agency Investing in Manufacturing Communities Partnership (IMCP) to receive preference in federal spending on account of its potential to help rebuild the American manufacturing sector. All three new clusters successfully performed in their first year.

The SBA continued to fund an evaluation to examine cluster initiatives, including their various stakeholder participants and the services and activities provided by the clusters, with a focus on small business participants. To investigate the initiative's ongoing implementation and its impacts, the evaluation examined cluster developments during the initiative's fifth year. Although a slight decrease in innovation milestones, a full 49 percent of participants reported having achieved an innovation milestone (e.g., patents filed, patents granted, technologies licensed, or licensing rights obtained by small business participants). Similarly, 59 percent of cluster participants experienced revenue growth, a slight increase from the baseline indicator of 57 percent in the previous fiscal year.

FY 2017 and FY 2018 Planned Performance
In FY 2017, the SBA will continue to support Regional Innovation Clusters delivering services to sector-based clusters in the following categories: business development, intellectual property, exports, finance, marketing, commercialization of new technology, and the federal and private sector supply chain. The SBA believes this program is duplicative of other federal programs and therefore, in FY 2018, the SBA is not requesting funds for this initiative.

The **Encore Entrepreneurship** initiative, in partnership with AARP, provides virtual and in-person training to entrepreneurs age 50 and over. The data indicate that this is among the fastest-growing group of small business owners. For many of these mid-career and late-career members of America's workforce, entrepreneurship training empowers them to take their skills and become job creators.

FY 2016 Accomplishments and Challenges
The SBA supported multiple activities throughout its training network for Encore Entrepreneurs. The Agency reached more than 34,261 clients during its Encore Entrepreneurship campaign, including the National Summer of Encore Mentoring activities. During this series, SBA district offices hosted 121 local sessions/workshops and a nationally broadcast webinar that featured subject matter experts, industry professionals, successful entrepreneurs, and business coaches.

FY 2017 and FY 2018 Planned Performance
In FY 2017, SBA will focus on hosting in person events coordinated in partnership with SBA District Offices and State AARP chapters; webinars; social media events and virtual town halls. In FY 2018, the SBA will further link training for encore entrepreneurs to the SBA Learning Center and other virtual SBA tools. This will promote efficient use of resources and connect entrepreneurs to relevant assistance.

The **Business Smart Toolkit**, leveraged by SBA in a partnership with the National Association of Government Guaranteed Lenders (NAGGL) is a ready-to-use workshop toolkit that equips faith-based and community organizations with the tools to help new and aspiring entrepreneurs launch and build businesses that are credit ready. The Agency recognizes that community organizations can be robust supports for emerging entrepreneurs; leaders want to provide business and financial information to their constituents but are not sure where to find this information in an easy-to-use format. The Business Smart Toolkit provides that support and directs entrepreneurs to SBA District Offices and Resource Partners.

FY 2016 Accomplishments and Challenges

The toolkit is used throughout various communities across the U.S. There were over 13,000 downloads of toolkit materials from SBA's website and seven national organizations partnered with the SBA via Strategic Alliance Memorandums to promote the toolkit.

FY 2017 and FY 2018 Planned Performance

In FY 2017, SBA is focused on cultivating the Business Smart community and developing new national and regional partners to disseminate the toolkit. In FY 2018, SBA will leverage the SBA Learning Center and publish an online Business Smart Train-the-Trainer course.

Strategy 3: Offer tailored training through structured initiatives and online access

The SBA designs and hosts a variety of educational programs, intensive training, and special tools to promote active learning for aspiring entrepreneurs and existing small businesses. The Entrepreneurship Education initiative offers high-growth small businesses in emerging communities an opportunity to grow through the learning center and unique initiatives, including Emerging Leaders.

Table 1.3i displays the cost to administer these programs and initiatives. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. In FY 2018, the SBA requests $2.0 million in Entrepreneurship Education to focus on the online learning center and redesign the Emerging Leaders program to better meet the needs of small businesses.

Table 1.3i: Entrepreneurship Education Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
N/A	N/A	N/A	$ 9,532	$ 12,811	$ 20,956	$ 24,427	$ 6,477

SBA's primary online training service, the **SBA Learning Center**, offers free online courses on business planning, marketing, government contracting, accounting, and social media. Hundreds of thousands of aspiring or current business owners use these free online courses and tools each year. Video tutorials, templates, and interactive assessments inform and equip entrepreneurs with valuable knowledge and tangible tools to assist their business planning. The SBA encourages its network of professional business mentors to use online learning for additional support.

Table 1.3j provides the targets and results for the online training performance indicator.

Table 1.3j: Entrepreneurial Development Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Clients Trained Online	Target	N/A	N/A	500,000	225,000	250,000	220,000	200,000	200,000
	Actual	234,000	220,596	150,355	182,002	154,132	187,162		
	Variance	N/A	N/A	-70%	-19%	-44%	-15%		
Additional Information: The number of clients trained online includes clients trained through the SBA Learning Center. The SBA did not reach its FY 2016 target; however, the SBA will maintain its focus on providing quality courses that support the needs of business owners. The SBA revised the FY 2015 actual performance upon discovering an error in its database.									

FY 2016 Accomplishments and Challenges

The site registered nearly 190,000 users who accessed nearly 60 free courses. The SBA developed and refined two new courses and updated four resources. The Agency began analyzing the future of the online educational resources and undertook a comprehensive inventory and repair of courses.

FY 2017 and FY 2018 Planned Performance

In FY 2017, The SBA Learning Center will continue to produce training content and deploy course-sharing partnerships. Learners will have the opportunity to access entrepreneurship education resources through toolkits, fact sheets, infographic tip sheets, instructor guides and audio content. The Agency strives to reach at least 200,000 clients through social media outreach and encouraging the use of the Learning Center's content by SBA District Office staff and Resource Partners. In FY 2018, the Learning Center will focus on ensuring existing course content is current and reflects the knowledge needs of America's small business owners.

Emerging Leaders is a seven-month executive development initiative that elevates a business's growth trajectory, creates jobs, and contributes to the economic well-being of communities. Participants of the Emerging Leaders executive series receive more than 100 hours of specialized training, technical support, access to a professional network, and other resources to strengthen their businesses and promote economic development. At the conclusion of the training, participants produce a three-year strategic growth action plan. Each year for three years after completing the training curriculum, participants complete an evaluation that collects key outcomes. Additionally, short assessments are conducted at the end of each module throughout the training delivery period to ensure quality and continuous improvement for both the instructors and curriculum.

The Emerging Leaders initiative emphasizes reaching participants from communities in emerging markets, which include women and minorities. Approximately 65 percent of Emerging Leaders participants fall into at least one of these categories. This indicator represents progress towards fulfilling business growth in historically challenged communities. Emerging Leaders is highly regarded among its alumni. Ninety-five percent of Emerging Leaders alumni would recommend the program to another business owner.

Table 1.3k shows Emerging Leaders performance indicators.

Table 1.3k: Emerging Leaders Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Emerging Leaders Creating or Retaining Jobs	**Target**	N/A	N/A	N/A	N/A	Baseline	81%	81%	81%
	Actual	N/A	73%	69%	81%	81%	81%		
	Variance	N/A	N/A	N/A	N/A	N/A	0%		
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. This performance indicator includes results obtained by the three most recent cohorts during the previous calendar year.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of Emerging Leaders	**Target**	N/A	N/A	N/A	N/A	Baseline	65%	67%	67%
	Actual	67%	62%	68%	66%	68%	70%		

Obtaining Revenue	**Variance**	N/A	N/A	N/A	N/A	N/A	8%		
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. This performance indicator includes results obtained by the three most recent cohorts during the previous calendar year.									

FY 2016 Accomplishments and Challenges

The SBA delivered the Emerging Leaders executive training series last year to 54 communities serving nearly 900 mid-stage business owners. SBA's evaluation of the initiative found that recent Emerging Leaders achieve positive results. Eighty-one percent reported creating or retaining all jobs after the initiative, meeting the performance target. Seventy percent reported growing revenue, exceeding the performance target by 8 percent. To meet the growing demand for growth-oriented intensive entrepreneurship, the SBA strengthened local partnerships to serve active participants and recent graduates as they executed strategies for business growth. The series is now supported by more than 200 local economic development partnerships spread across the 57 communities, and active participant satisfaction rates have maintained superior scores during this rapid expansion.

FY 2017 and FY 2018 Planned Performance

In FY 2017 and FY 2018, Emerging Leaders aims to serve 48 communities. The SBA will continue to strengthen local partnerships to serve active participants and recent graduates as they execute strategies for business growth. Additionally, the SBA will continue assessing Emerging Leaders performance and publish reports as cohort data are made available.

In FY 2018, Emerging Leaders will focus on strengthening capacity to develop and sustain strong Alumni Networks. Emerging Leaders Alumni will provide opportunities for business owners to receive trusted guidance on the execution of their three-year growth plans and to access much needed information from their Emerging Leaders peers. For FY 2018, the SBA is requesting $2 million of Entrepreneurship Education funds to support Emerging Leaders and the SBA Learning Center.

The **ScaleUp America** initiative supports community efforts to deliver targeted intensive assistance to established high-potential small businesses and entrepreneurs that are primed for growth beyond the startup or early stages with a focus on reaching emerging markets. The initiative provides the necessary support to help companies scale up and grow, while strengthening and enhancing local entrepreneurial ecosystems around the specific needs of growth-oriented entrepreneurs and firms, resulting in their ability to produce measurable economic impact and job growth in local communities.

The ScaleUp America initiative emphasizes reaching participants located in a HUBZone, women, and those who identify as a race/ethnicity other than Caucasian. Approximately 72 percent of ScaleUp participants fall into at least one of these categories. This indicator represents progress towards fulfilling business growth in historically challenged communities.

Table 1.3l shows ScaleUp performance indicators.

Table 1.3l: ScaleUp Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of ScaleUp	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	N/A	N/A

Participants Creating or Retaining Jobs	**Actual**	N/A	N/A	N/A	N/A	N/A	88%	N/A	N/A
	Variance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. The SBA is not requesting funds for this initiative in FY 2018.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of ScaleUp Participants Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	N/A	N/A
	Actual	N/A	N/A	N/A	N/A	N/A	73%	N/A	N/A
	Variance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. The SBA is not requesting funds for this initiative in FY 2018.									

<u>FY 2016 Accomplishments and Challenges</u>

Prior to FY 2016, the SBA expanded the ScaleUp initiative, adding seven new ScaleUp communities, creating a total 15 communities. In FY 2016, each of the 15 communities delivered services to two cohorts of participants, totaling 428 participants. Every two months, the SBA hosted cross-collaboration webinars to encourage ScaleUp operators to share best practices while implementing their programs. Topics included recruitment of entrepreneurs from diverse backgrounds, how to deliver optimal one-on-one counseling, and continuing work with participants after they complete the cohort training. As the Agency continues work with a third-party evaluator to fully understand participant outcomes, initial increases in job creation at 88 percent and sales results at 73 percent are promising. The Agency is examining ways to align access to capital more effectively with participant expectations.

<u>FY 2017 and FY 2018 Planned Performance</u>

The SBA discontinued this initiative in FY 2017.

Strategic Objective 1.4: Exports

Enhance the ability of current and future small business exporters to succeed in global markets by expanding access to financing, counseling, training, and other export tools

Performance Goal: Expand access to export financing by increasing the number of small business exporters receiving financing through SBA loan programs to 1,600 small businesses in FY 2018
Objective Lead: Associate Administrator, Office of International Trade
Programs: International Trade (loan programs and counseling and training programs), Small Business Development Centers, State Trade Expansion Program (STEP)
Strategies:
1. Expand market export opportunities
2. Increase access to trade financing
3. Provide tailored training and counseling to lenders and small businesses
4. Engage Trade Promotion Coordinating Committee and state government and resource partners for export promotion and support

Export sales contribute to a strong middle class by fueling economic opportunity and jobs in communities across the U.S., while the countries that buy American products gain access to some of the highest quality products and services in the world. Today, nearly 96 percent of consumers and more than three-quarters of the world's purchasing power reside outside the United States. Small businesses that can tap into this global market have the potential for vast expansion and growth, with small businesses now constituting a third of total export dollars.

Expanding the base of small business exporters and leveling the playing field for U.S. companies wanting to enter foreign markets are key objectives of the U.S. government. To accomplish this goal, the SBA continues to partner with the U.S. Department of Commerce, other members of the interagency Trade Promotion Coordinating Committee (TPCC), and state governments to promote exporting opportunities, expand access to trade financing, and train business counselors and banks on exporting programs and services.

The SBA also plays a central role in government’s effort to expand the number of small businesses that export and the value of small business exports by chairing the TPCC’s Small Business Working Group (SBWG), which coordinates interagency cooperation on small business export promotion. The objectives of the SBWG are to identify potential small business exporters, connect them to export opportunities, prepare them to be successful, and support them once they find international opportunities

Progress Update: In FY 2016, the SBA guaranteed $1.55 billion in loans to 1,550 small business exporters. This constituted a new SBA record despite U.S. exports declining an additional 2.2 percent in 2016, following an even greater 4.8 percent decline in 2015, which was the first drop since 2009. These loans were provided by 499 SBA lenders. The Agency accomplished this result by continuing to train more than 4,500 lenders and hosting the 9th Annual SBA Export Lenders Roundtable in Washington, DC; the Third Annual West Coast SBA Export Lenders Roundtable in San Jose; and the First Midwest and Southeast SBA Export Lenders Roundtables in Chicago and Miami.

Table 1.4a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.4a International Trade Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 7,681	$ 8,943	$ 11,224	$ 20,048	$ 9,025	$ 11,410	$ 11,836	$ 12,261

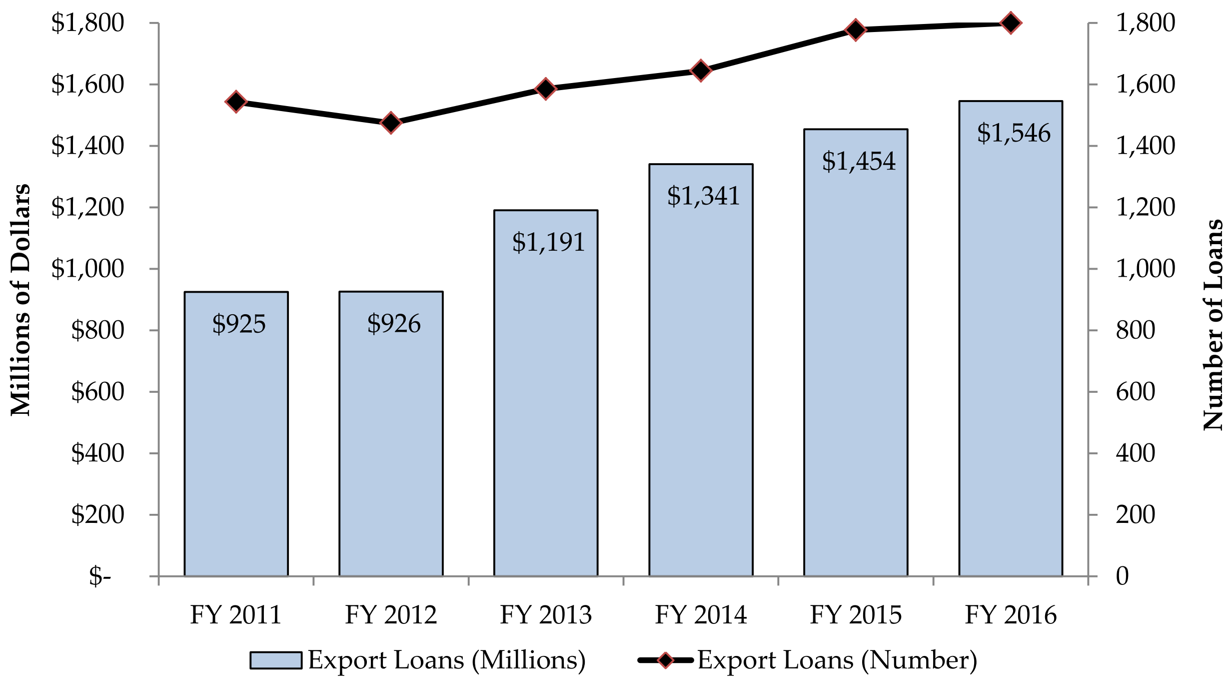
Table 1.4b shows progress toward the performance goal of small business exporters receiving SBA financing.

Table 1.4b: International Trade Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Business Exporters Receiving SBA Financing	**Target**	990	990	1,349	1,415	1,480	1,520	1,520	1,600
	Actual	1,346	1,283	1,388	1,392	1,513	1,550		
	Variance	36%	17%	3%	-2%	2%	2%		
Additional Information: This metric tracks the sum of all small businesses receiving SBA-guaranteed export financing.									

Chart 1.4 shows the total dollar value and number of loans to exporters.

Chart 1.4: Loans to Exporters ($ Millions and Number of Loans)



Strategy 1: Expand market export opportunities

Small businesses that can access the global market have the potential for substantial expansion and growth. Expanding the base of small business exporters and making the process as easy as possible for them is a key to increasing exports. To support this strategy, the **State Trade Expansion Program** (STEP) competitively awards federal dollars to states and territories to support small business export development efforts, including participation in trade missions and foreign market sales trips, export trade shows, international marketing efforts, and export training. This program identifies and prepares small businesses for exporting and assists them in executing their export business plan.

Table 1.4c displays the cost to administer the STEP. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. Prior to FY 2013, STEP program funding was aggregated with international trade.

Table 1.4c STEP Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
N/A	N/A	$ 1,681	$ 9,462	$ 19,563	$ 26,527	$ 26,231	$ 15,587

Table 1.4d tracks the progress of the STEP performance indicator that measures the average return on investment.

Table 1.4d: STEP Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Average Dollar Return on Investment of STEP Cooperative Agreements	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	12	12
	Actual	11	28	N/A	37	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: STEP cooperative agreements assist small businesses to enter and succeed in the international marketplace. The average return on investment is calculated by dividing the reported total dollar export sales supported by the STEP funds awarded for each fiscal year. The SBA did not receive appropriations for STEP in FY 2013. Data for FY 2015 will be available in July 2017. Data for FY 2016 will be available in July 2018.									

FY 2016 Accomplishments and Challenges

The SBA consistently represented U.S. small business interests as part of the U.S. delegation to the Transatlantic Trade and Investment Partnership (T-TIP) negotiations to facilitate small business internationalization in negotiations. The SBA continued to provide support to the U.S. Trade Representative (USTR) throughout additional rounds of T-TIP negotiations in FY 2016 and provided support for interagency initiatives, including Trade Africa and the 15th Africa Growth and Opportunity Act Forum, where the SBA organized and co-chaired a panel of Trade Financing Solutions for subject matter experts (SMEs).

In addition, the SBA also created an international trade inquiry point to assist small businesses encountering challenges in trade.

The SBA led three global dialogues, convening ministers and senior government officials from up to 25 nations to discuss best practice for supporting SMEs and to open new opportunities for small businesses to grow and prosper. To further this outcome, the SBA signed a Strategic Alliance Memorandum with the Global Entrepreneurship Network to institutionalize the Global SME Ministerial as part of the Global Entrepreneurship Congress.

In addition, the SBA signed a new Memorandum of Understanding (MOU) with the Government of Argentina on "Promoting Entrepreneurship and the Growth of Small to Medium-size Enterprises." The MOU advances two key aspects of the SBA strategies: 1) promoting Small Business Development Center information and counseling services, and 2) publicizing the benefits of good regulatory practices for greater openness, transparency, and review in the development of regulations that can adversely affect small business, internationalization, trade, and investment. The SBA served on the U.S. delegation to a first-time U.S.-Argentina Commercial Dialogue.

To support export development, the SBA administered $17.4 million in STEP awards using upgraded processes and automated tool improvements. The Agency also prepared for and executed a competitive process to award an additional $18.8 million in cooperative agreements in FY 2016, which will be administered throughout FY 2017. These awards support customized export development efforts developed by the states to increase the number of small business exporters and the value of small business exports in their states.

The SBA continued to refine STEP operational processes, such as improving the quarterly performance progress reporting by the state awardees and migrating the automation tool (STEP 360), which processes awardee payment requests and non-payment actions, to SBA's SharePoint platform. The SBA maintained STEP program oversight and completed various management activities for the 40 awardees from the FY 2015 STEP awards.

FY 2017 and FY 2018 Planned Performance

The SBA will join the first Trade Policy Sub-Committee (TPSC) meetings to plan a renegotiation of the North American Free Trade Agreement (NAFTA), negotiating a United States-United Kingdom Free Trade Agreement, and a study on trading partners with significant trade deficits. The SBA will continue to represent small business interests in any expected trade discussions, including NAFTA, U.S.-Japan FTA, U.S.-U.K. FTA, and any other bilateral agreements undertaken by the Trump Administration.

The SBA plans to continue working with the Department of Commerce to advance deliverables under the ongoing U.S.-Argentina Commercial Dialogue and the U.S.-Brazil Commercial Dialogue. The SBA will also work with USTR to advance the internationalization of U.S. small businesses through implementation of the WTO Trade Facilitation Agreement and the U.S. National Trade Facilitation Committee.

The Agency plans to participate in technical exchanges with the governments of Morocco and Saudi Arabia and a trading partner with a significant trade deficit with the U.S. The SBA will serve on the secretariat to host and convene the Third Annual Global SME Ministerial in Johannesburg, South Africa. The Ministerial provides a platform to advocate for decreasing regulatory burdens on small businesses globally.

In FY 2017, the SBA received $18 million for STEP. The Agency will announce a competitive process for additional STEP awards using these funds. During FY 2017, the SBA will administer the $18.8 million awarded in FY 2016. In FY 2018, the SBA requests $10 million for STEP to leverage new development opportunities to further increase the number of small business exporters and export sales.

Strategy 2: Increase access to trade financing

Access to trade finance for small businesses remains one of the critical needs for small businesses hoping to succeed in global markets. According to a 2016 survey by the Small Business Exporters Association, 24 percent of the respondents were concerned about how they would get paid for export sales and 35 percent said it was more difficult to obtain trade financing than conventional business financing. The SBA fills a market gap where the private sector is unable or unwilling to support certain export transactions because of greater real or perceived risk. Without access to trade finance, many small businesses would not be able to complete export orders. To build a more extensive trade financing infrastructure, the SBA conducts extensive lender training and consultations throughout the country and collaborates with other agencies to simplify and promote trade financing solutions.

<u>FY 2016 Accomplishments and Challenges</u>

While 7(a) and 504 loans can be used to support small business exporters, the SBA has three core export loan products targeted to support the development of small business exporters. The **Export Express** loan program is a delegated authority program with a $500,000 maximum loan amount that is especially helpful for early stage exporters that can use the funds for a wide range of export development activities. For example, small businesses can use these loans to attend overseas trade shows and develop and enter new markets. With a 90 percent guaranty on amounts up to $350,000 and a 75 percent guaranty on amounts up to $500,000, the program offers lenders enhanced coverage in support of small business exporters. In FY 2016, 54 lenders made 101 Export Express loans for $22 million to 85 small businesses.

The **Export Working Capital** loan program provides necessary financing to support an exporter's transactions, from purchase order to final payment, with a $5 million maximum loan amount and 90 percent guaranty. The SBA continues to train new and existing lenders on this export loan product and, as a result, the number of preferred lenders with delegated authority to approve new SBA Export Working Capital loans continued to grow in FY 2016. In FY 2016, 64 lenders guaranteed 167 Export Working Capital loans for $313 million to 148 small businesses.

The **International Trade** loan program provides loans for up to $5 million in financing and offers a 90 percent guaranty. This loan provides financing to allow successful export businesses to expand their production capacity, including those that want to bring production back from overseas or companies that have been adversely impacted by imports. In FY 2016, the SBA guaranteed 215 international trade loans for $375 million made by 86 lenders to 182 small businesses.

<u>FY 2017 and FY 2018 Planned Performance</u>

Recognizing that U.S. small business exporters are key to the nation's economic future and job growth, the SBA will remain committed to working closely with other trade financing agencies and lenders to improve SBA export finance products and effectively provide export trade financing solutions to small businesses in FY 2017 and 2018.

The SBA will continue to collaborate with other federal agencies, state agencies, resource partners, internal partners, and other export assistance resources to expand the nation's export finance infrastructure, as well as improve access to and delivery of export finance to small business exporters. The Agency will continue to conduct both a national and several regional SBA Export Lender Roundtables around the country to train additional lenders on providing trade financing solutions to small business exporters.

Strategy 3: Provide tailored training and counseling to lenders and small businesses

Through its network of trade finance specialists located in 21 U.S. Export Assistance Centers throughout the country, the SBA provides training and consultation services on trade financing and U.S. government export financing programs to both lenders and small businesses. In addition to speaking at workshops and doing webinars on trade finance topics, SBA's trade finance specialists provide in-depth, in-bank training for lenders on U.S. government export financing programs. The Agency export finance field staff are a valuable resource for small business exporters. U.S. Export Assistance Centers combine the international marketing expertise of the U.S. Department of Commerce's Commercial Service staff with the trade financing expertise of SBA staff in one location. The SBA specialist is frequently the only trade finance expert available at these locations to counsel businesses and lenders on how to get paid by foreign buyers and how to access trade financing options.

Table 1.4e shows progress toward the two international trade performance indicators, including small businesses and lenders receiving export finance training.

Table 1.4e: International Trade Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Receiving Export Training	**Target**	5,726	7,200	8,000	7,600	8,000	8,400	8,400	8,000
	Actual	8,717	10,598	8,244	8,273	8,120	8,274		
	Variance	52%	47%	3%	9%	2%	-2%		
Additional Information: This metric tracks the sum of all small businesses that have received export training by SBA trade finance staff.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Lenders Receiving Export Training	**Target**	2,600	3,950	4,400	4,000	4,200	4,500	4,500	4,500
	Actual	3,518	4,119	4,868	5,097	4,329	4,547		
	Variance	35%	4%	11%	27%	3%	1%		
Additional Information: This metric tracks the sum of all lenders that have received export training by SBA trade finance staff.									

<u>FY 2016 Accomplishments and Challenges</u>

The SBA provided consultation services to 4,667 small businesses and trained 8,274 small businesses on export finance. In addition, the SBA provided consultation services to 3,671 lenders and trained 4,547 lenders on SBA export loan guaranty programs. The Agency provided in-depth training to a group of core SBA lenders during the 9th Annual SBA Export Lenders Roundtable in Washington, DC, and three regional SBA Export Lender Roundtables in San Jose, Chicago, and Miami during the year.

The SBA has also partnered with the Department of Commerce to provide trade financing experts at domestic and overseas trade shows to counsel U.S. small business exhibitors about various trade financing options. International trade shows provide an opportunity for U.S. exhibitors to meet potential business partners face-to-face. The SBA added value to their experience by providing trade finance expertise on the ground as they negotiate sales terms with foreign buyers attending these shows. SBA export finance specialists provided counseling and training at 15 Department of Commerce International Buyer program (IBP) industrial shows and two international trade shows in FY 2016. At IBP events, small business exporters are able meet prospective foreign buyers from around the world attending major domestic industrial shows.

FY 2017 and FY 2018 Planned Performance
The SBA will provide in-depth lender training on SBA financing solutions to address exporter funding needs. In FY 2017, the SBA expects to train 4,500 lenders and 8,400 small businesses on international methods of payments and export financing solutions. In FY 2018, the SBA expects to train an additional 4,500 lenders and 8,000 small businesses. Due to the consolidation occurring in the banking sector, few lenders are available to participate in lender training venues. And, as businesses more often access information via the Internet, fewer businesses now attend major export conferences, reducing the opportunities for the SBA to speak at training events.

The SBA will continue to conduct both national and regional SBA Export Lenders Roundtables around the country to train additional lenders on SBA trade finance solutions and solicit input on policy improvements for the programs. The SBA will also expand training of resource partners, such as Small Business Development Centers (SBDCs), so that they can in turn educate their small business clients on the benefits of SBA financing to support their global expansion.

The SBA will partner with the Department of Commerce to continue providing financing experts at domestic and overseas trade shows to counsel small business exhibitors about various financing options. SBA export finance specialists plan to provide counseling and training at 15 Commerce IBP domestic industrial shows and one international trade show in FY 2017. In FY 2018, SBA export finance specialists plan to attend 17 IBP domestic industrial shows and three international trade shows.

Strategy 4: Engage Trade Promotion Coordinating Committee and state government and resource partners for export promotion and support

The Trade Promotion Coordinating Committee (TPCC), established by Congress in 1992, is responsible for providing a unifying framework to coordinate multiple agencies' export promotion activities and for developing a government-wide strategic plan to implement those activities. The TPCC is comprised of 20 agencies with seven core trade promotion agencies that take the lead in devising and implementing trade promotion policy and initiatives. The core agencies are the SBA, the Department of Commerce, Overseas Private Investment Corporation, Trade and Development Agency, Department of Agriculture, Export-Import Bank, and the Department of State. The SBA Administrator chairs the TPCC's Small Business Working Group (SBWG), which is primarily responsible for increasing exports by small businesses.

Much of the work of the TPCC/SBWG involves outreach, marketing, and communication to small businesses throughout the country about the benefits of exporting and about resources available to small businesses to help them begin exporting, expand into new foreign markets, and finance their export sales.

FY 2016 Accomplishments and Challenges

The SBA strengthened its engagement with states and is a member of the TPCC's Federal-State Working Group which has the responsibility of encouraging greater coordination of export promotion programs and services. In addition, the SBA worked closely with the State International Development Organizations (SIDO) and their member states, especially in providing timely information related to developments and requirements for the State Trade Expansion Program (STEP).

The SBA continued to offer its small business counselor training certification program in partnership with the Department of Commerce and the Trade Promotion Coordinating Committee. The certification program includes an extensive training track on international trade, which the SBA offers at the Annual America's Small Business Development Centers Conference as well as a training and certification website. More than 500 international trade-certified counselors within the SBDC network have earned credentials either by passing the intermediate level test provided at the above website, or by passing the Certified Global Business Professional exam administered by the National Association of Small Business International Trade Educators.

FY 2017 and FY 2018 Planned Performance

In 2017, the SBA will engage on a series of "Listening Tours" in collaboration with the Trade Promotion Coordinating Committee Secretariat, SBDC networks, state governments, and the National Association of Manufacturers (NAM). These will include small group Exporter Roundtables and larger Stakeholder Dialogues, both designed to help identify needs of small business exporters and to gather input for program and policy development.

The SBA will make a concerted effort to engage more effectively and directly with STEP beneficiaries, Commerce, and state-led trade mission participants to inform them of the benefits of SBA export financing to support their export sales.

The SBA will also work with SBDCs to establish recertification requirements of SBDC counselors in international trade that strengthen their international trade counseling capabilities, while at the same time promoting joint counseling and increased collaboration between the SBDCs and the USEACs.

Strategic Objective 1.5: High Growth and Innovation

Fuel high-growth entrepreneurship, innovation, and job creation by providing the tools small businesses need to start and grow their businesses

Performance Goal: Issue $2.6 billion in debenture leverage to SBICs in FY 2018
Objective Lead: Associate Administrator, Office of Investment and Innovation
Programs: Small Business Investment Companies (SBIC), Small Business Innovation and Research (SBIR), Small Business Technology Transfer (STTR), Growth Accelerators
Strategies:

1. Grow the deployment of long-term capital via the SBIC program
2. Improve the Small Business Innovation Research (SBIR) operations, outreach, and commercialization and Small Business Technology Transfer (STTR) programs
3. Strengthen the accelerator network targeted at high-growth startups and capital providers
4. Provide thought, policy, and executional leadership on the crowd-funding capital raising model

High-growth businesses create new, high paying jobs in today's economy. Through longer-term "patient" capital, growth accelerators and regional innovation clusters, federal research and development grants, and export assistance, the SBA plays a critical role in the ongoing success of high-growth small businesses. These high-growth investments provide opportunities for small businesses to create jobs and sustain the cycle of American entrepreneurship and innovation.

To support job creation, the SBA is committed to growing the existing programs that serve these firms with investment, innovation and commercialization of government research and development, and targeting new initiatives that serve this critical part of the economy. Targeting $2.6 billion in debenture leverage to SBICs will expand access to capital for these high-growth potential small businesses by giving them the means to grow rapidly, develop their ideas, and expand their product offerings and services. The efforts of the SBIR program support the President's Cross-Agency Priority Goal to increase the economic impact of federally funded research and development by accelerating and improving the transfer of new technologies from the laboratory to the commercial marketplace.

Progress Update: In FY 2016, the SBA met its goal of committing $2.5 billion in debenture funds to SBICs. The SBICs used private capital and SBA-guaranteed leverage to provide almost $6 billion in financings to 1,201 small businesses. Almost 28 percent of these small businesses were in low- and moderate-income areas or owned by minorities, women, or veterans, up from 24 percent in FY 2015. The SBA is committed to identifying areas in which small businesses lack adequate access to private equity and seeking ways to better target these businesses. The Agency licensed 21 new SBIC funds with an average licensing time of less than six months. In addition, the SBA continued development of an SBIC web-based system to modernize the business model, streamline processes, and reduce redundancy or duplicative efforts. The SBA will continue to harness technology, including cloud-based solutions, to add efficiency and effectiveness through increased oversight and enhance risk monitoring in an effort to reduce financial, operational, and non-compliance risk. The SBA is planning to build its SBIR solicitation portal and upgrade its database to support additional data collection for performance analysis. The SBIR and STTR programs, often referred to as America's Seed Fund, were reauthorized for five more years at the end of 2016, thus running until 2022. However, the administrative funding and experimental pilot programs are slated to expire in FY 2017. The Agency therefore requests the reauthorization for extension of administrative funding and that the pilot programs continue, as they play a crucial role in aiding appropriate oversight and administration. The programs have helped establish thousands of advanced technologies and provided the first funding to many now-prominent large businesses.

Table 1.5a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; and Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.5a: SBIC Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 26,305	$ 23,229	$ 19, 667	$ 14,220	$ 15,910	$ 22,165	$ 22,130	$ 23,845

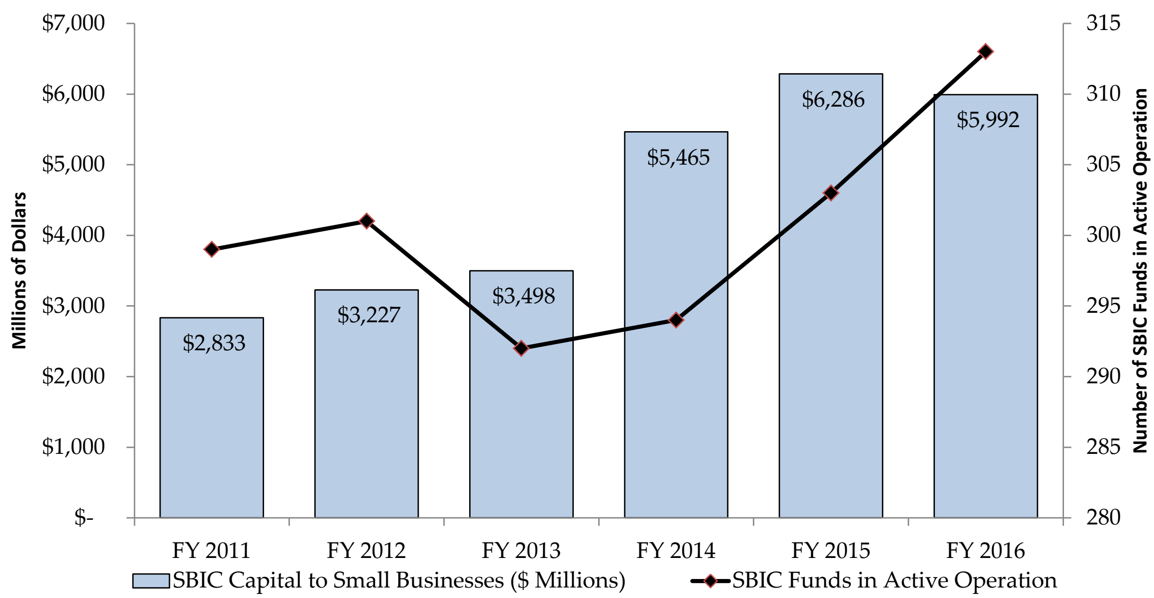
Table 1.5b shows progress toward the performance goal of SBA debenture leverage committed to SBICs.

Table 1.5b: Small Business Investment Company (SBIC) Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Millions of Dollars of SBA Debenture Leverage Committed to SBICs	**Target**	$ 1,352	$ 1,900	$ 2,400	$ 2,500	$ 2,500	$ 2,500	$ 2,600	$ 2,600
	Actual	$ 1,827	$ 1,924	$ 2,156	$ 2,549	$ 2,533	$ 2,514		
	Variance	35%	1%	-10%	2%	2%	1%		
Additional Information: The measure tracks the dollar amount of commitments to SBIC funds.									

Chart 1.5 shows the total dollar value of SBIC debenture capital and the number of debenture funds in active operation.

Chart 1.5: SBIC Capital ($ Millions) to Small Businesses and SBIC Funds in Active Operation



Strategy 1: Grow the deployment of long-term capital via the Small Business Investment Company (SBIC) program

The **Small Business Investment Company** program provides long-term loans and equity capital to small businesses, especially those with potential for substantial job growth and economic impact. SBICs are privately owned and managed investment funds that are licensed and regulated by the SBA. They use private capital plus funds borrowed with an SBA guaranty to make investments in qualifying small businesses. More than 300 SBICs have more than $28 billion of capital under management. This capital is generally longer term "patient" capital that helps these businesses expand and create jobs in their communities.

Table 1.5c shows progress toward the performance indicator that tracks the time to license SBICs. For FY 2017 the time to license target is six months. In FY 2018, the SBA will be introducing performance metrics to track the number of small businesses financed and emerging small businesses financed.

Table 1.5c: Small Business Investment Company Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Time (Months) Taken to License an SBIC	**Target**	N/A	N/A	N/A	N/A	Baseline	6.0	6.0	6.0
	Actual	5.5	5.4	6.8	7.4	8.4	6.0		
	Variance	N/A	N/A	N/A	N/A	N/A	0%		
Additional Information: The measure monitors the average number of months for the internal SBIC licensing process.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses Financed	**Target**	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	1,225
	Actual	1339	1094	1068	1085	1210	1201		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: The SBA will be adding a metric in FY 2018 that tracks the number of small businesses financed through the SBIC program.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Emerging Small Businesses Financed	**Target**	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	700
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: The SBA will be adding a metric that tracks the number of emerging small businesses financed through the SBIC program. Emerging small businesses include small businesses located in low- to moderate-income areas, as well as businesses owned by women, veteran, and minority populations. Historical data will be added upon an assessment of the methodology in FY 2017.									

FY 2016 Accomplishments and Challenges

The Agency issued $2.51 billion to SBICs in new debenture leverage commitments and licensed 21 new SBICs. Using all SBICs in the program as the basis of measurement, the funds supported more than 1,100 small businesses. Approximately 27 percent of the small businesses financed were special opportunity gap businesses, including those located in low- to moderate-income areas, as well as minority-owned, woman-owned, and veteran-owned businesses.

The SBA significantly increased its outreach efforts to prospective SBIC fund managers in FY 2016. The SBA visited 15 cities throughout the U.S. to engage prospective SBIC funds. As a result, SBIC fund pre-screens and inquiries dramatically increased by more than 400 percent from 50 pre-screens and inquiries in FY 2015 to more than 200 pre-screens and inquiries in FY 2016. In addition, the SBA hosted more than 12 webinars for prospective limited partner investors and meaningfully increased the pipeline of underrepresented funds to more than 16 from fewer than 10 in FY 2015.

FY 2017 and FY 2018 Planned Performance

The Agency expects to issue $2.6 billion in FY 2017 and $2.6 billion in FY 2018 in new debenture leverage commitments to SBICs. The Agency expects to issue 20 new licenses in FY 2017 and 20 new licenses in FY 2018. In FY 2018, the Agency expects to have 116,000 jobs created or sustained as a result of financings, 1,250 small businesses financed, and 700 emerging small businesses financed. The SBA will continue to expand its outreach and focus on increasing the participation of women- and minority-led funds in the program.

Beginning in FY 2018, SBA will revise the previous metric and seek to begin measuring its performance against its mission through metrics intended to track the number of small businesses financed, number of emerging small businesses financed (which includes low- and moderate-income areas) as well as minority- , women- , and veteran-owned small businesses. In addition, the SBA seeks to reduce its cost to the taxpayer through improved technology and efficiencies and will seek administrative fee increases authorized by statute to cover SBA's costs to operate and properly oversee the SBIC program, which were last increased in 1996.

In FY 2018, the SBA also plans to use funds conduct a program evaluation of the SBIC program that will evaluate long-term outcomes and needs. The evaluation will build on previous studies developed in partnership with the Library of Congress.

Strategy 2: Improve the Small Business Innovation Research (SBIR) operations, outreach, and commercialization and Small Business Technology Transfer (STTR) programs

The **SBIR and STTR programs** help innovative small businesses meet the research and development needs of the federal government and then commercialize those innovations in the marketplace. The SBA coordinates the SBIR and STTR programs for the federal government, setting performance standards for the 11 participating agencies, tracking metrics, and helping small businesses interested in pursuing SBIR opportunities. The money for these programs goes directly to some of America's most promising small research and development companies to help them drive innovation, strengthen U.S. competitiveness, and create jobs.

Table 1.5d displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.5d: SBIR/STTR Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
N/A	$ 3,110	$ 2,430	$ 9,258	$ 9,650	$ 6,999	$ 5,225	$ 1,078

Table 1.5e shows the performance indicator that tracks the percent of dollars awarded to SBIR proposals.

Table 1.5e: Small Business Innovation Research (SBIR) Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Dollars	**Target**	N/A	N/A	N/A	N/A	2.9%	3.0%	3..0%	3.2%
	Actual	2.5%	2.6%	2.7%	2.8%	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: Federal agencies with extramural budgets for research or research and development in excess of $100 million must spend at least the targeted amount on small business innovation. There is a two-year data lag in reporting results.									

Table 1.5f shows the performance indicator that tracks the percent of dollars awarded to STTR proposals.

Table 1.5f: Small Business Technology Transfer (STTR) Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Dollars Awarded to STTR Proposals	**Target**	N/A	N/A	N/A	N/A	0.40%	0.45%	0.45%	0.45%
	Actual	0.30%	0.35%	0.35%	0.40%	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: Federal agencies with extramural budgets for research or research and development in excess of $1 billion must spend at least the targeted amount on small business innovation. There is a two-year data lag in reporting results.									

In FY 2012, the SBA and other federal agencies began implementing the SBIR/STTR Reauthorization Act of 2011. As a result, the SBA amended SBIR/STTR program policy directives that govern SBIR/STTR program compliance, reporting, and small business eligibility requirements. The Reauthorization Act and amended policy directives ensure the continuation of the SBIR/STTR programs through FY 2017 with several significant improvements and higher minimum percentages of extramural research and development budgets that agencies must use to calculate set-aside amounts for SBIR and STTR awards to small businesses. This additional capital will spur small business innovative research and technology ventures.

The Reauthorization Act also instructed the White House Office of Science and Technology Policy (OSTP) to create an Interagency Policy Committee (IPC) comprised of representatives from all SBIR/STTR agencies, OSTP, and the SBA as Co-Chair of the committee. The IPC reviews policies and makes recommendations to improve SBIR/STTR program effectiveness and efficiency. The SBA, OSTP, and other federal agencies have worked through the IPC to improve government data and reporting, overhaul the public-facing SBIR.gov website, and explore several different mechanisms by which cooperative efforts can better help small businesses access the SBIR/STTR program.

FY 2016 Accomplishments and Challenges

Improvements to the SBIR.gov website made it easier to use and provided more information, which included the addition of a 10-course tutorial about the SBIR and STTR programs. The SBA led the "SBIR Road Tour" with other SBIR/STTR participating agencies in which three separate components of the tour were held: South East Tour (Arkansas, Tennessee, Georgia, and South Carolina); West Tour (Wyoming, Nebraska, Kansas, and Oklahoma); and the Mid West Tour (North Dakota, South Dakota, Iowa, Missouri, and Indiana).

A series of successful SBIR/STTR-themed conferences (National SBIR Conference, National Innovation Summits, Road Tours, etc.) were held across the U.S., bringing together all segments and key stakeholders of the innovative small business community. The SBA presence at many of the events helped raise SBIR/STTR program visibility and empowered entrepreneurs with information to better leverage federal funding resources. Over the course of FY 2016 via SBIR Road Tours and National SBIR/STTR conferences, the SBA met with more than 3,500 new entrepreneurs/high-tech small businesses, encouraging them to consider engaging with the SBIR/STTR programs.

The SBA has also continued to work with agencies to improve program delivery and metric data compilation. Improved communications and outreach were established with state SBIR resources through the initiation of monthly conference calls with each state's SBIR representatives to share activity in the programs and to foster the sharing of best practices. The SBIR.gov system is a resource for federal and state partners that serves as a one-stop shop web system of digital engagement. The business intelligence web platform has more than one million unique visitors using various services, from locating viable funding opportunities to participating in SBA online web tutorial programs.

Using the SBA Growth Accelerator program, SBA coordinated with National Institutes of Health (NIH), National Science Foundation (NSF), and the U.S. Department of Education (ED) to enable portions of their administrative funding to fund and engage with a select group of growth accelerators (32 out of 85 funded accelerators total) that help SBIR/STTR-focused companies scale up and grow in their portfolios of interest.

FY 2017 and FY 2018 Planned Performance

The SBA will implement and monitor multiple cross-agency initiatives designed to improve program effectiveness, share best practices, and further improve the SBIR.gov business intelligence data and repository platform (which replaced the TechNet database system). The additional improvements will ensure that the website is the central location for small businesses to work with the federal government on research and development. The SBA will seek reauthorization for SBIR/STTR in FY 2017 as the programs continue development to further small business growth in the federal research and development arena. The SBA will review feedback on the new outreach tools and modify them to improve user experience. In addition, the SBA will use its field staff and resource partners to promote SBIR.

The SBA is not requesting funding for the FAST program in FY 2018.

Strategy 3: Strengthen the accelerator network targeted at high-growth startups and capital providers

Growth Accelerators are organizations that help entrepreneurs start and scale their businesses. Typically run by experienced entrepreneurs, accelerators help small businesses access seed capital, mentors, and networking opportunities. These organizations help accelerate a startup company's path towards success with targeted advice on revenue growth, job growth, and sourcing outside funding. Accelerators also help foster an inclusive entrepreneurial ecosystem by stimulating entrepreneurship outside traditional startup hubs like Palo Alto or Boston. They can effectively leverage the specialties and strengths of a particular city and region, such as healthcare in Nashville or engineering in Detroit.

Table 1.5g displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.5g: Growth Accelerators Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
N/A	N/A	N/A	$ 2,500	$ 3,987	$ 4,854	$ 1,521	N/A

Table 1.5h shows the performance indicator that tracks the number of applications SBA receives for the Growth Accelerators program.

Table 1.5h: Growth Accelerators Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Applications Received for SBA Accelerators Program	**Target**	N/A	N/A	N/A	N/A	N/A	382	N/A	N/A
	Actual	N/A	N/A	N/A	N/A	421	393	N/A	N/A
	Variance	N/A	N/A	N/A	N/A	N/A	3%	N/A	N/A
Additional Information: This measure tracks the number of applications submitted to SBA's Accelerators program. The measure reports the success of outreach efforts to promote the program. The SBA is not requesting funding for growth accelerators in FY 2018.									

FY 2016 Accomplishments and Challenges

Growth Accelerator awards were made to accelerators in 39 states, Washington, DC, and Puerto Rico. Most of these areas have little access to venture capital. Of the 85 awardees: 35 percent were in rural areas; 85 percent were new businesses; 85 percent were majority-owned by women and/or women led; and 71 percent represented emerging populations.

The awardees reported that since their collective inception, they have launched or currently house 2,169 small businesses. Almost 3,525 small businesses have graduated from the Growth Accelerators program.

The SBA completed a third installment of the competition with the NIH, NSF, and ED and awarded $4.25 million to 85 accelerators in order to continue building the support structure needed to help startups become commercially viable and create more jobs. This infusion of capital to qualified accelerators provides resources to startups and helps the communities around them become sustainable in a 21st century economy.

FY 2017 and FY 2018 Planned Performance

In FY 2018, the SBA is not requesting funds for the Growth Accelerator program.

Strategy 4: Provide thought, policy, and executional leadership on the crowdfunding capital raising model

The SBA has led policy development and supported leadership on the current proposed crowdfunding rules as published by the U.S. Securities and Exchange Commission (SEC). Crowdfunding serves as an alternative source of capital to support a wide range of ideas and ventures. Through its position on the SEC advisory board for small and emerging companies, the Agency provides support to the SEC on the development of rules and platforms to ensure that the needs of the small businesses are met.

FY 2016 Accomplishments and Challenges

The Agency continued to work with the SEC to formalize a rule on crowdfunding under the Securities Act of 1933 and the Securities Exchange Act of 1934 to implement the requirements of Title III of the Jumpstart Our Business Startups Act of 2012. Regulation of crowdfunding would prescribe rules governing the offer and sale of securities. The proposal provides a framework for the regulation of registered funding portals and brokers that issuers are required to use as intermediaries in the offer and sale of securities. The proposal would exempt securities from the registration requirements of the Securities Exchange Act.

FY 2017 and FY 2018 Planned Performance

The SBA will encourage and participate in outreach events to promote education on the newly created rules regarding crowdfunding. The SBA expects to be a resource in educating the availability and regulations of crowdfunding to small businesses.

Strategic Objective 1.6: Disaster Assistance

Ensure that SBA's disaster assistance resources for businesses, non-profit organizations, homeowners, and renters can be deployed quickly, effectively, and efficiently in order to preserve jobs and help return small businesses to operation

Performance Goal: Ensure the customer satisfaction rate for disaster loan approvals is 71 percent in FY 2018
Objective Lead: Associate Administrator, Office of Disaster Assistance
Programs/Activities: Disaster Loans, Disaster Assistance, Small Business Development Centers (SBDC), Women's Business Centers (WBC), SCORE, Field Office Outreach
Most Serious Management and Performance Challenge 7: Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments
Strategies:
1. Promote disaster preparedness in targeting of pre-disaster outreach by region and type of disaster
2. Strengthen disaster operations to enhance effectiveness and efficiency
3. Utilize SBA's nationwide infrastructure for short- and long-term recovery

Returning small businesses to normal operations and families to their homes after a disaster is critical to ensuring that local economies regain traction as quickly as possible and once again are able to create jobs. The SBA, in coordination with the Federal Emergency Management Agency (FEMA), other federal agencies, the American Red Cross, and an array of state and local entities, helps small businesses prepare for disasters and provides timely and accessible low-cost, low-interest loans to business owners, private non-profit organizations, homeowners, and renters who are disaster survivors. SBA disaster assistance loans, integrated with other federal disaster assistance, increase the positive impacts on communities. The disaster loans are a critical source of economic stimulation in disaster-ravaged communities and help generate employment and stabilize tax bases by protecting jobs. Small businesses in particular are helped by a stronger customer base and revitalized communities.

In addition to providing loans for physical damage, the SBA provides working capital in the form of economic injury disaster loans (EIDL) to small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private non-profit organizations. The Agency has an active disaster assistance loan portfolio of nearly $6 billion. The SBA sets a customer satisfaction rate for disaster loan approvals of 71 percent. The SBA is streamlining the disaster loan application process by moving toward an electronic submission model that is user-friendly and reduces errors, and promotes disaster preparedness. These efforts increase quality and value in the federal government's core administrative functions, continue to enhance productivity, and achieve cost savings.

Progress Update: SBA disaster loan activity increased in FY 2016 with 66,135 loan applications processed. An average year of disaster loan activity for the SBA is based on 40,000 home loan applications, 10,000 business loan applications, and 2,000 EIDL applications processed. The SBA, in working 289 active disaster declarations across the country, approved 25,235 disaster loans (22,845 homes, 2,390 businesses, including EIDLs) for a total of $1.4 billion in assistance to disaster survivors. This figure exceeds the Agency's 10-year average of 18,499 disaster loan approvals and 10-year average of $968.6 million in assistance. FY 2016 was the fifth largest year in the program's history, due in large part to the devastation caused by Hurricane Matthew and the historic flooding throughout the South. Although 47 percent of all FY 2016 dollars were approved in September, loan processing times remained consistent with previous months and well below the target of 21 days, ensuring disaster survivors received assistance quickly, effectively, and efficiently.

Most Serious Management and Performance Challenges: The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The Challenges are not presented in order of priority. Within each Management Challenge is a series of recommended actions to resolve the Challenge. https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

Figure 1.6: Most Serious Management and Performance Challenge 7

Challenge 7: Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments	
Recommended Actions	Completion Date
1. Implement pilot programs of the new guaranteed disaster programs mandated by Congress in 2008. **2016 Achievement:** SBA's Office of Capital Access (OCA) has sought public comment on the proposed program rules and informed Congress of the outcome.	**September 30, 2017**
2. Promulgate regulations for the Express Recovery Opportunity loan program provided by the RISE After Disaster Act. **2016 Achievement:** The SBA Office of Capital Access is assessing this new action and will report activities in FY 2018.	**September 30, 2018**
3. Demonstrate that the Agency has adequately trained loan processing resources that can be quickly mobilized in the event of a disaster. **2016 Achievement:** The SBA has assembled a vast catalog of up-to-date loan processing training materials that are easily accessible to all loan processing employees. Additionally, the SBA is testing an on-demand training platform that should allow any training to be converted to online training courses. This should allow the tracking reservist training and a strategy to provide more training to disaster personnel before disasters occur are currently in development.	**March 31, 2017**
4. Establish policies that limit borrower debt burdens to affordable levels and train loan processing personnel in the application of those policies. **2016 Achievement:** The SBA continues to assess limits to borrower's debt-to-income ratio and will report activities in FY 2018.	**September 30, 2018**
5. Reduce the improper payment rate to 7.29 percent or lower in FY 2016, in accordance with the reduction targets established in the FY 2015 Agency Financial Report. **2016 Achievement:** The improper payment rate was reduced to 5.32 percent in FY 2016.	**September 30, 2017**

Table 1.6a displays the cost to administer the program. It includes direct costs from the operating budget, including contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 1.6a: Disaster Assistance Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 248,669	$ 253,428	$ 253,629	$ 337,144	$ 246,358	$ 218,406	$ 184,977	$ 185,458

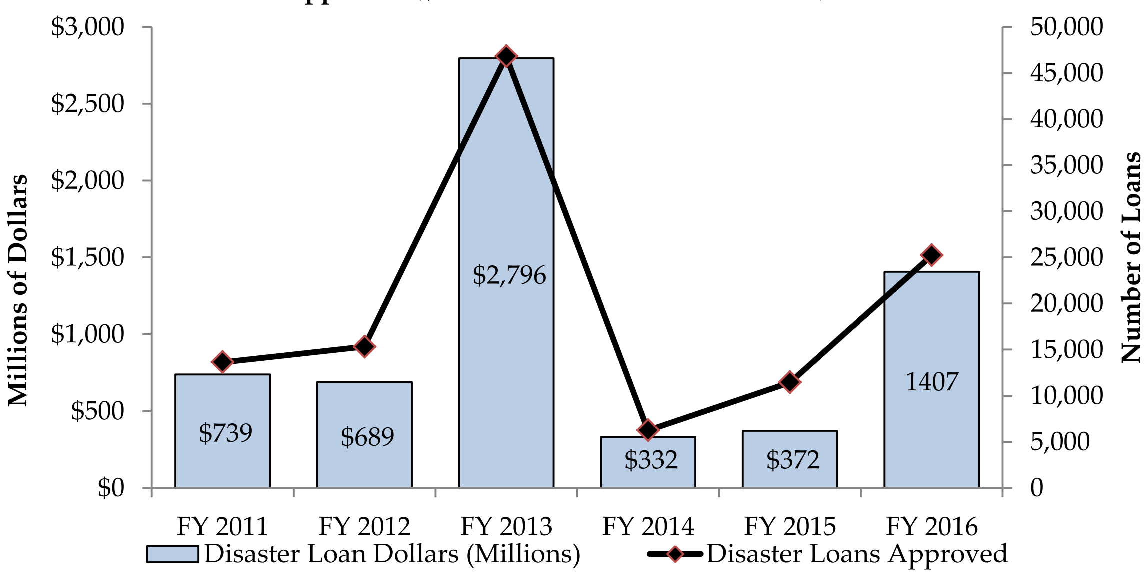
Table 1.6b shows progress on the performance goal that tracks the customer satisfaction rate.

Table 1.6b: Disaster Assistance Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Customer Satisfaction Rate for Approvals	Target	71%	71%	71%	71%	71%	71%	71%	71%
	Actual	80%	80%	81%	80%	80%	84%		
	Variance	13%	13%	14%	13%	13%	18%		
Additional Information: The SBA conducts an annual customer satisfaction study on its Disaster Assistance program using the methodology of the American Customer Satisfaction Index (ACSI). The SBA can use the survey data to identify and target areas for improvement that will have the greatest impact on customer satisfaction scores. The high variance may be the result of a number of factors, including the new process for issuing applications to disaster survivors (i.e., using call centers to promote the use of electronic loan applications), greater usage of the electronic loan application and other technology tools, and the program's high employee engagement rate. While not a definitive explanation without further evaluation, these may have had a direct impact on disaster survivors by increasing the number of positive interactions with the SBA.									

Chart 1.6b shows the total dollar (millions) and number of disaster assistance loans approved. The spike in the dollar amount and number of loans in FY 2016 resulted from the devastation caused by Hurricane Matthew and flooding in Louisiana, South Carolina, Texas, and West Virginia. The spike in the dollar amount and number of loans in FY 2013 resulted from the devastation caused by Hurricane Sandy.

Chart 1.6: Disaster Loans Approved ($ Millions and Number of Loans)



Strategy 1: Promote disaster preparedness in targeting of pre-disaster outreach by region and type of disaster

Small business owners invest a tremendous amount of time and money to make their ventures successful, but many owners do not properly plan and prepare for disasters. Having a plan in case disaster strikes can help mitigate the negative effects on a small business or individual and, by extension, the possible negative impacts on employees, customers, vendors, and the local economy. Many small businesses never reopen their doors following a disaster, but planning and preparedness can provide the competitive advantage they need to staying in business. The SBA partners with the American Red Cross and a nationwide network of counseling partners, such as Small Business Development Centers (SBDCs), to prepare businesses for disasters and assist them after one occurs.

Table 1.6c shows progress toward the disaster field presence performance indicator.

Table 1.6c: Disaster Assistance Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Disasters Having Field Presence Within Three Days	**Target**	95%	95%	95%	95%	95%	95%	95%	95%
	Actual	100%	100%	100%	100%	100%	100%		
	Variance	5%	5%	5%	5%	5%	5%		
Additional Information: Field presence is defined as getting disaster personnel to disaster sites within three days of disaster declaration.									

FY 2016 Accomplishments and Challenges

The SBA recognizes that preparedness is a shared responsibility and continued to encourage emergency readiness both at home and at work. The Agency participated in *America's PrepareAthon!*, a nationwide, community-based campaign for action to increase emergency preparedness and resilience. The SBA continued to partner with Agility Recovery and held free monthly business disaster preparedness webinars on PrepareMyBusiness.org.

Ensuring consistent messaging for disasters across the country can be a challenge. Because different regions of the country experience different types of disasters, relaying key messages on preparation is important. The SBA works to ensure that every part of the country is prepared for different types of disasters in order to get small businesses and communities back to normal operations.

Working with interagency partners, including FEMA and the Department of Commerce, the SBA took part in an effort to improve national readiness in core preparedness capabilities identified for improvement in the *National Preparedness Report*, including the economic recovery core capability. The SBA is currently reviewing its training materials and messaging to emphasize simple, inexpensive ways to promote small business resilience. For example, the SBA has drafted a two-page guide to some of the most effective business continuity tools that small business owners can employ without great expense or devoting excessive time.

Based on its *Disaster Preparedness and Recovery Plan*, SBA District Directors, in conjunction with Disaster Assistance loan experts, as well as SBA Resource Partners, engaged with interagency teams led by the Department of Commerce's Economic Development Administration in 2016 to assist communities recover in the wake of disasters. Such efforts strive to return economic and business activities to a healthy state and develop new business and employment opportunities that result in a sustainable and economically viable community. Communities assisted in 2016 include Flint, Michigan, in the aftermath of its water crisis; parishes across Louisiana following spring and summer floods; and small businesses in North Carolina impacted by Hurricane Matthew.

FY 2017 and FY 2018 Planned Performance
The SBA will continue to focus on mitigating future disaster damage by promoting disaster preparedness. By providing resources on SBA.gov, the Agency helps small businesses plan for emergencies and works with its resource partners to educate individuals and small businesses in disaster prone areas about best practices to respond to and recover from a disaster.

The Agency will continue to improve collaboration with a disaster preparedness and operations team, supporting its district offices and resource partners to ensure clear and consistent guidance on how to access both local and federal aid following a major disaster.

The SBA recognizes the potential for resource partners to assume a larger role supporting disaster assistance and will continue the Technical Assistance Loan Application Initiative implemented by the SBDCs, women's business centers, and SCORE. This initiative provides assistance to businesses seeking reconsideration or reacceptance requests for declined or withdrawn disaster loan applications. SBA resource partners support — at no cost to small businesses — consultation in developing or adapting a business plan, financial planning, and marketing, as well as general business management and technical assistance.

The SBA will continue to encourage disaster preparedness by supporting local stakeholder outreach efforts through workshops and other events. The Agency continues to market its Disaster Assistance loan program by continuing to target audiences with an emphasis on the SBA Disaster Loan Assistance Portal, SBA.gov, and other direct links. The SBA will continue to support district offices to enhance messaging to disaster survivors.

Strategy 2: Strengthen disaster operations to enhance effectiveness and efficiency

The SBA is continually reviewing and implementing process improvements to enhance program delivery. The development of DisasterAssistance.gov has made disaster assistance responsive, consistent, and easy for disaster survivors to find government resources. The SBA also continues to enhance its Disaster Loan Assistance Portal that provides disaster survivors with online access to check the status of their disaster loan applications. The portal also provides access to filing requirements, SBA forms, document upload, and some electronic signature capability. Additionally, the SBA has established approximate processing time standards based on tiered levels of possible application volumes: Level I (fewer than 50,000 applications) has a two- to three-week processing goal; Level II (50,001 to 250,000 applications) has a three- to four-week processing goal; Level III (more than 250,000 applications) has a four-plus-week processing goal; and Level IV (more than 500,000 applications) has a more than a four-plus-week processing goal.

Table 1.6d shows progress toward the disaster assistance efficiency performance indicators, including the initial disbursement rates and time to process business, home, and economic injury disaster loans.

Table 1.6d: Disaster Assistance Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Loans With Initial Disbursements Within Five Days of Loan Closing	**Target**	95%	95%	95%	95%	95%	95%	95%	95%
	Actual	100%	100%	100%	100%	98%	96%		
	Variance	5%	5%	5%	5%	3%	1%		
Additional Information: Disbursement refers to the last step of a three-step disaster loan process in which a loan is closed and funds are disbursed to the customer for an approved loan amount.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of Disaster Loans Processed Within Standard	**Target**	85%	85%	85%	85%	85%	85%	85%	85%
	Actual	100%	95%	55%	100%	100%	99%		
	Variance	18%	12%	-35%	18%	18%	16%		
Additional Information: The SBA introduced this composite performance indicator in FY 2015 to replace separate indicators related to business, home, and economic injury loan processing. Historical data have been provided for context. A streamlined approval process and digital service improvements have allowed the Disaster Assistance program to process higher-volume loans in a more efficient and timely manner, resulting in a high variance.									

FY 2016 Accomplishments and Challenges

In FY 2016, the SBA electronic loan application (ELA) for disaster assistance loans captured more than 93 percent of all applications, up from 84 percent in FY 2015. This trend continued to simplify the loan application process and speed delivery of assistance to disaster survivors across all eligible home or business loan applications. Response time to disaster survivors is reduced by not needing to mail the application. Furthermore, the integrity of the data used in the underwriting process is improved because application data from the ELA uploads directly into the Disaster Credit Management System, unlike paper applications that require data entry by SBA employees.

In an effort to continually improve efficiency and effectiveness for future disasters, the SBA identified and addressed several significant process improvements, including an improved disaster loan application interface. Phases I and II of SBA's disaster web portal, Disaster Loan Assistance Portal (DLAP), not only allows applicants to apply for disaster loans online, it also permits applicants to access online general questions and information, check the status of their application, and receive status notifications. Future DLAP conveniences will allow applicants to view correspondence from the SBA, as well as to upload and download documents electronically into the application system.

The Agency amended regulations to increase the unsecured loan limits from $14,000 to $25,000 on all disaster loans for individual assistance. The SBA revised regulations to allow for an expedited approval process for both home and business loans. These process improvements will enhance the delivery of services to disaster survivors. In addition, the SBA modified regulations to allow disaster survivors to build safe rooms or similar structures.

Additionally, the SBA actively promotes disaster preparedness planning to targeted communities and audiences and leverages SBA's nationwide partner infrastructure, which provides short-term and long-term assistance to their communities.

FY 2017 and FY 2018 Planned Performance

Building on the lessons learned from past disasters is routine practice and part of SBA's mission-driven culture. The Agency continues to re-evaluate and re-engineer business processes to meet the ever-changing needs of the disaster survivors it serves. The continued implementation of process improvements is expected to result in a more efficient operation that responds to disaster declarations and enhances customer service.

In FY 2017, the SBA will modify disaster home and business loan processing procedures to establish a standard 15- and 30-year fixed term for loans. Implementing a standard 15/30-year term will streamline loan processing by eliminating the potential for requests to extend the loan term or reduce loan payments, allow more cash flow flexibility for future needs, help disaster victims replace disaster-damaged property, and is consistent with SBA's disaster assistance mission to provide affordable, timely, and accessible financial assistance to businesses of all sizes, private non-profit organizations, homeowners, and renters. Additionally, the shift could enhance customer service because the use of fixed loan terms is consistent with both standard industry lending practices and is comparable to SBA's 7(a) lending terms, which will be easier for borrowers to understand when considering approved loan terms.

The SBA also expects to develop and implement additional features of the DLAP. This will occur in subsequent phased releases of various upgrades. In Phase III, applicants will be able to electronically sign and submit IRS Form 4506-T. In Phase IV, applicants and borrowers will be able to check their loan status, request changes to their loans (e.g., loan increases), and upload and download documents. In Phase V, applicants will be able to sign other loan documents electronically and live chat with customer service representatives. Phase VI will expand the platform to provide support for mobile devices. Due to lack of interest by the private sector lenders, the SBA is requesting to rescind the guaranteed disaster loan programs (IDAP and EDAP).

Strategy 3: Utilize SBA's nationwide infrastructure for short- and long-term recovery

The SBA is committed to providing a united Agency approach in the aftermath of disasters to provide short- and long-term assistance. In doing so, the Agency engages district offices and resource partners early so they can continue to provide assistance to their communities after the disaster declaration deadlines to apply for physical damages and economic injury have passed. SBA district offices leverage public and private sector resources, including resource partners throughout the disaster-affected areas, to provide support.

FY 2016 Accomplishments and Challenges

The SBA continued to leverage its three-step communications process that provides a consistent message to the public and strengthens awareness of the disaster loan application process. Disaster survivors now have a clearer understanding of the disaster loan process in the context of three easy-to-follow steps: 1) applying for a loan; 2) verifying disaster property losses and processing loan decisions; and 3) closing and disbursing loan funds.

In FY 2016, the SBA updated the ELA to provide disaster survivors with more online information via their ELA login. ELA is now contained behind the new SBA's disaster web portal, DLAP, providing a new, modern look. More importantly, DLAP allows a progressive experience for the applicant to apply for disaster loans online and also permits applicants to access online general questions and information, check the status of their applications, and receive status notifications. Future DLAP conveniences will allow applicants to view correspondence from SBA, as well as to upload and download documents electronically into the application system.

FY 2017 and FY 2018 Planned Performance

The SBA will continue its long-term outreach efforts working with its resource partners in the disaster damaged areas. The SBA plans to continue expanding outreach for the Technical Assistance Loan Application Initiative to assist in the economic recovery of communities after a disaster. The SBA also plans to update training materials and information available to SBA district offices and resource partners so that they are well-informed about the disaster loan program and they are better prepared to respond to disasters. Finally, due to the speed with which electronic loan applications are filed, the SBA also expects to revamp its training modules to allow disaster reservists to complete onboarding and training before disasters occur and scale up operations immediately following a declaration.

Strategic Goal Two – Serving as the Voice for Small Business

Strategic Objective 2.1: Inclusive Entrepreneurship

Ensure inclusive entrepreneurship by expanding access and opportunity to small businesses and entrepreneurs in communities where market gaps remain

Performance Goal: Assist 36,650 emerging small businesses through capital assistance programs and 19,800 emerging small businesses through contracting programs in FY 2018
Objective Leads: Associate Administrator, Office of Capital Access; Associate Administrator, Office of Government Contracting and Business Development; Associate Administrator, Office of Entrepreneurial Development; Associate Administrator, Office of Veterans Business Development; Assistant Administrator, Office of Native American Affairs
Programs/Activities: 8(a) Business Development, 7(j) Technical Assistance, HUBZone, Women-Owned Small Business Federal Contracting, Service-Disabled Veteran-Owned Small Business Procurement, Native American Outreach, Boots to Business, Veterans Business Outreach Centers, Small Business Procurement Set-Aside, 7(a) Loans, 504 Loans, Microloans, Community Advantage Loans, Small Business Investment Companies (SBIC), Small Business Innovation Research (SBIR), Small Business Technology Transfer (STTR), Small Business Development Centers (SBDC), Women's Business Centers (WBC), SCORE
Most Serious Management and Performance Challenge 5: The SBA Needs to Ensure That the Section 8(a) Business Development Program Identifies and Addresses the Needs of Program Participants, Only Eligible Firms are Admitted in the Program, and Standards for Determining Economic Disadvantage are Justifiable
Strategies:
1. Expand access to capital, counseling, and contracting for small businesses and entrepreneurs in emerging communities
2. Help veterans become small business owners
3. Create entrepreneurial empowerment in Native American communities

Emerging communities have difficulty accessing capital, training and counseling services, and federal contracts. SBA's unique approach to inclusive entrepreneurship provides products, services, and programs that offer a path to business ownership for these populations that also suffer from disproportionately high levels of unemployment. Particular attention will be paid to the thousands of returning veterans who can benefit from training and opportunities to engage in entrepreneurship as they transition from membership of the armed services.

Progress Update: In FY 2016, the SBA assisted more than 50,000 small businesses in emerging markets through loan and contracting programs. In FY 2016, veterans received more than 3,500 loans totaling nearly $1.36 billion. The SBA has made a commitment to support all veterans and provide them with the resources they need to be successful entrepreneurs, particularly as the unemployment rate for veterans is higher than the national average. This year, the SBA developed Boots to Business: Reboot (B2B|R), an initiative to extend the entrepreneurship track of the Transition Assistance program to veterans who have already transitioned to civilian life.

Most Serious Management and Performance Challenges: The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The Challenges are not presented in order of priority. Within each Management Challenge is a series of recommended actions to resolve the Challenge. https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

Figure 2.1: Most Serious Management and Performance Challenge 5

Challenge 5: The SBA Needs to Ensure That the Section 8(a) Business Development Program Identifies and Addresses the Needs of Program Participants, Only Eligible Firms are Admitted in the Program, and Standards for Determining Economic Disadvantage are Justifiable	
Recommended Actions	Completion Date
1. Develop and implement a plan, including SOP provisions, which ensures that the 8(a) Business Development program identifies and addresses program participants' business development needs on an individualized basis. **2016 Achievement:** During the past year, SBA leadership developed an aggressive growth plan to increase the number of participants in the 8(a) program by 5 percent over the previous year through a pilot streamlined application process. The SBA is trying to make the application process less burdensome for firms applying to the 8(a) program.	**September 30, 2017**
2. Update and issue the 8(a) Business Development SOP to reflect the March 2011 regulatory changes. **2016 Achievement:** In September 2016, the SBA finalized its 8(a) program SOP to reflect the March 2011 regulatory changes and will continue to make regulatory updates as required.	**September 30, 2017**
3. Establish objective and reasonable criteria that effectively measure "economic disadvantage," and implement the new criteria. **2016 Achievement:** In 2014, the SBA hired an economist to study an alternative to using personal net worth, income, and total assets as the criteria for entering and remaining in the 8(a) program. However, the SBA concluded that the study results were inconclusive and decided not to make any changes to the current criteria.	**September 30, 2017**

Table 2.1a shows progress toward the performance goals of providing support to small businesses in emerging markets via 7(a) loans, 504 loans, microloans, 8(a), 7(j), and HUBZone assistance.

Table 2.1a: Emerging Markets Performance Goals

		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses in Emerging Markets Assisted by 7(a), 504, and Microloans	**Target**	34,200	31,800	31,000	31,550	32,250	32,250	34,050	36,650
	Actual	36,933	33,449	33,428	35,014	35,845	38,307		
	Variance	8%	5%	8%	11%	11%	19%		
Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). Streamlined processing for loans under $350,000 and fee relief were particularly effective in supporting emerging small businesses assisted.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses in Emerging Markets Assisted by 8(a), 7(j), and HUBZone	**Target**	17,007	21,925	18,325	18,025	18,025	18,050	16,000	19,800
	Actual	17,165	18,532	17,071	17,163	20,324	19,686		
	Variance	1%	-15%	-7%	-5%	13%	9%		
Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). The SBA continues to see fewer designated 8(a) firms and HUBZone firms although both programs launched program improvements to reverse this pattern.									

Strategy 1: Expand access to capital, counseling, and contracting for small businesses and entrepreneurs in emerging communities

Small businesses in emerging markets have more difficulty than other businesses accessing and qualifying for credit. Since SBA programs help lenders expand the credit spectrum, they are especially critical in reaching emerging markets. In general, SBA programs over-index emerging markets when compared to similarly-sized conventional loans. Typically, more than 20 percent of 7(a) loans go to minority-owned businesses. Similar to the 7(a) loan program, a higher share of 504 loans go to emerging markets compared with conventional owner-occupied commercial mortgages.

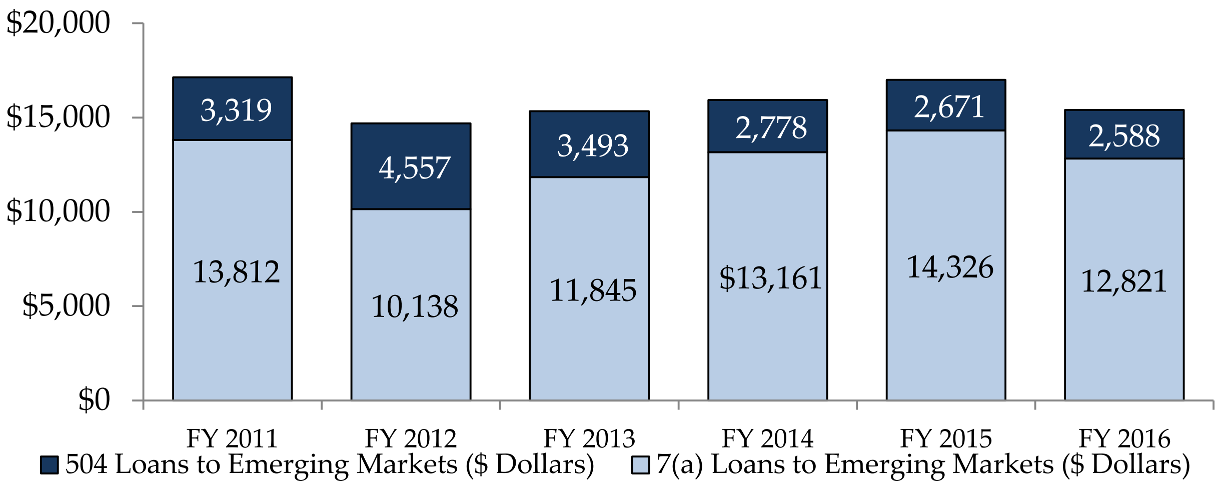
Table 2.1b shows results and targets of SBA assistance to emerging markets through 7(a) and 504 loans.

Table 2.1b: Emerging Markets Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses in Emerging Markets Assisted by 7(a) Loans	**Target**	24,800	24,400	23,600	24,100	24,600	24,600	25,850	30,000
	Actual	28,386	23,846	24,225	27,778	29,369	30,574		
	Variance	14%	-2%	3%	15%	19%	24%		
Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). 7(a) loan activity increased across all loan sizes, but the streamlined processing for loans under $350,000 and fee relief were particularly effective in supporting the number of emerging small businesses assisted by 7(a) loans.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses in Emerging Markets Assisted by 504 Loans	**Target**	4,800	4,000	3,800	3,800	4,000	4,000	4,200	3,300
	Actual	4,548	5,379	4,361	3,319	2,782	3,227		
	Variance	-5%	34%	15%	-13%	-30%	-19%		
Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). The SBA has revised its methodology for calculating emerging markets, which excludes HUBZone, but now includes rural markets.									

Chart 2.1 shows the volume of loan dollars in 7(a) and 504 loans that have gone to emerging markets. The volume of loans has increased by 48 percent since FY 2010. See "Additional Information inTable 2.1b for definition of emerging markets.

Chart 2.1: SBA 7(a) and 504 Loan Dollars ($ Millions) to Emerging Markets



FY 2016 Accomplishments and Challenges

Small-dollar loans greatly benefit emerging markets, women-owned businesses, and startups. Through fee waivers and program improvements, the number of 7(a) loans under $150,000 increased compared to FY 2015. While the waivers and program improvements greatly expanded small businesses' ability to access needed capital, particularly in emerging markets, the (7(a) and 504) loan programs included additional fee relief program requirements contingent on operating at zero subsidy. The challenge will be keeping fee relief incentives in place while maintaining zero subsidy. In FY 2016, the SBA extended the Community Advantage program to March 2020 and will take steps to achieve the program's permanent status.

FY 2017 and FY 2018 Planned Performance

The SBA is committed to serving the smallest of small businesses through its Microloan program. While SBA greatly appreciates the support Congress provided the program in the recently enacted FY 2017 Omnibus appropriations bill, the Agency is confident that the 2018 Request will continue to meet the demands and unmet needs of American entrepreneurs.

In FY 2018, the SBA will continue to waive 100 percent of borrower up-front guaranty fees on 7(a) loans up to $125,000, waive 50 percent of borrower up-front guaranty fees on all non-SBAExpress loans to veterans of $125,001 up to and including $350,000, and waive 100 percent of borrower up-front guaranty fees on SBAExpress loans to veterans (up to $350,000) while maintaining a zero subsidy.

Leveraging the streamlined process to obtain 7(a) guaranties on smaller-dollar loans, the Agency expects to continue to increase the number and percentage of these loans in FY 2018. The SBA will continue to provide outreach to possible program participants to grow its network of Community Advantage lenders in FY 2018. Since its 2011 inception, the program has experienced 25 percent year-over-year growth and plans to continue this growth through FY 2020. The Agency anticipates that Community Advantage loans will average about $128,000 per loan, with more than 60 percent of these loans going to emerging markets.

To bring greater unity, focus, and effectiveness to support inclusive entrepreneurship, the SBA created the Office of Economic Opportunity. With the express mission to expand access to capital for small business and entrepreneurs in emerging communities, the new office is helping to drive economic growth and job creation. Key SBA programs under its purview include the Microloan program, the Community Advantage loan pilot program, and the Intermediary Lending pilot program.

SBA's **Microloan** program provides loans to non-profit intermediary lenders who in turn lend the funds in amounts of $50,000 or less to the smallest of small businesses and startups. Microloan program intermediary lenders also receive grants to help offset their cost of providing business-based training, technical assistance, and coaching to microborrowers and potential microborrowers. The combination of capital and training helps shore up the capacity of the microborrowers to turn a profit, improve operations, grow the business, and create/retain jobs.

The **Community Advantage** loan pilot program is delivered as a 7(a) guaranteed loan through a network of approved non-profit lenders who specialize in providing capital in emerging markets. Most lenders participating in the Community Advantage program are also either Microloan program intermediaries, CDFIs, or CDCs. Through the Community Advantage program, the SBA works to create a continuum of capital where an emerging market entrepreneur may be introduced to a starter loan, such as a microloan up to $50,000 with mandatory, comprehensive technical assistance. Upon the successful deployment and repayment of the microloan the emerging entrepreneur is able to grow the business and, if necessary, obtain additional working capital from a Community Advantage loan for up to $250,000. In addition, the entrepreneur is encouraged to access new business opportunities by harnessing SBA's contracting, bonding, and specialized technical assistance and training programs.

Table 2.1c displays the cost to administer the Microloan program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 2.1c: Microloan Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 38,729	$ 29,971	$ 23,865	$ 35,098	$ 35,599	$ 38,024	$ 48,671	$ 41,639

Table 2.1d shows progress toward the microloan performance indicators.

Table 2.1d: Microloan Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by Microloans	**Target**	4,600	3,400	3,600	3,650	3,650	3,650	4,000	3,650
	Actual	3,999	4,224	4,842	3,917	3,694	4,506		
	Variance	-13%	24%	35%	7%	1%	23%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers, the minimum number of loans for intermediaries,									

and technical assistance amendments.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Jobs Supported by Microloans	**Target**	14,500	14,000	12,500	12,750	12,750	15,000	15900	15,000
	Actual	13,271	13,280	15,636	15,880	16,600	17,573		
	Variance	-8%	-5%	25%	25%	30%	17%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers and the minimum number of loans for intermediaries.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Thousands of Dollars in Loans Approved by SBA to Microlenders	**Target**	Baseline	25,000	25,000	25,000	25,000	35,000	40,000	35,000
	Actual	35,479	24,606	43,286	26,465	34,987	35,000		
	Variance	N/A	-2%	73%	6%	40%	0%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers and the minimum number of loans for intermediaries.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Thousands of Dollars in Loans Approved by Lenders to Microborrowers	**Target**	65,000	45,340	44,000	45,000	45,000	55,000	62,800	55,000
	Actual	47,453	46,107	54,850	55,478	52,080	61,223		
	Variance	-27%	2%	25%	23%	16%	11%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers and the minimum number of loans for intermediaries.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses Counseled by Micolenders	**Target**	6,500	13,600	14,400	14,600	14,600	14,600	15,000	16,000
	Actual	15,900	15,892	19,368	15,668	17,200	17,948		
	Variance	145%	17%	35%	7%	18%	23%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers, the minimum number of loans for intermediaries, and technical assistance amendments.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Grant-eligible Microlenders	**Target**	N/A	Baseline	135	135	135	135	140	145
	Actual	131	134	135	137	137	140		
	Variance	N/A	N/A	0%	1%	1%	4%		
Additional Information: The SBA established this performance indicator in FY 2013 and has provided historical data for context.									

FY 2016 Accomplishments and Challenges

The Microloan program supported 4,506 loans to small businesses totaling more than $61 million. These small businesses created or retained nearly 18,000 jobs.

The SBA awarded grants to intermediaries to provide business-based training and technical assistance to microborrowers and potential microborrowers under the program. Unlike SBA's entrepreneurial development programs, the Microloan program grant funding is closely integrated with each intermediary's lending program. Assistance provided as a result of these grants assists with business survival and mitigates risk to the taxpayer.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to seek ways to improve the Microloan program and ease access to credit for America's smallest and emerging businesses. The Agency will continue upgrading the electronic reporting system in FY 2017 and FY 2018, which will improve its ability to present data and perform analytics to support decision-making. The SBA is committed to serving the smallest of small business through its Microloan program. The agency is confident that the FY 2018 request will continue to meet the demands and unmet needs of American entrepreneurs.

In FY 2017, the SBA received a loan subsidy of $4.3 million to support a Microloan program level of $44 million. For the associated microloan technical assistance grants, the SBA received $31 million to provide business-based training and technical assistance to current and new microborrowers.

In FY 2018, the SBA requests a $3.4 million loan subsidy to support a Microloan program level of $36 million and $25 million to support technical assistance grants.

The SBA continues to request legislative changes to eliminate the 1/55th rule. Currently, during the first six months of a fiscal year, the SBA is restricted from putting more than 1/55th of available microloan funding into any given state. This restriction effectively delays deployment of microloan funds, thereby limiting the availability of capital for small businesses regardless of the size of the state or the needs of the small business community. SBA's new administration has examined the 25/75 technical assistance rule and has determined that it should change to 50/50 rule. The governing statute currently requires that microloan intermediaries spend at least 75 percent of their technical assistance budget on training to microloan borrowers (post-loan technical assistance). The statute limits expenditures to prospective borrowers (pre-loan technical assistance) to no more than 25 percent of the grant.

Microloan intermediaries need the unconstrained ability to provide both pre- and post-loan technical assistance in equal measure. A majority of technical assistance provided to microborrowers is in the loan application phase, which is considered a pre-loan activity. As a result, lenders are underfunded in pre-loan technical assistance services, causing many lenders to underutilize SBA's Microloan program or use it only as a last resort for capital. Conversely, lenders are overfunded in post-loan technical assistance since it is difficult to stay engaged with a borrower who is successfully paying back his/her loan and does not have a need or desire for on-going technical assistance.

Nevertheless the new administration believes that the rule should be 50/50 at this time to ensure that borrowers receive assistance in equal measure before and after they have accepted the responsibility of small business debt. The SBA is also requesting legislative change to the 25 percent cap on the use of third-party contractors to provide technical assistance. This change will help increase the quality of training that can be made available by the intermediaries.

In addition to enhancing access to capital, the SBA also assists emerging markets by providing services and programs related to federal contracting. Federal contracting can offer a path to business growth for these populations that may suffer from disproportionately high levels of unemployment. The SBA monitors the federal government goal of awarding 5 percent of its contracting dollars to small disadvantaged businesses and women-owned small businesses, and 3 percent to small businesses located in economically distressed geographic areas called **Historically Underutilized Business Zones** (HUBZones). See Strategic Objective 1.2: (Contracting) for more information on the Priority Goal and performance indicators associated with these contracting programs. Winning a federal contract can have an immense effect on job creation, economic development, and capital investment in these markets. Many business owners benefit from management and technical assistance in navigating the contract marketplace. SBA's **8(a) Business Development** program provides various forms of technical assistance to foster growth and development of businesses owned and controlled by socially and economically disadvantaged individuals. The SBA provides support to these individuals under the **7(j) Technical Assistance** program that allows the Agency to enter into grants, cooperative agreements, and/or contracts with public or private organizations that can deliver management and/or technical assistance services to small disadvantaged businesses.

Table 2.1e displays the cost to administer the programs. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 2.1e: 8(a), 7(j), and HUBZone Budget – Total Administrative Resources (Thousands)

Program	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
8(a)	$ 58,274	$ 60,855	$ 51,649	$ 53,824	$ 55,600	$ 47,281	$ 48,882	$ 50,640
7(j)	$ 6,502	$ 5,356	$ 5,793	$ 5,614	$ 4,444	$ 2,422	$ 4,451	$ 4,611
HUBZone	$ 15,569	$ 9,102	$ 9,930	$ 10,262	$ 15,225	$ 8,409	$ 8,436	$ 8,015

Table 2.1f shows progress toward the performance indicators tracking the number of small businesses assisted by 8(a), 7(j), and HUBZone.

Table 2.1f: 8(a), 7(j), and HUBZone Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by 8(a)	Target	9,457	8,500	8,300	8,000	8,000	8,000	5,500	8,000
	Actual	7,814	7,388	6,661	6,660	6,948	8,010		
	Variance	-17%	-13%	-20%	-17%	-13%	0%		
Additional Information: The 8(a) Business Development program met its priority goal to approve over 600 new firms into the program in FY 2016.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by 7(j)	Target	3,550	3,550	3,550	3,550	3,550	3,550	4,000	4,000
	Actual	3,550	3,272	3,913	4,104	5,360	5,245		
	Variance	0%	-8%	10%	16%	51%	48%		
Additional Information: Due to the increase marketing efforts with internal and external stakeholders, the number of businesses assisted by the 7(j) program increased. The marketing efforts included developing a one page 7(j) Info Fact Sheet on the 7(j) program and engagement with federal agency small business and procurement officials.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by HUBZone	**Target**	4,000	9,875	6,475	6,475	6,475	6,500	6,500	7,800
	Actual	5,801	7,872	6,497	6,399	8,016	6,431		
	Variance	45%	-20%	0%	-1%	24%	-1%		
Additional Information: This number includes the number of firms that received contract awards under HUBZone certification and does not reflect the total number of firms currently active in the program.									

FY 2016 Accomplishments and Challenges

Both the 7(j) and 8(a) programs met their targets by assisting more than 3,550 and 8,000 small businesses, respectively. Historically, there was a decline in the number of 8(a) participants that may be attributed to administrative burdens of the application and certification processes. The 8(a) program identified and implemented program improvements for better execution. The SBA assisted 6,431 small businesses through the HUBZone program. The SBA met monthly with other agency offices of small and disadvantaged business utilization to provide training and updates and share best practices. The Agency drafted and implemented regulations to expand the Mentor-Protégé program, used by the 8(a) program, to all small businesses, including the other small business set-aside programs.

Through a collaborative effort that included internal and external stakeholders from industry, the SBA reshaped the 8(a) application process and realized tremendous gains. The SBA reversed the steady decline in the 8(a) portfolio. The strategy to grow the program included efforts to increase focus on 7(j) training for firms struggling to win their first contract; provide additional assistance to firms slated for termination as a result of burdensome annual review paperwork; and streamline the 8(a) application process. In FY 2016, the SBA approved more than 900 firms into the 8(a) program at an approval rate of 82 percent. For further comparison, the SBA approved 350 firms in FY 2014 at an approval rate of 47 percent. The SBA worked with the Office of Management and Budget to streamline its forms.

The Agency continued to recruit and conduct outreach to increase the number of firms in the HUBZone portfolio. In FY 2016, the SBA had 4,804 HUBZone firms in the current portfolio. In an effort to increase program participation, the SBA conducted an in-depth analysis of the legislative and regulatory history of the program and determined that it had the legal authority to remove the 20 percent population cap that was adversely impacting the HUBZone designation of certain census tracts. This action resulted in the HUBZone designation of over 2,000 census tracts. These tracts had either 50 percent or more of households with income that was less than 60 percent the area median gross income or a poverty rate of at least 25 percent. These tracts could not be designated as qualified because they had exceeded the 20 percent population of the particular metropolitan statistical area. Additionally, the SBA issued a final rule implementing the National Defense Authorization Act (NDAA) of 2016 that authorized: 1) Native Hawaiian Organizations to own HUBZone small business concerns; 2) expanded the definition of "base closure areas" under the HUBZone program by extending HUBZone eligibility for Base Realignment and Closures (BRACs) to eight years; 3) expanded HUBZone eligibility to the BRACs' neighboring census tracts and non-metropolitan counties; and 4) authorized the inclusion of "qualified disaster areas" under the HUBZone program. These changes should result in additional firms applying for the program.

FY 2017 and FY 2018 Planned Performance

In FY 2017, the SBA received $2.8 million for 7(j) technical assistance and $3 million for the HUBZone program. The SBA will assist 3,550 small businesses via the 7(j) program and 5,500 small businesses via the 8(a) program. The SBA will use its broad network of district offices to raise awareness of the 8(a) program and continue using the 7(j) technical assistance program in innovative ways to provide disadvantaged firms with training and Mentor-Protégé assistance to win federal contracts. The Agency will increase the use of podcasts and web-conferencing to educate small businesses and local economic development agencies on the benefits of the HUBZone program. The Agency will also counsel and train women-owned small businesses on the eligibility requirements for WOSB set-aside contracts.

The SBA requests $2.8 million in FY 2018 for the 7(j) technical assistance program and $2.5 million for the HUBZone contracting assistance program. The SBA will increase its assistance to HUBZone small businesses by 20 percent by expanding outreach, marketing, and training to acquisition personnel. These efforts will be aimed at increasing contracting dollars being awarded to HUBZone small business concerns. The reduced request for FY 2018 resulted from the FY 2017 one-time investment in new HUBZone maps. The HUBZone maps will have new functionality that enables the user to view new data, including locations of HUBZone small business concerns, places of performance for HUBZone contracts, and commercial and residential real estate in HUBZones.

Strategy 2: Help veterans become small business owners

The SBA is dedicated to serving aspiring and existing veteran business owners. According to the latest census, veterans own about 2.5 million businesses, or 9.1 percent of all American businesses. These businesses generate about $1.14 trillion in receipts and employ more than 5 million Americans[3]. Veterans own more than 442,000 employer firms, with receipts of $1.049 trillion. Of these, 6.8 percent had been in business for less than two years, while 3.6 percent had been in business for 16 or more years[4].

The SBA promotes and supports veteran small business ownership by administering programs, formulating policy, making grants to veteran business outreach centers (VBOC) and other partners, and acting as the ombudsman to ensure all SBA technical assistance, contracting, and capital access services are accessible and available to active duty, National Guard and Reserve service members, veterans, and veteran or military spouses. The SBA provides direct assistance to veterans through the veteran business development officers in its district offices and 20 VBOCs. In addition, OVBD provides training opportunities through grant programs: the Service-Disabled Veteran Entrepreneurship Training program (SDVETP), the Women Veteran Entrepreneurship Training program (WVETP), and the Veteran Federal Procurement Entrepreneurship program (VFPETP). The SBA uses its unique co-sponsorship authority to partner with private and public sector organizations, such as the U.S. Chamber of Commerce Foundation, the American Legion, and the National Veterans Small Business Coalition to support SBA's programs and

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[3] Statistics for All U.S. Firms by Industry, Veteran Status, and Gender for the U.S., States, Metro Areas, Counties, and Places: 2012 http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSA02&prodType=table. *2012 Survey of Business Owners*, Table: SB1200CSA02. Retrieved December 15, 2015, from: http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2012_00CSA02&prodType=table.

[4] *Nearly 1 in 10 Businesses With Employees Are New, According to Inaugural Annual Survey of Entrepreneurs*, U.S. Census Bureau. Retrieved September 29, 2016, from: http://census.gov/newsroom/press-releases/2016/cb16-148.html.

conduct training and outreach activities together. In addition, the SBA is responsible for VBOCs regularly participating in the workshops of the Transition Assistance program, which is enabled by the DOD's Transition Assistance program's Entrepreneurship track — known as Boots to Business.

Table 2.1g displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 2.1g: Veteran's Assistance Budget – Total Administrative Resources (Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 8,995	$ 9,359	$ 9,101	$ 19,439	$ 23,366	$ 26,011	$ 26,217	$ 25,633

Table 2.1h shows progress toward the veteran assistance performance indicators.

Table 2.1h: Veteran's Assistance Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Veterans Trained by VBOCs	**Target**	N/A	N/A	N/A	Baseline	33,000	48,000	50,000	32,000
	Actual	28,952	44,535	23,271	39,201	46,629	27,938		
	Variance	N/A	N/A	N/A	N/A	41%	-42%		
Additional Information: This performance indicator was introduced in FY 2015, and historical data have been provided for context. The target was not met because the VBOC cooperative agreement/grant award announcement occurred in the third quarter of FY 2016. Of the 20 VBOCs, six new recipients were selected and integrated into the VBOC Partner Network. The FY 2017 target for this performance indicator, set in FY 2015, is not representative of the percentage of transitioning service members exiting the military who opt to participate in entrepreneurialship training.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Veterans Counseled through VBOCs	**Target**	N/A	N/A	N/A	Baseline	31,000	31,000	31,000	16,000
	Actual	34,956	44,079	49,791	38,923	15,488	19,404		
	Variance	N/A	N/A	N/A	N/A	-50%	-37%		
Additional Information: This performance indicator was introduced in FY 2015; however, the methodology calculation has been revised to ensure consistency among SBA's other entrepreneurial development programs. Historical data have been provided for context. The SBA is placing greater priority in developing its quality of services in terms of hours served per client. VBOCs anticipate sustaining the current level of service but are now tracking the average time spent per client, theorizing that increased interaction with repeat clients will improve overall client business outcomes. The VBOC cooperative agreement/grant award announcement occurred in the third quarter of FY 2016. Of the 20 VBOCs, six new recipients were selected and integrated into the VBOC Partner Network.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Boots to Business (B2B) Participants Trained	**Target**	N/A	N/A	N/A	15,000	15,500	17,500	20,000	18,000
	Actual	N/A	N/A	4,514	14,684	14,457	15,000		
	Variance	0%	0%	0%	-2%	-21%	-14%		
Additional Information: This performance indicator was introduced in FY 2015, and historical data have been provided for context.									
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Boots to Business (B2B) Participants Eight Week Graduation Rate	**Target**	N/A	N/A	N/A	Baseline	50%	50%	50%	40%
	Actual	N/A	N/A	27	30	37%	39%		
	Variance	N/A	N/A	N/A	N/A	-26%	-22%		
Additional Information: This performance indicator was introduced in FY 2017. Historical data has been provided and updated to reflect improved program oversight.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Formed by Boots to Business (B2B) Graduates	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	255	255
	Actual	N/A	N/A	N/A	N/A	N/A	250		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: This performance indicator is being introduced in FY 2017. Baseline data is available via survey (OMB control #3245-0390, expiration date 12/31/2018). Survey conducted annually on rolling basis, based on participants' B2B graduation date.									

FY 2016 Accomplishments and Challenges

The SBA awarded 20 multi-year agreements through its **Veterans Business Outreach Center** (VBOC) program. VBOCs provided counseling and training to more than 47,000 veteran small business owners and entrepreneurs. The centers are unique in their ability to address veteran-specific challenges while integrating SBA services and referring clients (when appropriate) to other organizations that provide specialized and needed services. VBOCs bring together local and regional service networks that are most effective in creating small business ecosystems and help augment SBA district office efforts.

Also, the VBOC program reviewed program performance indicators to ensure consistency with other SBA resource partners (SBDC, WBC, and SCORE) and accurately reflect the interaction with the veteran community. This review standardized the counseling and training lexicon in the field, tracked customer referrals, and supported participation in Boots to Business, Boots to Business: Reboot, Hiring Our Heroes, and Yellow Ribbon events.

VBOCs increased their participation and expertise in programs for service members transitioning from active duty to civilian life who aspire to be business owners. The VBOC counselors continued to develop innovative programs to assist veteran small businesses and entrepreneurs in their communities. These programs focused on rural and urban locations, women veterans, franchising, corporate contract opportunities, and the high-tech community.

An enduring critical challenge for the VBOCs is the ability to provide counseling and training to veterans across their assigned coverage area. While the services that the VBOCs provide have resulted in many success stories and contributed to local economic development through business starts, approved loans, contracts awarded, and jobs created or retained, the average VBOC is responsible for service coverage in at least three states. To address this challenge, VBOCs are leveraging the support of other SBA resource partners, district offices, and non-profit, academic, and private organizations that serve veteran entrepreneurs. The SBA has reframed VBOC grant performance reporting to respond to the statutory role of VBOCs in the Transition Assistance program's (TAP) entrepreneurial training option for transitioning service members. Additionally, the number of veterans trained through TAP is relative to the number of transitioning service members.

The SBA continued to sustain and grow the **Boots to Business** (B2B) program, which forms the entrepreneurship track of the U.S. Department of Defense's Transition Assistance Program. In FY 2016, more than 15,000 veterans, service members, and military spouses stationed at military installations worldwide benefited from the two-day introduction to entrepreneurship course.

In FY 2016, the SBA launched its first B2B program outcome assessment survey since the program launch in 2013. This survey focuses on B2B participants' intent to form businesses and their business formation activity. The initial FY 2016 survey analysis indicates about 250 businesses were formed by B2B graduates and 90 percent of B2B attendees who started a business have sustained that business for over one year, contrary to national averages that indicate 8 of 10 small businesses fail in that same time period. Challenges remain with data sharing between SBA resource partners and other federal agencies and the longitudinal tracking required to measure outcomes in the entrepreneurship domain.

The SBA continued leveraging the B2B program curriculum to deliver **Boots to Business: Reboot** (B2B|R), an extension of B2B offered in communities across the U.S. that provides the introductory entrepreneurship training to veterans of all eras, their spouses, and National Guard and Reserve components. B2B | Reboot is delivered by SBA district offices, VBOCs, and other SBA resource partners, further enhancing the local networks or ecosystems needed to support small business development.

Women veterans and military/veteran spouses are important communities with untapped potential for small business growth. The premier program for the women veteran/spouse demographic is the **Veteran Women Igniting the Spirit of Entrepreneurship** (V-WISE). The SBA held two V-WISE events in FY 2016, where nearly 400 female veterans, service members, and spouses of veterans or service members received training. V-WISE graduates also receive follow-on business mentorship and are connected to the full range of SBA programs and services. Since SBA implemented the V-WISE specialized training program, surveys indicate 65 percent of alumnae have started or continued to grow businesses, resulting in the hiring of 1,003 employees. Additionally, 69 percent of the graduates sought continued assistance from the SBA and its resource partners. V-WISE has been instrumental in helping 1 out of 5 female veteran alumnae generate annual revenue exceeding $100,000. To date, among all V-WISE participants, female veteran alumnae generate annual revenue exceeding $41 million.

To address recommendations of the Interagency Task Force for Veteran Small Business Development (IATF), the SBA began supporting the Veterans Institute for Procurement (VIP) program. VIP is an accelerator-like, in-residence educational training program for owners, principals, and C-level executives of veteran-owned businesses, consisting of a three-day comprehensive certification program instructed by professional service experts, government officials, and agency representatives. It is designed for veteran-owned businesses to increase their ability to win government contracts by establishing best business practices. VIP GROW celebrated a milestone achievement of graduating its 500th VIP GROW participant. Since the program launched in 2009, VIP GROW has graduated 638 veteran-owned businesses from 38 states, Washington, DC, and a U.S. territory of which 80 percent are service-disabled veteran-owned small businesses (SDVOSB), 38 percent 8(a), 53 percent minority-owned, 15 percent women-owned, and 10 percent are HUBZone. A survey of 255 VIP participants showed that graduates created more than 2,915 jobs and increased their revenue by half, on average, within their first year of graduation. Over 81 percent said they changed the way they do business after graduating from VIP GROW.

In addition to programs available to all veterans and their spouses, the SBA focused on service-disabled veteran opportunities in the key areas of entrepreneurial training, federal procurement, and **service-disabled veteran-owned small businesses** (SDVOSB). The SBA continued to enhance procurement opportunities across the federal marketplace for service-disabled veteran-owned small businesses and veteran-owned small businesses. The Agency exceeded the FY 2015 (most recent data) SDVOSB federal prime contracting goal of 3 percent by reaching 7 percent, and government-wide federal agencies exceeded the goal by reaching 3.92 percent.

The SBA consistently leverages public-private partnerships to further enable veteran entrepreneurship. The SBA Advisory Committee on Veterans Business Affairs (ACVBA), established by the Veterans Entrepreneurship and Small Business Development Act of 1999, serves as an independent source of advice and policy recommendations to the President, Congress, the SBA Administrator, and the Associate Administrator for Veterans Business Development.

The SBA continued to host the IATF to coordinate the efforts of agencies to improve access to capital, support business development, and achieve pre-established federal contracting goals for small businesses owned by veterans and service-disabled veterans. Additional interagency efforts include SBA's participation in Disabled Employment Month and engagements with the Department of Veterans Affairs (VA) vocational rehabilitation and employment services to ensure VA counselors connect eligible veterans with SBA resources and the Department of Defense Military Spouse Employment Partnership to introduce military spouses to the vocation of small business ownership via webinars and in-person training events and counseling.

FY 2017 and FY 2018 Planned Performance

In FY 2017, the SBA received $12.3 million for veterans business development, and in FY 2018, the SBA requests $11.25 million to continue support. These funds will sustain entrepreneurship technical assistance programs (including VBOCs; B2B; B2B|R; entrepreneurship programs for women veterans, such as V-WISE and WVETP; and for service-disabled veteran small businesses, such as the Entrepreneurship Bootcamp for Veterans with disabilities and SDVETP), continue to ensure the federal government meets its procurement goals for SDVOSBs, and evaluate loan programs for their effectiveness at serving veteran-owned businesses.

The SBA is authorized to conduct comprehensive outreach to veterans (including Reserve component members of the U.S. military) and for the formulation, execution, and promotion of policies and programs that provide assistance to veteran-owned small businesses. The SBA will continue using multiple outreach channels and methods to sustain national awareness for its programs, policies, and services, and to generate feedback from its beneficiaries and stakeholders.

The SBA is committed to supporting policies that provide and expand business development opportunities for veterans. The SBA convenes two federal advisory committees that provide guidance on veteran-owned small business development policy issues. The IATF and the ACVBA meet regularly in public forums to address pressing issues such as access to capital, federal procurement opportunities, barriers to marketplace entry, and entrepreneurial development and growth opportunities. Where gaps exist in these areas, each committee may recommend research topics for SBA consideration.

The B2B program will build critical technology and data sharing infrastructure needed to meet the Memorandum of Understanding (MOU) requirements to share data with interagency and other external partners. Data sharing will expand B2B program outreach and help demonstrate impact to include more robust marketing and engagement in field offices, better access for National Guard and

Reserve component members, and greater reach toward veterans who transitioned to civilian life prior to the start of the B2B program.

Though SBA forecasts B2B participation will grow to 18,000 service members and spouses annually by FY 2018, the actual number is dependent on the total number of service members separating or retiring from military service. Another driver of B2B growth will be an increased focus on military spouses who perceive entrepreneurship as a viable, rewarding means of employment throughout the physical moves experienced by the military family. SBA resource partner, in collaboration with SBA District Offices, will provide B2B instruction at installations across the U.S. B2B is also available online on the Department of Defense Joint Knowledge Online (JKO) platform for service members who cannot attend an in-person B2B session.

To increase the VIP program's reach, the SBA will maintain VIP Start to promote government contract procurement among small businesses. Previously, VIP was only available to companies that had already secured federal procurements. However, expanding the reach of VIP and its curricula will allow new veteran-owned government contractors access to expert procurement advice and potential government clients. Additionally, the SBA collaborated with Department of Commerce and VIP to develop curriculum for businesses interested in participating in international commercial and federal markets.

Strategy 3: Create entrepreneurial empowerment in Native American communities

SBA's Office of Native American Affairs ensures that American Indians, Alaska Natives, and Native Hawaiians seeking to create, develop, and expand small businesses have full access to the business development and expansion tools available through the Agency's entrepreneurial development, lending, and federal contracting programs. The SBA coordinates the development of policies specific to Native American populations and engages in outreach, technical assistance and education, and tribal consultation. It formulates and administers training programs and coordinates entrepreneurial development opportunities through collaboration and co-sponsorship agreements with resource partners and other federal agencies. The SBA follows the guidelines, operational policy, and statutory requirements established by the National Policy of Self-Determination for Indian Tribes, Consultation and Coordination with Indian Tribal Governments, and American Indian and Alaska Native Education.

Table 2.1i shows a newly developed Native American assistance performance indicator that mirrors other SBA small business assistance programs.

Table 2.1i: Native American Assistance Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted in Native American Communities	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	2,000	1,800
	Actual	1,684	1,713	1,943	2,107	2,209	1,817		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: This measure tracks the number of small businesses assisted through training and technical assistance workshops. The SBA established this performance indicator in FY 2016 and has provided historical data for context.									

FY 2016 Accomplishments and Challenges

The SBA has provided individual and tribally-owned businesses training education through business development workshops, webinars, online classes, and live entrepreneurial classes. The Agency conducted 15 Native American entrepreneurial empowerment workshops for new and established firms and business development trainers and as well as incubator training workshops for business and/or economic development organizations. This training provided operational and leadership strategies to build capacity, foster growth and expansion, and ensure sustainability of Native American community-based businesses nationwide. The SBA promoted the development of innovative and successful Native American firms that are eligible for assistance under SBA's 7(j) management and technical assistance program. The program, which was offered in diverse geographic areas and industries, enabled seven service providers to deliver unique business development services to 1,817 program participants through 76 workshops, 47 webinars, 17 roundtables, and 665 technical assistance and counseling sessions.

The SBA collaborated with the Department of Health and Human Services (HHS), Indian Health Service (IHS) to host 10 one-day small business community outreach events. These events were designed to educate Native Americans and Indian Tribes on how to effectively pursue contract opportunities with HHS, IHS and other federal agencies.

FY 2017 and FY 2018 Planned Performance

In FY 2017, the SBA received $2 million to continue providing the Agency's business tools and resources to Native American entrepreneurs, tribally-owned corporations, Alaska Native Corporations (ANCs), and Native Hawaiian Organizations (NHOs). The Agency will continue to focus on leadership development, economic development, job creation, and the delivery of 7(j) technical assistance to Native American communities. The SBA will work on business development by educating Native American small businesses about the Agency's counseling, contracting and lending programs, and by providing technical assistance to individually and tribally-owned corporations, ANCs, and NHOs.

In FY 2018, the SBA requests $1.5 million for outreach to Native American communities. The SBA will continue to offer customized support to enhance economic growth and development by providing strategic short- and long-term community economic development planning and sector growth. Assistance will focus on international trade, manufacturing, business and community incubators, business development training (enhanced business sector productivity), entrepreneurship development, innovative project financing, and community economic development strategies.

Strategic Objective 2.2: Outreach

Provide timely, instructive, and useful information to the small business community through SBA's extensive digital and in-person outreach efforts

Performance Goal: Average 2.4 million site visits to SBA.gov each month in FY 2018
Objective Leads: Associate Administrator, Office of Communications and Public Liaison; Associate Administrator, Office of Field Operations; Associate Administrator, Office of Intergovernmental Affairs
Programs/Activities: SBA.gov, Field Office Outreach, U.S. Export Assistance Centers, Public Engagement and Faith-Based Initiatives, Start-Up in a Day Initiative
Strategies:
1. Implement a consolidated platform for businesses to access services to help them grow
2. Strengthen SBA's stakeholder outreach and brand

In an increasingly tech-driven economy, the SBA has taken significant steps to upgrade and enhance its website to better meet the needs of small businesses and give entrepreneurs more ways to access the Agency's tools and resources. The SBA works to ensure that entrepreneurs can effectively access and navigate small business programs across the federal government. Also, to capitalize on the efforts of SBA.gov, the Agency uses its network of field staff and counselors to reach lenders and the small business community. Outreach activities also allow the SBA to connect with other key external stakeholders that support small business. The SBA expects to continue its efforts with Boots to Business, Emerging Leaders, Encore Entrepreneurs, and export training. The Agency also plans continued significant outreach assisting local congressional offices and through joint efforts with SBA resource partners and other local, state, and national partners.

Progress Update: In FY 2016, SBA.gov averaged over 2 million monthly site visits and 1.4 million unique visitors per month. As a major success, given that nearly 1 in 3 visitors accesses the website from their mobile device, the Agency updated SBA.gov to a more efficient responsive design format that supports multiple mobile formats. The SBA has a strong presence in the field with 68 district offices providing support on lending, contracting, training and consultation services, and disaster assistance. The SBA made it a priority to enhance the field websites in order to provide an improved platform for delivering agency information on small business training and events, lender and contracting resources, and small business support at the local level.

Table 2.2a shows progress toward the Performance Goal of average monthly site visits to SBA.gov.

Table 2.2a: SBA.gov Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Average Monthly SBA.gov Site Visits	**Target**	N/A	1,200,000	2,000,000	2,400,000	2,300,000	2,300,000	2,400,000	2,400,000
	Actual	N/A	1,439,750	2,159,850	2,800,000	2,245,979	2,094,429		
	Variance	N/A	20%	8%	17%	-2%	-9%		
Additional Information: This measure is a monthly average of all site visits to SBA.gov.									

Strategy 1: Implement a consolidated platform for businesses to access services to help them grow

As the Internet increasingly becomes a primary point of contact and information for small businesses, the SBA has taken significant steps to upgrade and enhance its website to better meet the needs of small businesses.

Table 2.2b shows progress toward the performance indicators tracking the number of unique visits to SBA.gov.

Table 2.2b: SBA.gov Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Average Monthly Unique Visitors to SBA.gov	**Target**	N/A	Baseline	1,500,000	1,500,000	1,500,000	1,400,000	1,400,000	1,400,000
	Actual	N/A	950,000	1,420,000	1,680,000	1,514,000	1,415,576		
	Variance	N/A	N/A	-5%	12%	1%	1%		
Additional Information: This measure tracks the monthly average of unique visitors. The measure was previously titled "Number of Unique Visitors to SBA.gov." When a new user visits SBA.gov, SBA.gov captures the data via a session cookie. As more users access the website, the number of “unique” (new) visitors will level-off and decrease over time.									

FY 2016 Accomplishments and Challenges

Several key projects enhanced digital outreach to small businesses. The SBA updated key areas of SBA.gov to a responsive design that includes the homepage, major program sections (e.g., Loans & Grants, Contracting, Starting & Managing, About SBA, Administrator’s Corner, search results page, etc.) district office sites, a videos section, and SBIC and Surety Bonds sections. Moreover, a tool bar was added to each of the program sections of the site that included section-specific videos, tools, and blogs. In addition, the team revamped the URL structure to a more SEO-friendly methodology that will enhance searchability and search engine rankings.

To more effectively meet the needs of SBA’s growing mobile audience, the Agency promoted four separate mobile surveys that further clarified content and navigation priorities for the mobile user base. As a result, enhancements to the look-and-feel as well as placement of key topics were incorporated to both the English and Spanish versions of the site. The SBA officially launched a new website for the 68 district and regional offices. The SBA migrated SBA.gov to a FedRamp authorized cloud environment.

The SBA developed and promoted weekly online campaigns to support Agency strategic initiatives (women, exporting, ombudsman, veterans, National Small Business Week, disaster assistance, loans, and contracting). The Agency supported 24 major campaigns, 127 blogs, and 22 national newsletters.

FY 2017 and FY 2018 Planned Performance

The SBA has included key projects on its product roadmap for FY 2017 that will enhance its online digital strategy. This strategy includes a new Starting & Managing section to integrate the Linc tool, small business planner tool, and local events. An improved Linc tool includes an update to the user interface and back-end processing and a new resource partner matching tool.

During FY 2017, the SBA will continue to grow its online engagement strategy that places emphasis on Twitter, Facebook, YouTube, and its national newsletter. Additionally, social media sites that are not currently part of the digital engagement strategy will be evaluated as well as a paid advertising approach to help drive information about SBA's programs and services to an even greater audience.

Strategy 2: Strengthen SBA's stakeholder outreach and brand

The SBA conducts a majority of its traditional outreach through the Office of Field Operations and 68 district offices. Using this network, the Agency ensures that small businesses receive local, on-the-ground support to build and grow their businesses. The district offices also play a key role by providing the front line of SBA customer service to the small business community and by building relationships with local stakeholders and partner organizations.

FY 2016 Accomplishments and Challenges

SBA's district staff conducted outreach with stakeholders and partners that included lender training, government contracting, marketing events in emerging areas, and events targeted to high-growth entrepreneurial markets, such as exporting. Key initiatives included Boots to Business outreach to transitioning members of the military and their spouses, Boots to Business: ReBoot entrepreneurship training to veterans and their spouses, the Emerging Leaders program for small businesses that are primed for growth, Encore Entrepreneur outreach events targeted at aspiring age 50-plus entrepreneurs, LGBT Business Builder entrepreneurship outreach for the LGBT community, Affordable Care Act training, and assistance to congressional offices. In addition to local outreach events, the Agency conducted outreach with the U.S. Chamber of Commerce and its Foundation, the National Gay and Lesbian Chamber of Commerce, AARP, the National Urban League, and Junior Achievement USA.

FY 2017 and FY 2018 Planned Performance

As the small business economy grows, the SBA expects to reach an expanding number of entrepreneurs and small businesses through direct contact and strategic outreach to key public and private stakeholders. The Agency will continue efforts to support emerging and established businesses across all communities with targeted programming, focusing specifically on core SBA programs concerning contracting, capital, technical assistance, and exporting. It also plans to continue outreach to assist local congressional offices, conduct joint efforts with SBA resource partners, and provide support to other local, state, and national partners. Finally, the Agency will continue efforts to leverage technology to effectively and efficiently reach a broader segment of entrepreneurs and meet SBA's customers where they are.

Strategic Objective 2.3: Reduce Regulatory Burdens

Foster a small business-friendly environment by encouraging federal agency awareness about the impact of unfair regulatory enforcement and compliance efforts and reducing burdens on small business

Performance Goals: Maintain Regional Regulatory Fairness Board membership at 76 percent or better and identify seven rules/regulations that disproportionately affect small business in FY 2018
Objective Leads: National Ombudsman, Office of the National Ombudsman; Chief Counsel for Advocacy, Office of Advocacy
Programs/Activities: Ombudsman, National Women's Business Council (NWBC), SBDCNet
Strategies:

1. Maintain a confidential, efficient, and customer-focused ombudsman process to receive comments from small businesses and liaise with federal agencies
2. Identify and reduce regulatory burdens on entrepreneurs and small businesses through stakeholder engagement, outreach to all segments of the small business community, and collaboration with federal agency partners

The SBA plays a critical role in the Administration's ongoing efforts to reduce regulatory barriers to entrepreneurship, innovation, and U.S. competitiveness. The SBA Office of the National Ombudsman (ONO) plays a key role in helping small businesses address specific regulatory burdens and challenges that result from federal agency regulatory processes, mandates, and enforcement actions. SBA's independent Office of Advocacy also contributes to this strategic objective. The Office of Advocacy's strategic goals, accomplishments, performance plan, and budget justification can be found in a separate budget submission.

Progress Update: In FY 2016, the SBA made progress in reducing undue regulatory burdens on small businesses. The SBA exceeded its performance targets to broaden outreach to small businesses and assist them in addressing regulatory disputes with federal agencies. The Agency focused on three priority areas: 1) identification and resolution of systemic regulatory barriers to small business success and growth, 2) building high-impact, diverse Regional Regulatory Fairness Boards through strategic appointments, and 3) strengthening partnerships with stakeholders. The SBA exceeded its goal for small business outreach through sustained engagement with small business owners in meetings, roundtables, and public hearings hosted across all 10 SBA regions.

The SBA met with senior leaders at 14 federal agencies to discuss ways to alleviate regulatory burdens on small businesses based on SBA's strategic goals and conducted outreach events, including five regulatory fairness hearings, 10 roundtables, and 26 outreach engagements with federal agencies and with congressional representatives.

Table 2.3a displays the cost to administer the program. It includes direct costs from the operating budget, including contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs.

Table 2.3a: Ombudsman Budget – Total Administrative Resources ($ Thousands)

FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Enacted	FY 2018 Request
$ 1,787	$ 1,770	$ 1,270	$ 1,804	$ 1,804	$ 1,309	$ 1,434	$ 1,449

Table 2.3b shows the results and targets of the performance goals to increase the membership rate of the Regulatory Fairness Boards and the number of rules identified that burden small businesses.

Table 2.3b: Ombudsman Performance Goals

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Board Membership Rate	**Target**	N/A	N/A	78%	85%	85%	90%	85%	76%
	Actual	98%	96%	74%	80%	74%	76%		
	Variance	N/A	N/A	-5%	-6%	-13%	-16%		
Additional Information: This measure tracks the board membership rates across the ten regional offices. The SBA had several departures toward the end of FY 2016. The SBA is examining its time to vet candidates for the boards.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Rules Identified that Burden Small Businesses	**Target**	N/A	N/A	N/A	2	5	6	8	7
	Actual	N/A	N/A	N/A	6	7	6		
	Variance	N/A	N/A	N/A	200%	40%	0%		
Additional Information: This measure tracks rules and recurring regulatory issues that the SBA successfully identified, escalated, and addressed with agency partners on a systemic level for the benefit of the broader small business community. Further work will be completed to quantify the economic impacts of the rules identified in future years.									

Strategy 1: Maintain a confidential, efficient, and user-friendly ombudsman process to receive comments from small business and liaise with federal agencies to address regulatory fairness issues

The SBA **Office of the National Ombudsman** works with federal agencies and the small businesses they regulate to provide a confidential, impartial channel for small businesses to comment on enforcement activities, audits, on-site inspections, compliance assistance, or other communication. These comments, and the efforts to meaningfully address them, form the basis of the National Ombudsman's Annual Report to Congress evaluating the responsiveness of agencies to regulatory concerns reported by small businesses.

Chart 2.3 shows the number of comments received from small businesses.

Chart 2.3: SBA National Ombudsman Comments Received from Small Businesses

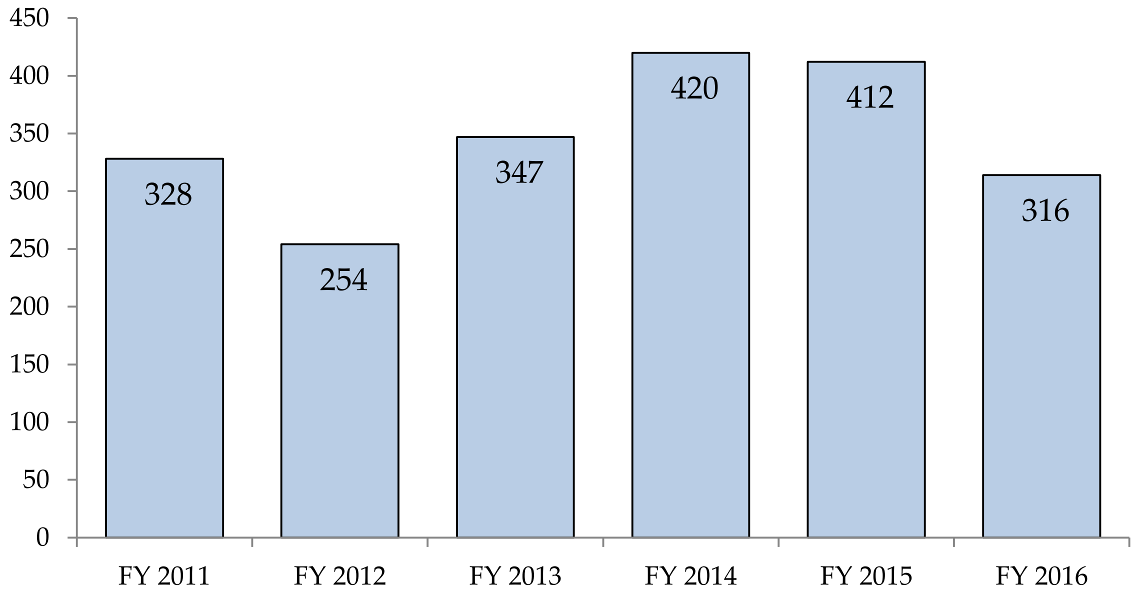

Table 2.3c shows the results and targets of the performance indicator tracking the number of outreach events of the SBA National Ombudsman.

Table 2.3c: Ombudsman Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Outreach Events	**Target**	N/A	N/A	46	52	58	58	60	60
	Actual	56	48	48	64	66	102		
	Variance	N/A	N/A	4%	23%	14%	76%		
Additional Information: Because of an aggressive outreach schedule focused on connecting directly with small business stakeholders in their communities while significantly improving awareness of the resources the office provides to small business owners, the SBA exceeded its outreach target for FY 2016.									

FY 2016 Accomplishments and Challenges

The SBA assisted more than 300 small businesses and responded to thousands of general inquiries. In addition to providing prompt case assistance to small businesses, the SBA advanced ways to track the impact of its assistance by making enhancements to the case management system. By better understanding the impacts of interventions, working with Agency partners to address systemic compliance challenges that unduly burden small businesses, and renewing engagements within the SBA and with external resource partners, the SBA continued leveraging available resources to better serve small businesses. Through the use of social media and other electronic forums, the SBA expanded outreach efforts by conducting several webinars and participated in podcasts and television programs. Using these state-of-the-art communication channels allowed the SBA to reach more small business owners, especially in rural communities and remote areas where SBA presence is limited.

The SBA strengthened existing, and built new, partnerships with other agencies and trade associations representing small businesses. Partnerships in the government contracting and healthcare sectors, in particular, resulted in significant improvements in agencies' responsiveness to small business concerns.

The SBA frequently communicated with other federal agencies about regulations and policies that adversely impacted small businesses and collaborated to develop solutions. For example, the Department of Commerce/National Oceanic and Atmospheric Administration and the National Marine Fisheries Service attempted to implement regulations requiring and charging fishermen for "at sea monitors." The potential adverse impact on small coastal fishermen was significant. The SBA conducted a regulatory fairness hearing in Portland, Maine, and met with senior leaders at the Department of Commerce regarding the issue. The SBA also held a listening session with trade association representatives and forwarded the feedback to the relevant agency officials. Subsequently, the Department of Commerce worked with the New England Fishery Management Council and adjusted the program to make it more cost effective.

Additionally, the SBA conducted three targeted regulatory fairness hearings and accompanied small businesses to meetings with at least 15 congressional representatives or their staff members to explain the adverse impacts of Centers for Medicare and Medicaid Services (CMS) audits and its competitive bidding strategy for durable medical equipment providers.

FY 2017 and FY 2018 Planned Performance

The SBA is uniquely positioned to make significant contributions to improve government effectiveness and efficiency and shape favorable outcomes for small businesses. In FY 2017 and FY 2018, the SBA will continue to forward regulatory enforcement concerns voiced by small businesses to the early attention of federal agencies. By providing federal agencies with advance warning of particular and systemic issues that adversely impact small businesses, the SBA plays a critical role in lowering the friction between small businesses and federal agencies at the preliminary stages of conflict, thereby reducing the likelihood of costly litigation and settlements.

As an independent, confidential, and impartial source to which small businesses turn when they experience excessive regulatory enforcement burdens, the SBA will continue to provide small businesses with fair, responsive, and respectful hearings and press federal agencies for timely resolution of issues on their behalf. By embracing these core principles, the Agency's intent is to strengthen trust in government and create a more business-friendly climate for small businesses to grow and thrive.

In its forthcoming *FY 2016 Annual Report to Congress,* the SBA will highlight the impact of its contributions on small businesses, rate federal agencies on the quality and timeliness of their responses and compliance with the Small Business Regulatory Enforcement Fairness Act, and outline its priorities within the context of the current Administration's regulatory reform agenda.

Lastly, the SBA is enhancing its case management system. These enhancements will enable the SBA to better identify trends, improve reporting capabilities, and broaden senior leadership visibility into the needs and characteristics of the small businesses that come to the Agency for assistance.

Strategy 2: Identify and reduce regulatory burdens on entrepreneurs and small businesses through outreach to the small business community, stakeholder engagement, and collaboration with federal agency partners

The SBA maintains Regulatory Fairness Boards in each of SBA's 10 regions. With the SBA National Ombudsman, these regional boards of five small business owners host and participate in public hearings and roundtables where small businesses and representatives of small businesses voice concerns regarding regulations.

<u>FY 2016 Accomplishments and Challenges</u>

The National Ombudsman convened more than 100 regulatory fairness outreach events, including roundtables, five regional hearings, and a Federal Agency Summit to address regulatory problems that disproportionately burden the small business community. More than 60 witnesses testified at the hearings, including small business owners and representatives of national associations. At the outreach events with small businesses and other representatives of the small business community, participants registered concerns regarding federal regulations and regulatory enforcement and compliance issues. Through these events, which target all segments of the small business community, SBA's National Ombudsman connected with small business owners and collected vital input on regulations that disproportionately impact the ability of small businesses to grow, create jobs, and support the economy. Small business regulatory seminars and workshops at regional and annual meetings for the National Bar Association and local bar associations were conducted.

The Regional Regulatory Fairness Boards experienced unprecedented board empowerment, engagement, and strategic growth this year. However, expeditious vetting of candidates remained a continuing challenge. Because of a sustained broad recruitment and engagement effort, the boards now more fully represent the complete spectrum of America's small business community — demographically, geographically, and professionally. This diversity has deepened the expertise of the board on the most persistent regulatory hurdles faced by small business, including access to capital, government contracting, and other areas. The SBA continued to identify the best candidates for the boards and seek recommendations for potential members from stakeholder organizations, SBA district offices, and from the members of the Senate and House Small Business Committees.

<u>FY 2017 and FY 2018 Planned Performance</u>

The SBA will strengthen collaboration with federal agencies and create new opportunities to reduce burdens on small businesses. The SBA will further establish alliances with trade associations, leveraging them as force multipliers to broaden SBA's reach to millions of small business owners whom they represent. Regulatory Fairness Board Members will seize upon opportunities to listen to small businesses that have experienced regulatory challenges and have brought those concerns to SBA's attention.

The SBA is expanding its reach to small businesses through SBA's Regional Administrators, District Directors, SBA Advisory Committee on Veterans Business Affairs, and resource partners, including small business development centers, women's business centers, and SCORE. In FY 2017, the SBA will initiate outreach to small business owners nationwide to listen, learn, and better understand the regulatory enforcement and compliance measures undertaken by federal agencies that have adversely impacted them in significant ways. SBA's outreach to small businesses across 10 regions will center upon three focal areas: (1) innovation hubs that significantly contribute to job creation and economic growth, (2) economically depressed areas undergoing a rebirth, and (3) mid-tier cities with a high concentration of small businesses.

The SBA supports the **National Women's Business Council** (NWBC), a nonpartisan federal advisory council created to serve as an independent source of advice and counsel to the President, Congress, and the SBA on issues of economic importance and impact to women business owners. The Council conducts research on women's business enterprises from startup to success; the Council uses the findings to further public and private commitment to women's business ventures, improve women business owners' engagement in the policy-making process, and increase investments in expansion capital for scalable women-owned businesses.

In March 2016, the Council released a report based on data from the Survey of Business Owners (SBO) and Self-Employed Persons, confirming that women-owned businesses now comprise 36 percent of the country's businesses and women continue to enter the ranks of U.S. business ownership at rates far exceeding the national average. These firms generate over $1.4 trillion in sales and employ more than 8 million people. However, only 2 percent of women-owned firms have more than 10 employees, while 91 percent of women owned firms have no employees other than the owner. On average, men start their businesses with nearly twice as much capital as women — $135,000 vs. $75,000. This disparity is slightly larger among firms with high-growth potential — $320,000 vs. $150,000; and much larger in the top 25 firms — $1.3 million vs. $210,000. Moreover, only 2 percent of women's businesses scale successfully past the $1 million dollar revenue mark[5] (versus 6.3 percent for men). Many factors account for these disparities, and more data and research are needed to better understand the ways that the public and private sectors could facilitate the origination and growth of women-owned businesses.

<u>FY 2016 Accomplishments and Challenges</u>

This year, the SBA recorded the varied experiences of the subpopulations of female entrepreneurs. The focus was on four pillars — data, access to capital, access to markets, and job creation and growth — to advance policy and practices that expand and improve opportunities for all women business owners.

The research portfolio included the following projects: data collection from the Survey of Business Owners (SBO) data examining industry, age, veteran status, race and ethnicity, and geographical figures; a repository of 200 premiere growth-oriented programs for entrepreneurs; a report on women business owners' perspectives on corporate supplier diversity programs; a study of subpopulations, specifically African-American women entrepreneurs; a new toolkit: "How to Build an Effective Social Network"; and data collection on incubators and accelerators and entrepreneurship ecosystems.

The SBA held four public meetings that covered recommendations to support women entrepreneurs in originating, expanding, and sustaining their businesses. Additionally, the NWBC drew attention to priority issues by creating innovative vehicles to capture and share relevant information. For example, such efforts took the form of an online program sharing compelling stories of young women entrepreneurs who began their business ventures as students, titled #HerOwnBoss. The council also contracted nine new studies.

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[5] NWBC analysis of 2007 SBO data see annotated bibliography.

FY 2017 and FY 2018 Planned Performance

In FY 2017, the SBA received $1.5 million for the NWBC. The council's FY 2017 agenda was developed through an iterative process. The SBA will have the opportunity to review the last 30 years of its history of the NWBC — the Council celebrates its 30th Anniversary in October 2018 — and set a new strategic research agenda. The SBA has proposed an interagency agreement with the Library of Congress's Federal Research Division to provide the NWBC with a landscape analysis and documentation of all research on women-owned businesses conducted to date, over the last 10 years, in the following areas: 1) Access to Capital, 2) Access to Markets, 3) Economic Impact, and 4) Entrepreneurial Development. The Library of Congress Federal Research Division's scan will include academic or science/data-based research, peer-reviewed journals, online subscription databases, newspapers and periodicals, expert opinion and commentary, management consulting company research/articles, advocacy or professional association publications, government reports and statements. Each area of the study will result in a publicly consumable summary that will serve as a roadmap to gaps in research, duplicative efforts, potential research collaborations and new priorities for each of the Council's four research pillars (data, access to capital, access to markets, and job creation and growth).

The FY 2017 research will continue to produce findings from nine new research studies including:

- Survey Development on Women-Owned and Women-Led Businesses
- Social Entrepreneurship Amongst Women
- Commercialization Amongst Women in STEM Fields
- Women Veterans & Business
- Hispanic Women Entrepreneurship
- Necessity as a Driver for Women's Entrepreneurship
- Crowdfunding as a Source of Capital
- Growth out of the Small Business Designation
- Millennial Women Entrepreneurs

In FY 2018, the SBA requests $1.5 million to finalize FY 2016's extensive body of research and build upon the identified needs within the research landscape from the FY 2017 Library of Congress's landscape analysis. In FY 2018, the last of FY 2016's nine research contracts will be finished: Millennial Women Entrepreneurs; Hispanic Women Entrepreneurs; Survey Development on Women-Owned and Women-Led Businesses; and Part 2 – Necessity as a Driver for Women's Entrepreneurship Research. And, armed with a comprehensive understanding of the gaps in research on women entrepreneurship, the SBA will be poised to suggest new areas of study made necessary by new federal funding directions, and opportunities for alignment with industry futures.

Strategic Goal Three – Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses

Strategic Objective 3.1: Program Operations

Streamline, simplify, and strengthen SBA's core programs and operations to ensure that they are high performing, effective, and relevant to the needs of the small business community

Performance Goals: Ensure an IT customer satisfaction rate of 85 percent, award 72.75 percent of SBA contracts to small businesses, and reduce the real estate footprint by an additional 2 percent in FY 2017

Objective Leads: Chief Operating Officer, Office of the Chief Operating Officer; Chief Financial Officer, Office of Performance Management and the Chief Financial Officer

Programs/Activities: Program Management and Administration

Most Serious Management and Performance Challenge 2: SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges

Most Serious Management and Performance Challenge 8: The SBA Needs to Effectively Manage its Acquisition Program

Strategies:

1. Implement process and operational improvements to simplify and speed up the delivery of SBA's programs and services and to improve customer satisfaction
2. Ensure efficient and effective management of Agency financial and acquisition resources
3. Implement and maintain modern, secure, and reliable information technology systems and services

The SBA works to continuously strengthen and streamline its programs to meet the needs of small businesses. The Agency continues to improve processes for managing fraud, waste, and abuse, and make strategic investments in its physical and IT infrastructure. These ongoing efforts have contributed to improved delivery of services and more efficient processes. Cutting wasteful spending reduces program overhead and allows the SBA to achieve its mission more efficiently and effectively.

The activities under this strategic objective support the following Cross-Agency Priority (CAP) Goals: Benchmark and Improve Mission-Support Operations, Cybersecurity, and Open Data. The Benchmarking CAP Goal strives to improve administrative efficiency and increase the adoption of effective management practices by establishing cost and quality benchmarks for mission-support operations, giving Agency senior leaders better data to compare options, allocate resources, and improve processes. The Cybersecurity CAP Goal focuses Agency efforts on improving the security of information operations by implementing priority cybersecurity capabilities that include information security continuous monitoring mitigation; identity, credential, and access management; and anti-phishing and malware defense. The Open Data CAP Goal supports open and publically accessible data that strengthens democracy by increasing public participation in government, promoting transparency and accountability, increasing efficiency and effectiveness in government operations, and empowering individuals and businesses to create jobs and new industries that improve quality of life.

Progress Update: The SBA, in consultation with the Office of Management and Budget, has highlighted this objective as a focus area for improvement. The overall satisfaction with information technology remains a key challenge as current infrastructure ages and requires updating. The SBA hired a Chief

Information Security Officer in FY 2016 and recruited a new Chief Information Officer at the end of FY 2016. The SBA made initial investments in infrastructure through the replacement of aging network routers and switches at more than 110 SBA locations. The Agency invested in 1,200 laptops to replace aging desktops and to support a mobile workforce. Further, the SBA moved its email platform to Microsoft's Office 365 cloud environment.

The SBA met its small business utilization goal by awarding 73.7 percent of contracts (in FY 2016) totaling $111.6 million to small businesses and far exceeded its subgoals for women-owned, small disadvantaged, HUBZone, and service-disabled veteran-owned small businesses. The Agency continued to reduce its federal footprint and achieve greater efficiency through improved space utilization, eliminating approximately 63,000 square feet of leased space between FY 2015 and FY 2016.

Most Serious Management and Performance Challenges: The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The Challenges are not presented in order of priority. Within each Management Challenge is a series of recommended actions to resolve the Challenge. https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

Figure 3.1a: Most Serious Management and Performance Challenge 2

Challenge 2: SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges	
Recommended Actions	Completion Date
1. Establish an OCIO Human Resource Planning process that allows full deployment of the Federal Information Technology Acquisition Reform Act (FITARA). **2016 Achievement:** This milestone is new. Since 2005, the SBA has had eight Chief Information Officers (CIOs). In October 2016, the SBA onboarded a new CIO who is reviewing this new Management Challenge.	**September 30, 2017**
2. The OCIO performs independent oversight of IT investments consistent with guidance. **2016 Achievement:** This milestone is new. Since 2005, the SBA has had eight Chief Information Officers (CIOs). In October 2016, the SBA onboarded a new CIO who is reviewing this new Management Challenge. For FY 2017, the SBA will actively implement FITARA. The CIO will have the authority to approve all IT acquisitions agency-wide greater than $250K, co-chair the Investment Review Board, be a voting member of the Contract Review Board, and be integral to SBA's IT strategic budget process.	**September 30, 2017**
3. The OCIO facilitates enterprise architecture and demonstrates accountability for IT investments. **2016 Achievement:** This milestone is new. Since 2005, the SBA has had eight Chief Information Officers (CIOs). In October 2016, the SBA onboarded a new CIO who is reviewing this new Management Challenge.	**September 30, 2017**

4. The OCIO establishes and implements Information Security and Continuous Monitoring practices, policies, and standards to ensure ongoing effectiveness of information systems. **2016 Achievement:** The SBA hired a Chief Information Security Officer in FY 2016. IT Security completed full system security control assessments on the majority of SBA systems, and it established a schedule for the completion of security assessments for the remaining systems in FY 2017. The SBA is currently in the planning process for DHS's Continuous Diagnostic and Mitigation (CDM) Phase 1 and Phase 2 programs.	**December 30, 2017**
5. The OCIO maintains effective risk management practices to minimize vulnerabilities. **2016 Achievement:** OCIO coordinated with OIG and OHRS to revamp SBA's onboarding process. The revised process for all employees and contractors requires approval from key program offices prior to granting access to SBA's network. Federal employee access requests must be approved by OHRS, OCOO (Suitability Division), and OCIO. Contractor access requests must be approved by OCOO (Suitability Division) and OCIO. This change reduces the risk to SBA by having controls in place to manage access to SBA computer resources.	**December 30, 2017**
6. The OCIO establishes Configuration Management and Identity and Access Management controls and procedures. **2016 Achievement:** IT Security completed full system security controls assessments on the majority of SBA systems, and it established a schedule for the completion of security assessments for the remaining systems. New systems that change environments will require approval from the Configuration Change Board (CCB) and Enterprise CCB. As an internal control, IT Security is required as a component of board reviews of IT projects during the system development life cycle (SDLC).	**September 30, 2017**

Figure 3.1b: Most Serious Management and Performance Challenge 8

Challenge 8: The SBA Needs to Effectively Manage its Acquisition Program	
Recommended Actions	Completion Date
1. Create and implement a comprehensive improvement plan — based on the results of the acquisition function assessment — that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the organizational alignment and leadership assessment area. **2016 Achievement:** The SBA developed an improvement plan to address deficiencies identified in its assessment of the acquisition function. Based on its planned actions, the SBA demonstrated substantial progress in addressing the four interrelated areas that are essential for an efficient, effective, and accountable acquisition process.	**September 30, 2017**
2. Create and implement a comprehensive improvement plan — based on the results of the acquisition function assessment — that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the acquisition policies and processes assessment area (i.e., acquisition management SOP). **2016 Achievement:** The SBA drafted a revised acquisition SOP that is currently under review. When the SOP is issued, it will significantly improve the acquisition function's policies and procedures.	**September 30, 2017**

3. Create and implement a comprehensive improvement plan — based on the results of the acquisition function assessment — that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the acquisition workforce assessment area. **2016 Achievement:** The SBA implemented strategic human capital planning tools to develop training plans and identify future staffing requirements to enhance its acquisition workforce.	**September 30, 2017**
4. Create and implement a comprehensive improvement plan — based on the results of the acquisition function assessment — that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the knowledge management and information systems assessment area. **2016 Achievement:** The SBA also has added end-users to the planning team when developing acquisition information system enhancements to improve system functionality and encourage user adoption. The Agency also plans to include current information on the acquisition division's website for better knowledge management within the acquisition function.	**September 30, 2017**

Table 3.1a provides results and targets on the IT customer satisfaction rate.

Table 3.1a: Information Technology Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
IT Helpdesk Customer Satisfaction Rate	**Target**	N/A	N/A	N/A	Baseline	85%	85%	85%	
	Actual	N/A	N/A	N/A	85%	85%	85%		
	Variance	N/A	N/A	N/A	N/A	0%	0%		
Additional Information: The metric reports the average score on customer service surveys submitted to the Office of the Chief Information Officer. The SBA will create new metrics in FY 2017 to better address workload and management needs.									

Table 3.1b shows progress toward SBA's small business utilization goal for prime contracts.

Table 3.1b: Acquisition Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SBA Small Business Utilization Rate	**Target**	67.00%	67.00%	67.00%	68.00%	69.00%	72.75%	72.75%	TBD
	Actual	67.00%	71.00%	72.00%	77.48%	78.1%	73.70%		
	Variance	0%	6%	7%	14%	13%	1%		
Additional Information: The SBA tracks small business contracts and has the highest small business contracting goal in the federal government. The SBA exceeded its target of 72.75 percent by continuing to default to small businesses first when awarding a contract. FY 2018 target will be set at the end of FY 2017 during the negotiation process with SBA's Office of Government Contracting and Business Development.									

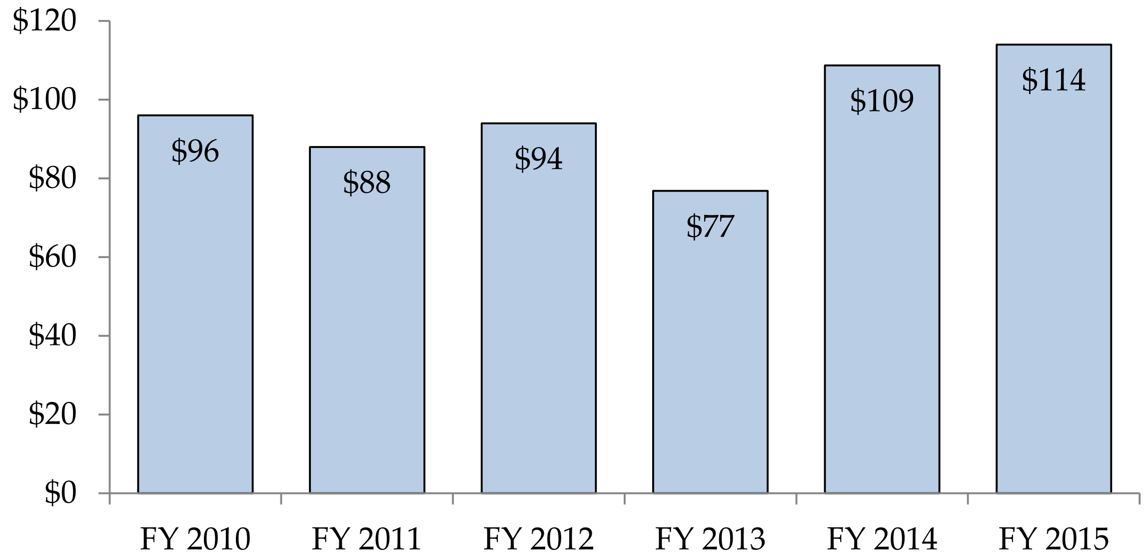
Table 3.1c shows progress towards reducing the total amount of square feet of real estate eliminated from the Agency's inventory.

Table 3.1c: Real Estate Footprint Reduction Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SBA Real Estate Footprint Reduction Rate	**Target**	N/A	N/A	N/A	N/A	Baseline	2%	2%	2%
	Actual	N/A	2%	2%	2%	2%	4.7%		
	Variance	N/A	N/A	N/A	N/A	N/A	135%		
Additional Information: The SBA tracks the square footage of its facilities and, through Freeze the Footprint guidance, continues to reduce the amount of space needed for operations.									

Chart 3.1 shows SBA contract dollars awarded to small businesses. The number and dollar value of contracts increased substantially in FY 2015, which led to the SBA surpassing the prime small business utilization target of 72.25 percent.

Chart 3.1: SBA Contracts Awarded to Small Businesses ($ Millions)



Strategy 1: Implement process and operational improvements to simplify and speed up the delivery of SBA's programs and services and to improve customer satisfaction

The SBA supports the Administration's efforts to improve the quality and cost effectiveness of core administrative services. By closing or consolidating underused offices, cutting unnecessary spending, and leveraging the buying power of the federal government, the Agency will improve program operations to support small businesses.

FY 2016 Accomplishments and Challenges

The SBA reduced its agency footprint by 4.7 percent from its baseline. While significant progress has been made reducing its footprint, the Agency continues to be challenged by storage requirements for numerous paper records. The lack of Agency-wide digitization or an electronic records management system requires the storage of large quantities of paper records.

FY 2017 and FY 2018 Planned Performance
As leases expire for various field offices, the SBA will pursue opportunities to further reduce its real estate footprint. The Agency will continue to develop office space standardization plans and increase the use of open-office floor plans. The fleet will be maintained at its current size. Also, all gas-powered vehicles that retire will be replaced with alternative fuel vehicles.

Strategy 2: Ensure efficient and effective management of Agency financial and acquisition resources

The SBA Office of Performance Management and the Chief Financial Officer works to ensure that the Agency effectively and efficiently manages its resources. It establishes, measures, and assesses Agency performance; ensures compliance with financial regulations; executes a timely and responsive acquisition process; and provides timely budget, financial, and performance data to drive senior leadership decision-making.

FY 2016 Accomplishments and Challenges
The Agency implemented new budget execution software that allows offices to track spending against their budget throughout a fiscal year at the line item level. This functionality was successfully piloted by the Office of Disaster Assistance in FY 2015 and is now implemented across the SBA program offices. The budget execution software integrates real-time spending with the prior budget planning data to increase the transparency and accountability of the Agency's government fund spending activity.

The SBA was the first CFO Act Agency to fully implement the Digital Accountability and Transparency Act (DATA Act), doing so six months ahead of the implementation date. The DATA Act requires the establishment of government-wide financial data standards for any federal funds made available to or expended by agencies and entities receiving federal dollars. The SBA served as a pilot agency for a technology solution in coordination with the Department of Treasury and the Office of Management and Budget. The SBA also hired its first Chief Data Officer to oversee implementation.

For program evaluation, the Agency hired its first Lead Program Evaluator to develop a program evaluation framework and monitor and support ongoing program evaluations within the Agency. The SBA benchmarked other federal agencies and has integrated program evaluation capabilities within its performance management system.

As a key success, the SBA received its final FY 2016 Procurement Scorecard grade of "A" and met its prime and sub-goal contracting targets for small disadvantaged, women-owned, HUBZone, and service-disabled veteran-owned small businesses. The Agency awarded 73.7 percent of its contracts totaling $112 million to small businesses. The Acquisition Division is implementing recommendations received during an independent assessment of the acquisition function according to OMB's A-123 Circular, which helps to address Management Challenge 8.

FY 2017 and FY 2018 Planned Performance
SBA financial management processes will be conducted according to strictly observed time schedules in compliance with federal guidelines for budget, acquisition, fiscal, accounting, and reporting activities. Action on audit findings will be taken on each item and completed as soon as possible.

Incremental improvement to loan accounting systems, begun in FY 2011, will continue as the SBA updates its financial system.

While building on improvements in financial management, performance reporting, and data quality and meeting all financial, performance, and budget deadlines, the SBA will pursue several priorities regarding performance. Standard operating procedures for financial management issues related to undelivered orders, internal controls, acquisitions, budget processes, and the purchase card program will be finalized and published. An acquisition action plan to resolve outstanding Inspector General findings will be developed and fully implemented through FY 2017.

The SBA will continue to make progress on and implement the Digital Accountability and Transparency Act (DATA Act). The Administration places a high priority on providing high-quality, transparent federal spending information to the public and using this expanded data to achieve more effective and efficient allocation of resources to improve Agency performance. The OCFO also plans to incorporate data visualization software that will augment the Agency's reporting capabilities and make federal spending as well as SBA program performance data more accessible.

The SBA will continue to champion program evaluations to better assess and modernize operations to ensure that small businesses are receiving effective and efficient services from the SBA. The Agency will develop an enterprise learning agenda and integrate program evaluation into the development of the Agency's *FY 2018-2022 Strategic Plan*.

Strategy 3: Implement and maintain modern, secure, and reliable information technology systems and services

The SBA continues to optimize and maintain its IT infrastructure, identify areas for efficiency and innovation, and invest in its IT workforce. This strategy includes implementation of the Federal Information Technology and Acquisition Reform Act (FITARA) to continuously build efficient IT management and investment practices and guide the use of IT resources for decision-making. The Agency continues to develop a framework that builds on best practices in IT investments and governance in an environment of evolving demands and rapidly advancing technology. The planned activities are consistent with SBA's desire to continue engaging customers and stakeholders, modernize its infrastructure, strengthen its cybersecurity capabilities, and to ensure improved accountability and transparency.

Table 3.1d provides results and targets on the information technology performance indicator that tracks Security Incidents reported to the United States Computer Emergency Readiness Team (US CERT) within specified timeframes.

Table 3.1d: Information Technology Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Security Incidents Reported to US CERT Within Specified Timeframes	**Target**	N/A	100%	100%	100%	100%	100%	100%	100%
	Actual	N/A	100%	100%	100%	100%	100%		
	Variance	N/A	0%	0%	0%	0%	0%		
Additional Information: The metric reports the percentage of the total number of incidents reported to US CERT within the mandatory timeframe.									

FY 2016 Accomplishments and Challenges

The SBA worked diligently to initiate a refresh of its legacy infrastructure to ensure that the Agency's employees have the tools necessary to support its mission and meet the needs of the program participants and taxpayers. As part of this effort, the SBA successfully replaced its entire infrastructure of switches and routers and improved the efficiency of SBA internal operations, which allows SBA employees access to cloud email services. In an effort to improve users' mobility across the nation, the SBA transitioned several hundred users from desktops to laptops.

The SBA improved its cybersecurity posture through process improvements work in the areas of patch, configuration, and IT asset management. The SBA worked to address Federal Information Security Management Act (FISMA) findings and began addressing the SBA Inspector General's Management Challenge that focuses on weakness in information systems and controls. The SBA identified weaknesses in relation to IT security controls and developed action plans. Currently, personal security and physical environment system security controls are being established, and the SBA is conducting system security assessments on its high value asset systems. The SBA also implemented segregation of duty system security controls.

The SBA Inspector General also identified SBA's IT leadership capabilities as a Management Challenge. In response, the CIO will work to mature its capabilities in five functions of IT management: governance, budget, acquisition, organization and workforce, and program management.

The SBA continued to leverage the Digital Service team to support Agency-wide information technology efforts and to outline best practices for effective digital services. This year the Certify.sba.gov development team used agile development methodology to implement several new features to the tool. The most recent release included the Women-Owned Small Business (WOSB) application that allows women small business owners to electronically apply for access to SBA services and programs.

FY 2017 and FY 2018 Planned Performance

Under the direction of the CIO, the SBA will take an enterprise approach to technology and partner with program offices to ensure technology supports business requirements. The SBA will update and/or replace aging and end-of life hardware and software, and migrate to cloud-based solutions where appropriate.

The SBA will use its Digital Service team to support Agency-wide information technology efforts and to outline best practices for effective digital services. In FY 2017, this team is responsible for driving the efficiency and effectiveness of the Agency's highest impact digital services, including Certify.sba.gov and SBA.gov. The Certify.sba.gov portal will be a streamlined and user-friendly platform to provide exceptional customer service to the small business community, and SBA.gov will be modernized for a consistent and more effective user experience.

The SBA will launch its new data request process and continue to build its public access data repository, the SBA Open Data database, and will begin collecting external data requests through the OpenDatafeedback@sba.gov mailbox. The SBA will publish a general overview of the process at www.SBA.gov/digitalstrategy. This overview will include the process by which data is determined to be non-readable and examples of data characteristics that lead to a "No Release" determination.

In FY 2017, the SBA is advancing the usage of the cloud-based technology by implementing *Infrastructure as a Service* in the FedRAMP cloud. By consolidating the SBA data centers, the SBA is taking the necessary steps to quickly migrate from physical data centers to a cloud-based environment. The SBA will improve its cybersecurity posture which will include the deployment of the Department of Homeland Security's (DHS) Continuous Diagnostics & Mitigation (CDM) solution. The SBA will issue a revised IT Security SOP and update agency system security plans to NIST 800-53 Revision 4 controls. Additionally, new functionality for word processing and communication will be added to the existing email capabilities.

Strategic Objective 3.2: Employees

Invest in the Agency's employee recruitment, hiring, training, work-life programs, and performance management so staff is engaged to more effectively serve small businesses

Performance Goal: Ensure that the average time-to-hire will be less than 100 days in FY 2018
Objective Lead: Chief Human Capital Officer, Office of Human Resources Solutions
Programs/Activities: Program Management and Administration
Most Serious Management and Performance Challenge 3: The SBA Needs Effective Human Capital Strategies to Carry Out its Mission Successfully and Become a High-Performing Organization
Strategies:
1. Recruit and maintain a high-performing, diverse, and outcome-driven workforce
2. Offer high-value learning and leadership opportunities
3. Foster an inclusive organizational culture that inspires employee engagement, cooperation, and fairness, while empowering employees to realize their fullest potential
4. Modernize and integrate human resources systems

The SBA is committed to building a high-quality and high-performing workforce equipped with the capability to service the current and future needs of America's small businesses efficiently and effectively. The Agency leverages the U.S. Office of Personnel Management (OPM) Annual Federal Employee Viewpoint Survey (FEVS) as a tool to assess the extent to which the workforce feels engaged, supported, and motivated.

In accordance with OPM regulations, the Agency will ensure that human capital management processes are integrated into agency planning, remain current with research and best practices, and allow for proactive responses to anticipated environmental changes. The Human Capital Operating Plan will describe strategies to implement all of the systems and standards in OPM's Human Capital Framework to improve outcomes for HR service delivery.

Progress Update: The SBA, in consultation with the Office of Management and Budget, has highlighted this objective as an area for improvement. The SBA Office of Human Resources Solutions (OHRS) continued to provide strategic guidance and operational support to ensure that it recruits and maintains an engaged and skilled workforce. The SBA filled critical executive leadership positions, established a new Office of Digital Service, strengthened its cybersecurity posture by leveraging the use of direct hire authorities to onboard cybersecurity professionals and expanded its pool of high-quality applicants by leveraging technology and partnerships, and was rated as exemplary by OPM on the recruitment and retention of veterans. The applicant pools were better aligned with SBA's needs, which resulted in an average time to hire of 98 days — two days below the Agency's target of 100 days. The SBA also offered a variety of professional development opportunities for leaders and employees and launched an interactive, three-day acculturation workshop for new employees. The Agency's employee engagement index score increased by 3 percentage points. OPM recognized the SBA for this significant gain, citing it as the highest improvement of almost any agency across federal government. However, challenges remain as the Agency continues to fill key senior executive vacancies and staffing positions. Also, while employee engagement has increased, SBA's scores continue to remain as one of the lowest rankings for a federal agency.

Most Serious Management and Performance Challenges: The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities posing significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The Challenges are not presented in order of priority. Within each Management Challenge is a series of recommended actions to resolve the Challenge. https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

Figure 3.2: Major Management Challenge 3

Challenge 3: The SBA Needs Effective Human Capital Strategies to Carry Out its Mission Successfully and Become a High-Performing Organization	
Recommended Actions	Completion Date
1. Ensure the Agency has an effective, comprehensive workforce and succession plan that aligns talent needs and capabilities with SBA's strategic plan. SBA's workforce and succession planning goals should reflect the need to recruit and retain the appropriate talent and establish appropriate metrics to gauge SBA's success at having the right people, in the right jobs, and at the right time. **2016 Achievement:** The SBA has drafted a workforce plan that will include an analysis of the workforce with a particular focus on its mission critical occupations, strategies for building on Agency strengths and addressing challenges, and metrics to track progress.	**September 30, 2017**
2. Ensure that human capital management standard operating procedures (SOPs) are updated and appropriately structured to support the Agency's long-term goals and objectives and government-wide human capital management initiatives. **2016 Achievement**: The SBA is updating and establishing SOPs for human capital management. The SBA published its Performance Management and Appraisal System and its Delegated Examining SOPs. Further, it advanced four other critical SOPs into the final stages of the clearance process.	**September 30, 2017**

Table 3.2a provides results and targets on the average number of days to hire.

Table 3.2a: Employee Performance Goal

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Average Number of Days to Hire	**Target**	108	100	80	100	100	100	100	100
	Actual	112	154	154	85	97	98		
	Variance	-4%	-54%	-93%	15%	3%	2%		
Additional Information: Time to hire includes the time a completed recruit action is received until the job offer is accepted. In FY 2013, the "Time-to-Hire" goal was adversely impacted by sequestration. The Agency to "manage" the onboarding of new hires to support adjustments in the FTE ceilings for budget requirements related to the CR constraints. Additionally, the FY 2014 "Time-to-Hire" actuals decreased as a result of the adjustments in the hiring cycle to account for the change in ending the cycle at the point when managers "make an offer to the selected candidate" rather than ending the cycle at the point when the new hire is actually "onboarded." The reason for this change is the fact that the clearance process time is beyond the control of the hiring manager or the hiring staff.									

Strategy 1: Recruit and maintain a diverse, high-performing, outcome-driven workforce.

The SBA invests in the development of a comprehensive recruiting strategy and continues to enhance efforts to recruit a diverse, high-performing, and results-driven workforce. In collaboration with the SBA Office of Diversity, Inclusion and Civil Rights, OHRS developed and implemented an integrated strategy to accomplish the Agency's recruiting goals.

Table 3.2b provides results and targets on the retention rate of new hires.

Table 3.2b: Employee Performance Indicator

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Retention Rate for New Hires	**Target**	N/A	80%	85%	88%	93%	93%	93%	93%
	Actual	80%	83%	77%	74%	79%	92%		
	Variance	N/A	3%	-8%	-14%	-14%	-1%		
Additional Information: The retention rate is defined as an employee remaining in a current position for a minimum of two years within the Agency. The SBA has examined its methodology and recalculated the retention rates between FY 2011 to FY 2016.									

FY 2016 Accomplishments and Challenges

SBA's talent acquisition strategy was underpinned by a focus on recruiting high-caliber talent. The SBA partnered with OPM to promote effective recruitment of high-quality candidates equipped with the essential skills to support the Agency's mission. In addition, the Agency adopted OPM's USAHire tool for non-bargaining unit positions below GS-13 assessing applicants on a number of dimensions. The Agency continued to use both the standard USAJobs assessments, as well as USAHire assessments in an attempt to improve the quality of the candidates referred.

The SBA continued to refine HR Stat 2.0 metrics to measure progress toward achieving efficiencies in time-to-hire and generating high-quality, diverse applicant pools. The SBA implemented the USA Staffing upgrade resulting in a more streamlined recruitment and onboarding process. The implementation of USAHire added time to the candidate assessment process because the system runs an additional assessment. Even with these challenges, and the onboarding of several new HR staff who required training in SBA processes, the actual time-to-hire results remained below the 100-day target.

The SBA established the Office of Digital Service to improve SBA's systems and maximize its digital capabilities to effectively serve entrepreneurs and small businesses. The Chief Digital Officer and the Digital Service personnel work across the Agency to transform existing technology by using the right mix of modern technology development and management approaches. In addition, the Agency leveraged the 2210 Direct Hire Authority to hire employees with cybersecurity expertise.

The SBA conducted outreach to diverse groups to broaden candidate pools. The SBA actively addressed the need to increase veteran recruitment and retention through its use of a variety of strategies to include the Operations Warfighters' program, the VA Non-paid Work Experience program, and targeted recruitment fairs. The SBA signed a memorandum of understanding (MOU) with the Peace Corps and was designated by the Corporation for National and Community Service as an Employer of National Service. The designation provides the Agency with access to a pool of highly-qualified, mission-focused candidates who have developed unique skills because of their service in AmeriCorps or the Peace Corps.

Succession planning continued to be an important area of focus for the SBA. The Agency made significant progress rebuilding and shaping its executive cadre by filling 14 of 43 career executive vacancies. The Agency continued to build its talent pipeline by leveraging the Presidential Management Fellows (PMF) program. The Agency commenced the second year of its At-Large PMF program in which program participants rotate through a series of program offices throughout the two-year fellowship. The rotational assignments enable the PMFs to gain exposure to many facets of SBA's mission and operations. Additionally, the At-Large PMF program serves as a critical tool for the Agency to address succession planning challenges, such as a need to develop a pipeline of GS-12 and GS-13 employees as noted in the *FY 2017-2020 SBA Strategic Workforce Plan*.

The SBA continued to focus on maintaining a high-performing workforce by updating policies and offering additional training to support accountability. The Agency updated the Discipline and Adverse Actions Standard Operating Procedure (SOP) and Employee Dispute Resolution SOP. More than 100 first-time supervisors across the Agency participated in Supervisory Training. More than 80 managers/supervisors attended a session on "Dealing with Poor Performance and Conduct Infractions" and approximately 40 percent of managers/supervisors accessed online course offerings on performance management through the Agency's new Managers' Advantage portal.

FY 2017 and FY 2018 Planned Performance

In FY 2017 and FY 2018, SBA's Office of Human Resources Solutions will collaborate with the program offices to institute a series of ambitious hiring reforms to ensure the efficiency and effectiveness of the Agency's hiring process. These reforms are also geared to assist program offices in accessing a high-quality workforce with the capabilities required to set conditions for small businesses to grow and thrive. The Agency will leverage the use of OPM-approved assessment tools to evaluate applicants' analytical, critical thinking, and problem-solving skills during the screening process. The SBA will take a strategic approach to filling vacancies, working with program offices to build internal and external applicant pipelines and launch a toolkit to equip hiring managers with information on ways to optimize use of available hiring authorities and flexibilities.

The Agency will continue to refine its HR Stat 2.0 metrics of time-to-hire and monitor applicant flow data, reviewing demographic data provided by applicants for the purposes of identifying best practices and barriers to each stage of the hiring process. The SBA will deploy upgrades to USA Staffing, rebuilding templates and assessment tools to meet new requirements.

As part of this strategy, the Chief Human Capital Officer has directed the creation and implementation of a comprehensive plan to address the technical and professional development of the Agency's human resources occupation. This effort is already underway and will include competency-based technical training, leader development, and career pathing. A similar effort will be implemented Agency-wide for all of SBA's mission-critical occupations.

The SBA is also actively taking steps to review, update, or create policy, procedures, and guidance on how to address poor performance and conduct. In accordance with recent guidance issued by OMB, the Agency will specifically review whether policies create unnecessary barriers for addressing poor performance and take action to remove steps not required in statute/regulation to streamline processes to the maximum extent. The SBA has already implemented an initiative to improve guidance on performance improvement plans and implemented mandatory, annual performance management training for the entire SBA workforce.

Strategy 2: Offer high value leader development opportunities

One of the central tenets of SBA's *FY 2014-2018 Strategic Plan* is investing in SBA employee development. SBA's senior leadership is committed to building a workforce that is prepared to confront challenges facing small businesses. It is imperative that the SBA prepares its future leaders for broadened leadership and functional responsibilities while equipping them with the skills necessary to adapt to a highly complex, uncertain environment. Approximately 25 percent of SBA employees are retirement eligible, and approximately half will be retirement eligible within five years. Knowledge transfer and succession planning are critical to SBA's ability to effectively service the needs of small businesses.

FY 2016 Accomplishments and Challenges

Through the Chief Learning Officer, the Agency introduced a robust talent management and leader development strategy that expanded the number of offerings to include leader development, supervisory training, job-specific functional/technical training, certifications, mentoring, and broadening opportunities. The SBA requires career executives to work in collaboration with their supervisors to develop annual Executive Development Plans that support continuous learning. In addition, the SBA provided opportunities for career executives to enroll in Executive Situational Mentoring and the SES Enterprise Leadership Labs. The Agency also implemented the Executive Order 13714, *Strengthening the SES,* including the submission of the SBA Executive Rotations Plan to OPM.

The SBA has made significant investments in the professional development of the Agency's workforce, an area that is also a focus for employee engagement. Several broadening opportunities were made available to develop SBA's future leaders, including the President's Management Council Interagency Rotation program and the White House Leadership Development program. The Agency continued to offer employees access to leadership development learning modules through several web-based portals. The Agency has also made available opportunities for Business Opportunity Specialists, acquisitions professionals, and information technology specialists to obtain certifications. Lastly, the SBA has initiated a recurring *Peer-to-Peer Power Hour* learning series, providing opportunities for employees to share their domain expertise with their colleagues, strengthening organizational capacity by empowering employees to serve as teaching leaders, and building a culture of learning.

The Agency developed a new Strategic Workforce Plan, FY 2017–FY 2020. The workforce plan has identified key strengths, challenges, and personnel trends regarding the SBA workforce so that leadership can make informed decisions regarding effective employment. Considering the key issues of high retirement eligibility, career growth within SBA's Mission Critical Occupations (MCOs), and Agency-wide professional development, the Agency will implement targeted recruitment, retention and employee development strategies to address these challenges. A significant effort was placed to ensure the availability of Federal Acquisition Certification in Contracting (FAC-C) training for employees within the 1101 and 1102 series. As part of this effort, the SBA initiated a skills assessment to identify and close gaps in core and leadership competencies of its MCO, including SBA leaders and managers. A dual rater competency assessment was administered to all supervisory and managerial MCO staff, and a single-rater assessment was completed for all bargaining unit employees within the MCOs. Analyzed by OPM and the SBA, the data identified developmental needs and the Agency's leadership bench strength, laying a foundation for future planning.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to develop and implement an enterprise-wide Leader Development Strategy aimed at building competent and committed leaders equipped to make sound, ethical decisions. A key component of the strategy will be to implement an internal detail program that will serve to strengthen existing skills while helping employees acquire new skills. The SBA will also expand education, training, certification, and mentoring while ensuring opportunities are available to all employees. The objective of these actions is to build leadership capacity at all levels of the organization, improve the management of talent, and foster a culture of continuous learning.

The Agency will offer developmental opportunities to senior executives to help them perform at even higher levels and provide them with opportunities to undertake progressively broader, more complex, and cross-functional enterprise leadership responsibilities.

It is imperative that the SBA address current and potential future gaps in its mission-critical leadership and technical bench strength. The Agency must ensure that it provides a parallel path for the development of both leaders and technical experts. To address these challenges, the SBA is working to incorporate blended learning strategies into critical skills-building activities, formal learning, and career enrichment activities. Through the use of mentoring, coaching, and communities of practice, the Agency will promote leader-led development, knowledge capture, and knowledge transfer. As part of the Agency's talent development strategy, SBA employees will have learning roadmaps based on the competencies and skills required to be effective in their respective occupational series. These learning roadmaps will complement a parallel effort to create occupational career paths for all mission critical occupations.

Strategy 3: Foster an inclusive organizational culture that inspires employee engagement, cooperation, and fairness, while empowering employees to realize their full potential

The SBA strives to create an inclusive environment where employees are fully engaged and diversity is valued. The Chief Human Capital Officer Council established employee engagement and organizational performance improvements as a government-wide priority. These tenets will continue to be embedded in the SBA Strategic Plan, SBA Human Capital Operation Plan, and human resources policies. The SBA incorporates workforce flexibilities to further empower employees through its use of telework and flexible work schedules. The SBA has one of the highest participation rates in these opportunities, allowing for greater work-life balance.

Table 3.2c provides Federal Employee Viewpoint Survey results on job satisfaction and employee engagement.

Table 3.2c: Employee Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Federal Employee Viewpoint Survey Job Satisfaction Rate	**Target**	71%	71%	71%	71%	71%	64%	67%	67%
	Actual	67%	66%	66%	65%	62%	64%		
	Variance	-5%	-7%	-7%	-8%	-13%	0%		
Additional Information: The satisfaction rate is the Human Capital Assessment and Accountability Framework (HCAAF) Trends – Job Satisfaction Index, which indicates the extent to which employees are satisfied with their jobs.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Federal Employee Viewpoint Survey Engagement Index	**Target**	N/A	N/A	N/A	N/A	Baseline	64%	67%	67%
	Actual	65%	64%	65%	62%	60%	63%		
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		
Additional Information: Memorandum 15-04 establishes that federal agencies increase engagement efforts with the goal of increasing the government-wide Engagement Index on the FY 2017 Federal Employee Viewpoint Survey to 67 percent. The Index is comprised of three sub-categories, including Leaders Lead, Supervisors, and Intrinsic Work Experience. The SBA established this measure in FY 2016. Historical data have been provided for context.									

FY 2016 Accomplishments and Challenges

Overall, 68 percent of SBA employees completed the 2016 Federal Employee Viewpoint Survey (FEVS), representing a 5 percent increase over the 2015 response rate. This response rate is 22 percentage points higher than the federal government-wide response rate. The Agency's Employee Engagement Index score rose by 3 percentage points — from 60 percent in 2015 to 63 percent in 2016. OPM has recognized the SBA for this significant gain, citing it as one of the highest improvement of almost any agency across federal government.

Based on FEVS results, senior leadership concentrated its efforts across three employee engagement focal areas: 1) Strengthening communication and transparency, 2) investing in the growth and professional development of SBA employees, and 3) building a culture of high performance, inclusion, dignity, and respect. Engagement efforts improved the field employees' experience by using livestream technology for the Administrator's Town Hall, opening informal communication with Deputy Administrator and Chief of Staff through brown bag lunches, employees sharing expertise in a Peer-to-Peer Power Hour to promote a learning culture, supporting employees' career development in speed mentoring sessions, and improving communication tools.

The Agency continued to focus on improving employee engagement through the Action Planning Committee (APC), as well as several new initiatives that built momentum. The cross-functional workgroup, established in FY 2015, took root in FY 2016 and became institutionalized under the Employee Engagement Efforts (E^3) rubric. This team focused on high-level strategic issues identified in the government-wide Chief Human Capital Officers requirements. This team's work complemented the employee-driven Action Planning Committee established in FY 2013 as part of the original SBA Way initiative.

FY 2017 and FY 2018 Planned Performance

The SBA Administrator has identified employee engagement as a top priority for the SBA and has charged the Agency's executive corps with championing this critical priority. The SBA will continue to encourage employee participation in the FEVS and strengthen the Agency's Employee Engagement initiatives. The APC and E^3 workgroups will continue to survey, recommend, and implement employee ideas to realize employee potential and strengthen communication between senior leadership and employees.

Employees' professional development opportunities will be informed by APC and E^3 recommendations, mission critical occupational assessments, and trends based upon a strategic analysis of future workforce needs, and FEVS survey results.

As a proud supporter of veterans, the SBA will continue to be an active gateway for transitioning military and veterans seeking federal job opportunities. The SBA will continue to collaborate with hiring managers to leverage the use of veterans hiring flexibilities to recruit and provide developmental assignments through the Department of Veterans Affairs.

The **Office of Diversity, Inclusion and Civil Rights** serves as the equal opportunity arm for the Agency. It champions a diverse workforce and inclusive culture by ensuring equal access and equitable treatment and provides direction and guidance in implementing the Agency's equal opportunity, diversity, and civil rights responsibilities. These efforts include administration of the statutory EEO complaint program and the civil rights compliance component, ensuring federal programs and recipients of federal grants comply with anti-discrimination laws and regulations. Additionally, this program helps cultivate a collaborative and fair culture where employees can realize their full potential through initiatives that promote diversity, inclusion, and proactive conflict resolution.

FY 2016 Accomplishments and Challenges

In FY 2016, the SBA continued to build and maintain a high-performing and inclusive workforce. The SBA continued to advance important benchmarks for administering a model Equal Employment Opportunity program set forth by the Equal Employment Opportunity Commission (EEOC), including implementing new guidelines from the Revised Management Directive 110 (MD 110). Additionally, the SBA expanded its proactive initiatives and continued to foster a fair, cooperative, and inclusive culture. Such enhancements included the SBA increasing its workforce representation to align more closely with the Civilian Labor Force and expanding training opportunities for reasonable accommodation, diversity and inclusion, and conflict management.

The Agency also hosted five special emphasis programs to celebrate the unique history and culture of employees and increase awareness of employment issues affecting women, minorities, and persons with disabilities. In accordance with Title VI of the Civil Rights Act, the Agency conducted reviews and provided education for program and resource partners on disability access. Through the Agency's internal Disability Employment program, the SBA facilitated access to sign language interpreters, video captioning services, and other resources to ensure access for employees, applicants, and small business owners with disabilities. Finally, the Workplace Conflict Resolution Center (CRC) celebrated its first anniversary. It serves as a proactive resource to help employees resolve conflict at the earliest stage possible.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to develop and implement initiatives to build and maintain a high-performing and inclusive workforce. In FY 2017, the SBA will reinstate the SBA Barrier Analysis Working Group. The group will work to address challenges, as identified in the FY 2016 Management Directive 715 report to the EEOC, and work to identify solutions for tomorrow's challenges. Additionally, the SBA will update the Agency-wide Equal Employment Opportunity and Diversity and Inclusion policy. By

FY 2018, the Agency will also institute a comprehensive, Agency-wide plan to improve access to programs and resources for people with limited English proficiency. These services will ensure that entrepreneurs and small business owners have timely access to SBA services.

In FY 2017, the SBA and AFGE will have signed the 2017 Master Labor Agreement. Special emphasis will be placed on conflict resolution at the lowest level for bargaining unit employees. In FY 2017 and FY 2018, the CRC will focus on executing the Administrator's "Proactive Conflict Resolution" policy by helping supervisors and employees address conflict at the lowest level. The CRC will train internal collateral duty mediators to respond to increasing demand for the program's services. Additionally, the CRC will continue to identify and raise systemic issues to address underlying causes for conflict impacting the organization and will train employees and supervisors to increase conflict management competency in the Agency.

Strategy 4: Modernize and integrate human resources systems

The deployment of an integrated personnel and pay system is critical to improving Agency and employee access to accurate and timely personnel data, achieving operational efficiencies, and realizing cost savings.

<u>FY 2016 Accomplishments and Challenges</u>
The SBA secured approval to move forward with the migration of the HR information system to the Interior Business Center (IBC), operated by the U.S. Department of the Interior (DOI). The SBA has initiated migration to an automated, fully integrated, and end-to-end HR information system.

<u>FY 2017 and FY 2018 Planned Performance</u>
The SBA will implement its Human Resources Transformation Plan. This plan will migrate the Federal Personnel and Payroll System (FPPS) from the National Finance Center to the U.S. Department of Interior, Interior Business Center's (IBC's) integrated FPPS suite of HR IT services. Coupled with FPPS, IBC's Workforce Transformation and Tracking System will allow the SBA to fully integrate its various enterprise architecture components under a shared service center. Currently, SBA's human resource operations are supported by five disparate systems. By consolidating the systems, the Agency will eliminate workflow redundancies; substantially reduce manual labor, and lower Agency-wide administrative costs. The end-to-end payroll/personnel system offers a comprehensive set of mission-essential capabilities, including a web-based time and attendance system, workforce analytics, a hiring cycle dashboard, and an integrated e-learning and performance management system. Additionally, new employees will be able to get a head start on the onboarding process by completing new hire forms electronically. Lastly, the automation of SF-52 personnel action requests and electronic classification of position descriptions will measurably improve efficiency, lower staffing costs, and strengthen the ability to deliver on customer commitments.

Strategic Objective 3.3: Risk Mitigation

Mitigate risk to taxpayers and improve oversight across SBA programs

Performance Goals: Perform 300 risk-based reviews, review 100 percent of 8(a) Business Development firms and 10 percent of HUBZone firms, and conduct 65 programmatic and financial reviews of entrepreneurial development resource partners in FY 2018
Objective Leads: Associate Administrator, Office of Capital Access; Associate Administrator, Office of Government Contracting and Business Development; Associate Administrator, Office of Entrepreneurial Development
Support Offices: Office of Field Operations, Office of Performance Management and the Chief Financial Officer, Office of Investments and Innovation, Office of Disaster Assistance, Office of International Trade
Programs/Activities: Program Management and Administration, 7(a) Loan Guaranty, 504 Certified Development Loans, Microloans, Small Business Procurement Set-Aside, 8(a) Business Development, HUBZone, Small Business Development Centers (SBDC), Women's Business Center (WBC), Small Business Investment Companies (SBIC), Disaster Assistance
Most Serious Management and Performance Challenge 4: The SBA Needs to Improve its Risk Management and Oversight Practices to Ensure its Loan Programs Operate Effectively and Continue to Benefit Small Businesses
Most Serious Management and Performance Challenge 6: The SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers
Strategies:
1. Use technology and targeted reviews to conduct effective risk management
2. Ensure integrity of contracting programs and combat fraud, waste, and abuse
3. Maintain strong internal controls and decrease improper payments

Taxpayers, including entrepreneurs and small business owners, expect that their tax dollars are being used wisely. SBA programs give taxpayers a strong return on value and the Agency will continue to find ways to mitigate risk while ensuring that small businesses have access to and fully benefit from SBA programs. The SBA takes a zero-tolerance stance on waste, fraud, and abuse. The Agency mitigates risk and improves oversight through robust certification processes to reduce fraud in contracting programs, targeted on-site and off-site reviews of financial and counseling partners, innovative technological solutions, and a staff dedicated to sound financial management.

With a loan portfolio of nearly $124 billion outstanding, more than $30 billion in new loans guaranteed each year, oversight of small businesses' eligibility in tens of billions of government contract set-asides, a network of hundreds of grantee partners delivering consultation services and training to more than a million clients a year, and direct fiscal responsibility for more than a $800 million annual budget, the SBA has an extraordinary responsibility to taxpayers to mitigate risk and conduct oversight of its programs.

Progress Update: The SBA continued efforts to mitigate risk. In lender oversight, in FY 2016 the Agency performed 368 Risk-Based Reviews to include Analytical Risk-Based Reviews, Targeted Risk-Based Reviews, and Full Risk-Based Reviews of Lenders. The reviews provided oversight of loan and lender performance and compliance with SBA loan program requirements. The SBA conducted a combination of analytical and file assessments and reviewed 69 entrepreneurial development resource partners. The Agency provided these partners with training, classroom instruction, and educational materials to ensure that programs properly use grant funds. The SBA met its HUBZone and 8(a) Business Development review targets and ensured staff received training to provide small businesses with a better understanding of program eligibility requirements and compliance reviews. Sustained monitoring and enforcement continues to identify firms that may not be in compliance with regulatory requirements in order to mitigate risk to the Agency and taxpayers.

Most Serious Management and Performance Challenges: The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The Challenges are not presented in order of priority. Within each Management Challenge is a series of recommended actions to resolve the Challenge. https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

Figure 3.3a: Most Serious Management and Performance Challenge 4

Challenge 4: The SBA Needs to Improve its Risk Management and Oversight Practices to Ensure its Loan Programs Operate Effectively and Continue to Benefit Small Businesses		
Recommended Actions	Completion Date	
	7(a)	504
1. Monitor and verify implementation of corrective actions to ensure effective resolution prior to close-out. **2016 Achievement:** The SBA developed risk profiles and lender performance thresholds, developed a select analytical review process to allow for virtual risk-based reviews, updated its lender risk rating model to better stratify and predict risk, and conducted test reviews under the new risk-based review protocol. A virtual review process allows the SBA to efficiently review lender performance “remotely” through analytic assessments of lender-reported loan data already in-house, coupled with lender interviews via email, telephone conversations, etc., and requests for documentation that can be provided electronically (e.g., copies of policies, organization charts, internal control documents, etc.). For smaller and well-performing lenders, this lesser-cost virtual process aligns with SBA’s risk-based approach. The virtual review conducted for larger or higher-risk lenders also may provide diagnostic insight to plan and conduct additional, more intensive, review activities.	**September 30, 2017**	**September 30, 2017**
2. Demonstrate that information from the portfolio risk management program is used to support risk-based decisions and implement additional controls to mitigate risks in SBA loan programs. **2016 Achievement:** In FY 2016, the SBA established performance measures and risk mitigation goals applicable to each loan program and the entire lending portfolio. The current program tracks performance to support risk-based decisions at the portfolio, sub-program, and lender level, and that identified risk issues are presented to senior leadership quarterly at Lender Oversight Committee (LOC) meetings.	**September 30, 2017**	**September 30, 2017**

3. Develop an effective method of disclosing and tracking loan agent involvement in SBA business loan programs. **2016 Achievement:** To track loan agent activity on 7(a) loans, the SBA has lenders fax a loan agent disclosure form (Form 159) to SBA's fiscal and transfer agent (FTA) and require the FTA to enter the data into a database. The SBA began linking 7(a) loan Form 159 information with its loan data. The FTA is testing an automated Form 159 within SBA One.	**September 30, 2017**	**September 30, 2017**
4. Update regulations (13 CFR Part 103) regarding loan agents to provide effective enforcement procedures. **2016 Achievement:** The SBA published proposed revised regulations. Recently, the SBA issued a notice to lenders reiterating its requirements for loan agent disclosures and submission of the Form 159 to its FTA.	**September 30, 2017**	**September 30, 2017**
5. Implement a loan agent registration system, including the issuance of a unique identifying number for each agent. **2016 Achievement:** The SBA is exploring the feasibility and legal issues of implementing a unique identifying number and registration system.	**September 30, 2017**	**September 30, 2017**

Figure 3.3b: Most Serious Management and Performance Challenge 6

Challenge 6: The SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers		
Recommended Actions	Completion Date	
	7(a) Approvals	7(a) Purchases
1. Reassign responsibility for final approval of disputed denial, repair, and improper payment decisions from the Office of Financial Assistance (OFA) to the Office of Credit Risk Management (OCRM) to ensure an adequate and timely resolution of disputes. **2016 Achievement:** To improve timeliness, the SBA revised its dispute resolution process and established a committee of senior leaders that meets regularly to discuss disputed cases and reach consensus.	**N/A**	**September 30, 2017**
2. Demonstrate that corrective action plans are effective in reducing improper payments in the 7(a) loan program. **2016 Achievement:** The SBA has taken actions to accurately report and reduce improper payments for 7(a) loans. The SBA has formalized its improper payment sampling, demonstrated that its review process is effective for 7(a) loan approvals, formalized its process to review disputed cases, formalized the recovery process and time standards for 7(a) purchases, developed corrective action plans for 7(a) loans, established repayment ability review requirements, revised improper payment review checklists, and demonstrated recovery from lenders in a timely manner.	**September 30, 2017** **New**	**September 30, 2017** **New**

3. Ensure that centers are appropriately staffed with qualified resources that are appropriately trained and supervised and that the quality of the centers' resource deliverables is appropriately balanced against their production requirements. **2016 Achievement:** To ensure that centers are appropriately staffed with qualified resources, the SBA is in process of developing an appropriate training plan for the all spectrums of the center human resources. In addition, the SBA is in midst of evaluating the performance standards of the center staffs to ensure both the productivity as well as the quality are given full and equitable consideration.	**September 30, 2017** **New**	**September 30, 2017** **New**

Table 3.3a provides results and targets on the risk mitigation performance indicators for lender oversight.

Table 3.3a: Risk Mitigation Performance Goals

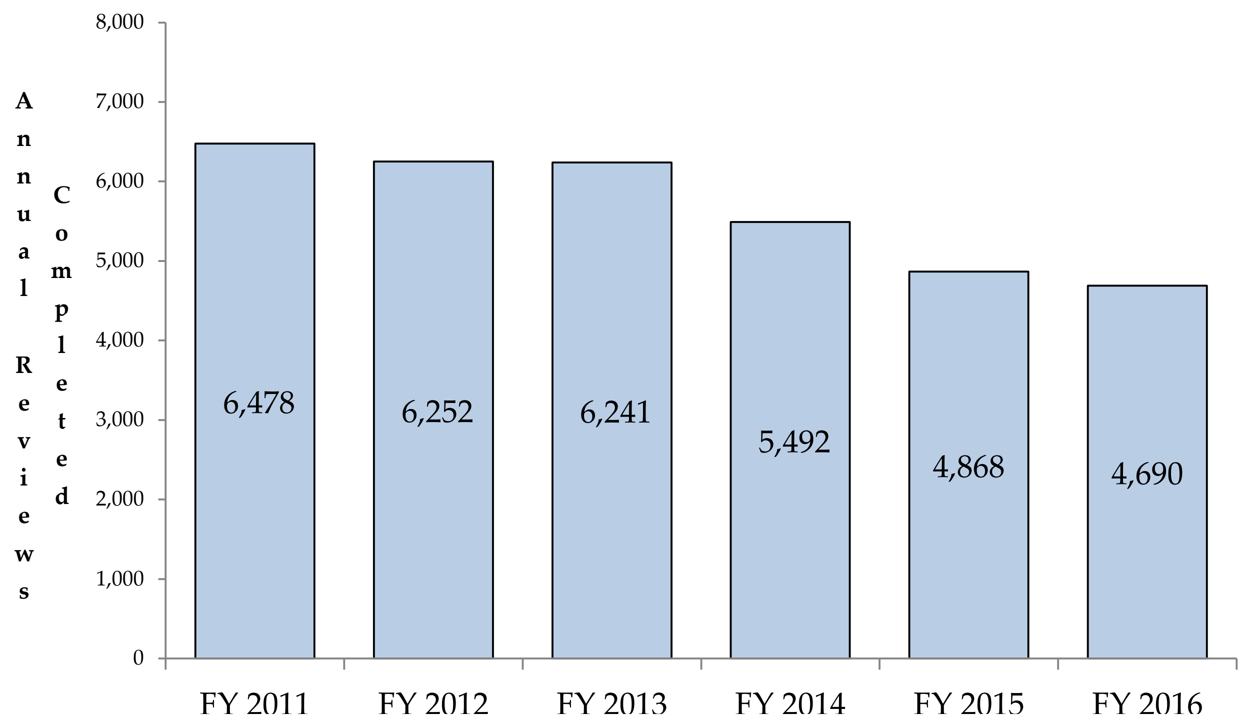
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Risk-Based Reviews of Lenders	**Target**	N/A	N/A	180	195	335	325	325	300
	Actual	N/A	N/A	184	219	378	368		
	Variance	N/A	N/A	2%	12%	13%	10%		
Additional Information: SBA's Office of Credit Risk Management conducts reviews of lenders that guarantee SBA loans. Risk-Based Reviews include Analytical Risk-Based Reviews, Targeted Risk-Based Reviews, and Full Risk-Based Reviews of Lenders.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of HUBZone Sites Visited	**Target**	1,000	690	517	518	500	475	492	492
	Actual	988	788	511	569	518	515		
	Variance	-1%	14%	-1%	10%	4%	8%		
Additional Information: The number of HUBZone sites visited target is 10 percent of the previous fiscal year total number of HUBZone firm sites.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of Annual 8(a) Reviews Completed	**Target**	100%	100%	100%	100%	100%	100%	100%	100%
	Actual	99%	101%	100%	100%	100%	100%		
	Variance	-1%	1%	0%	0%	0%	0		
Additional Information: Each active 8(a) program participant is reviewed on an annual basis to ensure continued compliance with program requirements. Reviews are completed on a rolling basis and must occur within 60 days of the one-year anniversary date from a firm's acceptance into the 8(a) program. For example, a firm certified on January 1 of a given year would need the review completed by March 1 of the following calendar year.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Financial Reviews of Entrepreneurial Development Resource Partners	**Target**	45	45	75	75	65	65	65	65
	Actual	45	49	76	70	66	69		
	Variance	0%	9%	1%	-7%	2%	6%		
Additional Information: The indicator includes the number of reviews completed.									

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of	**Target**	N/A	N/A	N/A	Baseline	5	5	5	5

Financial Reviews of VBOCs	**Actual**	N/A	N/A	N/A	N/A	N/A	0		
	Variance	N/A	N/A	N/A	N/A	N/A	-100%		
Additional Information: A VBOC Partner Review involves an analysis of internal procedures using SBDC procedures. The SBA plans to review five of the 15 VBOCs each annual period of performance (not fiscal year).									

Chart 3.3a shows the number of 8(a) Business Development annual reviews completed since FY 2010.

Chart 3.3a: 8(a) Business Development Annual Reviews



Strategy 1: Use technology and targeted reviews to conduct effective risk management

The SBA conducts risk-based reviews of its various partners to help the Agency mitigate risk in a cost effective manner. Multi-stage portfolio monitoring allows staff to determine the potential risk of each partner and whether an in-depth full review or less invasive analytical or targeted review is warranted. The SBA continued to refine new protocols for 7(a) and 504 loan reviews to best assess risk characteristics of individual lenders.

Table 3.3b provides results and targets on the risk mitigation performance indicators for lender oversight.

Table 3.3b: Risk Mitigation Performance Indicators

		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Analytical Risk-Based Reviews of Lenders	**Target**	N/A	N/A	110	150	300	300	300	140
	Actual	N/A	N/A	110	181	300	287		
	Variance	N/A	N/A	0%	21%	0%	-4%		
Additional Information: Enhanced analysis of risk factors during development and implementation of the FY 2017 Annual Risk Plan identified a need to conduct additional Targeted Risk-Based Reviews in lieu of as many Analytical Risk-Based Reviews. See next chart below.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Targeted Risk-Based Reviews of Lenders	**Target**	N/A	N/A	40	20	15	15	15	103
	Actual	N/A	N/A	41	13	32	32		
	Variance	N/A	N/A	3%	-35%	113%	113%		
Additional Information: Enhanced analysis of risk factors during development and implementation of the FY 2017 Annual Risk Plan identified a need to conduct additional Targeted Risk-Based Reviews in FY 2018. Therefore, Targeted Risk-based Reviews significantly exceeded the planned performance indicator.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Full Risk-Based Reviews of Lenders	**Target**	N/A	N/A	30	25	20	20	20	57
	Actual	N/A	N/A	33	25	46	49		
	Variance	N/A	N/A	10%	0%	130%	145%		
Additional Information: Enhanced analysis of risk factors during development of the FY 2017 Annual Risk Plan throughout the year identified a need to conduct additional Full Risk-Based Reviews.									
		FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Supervision and Enforcement Actions	**Target**	N/A	Baseline	5	5	5	5	5	10
	Actual	N/A	3	24	9	6	13		
	Variance	N/A	0%	380%	80%	20%	160%		
Additional Information: Lender oversight and recommendations for actions against lenders is based on a more thorough use of monitoring, increased supervision, and enforcement tools.									

FY 2016 Accomplishments and Challenges

The SBA continued to refine the risk-based protocols (PARRiS for 7(a) loans and SMART for 504 loans) that use portfolio analytics to develop analysis of current risk factors and prospective trends. The Agency conducted 368 Risk-Based Reviews. These reviews were comprised of 49 Full Risk-Based Reviews, 32 Targeted Risk-Based Reviews, and 287 Analytical Risk-Based Reviews. In addition, all SBA lenders were monitored through reviews using the Loan and Lender Monitoring System (L/LMS), which tracks the monthly performance and the quarterly credit scores for all 7(a) and 504 loans. Quarterly Lender Risk Ratings/Lender Purchase Ratings (LRRs/LPRs) for all lenders are generated through the L/LMS data. The LRR/LPR composite rating reflects SBA's assessment of the SBA lender's potential risk. The SBA conducted Delegated Authority reviews for 1,229 lenders, decertified eight CDCs and issued 25 debarments and immediate suspensions. Due to elevated risk factors (e.g. increased secondary market sales, elevated high risk origination rates, elevated early default rates, high growth rates, etc.) additional targeted, analytical and full risk-based reviews were completed.

For entrepreneurial development resource partners, the SBA conducted 69 financial examinations to monitor expenditures. The financial examinations reviewed accuracy in reporting and management of funds. The SBA reviewed 32 SBDCs, 36 WBCs, and SCORE. After the reviews, grantees received face-to-face feedback and training to correct issues assessed during the review. The SBA also shared best practices to improve grantee compliance with the Field Accountability Review (FAR).

For small business investment companies (SBICs), based upon the scope periods covered for each examination, the SBA lowered the average examination cycle for both leveraged and unleveraged funds in FY 2016, reporting that the average examination cycle for leveraged funds was 11.42 months, versus a goal of 13 months. Likewise, for unleveraged funds, the average cycle was reported as 16.56 months versus a goal of 18 months.

FY 2017 and FY 2018 Planned Performance

The SBA will maintain a consistent approach to risk mitigation by monitoring lenders' performance through programmatic reviews and by conducting portfolio analysis using L/LMS and maintaining its risk data warehouse. In both FY 2017 and FY 2018, the Agency will conduct 300 risk-based reviews of its highest-risk lenders to ensure that they are managing their portfolios in a prudent manner. The SBA will conduct these reviews of 7(a) lenders whose portfolios comprise more than 80 percent of the Agency's guaranteed 7(a) dollars and CDCs whose portfolios comprise more than 90 percent of the Agency's 504 dollars. The SBA will also conduct assessments on secondary market loan sales for highest-risk lenders, and conduct delegated authority renewals of both 7(a) lenders and CDCs as authorities expire.

The Agency plans to continue conducting 65 financial exams of SBDC, WBC and other partners as required by statute. These reviews provide an opportunity to conduct more in-depth examinations that will ultimately mitigate risk and ensure financial management compliance.

For SBICs, although the examination cycle averages were better than planned in FY 2016, based on SBA's internal review of its examination process, the SBA discovered in FY 2017 that many examination cycles reflected the scope period of the examination versus the time period between examinations. Prior to FY 2017, numerous examinations covered time periods with scope period cut-off dates that were not inclusive of the most recent fiscal quarters available. As a result, these examinations reflect appreciable gaps between the time period reviewed and the issuance of the examination report, which could present risks for timely detection and action on instances of regulatory non-compliance, as well as fraud, abuse, or other illegal activities.

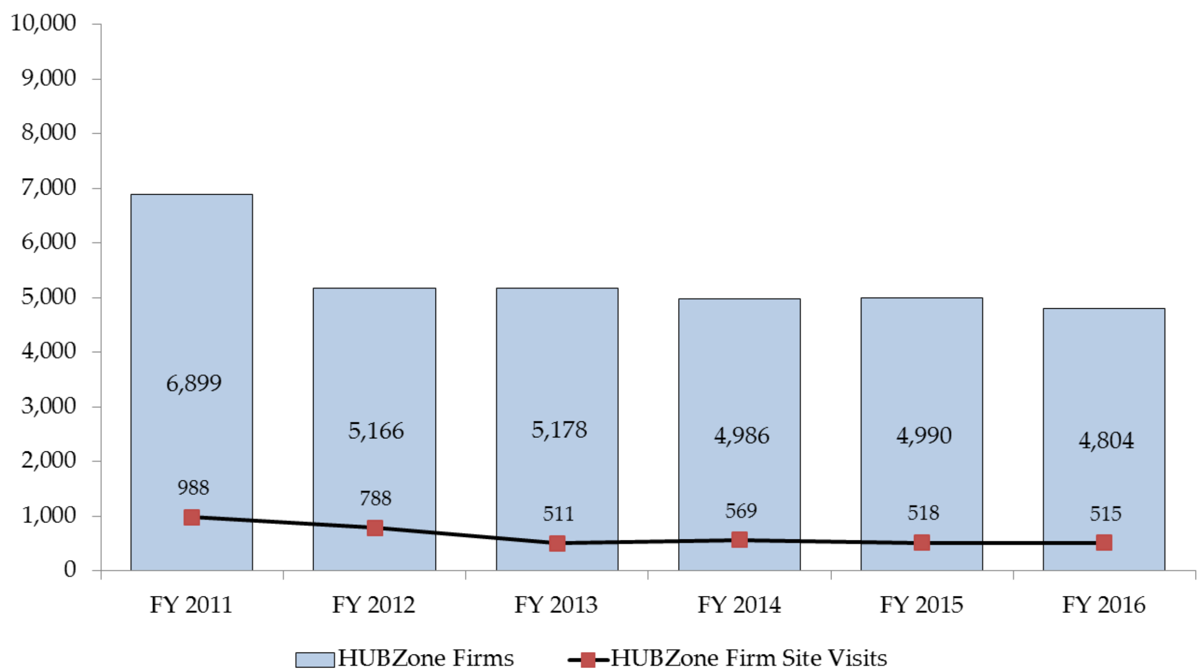
In FY 2017, the SBA determined that the past practice of using the scope periods to determine statutory compliance (examining SBICs "at least every two years") was not appropriate. Therefore, beginning in FY 2017, the SBA will measure examination cycles based on the time between commencements of examinations. This change is expected to result in larger examination cycles during FY 2017 and 2018 while the gaps between examinations and the periods covered are addressed. By the end of FY 2017, SBA will ensure that all SBIC examinations are in compliance in accordance with this measurement standard.

Strategy 2: Ensure integrity of contracting programs and combat fraud, waste, and abuse

The SBA has a three-pronged strategy for combating fraud, waste, and abuse in small business contracting. First, the Agency has implemented effective certification processes that provide clear and comprehensive eligibility screening on the front end to ensure only qualified eligible firms participate in its programs. Second, the SBA conducts surveillance reviews to monitor firms once they enter the program. The third strategy focuses on taking robust and timely enforcement on any non-compliant or fraudulent firms. The Agency has a range of enforcement tools to use when a firm is identified as ineligible. Certain firms may not be aware that they are out of compliance and simply withdraw when made aware of their ineligibility.

Chart 3.3b shows the number of HUBZone firms and site visits since 2011. The number of HUBZone-certified firms has decreased as a result of a reduction of designated areas that have seen economic improvement since the 2010 census.

Chart 3.3b: HUBZone Firms and Site Visits



<u>FY 2016 Accomplishments and Challenges</u>

The SBA used the HUBZone Certification and Tracking System and the Business Development Management Information System to monitor applicants and certified firms in the HUBZone and 8(a) Business Development programs. The Agency conducted 515 HUBZone site visits to validate the geographic requirement for principal offices. This amount represented 10.8 percent of the 4,750 HUBZone certified small businesses in the portfolio. The Agency conducted more than 800 Continuing Eligibility reviews of high risk 8(a) Business Development program participants. The Agency also conducted numerous partnership agreement training sessions with other agencies. These sessions train buying offices on the proper way to set aside contracts under the 8(a) Business Development program.

Both the HUBZone and 8(a) Business Development programs conducted trainings for the SBA and its resource partner staff to improve understanding of the program requirements, benefits, and processes. Through these trainings, SBA's partners were better able to prepare firms to obtain and maintain certification, thereby decreasing the number of withdrawals, declines, and de-certifications due to unintentional non-compliance issues.

FY 2017 and FY 2018 Planned Performance
The SBA district offices will continue outreach to small businesses using methods such as podcasts and web-conferencing. This outreach will better prepare firms to obtain and maintain certification. The SBA will ensure firms maintain certification.

The SBA will conduct program monitoring, which includes annual program examinations of firms receiving HUBZone contracts. The SBA will also continue to visit 10 percent of its HUBZone sites in FY 2017 and FY 2018. SBA district offices will complete 8(a) Business Development annual reviews of all of the firms in the portfolio. The Agency will continue to leverage the Suspension and Debarment Task Force and the Office of Inspector General to identify firms in noncompliance and remove them from the program.

In FY 2017, the SBA expects to enhance its informational technology systems, which will integrate additional business processes for 8(a) Business Development, HUBZone, WOSB, and the Mentor-Protégé programs. Through this integration, small businesses will be able to apply more efficiently for program admission. Additionally, the system will provide enhanced reporting capability, which will facilitate better monitoring and enforcement of the programs. In FY 2018, the SBA will conduct the same number of webinars but reach 25 percent more participants by allocating additional resources for advance marketing and training. In addition, two one-hour webinars will be offered in HUBZones to increase compliance thus mitigating waste and abuse.

Strategy 3: Maintain strong internal controls and decrease improper payments

A dedicated staff in the Office of Performance Management (OPM), the Office of the Chief Financial Officer (OCFO), and the Office of Field Operations (OFO) helps ensure the SBA has adequate internal controls in its various programs.

To ensure that the Agency correctly accounts for the spending of appropriations and reduces improper payments, the SBA conducts internal control assessments in compliance with OMB Circular A-123, Appendix A (Internal Controls Over Financial Reporting). It provides guidance and evaluation tools to assist managers in their annual assertion on the adequacy of internal controls in compliance with the Federal Managers Financial Integrity Act. In addition, the SBA evaluates contract payments for improper payments and coordinates reporting of 7(a) and 504 loan guaranty and disaster direct loan improper payments.

FY 2016 Accomplishments and Challenges
The Agency evaluated business processes impacting financial operations to comply with OMB Circular A-123, Appendix A (Internal Controls over Financial Reporting). In addition, OCFO tested contract payments for improper payments and coordinated reporting of 7(a) and 504 loan guaranty and disaster direct loan improper payments in compliance with OMB Circular A-123, Appendix C (Requirements for Effective Measurement and Remediation of Improper Payments). OCFO also

provided assistance and coordinated the reporting of improper payments to comply with the Disaster Relief Appropriations Act, 2013. These accomplishments helped address Management Challenge 8, identified by the SBA Inspector General, which focuses on accurately reporting, significantly reducing, and strengthening efforts to recover improper payments in the 7(a) loan program.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to perform on-site internal control assessments of various field and headquarters' offices and provide internal controls training to improve procedures and reduce costs. Through the strength of its internal control practices, the SBA will strive to maintain an unqualified audit opinion with no material weaknesses on its annual financial statements in FY 2017 and FY 2018.

The OFO is responsible for the Agency-wide delivery of SBA's products and services. Through the implementation of the Field Accountability Review (FAR) process, the OFO serves as a critical component of the Agency's oversight ensuring accountability and responsible stewardship of taxpayer dollars by the use of prudent financial management. Reviews are conducted at SBA district offices using systematic and audit-like steps to measure performance and compliance regarding federal statutory mandates, regulations, and SBA policy and procedures. Reviews provide an objective assessment of a district office's strengths, weaknesses, opportunities, challenges, and best practices. Reviews also mitigate critical program risks, identify needed or required revisions of information systems, and ensure that proper internal controls are in place to prevent fraud, waste, and abuse.

FY 2016 Accomplishments and Challenges

Between FY 2010 and FY 2016, OFO reviewed all 68 district offices for applicable risk assessments, challenges, successes, and best practices. The reviews included an examination of information technology resources to better assist district offices with their portfolio management, oversight, and reporting capacities. In cases where the Government Accountability Office (GAO) and the Office of Inspector General (OIG) identified challenges, the SBA conducted additional reviews. Field Accountability Reviews (FARs) identified and resulted in 374 implemented recommendations. Office improvements included better district compliance, potential risk(s) mitigation, and onboarding (training) process efficiencies. The FAR process also exposed new managers to other district office environments.

FY 2017 and FY 2018 Planned Performance

The SBA will continue to revise its FAR process to identify and resolve fraud, waste, and abuse in SBA's 68 district offices. The SBA will continue to increase and improve compliance reviews to ensure office efficiency and effectiveness. It will examine key operational and programmatic functions assigned to district offices, ensure that compliance review requirements are met, and identify interaction with community, business, and congressional staffs. These efforts will improve small business participation in SBA programs to ensure that small businesses receive exceptional customer service.

Technical assistance and training will be provided to district offices to better promote their programs, ensure effective processes, and increase oversight. Associated recommendations and risk assessments will be coordinated to improve field efficiency. The SBA will continue to track, measure, and mitigate risk and improve oversight across programs.

Appendices

Appendix 1 – Appropriations Language

SALARIES AND EXPENSES

For necessary expenses, not otherwise provided for, of the Small Business Administration, including hire of passenger motor vehicles as authorized by sections 1343 and 1344 of title 31, United States Code, and not to exceed $3,500 for official reception and representation expenses, $265,000,000: *Provided*, That the Administrator is authorized to charge fees to cover the cost of publications developed by the Small Business Administration, and certain loan program activities, including fees authorized by section 5(b) of the Small Business Act: *Provided further*, That, notwithstanding 31 U.S.C. 3302, revenues received from all such activities shall be credited to this account, to remain available until expended, for carrying out these purposes without further appropriations: *Provided further,* That the Small Business Administration may accept gifts in an amount not to exceed $4,000,000 and may co-sponsor activities, each in accordance with section 132(a) of division K of Public Law 108–447, during fiscal year 2018: *Provided further,* That $6,100,000 shall be available for the Loan Modernization and Accounting System, to be available until September 30, 2019.

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $19,900,000.

OFFICE OF ADVOCACY

For necessary expenses of the Office of Advocacy in carrying out the provisions of Title II of Public Law 94–305 (15 U.S.C. 634a et seq.) and the Regulatory Flexibility Act of 1980 (5 U.S.C. 601 et seq.), $9,120,000, to remain available until expended.

ENTREPRENEURIAL DEVELOPMENT PROGRAM

For necessary expenses of programs supporting entrepreneurial and small business development, $192,450,000, to remain available until September 30, 2019: *Provided,* That $110,000,000 shall be available to fund grants for performance in fiscal year 2018 or fiscal year 2019 as authorized by section 21 of the Small Business Act: *Provided further,* That $25,000,000 shall be for marketing, management, and technical assistance under section 7(m) of the Small Business Act (15 U.S.C. 636(m)(4)) by intermediaries that make microloans under the microloan program: *Provided further,* That $10,000,000 shall be available for grants to States to carry out export programs authorized under section 22(l) of the Small Business Act (15 U.S.C. 649(l)) to assist small business concerns.

DISASTER LOANS PROGRAM ACCOUNT (INCLUDING TRANSFERS OF FUNDS)

For administrative expenses to carry out the direct loan program authorized by section 7(b) of the Small Business Act, $186,458,000, to be available until expended, of which $1,000,000 is for the Office of Inspector General of the Small Business Administration for audits and reviews of disaster loans and the disaster loan programs and shall be transferred to and merged with the appropriations for the Office of Inspector General; of which $176,458,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, which may be transferred to and merged with the appropriations for Salaries and Expenses; and of which $9,000,000 is for indirect administrative expenses for the direct loan program, which may be transferred to and merged with the appropriations for Salaries and Expenses.

BUSINESS LOANS PROGRAM ACCOUNT (INCLUDING TRANSFER OF FUNDS)
For the cost of direct loans, $3,438,172, to remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That subject to section 502 of the Congressional Budget Act of 1974, during fiscal year 2018 commitments to guarantee loans under section 503 of the Small Business Investment Act of 1958 shall not exceed $7,500,000,000: *Provided further*, That during fiscal year 2018 commitments for general business loans authorized under section 7(a) of the Small Business Act shall not exceed $29,000,000,000 for a combination of amortizing term loans and the aggregated maximum line of credit provided by revolving loans: *Provided further*, That during fiscal year 2018 commitments for loans authorized under subparagraph (C) of section 502(7) of The Small Business Investment Act of 1958 (15 U.S.C. 696(7)) shall not exceed $7,500,000,000: *Provided further*, That during fiscal year 2018 commitments to guarantee loans for debentures under section 303(b) of the Small Business Investment Act of 1958 shall not exceed $4,000,000,000: *Provided further*, That during fiscal year 2018, guarantees of trust certificates authorized by section 5(g) of the Small Business Act shall not exceed a principal amount of $12,000,000,000. In addition, for administrative expenses to carry out the direct and guaranteed loan programs, $152,782,000, which may be transferred to and merged with the appropriations for Salaries and Expenses.

ADMINISTRATIVE PROVISIONS (INCLUDING TRANSFER OF FUNDS)
Sec. 520 Not to exceed 5 percent of any appropriation made available in this title for the Small Business Administration may be transferred between such appropriations upon the advance notification to the Committees on Appropriations of the House of Representatives and the Senate: Provided, That no transfer under this section may increase any such appropriation by more than 10 percent.

Sec. 521 For loans and loan guarantees that do not require budget authority and the program level has been established in this Act, the Administrator of the Small Business Administration may increase the program level for such loans and loan guarantees by not more than 15 percent: Provided, *That prior to the Administrator implementing such an increase, the Administrator notifies, in writing, the Committees on Appropriations and Small Business of both Houses of Congress at least 15 days in advance.*

Sec. 522 Of the unobligated balances available for the Immediate Disaster Assistance Program authorized by section 42 of the Small Business Act (15 U.S. C. 657n) and the Expedited Disaster

Assistance Loan Program authorized by section 12085 of Public Law 110-246, $2,600,000 are hereby permanently cancelled: Provided, *That no amounts may be cancelled from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985.*

Sec. 523 Section 7(m) of the Small Business Act (15 U.S.C. 636(m) is amended—

(a) in paragraph (4)—

(1) by striking subparagraph (E); and

(2) by redesignating subparagraph (F) as subparagraph (E); and

(b) in paragraph (7), by striking subparagraph (B).

Sec. 524 SMALL BUSINESS DEVELOPMENT CENTER AND WOMEN'S BUSINESS CENTER PROGRAM EVALUATIONS.

(a) Section 21(a)(7)(A) of the Small Business Act (15 U.S.C. 648(a)(7)(A)) is amended by—

(1) striking the word "or" at the end of clause (i);

(2) striking the period at the end of clause (ii) and insert "; "or"; and

(3) adding the following new clause (iii):

"(iii) the Administrator considers such a disclosure to be necessary for the purpose of conducting a program evaluation."

(b) Section 29(n)(1) of the Small Business Act (15 U.S.C. 656(n)(1)) is amended by—

(1) striking the word "or" at the end of subparagraph (A);

(2) striking the period at the end of subparagraph (B) and insert "; or"; and

(3) adding the following new subparagraph (C):

"(C) the Administrator considers such a disclosure to be necessary for the purpose of conducting a program evaluation."

Appendix 2 – Data Validation and Verification

Managing for results and integrating performance with budget information require valid, reliable, and high-quality performance measures and data. The SBA conducts data validation as a means of determining if data that are being used are appropriate for the outcome that is being pursued. The SBA data collected and measured truly reflect the performance being measured and have a clear relationship to the mission of the organization. In accordance with the GPRA Modernization Act of 2010, the SBA aligns its annual performance measures with the SBA Mission and three strategic goals within the Agency's *FY 2014-2018 Strategic Plan*. The verification process assesses data accuracy, completeness, consistency, availability, and internal control practices that serve to determine the overall reliability of SBA processes. The SBA management reviews and approves data validation and certification forms for all performance indicators. These forms are published on www.sba.gov/performance.

The SBA framework for verifying and validating the data include the following actions:

Data Analytics

- *Responding to data limitations.* It is not enough to identify data quality problems. Where there are data limitations, the SBA is working hard to improve quality. In the meantime, the SBA will recognize where there are data limitations and specify the steps being taken to improve the data.
- *Reconciling finances and performance costs.* The SBA will continue to ensure the accuracy of this cost-related performance data by reconciling that information with its financial statements. Achieving this important reconciliation means that the Agency has strengthened the integration of its financial and performance information.

Accountability

- *Fostering organizational commitment and capacity for data quality.* The SBA aims to achieve data quality through 1) training managers to ensure they understand the need for quality data for developing valid performance measures and ensuring data quality, and 2) having managers attest to the quality of the data under their management.
- *Coordinating with a variety of data sources to evaluate performance.* In addition to using output data collected internally from its own systems, the SBA relies on data from resource partners and other federal agencies and local governments to assess its accomplishments and effectiveness.

Quality Control

- *Assessing the quality of existing data.* Audits and reviews ensure the quality of SBA's financial data systems. However, the SBA must assess the quality of loan and program data provided by its resource partners and will include data verification in its lender and resource partner oversight.

Appendix 3 – SBA Programs and Offices

Office of Advocacy. The Office of Advocacy (OA) is an independent voice for small business within the federal government, the watchdog for the Regulatory Flexibility Act (RFA), and the source of small business statistics. Advocacy advances the views and concerns of small business before Congress, the White House, the federal agencies, the federal courts, and state policy makers.

Office of Capital Access. The Office of Capital Access (OCA) assists small businesses in obtaining capital via the 7(a) loan, Grow/504 loan, and Microloan programs, and bonds through the Surety Bond Guarantee program.

Office of the Chief Information Officer. The Chief Information Officer (OCIO) is responsible for strategic execution and management of Agency-wide functions related to information technology as outlined in the Clinger-Cohen Act (also referred to as the Information Technology Management Reform Act), OMB Circular A-130, "Management of Federal Information Resources," and the Paperwork Reduction Act of 1995 and subsequent regulatory and policy guidance.

Office of the Chief Operating Officer. The Office of the Chief Operating Officer (OCOO) is charged with leading SBA's operations to achieve the mission of the Agency. It ensures that the program offices are able to meet their goals and are supported through transparent coordination of human resources, information technology, facilities, disaster planning, risk management, security, and grants management.

Office of Communications and Public Liaison. The Office of Communications and Public Liaison (OCPL) communicates the Agency's programs and priorities to small businesses, resource partners, and the public at large by working with media outlets, developing social media content, creating user-friendly online resources, crafting high-quality marketing materials, organizing events to gain feedback from small businesses, and coordinating strategic partnerships.

Office of Congressional and Legislative Affairs. The Office of Congressional and Legislative Affairs (OCLA) assist in the development of SBA legislative programs and serves as the communications focal point on legislation and congressional activity. It monitors legislation and policies introduced by Congress and government agencies to determine their effects on the SBA and small business and serves as liaison with legislative personnel at the White House, Office of Management and Budget, and other federal agencies.

Office of Credit Risk Management. The Office of Credit Risk Management (OCRM) is responsible for managing program credit risk, monitoring lender performance, and enforcing lending program requirements.

Office of Disaster Assistance. The Office of Disaster Assistance (ODA) is responsible for providing affordable, timely, and accessible financial assistance to businesses of all sizes, private non-profit organizations, homeowners, and renters following a disaster. Financial assistance is available in the form of low-interest, long-term loans. SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses.

Office of Diversity, Inclusion, and Civil Rights. The Office of Diversity, Inclusion and Civil Rights (ODICR) champions a diverse workforce and inclusive culture by ensuring equal access and equitable treatment regarding employment and entrepreneurial endeavors. The office oversees equal employment opportunity, civil rights, workforce diversity, and workplace inclusion matters.

Office of Entrepreneurial Development. The Office of Entrepreneurial Development (OED) provides business advising, mentoring, and training assistance through its resource partner network composed of small business development centers, women's business centers, and SCORE, as well as through the Regional Innovation Clusters, Entrepreneurship Education, SBA Learning Center, and Emerging Leaders programs. In addition, SBA's district offices support coordination between resource partners and small business communities.

Office of Entrepreneurial Education. Office of Entrepreneurship Education (OEE) develops and promotes innovative resources for small business owners and prospective entrepreneurs. These resources are designed to assist in the startup, management, and growth of small businesses. Such resources include specialized training sessions, distance learning, written materials, websites, and other means of providing business development, business management, and business growth information. OEE manages initiatives and services that promote entrepreneurial development through SCORE, SBA's Online Learning Courses, Young Entrepreneurs, Financial Literacy, and SBA's Emerging Leaders Initiative.

Office of Field Operations. The Office of Field Operations (OFO) is SBA's front-line operating team and represents the SBA field offices at headquarters. Most SBA programs and services are executed when small businesses connect with their regional, district, and branch offices, which are located in each state and territory.

Office of General Counsel. The Office of General Counsel (OGC) provides comprehensive legal services to the Administrator and all Agency offices. These legal services include advising, analyzing, and interpreting statutes, regulations and other sources of law, as well as drafting legislative, regulatory, and other types of materials.

Office of Government Contracting and Business Development. The Office of Government Contracting and Business Development (GCBD) provide assistance to small businesses competing for federal contracting opportunities through the government-wide prime and subcontracting programs. This includes HUBZone, 8(a) business development, 7(j) technical assistance, women-owned and veteran-owned small businesses, and the Office of Mentor-Protégé. The office also sets size standards for small businesses, which determine the size a business must be to be considered a small business.

Office of Hearings and Appeals. The Office of Hearings and Appeals (OHA) provides an independent, quasi-judicial appeal of certain SBA program decisions. It formally adjudicates disputes rising in numerous jurisdictional areas.

Office of the Inspector General. The Office of Inspector General (OIG) is an independent office within the SBA to conduct and supervise audits, investigations, and other reviews relating to Agency programs and supporting operations; detect and prevent waste, fraud, and abuse; and promote economy, efficiency, and effectiveness in the administration and management of SBA programs. The Inspector General informs the SBA Administrator and Congress of any problems, recommends corrective actions, and monitors progress in the implementation of such actions.

Office of International Trade. The Office of International Trade (OIT) enhances the ability of small businesses to export and compete in the global marketplace by facilitating access to capital, providing technical assistance, ensuring the consideration of small business interests in trade negotiations, and contributing to the U.S. government's international commercial and economic agenda.

Office of Investment and Innovation. The Office of Investment and Innovation (OII) assists high-growth small businesses through tailored programs that drive innovation and competitiveness, which include the Small Business Investment Company, Small Business Innovation Research, Small Business Technology Transfer, and other programs.

Office of National Ombudsman. The Office of the National Ombudsman (ONO) works with all federal agencies that regulate small business to provide a means for businesses to comment on federal government enforcement activity. This includes audits, on-site inspections, compliance assistance efforts, and other enforcement efforts. The office also maintains a five-member Regulatory Fairness Board in each of SBA's ten regions to hold public hearings on small business concerns.

Office of Intergovernmental Affairs. The Office of Intergovernmental Affairs (OIA) facilitates continuous and bilateral communications between the SBA and state and local governments; American Indian, Alaska Native, Native Hawaiian tribal governments; and insular governments.

Office of Performance Management and Chief Financial Officer. The Office of Performance Management and Chief Financial Officer (OPMCFO) oversees Agency strategic planning and performance management, financial management, and acquisitions. It is responsible for Agency disbursements and coordination of budgeting, financial analysis and modeling, and internal controls.

Office of Small Business Development Centers. The Small Business Development Center (SBDCs) program provides technical assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The program is a cooperative effort of the private sector, the educational community, and federal, state, and local governments.

Office of Veterans Business Development. The Office of Veterans Business Development (OVBD) ensures availability of small business programs for veterans, service-disabled veterans, reserve component members, and their dependents or survivors. It accomplishes its work through veterans business outreach centers, the Boots to Business program, Entrepreneurship Boot Camp for veterans with disabilities, and partnerships with federal agencies and SBA resource partners.

Appendix 4 – Glossary

7(a) —7(a) Loan Guaranty Program

7(j) — 7(j) Management and Technical Assistance Program

8(a) — 8(a) Business Development Program

AARP — American Association of Retired Persons

ACSI — American Customer Satisfaction Index

ACVBA — Advisory Committee on Veterans Business Affairs

AFV — Alternate Fuel Vehicle

B2B — Boots to Business

B2B|R — Boots to Business: Reboot

BD — Business Development Program

BDMIS —Business Development Management Information System

BOS — Business Opportunity Specialist

BRAC — Defense Base Closure and Realignment Commission

CA — Community Advantage pilot loan

CAP Goals — Cross-Agency Priority Goals

CBJ — Congressional Budget Justification, an agency's annual budget request to Congress

CCB — Configuration Change Board

CDC — Certified Development Company

CEB — Corporate Executive Board

CIO — Chief Information Officer

COC — Certificate of Competency

COOP — Continuity of Operations Plan

CMR — Commercial Market Representatives

CRM — Credit Risk Management

DATA Act — Digital Accountability and Transparency Act

DLAP — Disaster Loan Application Portal

DoD — U.S. Department of Defense

DOI — U.S. Department of the Interior

DSBS — Dynamic Small Business System

E^3 — Employee Engagement Efforts rubric

EBV — Entrepreneurship Boot Camp for Veterans with Disabilities

ED — U.S. Department of Education

EDWOSB — Economically Disadvantaged Women-Owned Small Business

EEO — Equal Employment Opportunity

EIDL — Economic Injury Disaster Loan

ELA — Electronic Loan Application

EPC — Export Promotion Cabinet

FACA — Federal Advisory Committee Act

FAC-C — Federal Acquisition Certification in Contracting

FAR — Federal Acquisition Regulation

FAR — Field Accountability Review

FAST — Federal and State Technology grants program that supports innovative technology-driven small businesses

FEMA — U.S. Federal Emergency Management Agency

FEVS —Federal Employee Viewpoint Survey

FISMA — Federal Information Security Management Act

FPPS — Federal Personnel and Payroll System

FTA — Fiscal Transfer Agent

FTE — Full Time Equivalent; the workload of an employed person; an FTE of 1.0 means that the person is equivalent to a full-time worker, while an FTE of 0.5 means that the worker is only half-time

FY — Fiscal Year; the federal government's fiscal year begins October 1 and ends September 30

GAO — Government Accountability Office

GPRAMA — GPRA (Government Performance and Results Act) Modernization Act of 2010

504 —504 Certified Development Loan Program

GSA — General Services Administration

HCAAF — Human Capital Assessment and Accountability Framework

HUBZone — Historically Underutilized Business Zone

IBC — Interior Business Center

IBP — U.S. Department of Commerce International Buyer Program

IMCP — Investing in Manufacturing Communities Partnership

IPC — Interagency Policy Committee

IT — Information Technology

Jobs Act — Small Business Jobs Act of 2010; may also be referred to as SBJA

LGBT — Lesbian Gay Bisexual Transgender

LINC — Leveraging Information and Networks to access Capital

LOC — Lender Oversight Committee

LMAS — Loan Management and Accounting System

L/LMS — Loan and Lender Monitoring System

LRR/LPR — Lender Risk Rating/Lender Purchase Rating

MCO — Mission Critical Occupation

MOU — Memorandum of Understanding

NAGGL — National Association of Government Guaranteed Lenders

NAICS — North American Industry Code System

NASBP — National Association of Surety Bond Producers

NDAA — National Defense Authorization Act of 2013

NEI/NEXT — National Export Initiative

NIH — National Institutes of Health

NSF — National Science Foundation

NWBC — National Women's Business Council

OCA — Office of Capital Access

OCFO — Office of the Chief Financial Officer

OCIO — Office of the Chief Information Officer

OCRM — Office of Credit Risk Management

ODA — Office of Disaster Assistance

ODICR — Office of Diversity, Inclusion and Civil Rights

OED — Office of Entrepreneurial Development

OEE — Office of Entrepreneurship Education

OEO — Office of Economic Opportunity

OFA — Office of Financial Assistance

OFO — Office of Field Operations

OFPP — Office of Federal Procurement Policy

OHRS — Office of Human Resources Solutions

OIA — Office of Intergovernmental Affairs

OIG — Office of Inspector General

OII — Office of Investment and Innovation

OIT — Office of International Trade

OMB — U.S. Office of Management and Budget

ONAA — Office of Native American Affairs

ONO — Office of the National Ombudsman

OPM — U.S. Office of Personnel Management

OSDBU — Office of Small and Disadvantaged Business Utilization

OSTP — White House Office of Science and Technology Policy

OVBD — Office of Veteran Business Development

PCR — Procurement Center Representative

PD — Program Development

PFCRA — Program Fraud Civil Remedies Act

PII — Personally Identifiable Information

PMF — Presidential Management Fellows Program

POWER — Partnerships for Opportunity and Workforce and Economic Revitalization

PRIME — Program for Investment in Microentrepreneurs

PTP — SBA Partner Training Portal

R&D — Research and Development

RIC — Regional Innovation Cluster

RISE After Disaster Act of 2015 — Recovery Improvements for Small Entities After Disaster Act of 2015

SAM — System for Acquisition Management

SBA — U.S. Small Business Administration

SBAExpress — Program that provides selected lenders with a 50 percent guaranty on their loans in exchange for the ability to primarily use their own application and documentation forms, making it easier and faster for lenders to provide small business loans of $250,000 or less

SBDC — Small Business Development Center Program

SBDCNet — National information clearinghouse that provides small business research services to small business development center counselors in all states and territories

SBIC — Small Business Investment Company

SBIR — Small Business Innovation Research

SBO — Survey of Business Owners

SBPAC — Small Business Procurement Advisory Council

SBWG — Small Business Working Group

SCORE — A volunteer organization sponsored by the SBA that offers mentoring and training for small business owners who are starting, building, or growing their businesses

SDB — Small Disadvantaged Business

SDLC — System Development Life Cycle

SDV — Service-Disabled Veteran

SDVETP — Service-Disabled Veteran Entrepreneurship Program grant

SDVOSB — Service-Disabled Veteran-Owned Small Business

SEC — U.S. Securities and Exchange Commission

SEO — Search Engine Optimization

SES — Senior Executive Service

SME — Subject Matter Expert

SOP — Standard Operating Procedure; the primary source of the Agency's internal control

STEP — State Trade Expansion Program

STTR — Small Business Technology Transfer Program

SUMIC — Scale-Up Manufacturing Investment Company Program

TAP — U.S. Department of Defense Transition Assistance Program

TPCC — Trade Promotion Coordinating Committee

TPP — Trans Pacific Partnership

T-TIP — Transatlantic Trade and Investment Partnership

US CERT — United States Computer Emergency Readiness Team

USDA — U.S. Department of Agriculture

USGBS — U.S. Global Business Solutions

URL — Uniform Resource Locator, used to specify addresses on the World Wide Web

USTR — U.S. Trade Representative

VAM — Vehicle Allocation Methodology

VBOC — Veterans Business Outreach Center

VERA/VSIP — Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment

VIP — Veterans Institute for Procurement Program

V-WISE — Veteran Women Igniting the Spirit of Entrepreneurship

WBC — Women's Business Center

WOSB — Women-Owned Small Business Program

WOSBFCP — Women-Owned Small Business Federal Contract Program

Appendix 5 – Performance Indicators Table

Strategic Goal One – Growing Businesses and Creating Jobs

Objective 1.1 Expand access to capital through SBA's extensive lending network

Priority Goal		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Active Lending Partners Providing 7(a) Loans	**Target**	3,000	2,700	2,800	2,850	2,850	2,400	2,500	2,200
	Actual	3,537	2,476	2,345	2,244	2,163	2,045		
	Variance	18%	-8%	-16%	-21%	-24%	-15%		
Additional Information: The FY 2011 actual is a two-year cumulative number of FY 2010 and FY 2011. Beginning in FY 2012, the indicator is reported annually. The continual bank mergers impacted the number of active lending partners providing 7(a) loans. This is evidenced by SBA approving the transfer of over 60 portfolios due to mergers in FY 2016. However, the SBA had a record year of loan approvals in both volume and dollars.									
Performance Goal		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Billions of Dollars of Lending Supported by 7(a) and 504 Loans	**Target**	23.7	22.4	23.7	24.3	24.8	30.9	34.4	35.0
	Actual	30.5	30.3	29.6	28.7	33.3	34.8		
	Variance	29%	35%	25%	18%	34%	13%		
Additional Information: The sum of the dollars of 7(a) loans approved is equal to the dollars of lending supported. For 504 loans supported, the calculation is the sum of 504 loans approved times 2.25, which represents the additional amount of private loan capital.									
Performance Goal		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Jobs Supported by 7(a), 504, Microloans, and Surety Bond Guarantees	**Target**	641,400	574,800	654,000	674,850	688,650	711,400	726,900	757,000
	Actual	700,736	609,437	621,869	615,364	728,820	691,212		
	Variance	9%	6%	-5%	-9%	6%	-3%		
Additional Information: The SBA established this performance goal in FY 2011 and has provided historical data for context. Continuation of the streamlining process has a positive impact on jobs supported. The FY 2016 jobs supported actual has been adjusted to exclude 7(a) cancelled loans as previously published in SBA's FY 2016 Agency Financial Report.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Billions of Dollars of 7(a) Loans Approved	**Target**	12.8	13.2	14.5	14.8	15.1	21.0	24.3	26.0
	Actual	19.6	15.2	17.9	19.2	23.6	24.1		
	Variance	53%	15%	23%	30%	56%	15%		
Additional Information: The performance data represents the gross loan approvals at the close of the fiscal year.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by 7(a) Loans	**Target**	40,700	40,000	38,700	39,500	39,500	45,000	55,000	60,000
	Actual	46,749	39,022	40,574	45,730	55,742	57,083		
	Variance	15%	-2%	5%	16%	41%	27%		

Additional Information: 7(a) loan activity increased across all loan sizes, but the streamlined processing for loans under $350,000 was particularly effective in increasing the number of small businesses assisted by 7(a) loans.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by 7(a) Loans	**Target**	474,100	470,000	547,200	558,100	569,300	580,100	591,000	650,000
	Actual	582,707	454,814	483,976	503,853	623,466	587,716		
	Variance	23%	-3%	-12%	-10%	10%	1.3%		

Additional Information: 7(a) loan activity increased across all loan sizes, but the streamlined processing for loans under $350,000 was particularly effective in increasing the number of small businesses assisted by 7(a) loans. The FY 2016 jobs supported actual has been adjusted to exclude 7(a) cancelled loans as previously published in SBA's FY 2016 Agency Financial Report.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Billions of Dollars of 504 Loans Approved	**Target**	4.8	4.1	4.1	4.2	4.3	4.4	4.5	4.8
	Actual	4.8	6.7	5.2	4.2	4.3	4.7		
	Variance	0%	63%	27%	0%	0%	7%		

Additional Information: The SBA established this performance indicator in FY 2010. The number of CDCs is decreasing, and the results of FY 2012 and FY 2013 reflect spikes in funding levels due to the economic decline and support for the program provided in the Small Business Jobs Act.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businessess Assisted by 504 Loans	**Target**	8,100	6,800	6,400	6,500	6,500	6,700	6,800	5,800
	Actual	7,752	9,038	7,502	5,725	5,618	5,900		
	Variance	-4%	33%	17%	-12%	-14%	-12%		

Additional Information: While the SBA did not meet the FY 2016 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs and loan eligibility restrictions should have a positive impact on future results. The implementation of the 504 Debt Refinance program in FY 2016 will increase the number of businesses served in FY 2017 and for the future.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by 504 Loans	**Target**	88,800	75,900	79,400	81,000	82,600	84,300	86,000	66,000
	Actual	87,337	116,569	90,257	66,744	61,454	61,983		
	Variance	-2%	54%	14%	-18%	-26%	-26%		

Additional Information: While the SBA did not meet the FY 2016 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs, loan eligibility restrictions, and implementation of the 504 Debt Refinance program, should have a positive impact on future results.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Active Lending Partners Providing 504 Loans	**Target**	267	267	267	267	240	240	240	235
	Actual	249	256	247	228	228	230		
	Variance	-7%	-4%	-7%	-15%	-5%	-4%		

Additional Information: The SBA reviewed the activity levels of CDCs and worked diligently to address underperforming CDCs in order to continue improving program delivery. The SBA continues to actively recruit new CDC candidates.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Contract Value (Billions) of Bid and Final Bonds	**Target**	3.32	3.70	3.70	5.70	6.50	6.75	7.10	6.50
	Actual	3.66	3.92	6.15	6.41	6.35	5.72		
	Variance	10%	6%	66%	12%	-2%	-15%		

Additional Information: SBG's second largest surety producer is no longer participating, which is why the SBA did not meet its target. A soft surety market results in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Bid and Final Bonds Guaranteed	**Target**	7,600	8,850	8,850	13,500	13,750	14,000	14,700	12,000
	Actual	8,638	9,503	12,866	12,384	11,480	10,435		
	Variance	14%	7%	45%	-8%	-17%	-25%		

Additional Information: SBG's second largest surety producer is no longer participating, which is why the SBA did not meet its target. A soft surety market results in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by SBG	**Target**	64,000	14,900	14,900	23,000	24,000	32,000	34,000	26,000
	Actual	17,421	24,774	32,000	28,887	27,300	23,940		
	Variance	-73%	66%	115%	26%	14%	-25%		

Additional Information: SBG's second largest surety producer is no longer participating, which is why the SBA did not meet its target. A soft surety market results in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.

Objective 1.2 Ensure federal contracting goals are met and/or exceeded by collaborating across the federal government to expand opportunities for small businesses and strengthen the integrity of the federal contracting certification process and data

Priority Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Contract Dollars Awarded to Small Businesses	**Target**	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%
	Actual	21.70%	22.30%	23.40%	24.99%	25.75%	Data Lag		
	Variance	-6%	-3%	2%	9%	12%	N/A		
Additional Information: The data supporting the FY 2016-2017 Priority Goals are not finalized until the third quarter of FY 2017. Every year, the SBA works with each federal agency to set their prime and subcontracting goals. The SBA ensures that the sum total of all of the goals exceeds the 23 percent target established by law.									
Priority Goal		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of 8(a) Approved Applications	**Target**	N/A	N/A	N/A	N/A	Baseline	600	630	N/A
	Actual	N/A	N/A	419	391	568	911		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	52%		N/A
Additional Information: The goal is to increase the number of approved applications by 5 percent from the previous fiscal year. The SBA had major success in this program by streamlining the application process.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of Federal Government Prime Contracts Awarded to Disadvantaged 8(a) Small Businesses	**Target**	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Actual	7.67%	8.00%	8.61%	9.46%	10.06%	Data Lag		
	Variance	53%	60%	72%	89%	101%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of Federal Government Prime Contracts Awarded to Women-Owned Small Businesses	**Target**	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Actual	3.98%	4.00%	4.32%	4.68%	5.06%	Data Lag		
	Variance	-20%	-20%	-14%	-6%	1%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017. The shrinking of the gap demonstrates the efforts being made toward achieving the WOSB goal.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of Federal Government Prime Contracts Awarded to Service-Disabled Veteran-Owned Small Businesses	**Target**	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Actual	2.65%	3.03%	3.40%	3.68%	3.93%	Data Lag		
	Variance	-12%	1%	13%	23%	31%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Prime Contracts Awarded to HUBZone Small Businesses	**Target**	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Actual	2.40%	2.01%	1.76%	1.82%	1.82%	Data Lag		
	Variance	-20%	-33%	-41%	-39%	-39%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017. The SBA has not been successful in recruiting HUBZone applicants to the program.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Jobs Supported	**Target**	572,000	572,000	572,000	501,113	501,113	500,000	500,000	500,000
	Actual	609,333	527,000	479,515	549,000	537,000	Data Lag		
	Variance	7%	-8%	-16%	10%	7%	N/A		
Additional Information: The data supporting the FY 2016 performance indicators are not finalized until the third quarter of FY 2017.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Surveillance Reviews Completed	**Target**	N/A	Baseline	30	30	30	30	30	30
	Actual	N/A	30	31	41	30	30		
	Variance	N/A	N/A	3%	37%	0%	0%		
Additional Information: The SBA introduced this performance indicator in FY 2013 and historical data have been provided for context. Surveillance Reviews (for prime contracting) and Small Business Performance Compliance Reviews (for subcontracting) are conducted to evaluate the implementation of regulations across the federal government.									

Objective 1.3 Strengthen entrepreneurial ecosystems through a variety of strategic partnerships to provide tailored training, mentoring, and advising services that support entrepreneurs during every phase of their business growth

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SBDC, WBC, and SCORE Clients Trained	**Target**	N/A	Baseline	695,000	705,000	701,000	734,000	635,000	674,000
	Actual	689,114	739,616	663,525	688,688	599,990	695,405		
	Variance	N/A	N/A	-5%	-2%	-14%	-5%		
Additional Information: The SBA tracks the number of clients trained by resource partners as an indicator of knowledge transfer to startup and existing small businesses.									
Performance Goal		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of SBDC, WBC, and SCORE Clients Advised and Mentored	**Target**	N/A	N/A	Baseline	373,000	402,000	424,700	368,200	331,200
	Actual	364,344	N/A	348,519	379,210	345,163	336,831		
	Variance	N/A	N/A	N/A	2%	-14%	-21%		
Additional Information: In FY 2016, SCORE and SBDC clients engaged in repeat consultations as their business needs evolved and personal advisor relationships were cultivated, decreasing the number of total clients. However, the existing client satisfaction and business outcomes increased.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SBDC Clients Trained	**Target**	N/A	Baseline	350,000	350,000	350,000	340,000	270,000	249,000
	Actual	352,290	332,421	330,781	291,366	267,420	261,255		
	Variance	N/A	N/A	-5%	-17%	-24%	-23%		
Additional Information: In FY 2016, the SBDC program shifted resources to focus on providing more counseling hours per client. This resulted in fewer clients trained. Therefore, in 2017, the SBA reduced its target for SBDC Clients Trained to reflect this focus, thereby creating and maintaining long-term clients. The SBA is decreasing its FY 2018 target for SBDC Clients Trained to reflect the proposed proportional decrease in funding.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of SBDC Clients Advised	**Target**	N/A	Baseline	200,000	220,000	220,000	220,000	190,000	179,000
	Actual	205,408	211,091	201,596	194,121	187,478	192,172		
	Variance	N/A	N/A	1%	-12%	-15%	-13%		
Additional Information: In FY 2016, the SBDC program shifted resources focusing in providing more counseling hours per client. This resulted in fewer clients trained. Therefore, in 2017, the SBA reduced its target for SBDC Clients Trained to reflect its focus on providing more counseling hours per client, thereby creating and maintaining Long Term Clients. In FY 2018, the SBA decreased its target for SBDC Clients Trained to reflect the proposed proportional decrease in funding.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Businesses Created by SBDC	**Target**	12,500	15,600	12,500	12,500	13,000	13,000	13,000	12,000
	Actual	13,664	14,357	14,201	13,415	13,123	14,419		
	Variance	9%	-8%	14%	7%	1%	11%		
Additional Information: In FY 2016, SBDCs exceeded the small businesses created target as the SBA prioritizes development of its quality of services and provided more counseling hours per client.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Billions of Dollars of Capital Infusion from SBDC	**Target**	3.7	3.7	3.4	4.0	4.0	4.0	4.0	4.0
	Actual	3.6	4.0	4.5	4.7	4.7	5.1		
	Variance	-3%	8%	32%	18%	18%	28%		
Additional Information: Billions of dollars of capital infusion includes financing provided to small businesses from various sources including the SBA. As the economy improved, robust lending for small businesses helped SBDCs exceed the target.									
Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of WBC Clients Trained	**Target**	N/A	Baseline	95,000	105,000	111,000	120,000	125,000	125,000
	Actual	115,805	114,931	114,310	119,351	120,341	122,986		
	Variance	N/A	N/A	20%	14%	8%	2.5%		
Additional Information: The SBA predicts that the number of WBC clients trained will increase in FY 2017 and FY 2018 as the SBA places greater priority in developing its quality of services in terms of hours served and enhanced export training.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of WBC Clients Advised	**Target**	N/A	N/A	Baseline	20,000	22,000	22,200	22,200	22,200
	Actual	23,118	22,020	19,455	20,686	20,375	22,429		
	Variance	N/A	N/A	N/A	3%	-7%	1%		

Additional Information: The SBA predicts WBC clients advised levels to remain steady in FY 2017 and FY 2018 as the SBA prioritizes development of its quality of services in terms of hours served and enhanced export training.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Created by WBCs	**Target**	618	590	475	600	650	730	11,000	11,000
	Actual	701	694	637	708	766	17,435		
	Variance	13%	18%	34%	18%	18%	N/A		

Additional Information: *The SBA adopted a new data collection and calculation method for FY 2016. This data more accurately represents the performance of the WBC program. The number reported for FY 2016 reflects new business starts accomplished during the previous calendar year. The FY 2017 target has been updated to reflect this new methodology. The change in methodology is further explained in the Data Quality Records that are at www.SBA.gov/performance.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SCORE Clients Trained	**Target**	N/A	Baseline	250,000	250,000	240,000	274,000	240,000	300,000
	Actual	221,019	292,264	218,434	277,971	212,229	311,164		
	Variance	N/A	N/A	-13%	11%	-12%	14%		

Additional Information: SCORE's FY 2016 performance was impacted by its investment in technology that allowed it to engage entrepreneurs virtually, thereby increasing the number of clients trained between FY 2015 and 2016 by 47 percent. During this period, SCORE hosted its first ever virtual conference; offered expanded webinar offerings; and increased the volume of online and in-person workshops. Importantly, SCORE collaborated with regional and national partners to gain an audience. The FY 2018 target reflects the continued implementation of this strategy.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of SCORE Clients Mentored	**Target**	N/A	N/A	N/A	Baseline	160,000	182,500	156,000	130,000
	Actual	135,818	166,509	127,468	164,403	137,310	122,230		
	Variance	N/A	N/A	N/A	N/A	-14%	-33%		

Additional Information: Training is information that is presented in group settings or online to help an entrepreneur acquire knowledge, skills, and competencies on a business-related subject. Mentoring is personalized one-on-one advice or guidance that is provided to help entrepreneurs navigate through planning, starting, growing or managing a business. In FY 2016, SCORE mentoring clients engaged in repeat consultations as their business needs evolved and personal advisor relationships were cultivated, decreasing the number of total clients from the previous year while improving existing client satisfaction and business outcomes. The FY 2018 target reflects this ongoing change in strategy.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Created by SCORE	**Target**	1,082	1,080	700	700	5,400	5,400	40,000	40,000
	Actual	816	828	628	5,339	39,495	Data Lag		
	Variance	-25%	-23%	-10%	663%	631%	N/A		
Additional Information: The SBA adopted a new data collection and calculation method for FY 2016. This data more accurately represents the performance of the SCORE program. The number reported for FY 2015 reflects new business starts accomplished during the indicated fiscal year. FY 2016 data will be available summer FY 2017. The FY 2017 target has been updated to reflect this new methodology.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of RIC Participants Obtaining an Innovation Milestone	**Target**	N/A	N/A	N/A	N/A	Baseline	50%	52%	N/A
	Actual	N/A	N/A	69%	46%	51%	49%		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		N/A
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of RIC Participants Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	N/A	Baseline	60%	62%	N/A
	Actual	N/A	63%	52%	57%	57%	59%		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		N/A
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of RIC Participants Obtaining an Innovation Milestone	**Target**	N/A	N/A	N/A	N/A	Baseline	50%	52%	N/A
	Actual	N/A	N/A	69%	46%	51%	49%		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		N/A
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of RIC Participants Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	N/A	Baseline	60%	62%	N/A
	Actual	N/A	63%	52%	57%	57%	59%		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		N/A
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Emerging Leaders Creating or Retaining Jobs	**Target**	N/A	N/A	N/A	N/A	Baseline	81%	81%	81%
	Actual	N/A	73%	69%	81%	81%	81%		
	Variance	N/A	N/A	N/A	N/A	N/A	0%		
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. This performance indicator includes results obtained by the three most recent cohorts during the previous calendar year.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Emerging Leaders Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	N/A	Baseline	65%	67%	67%
	Actual	67%	62%	68%	66%	68%	70%		
	Variance	N/A	N/A	N/A	N/A	N/A	8%		
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. This performance indicator includes results obtained by the three most recent cohorts during the previous calendar year.									

Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of ScaleUp Participants Creating or Retaining Jobs	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	N/A	N/A
	Actual	N/A	N/A	N/A	N/A	N/A	88%	N/A	N/A
	Variance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. The SBA is not requesting funds for this initiative in FY 2018.									

Performance Indicator		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Percent of ScaleUp Participants Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	N/A	N/A
	Actual	N/A	N/A	N/A	N/A	N/A	73%	N/A	N/A
	Variance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Additional Information: The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for three years, following completion of the initiative's curriculum. The SBA is not requesting funds for this initiative in FY 2018.									

Objective 1.4 Enhance the ability of current and future small business exporters to succeed in global markets by expanding access to financing, counseling, training, and other export tools

Performance Goal		**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Number of Small Business Exporters Receiving SBA Financing	**Target**	990	990	1,349	1,415	1,480	1,520	1,520	1,600
	Actual	1,346	1,283	1,388	1,392	1,513	1,550		
	Variance	36%	17%	3%	-2%	2%	2%		
Additional Information: This metric tracks the sum of all small businesses receiving SBA-guaranteed export financing.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Average Dollar Return on Investment of STEP Cooperative Agreements	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	12	12
	Actual	11	28	N/A	37	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: STEP cooperative agreements assist small businesses to enter and succeed in the international marketplace. The average return on investment is calculated by dividing the reported total dollar export sales supported by the STEP funds awarded for each fiscal year. The SBA did not receive appropriations for STEP in FY 2013. Data for FY 2015 will be available in July 2017. Data for FY 2016 will be available in July 2018.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Receiving Export Training	**Target**	5,726	7,200	8,000	7,600	8,000	8,400	8,400	8,000
	Actual	8,717	10,598	8,244	8,273	8,120	8,274		
	Variance	52%	47%	3%	9%	2%	-2%		
Additional Information: This metric tracks the sum of all small businesses that have received export training by SBA trade finance staff.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Lenders Receiving Export Training	**Target**	2,600	3,950	4,400	4,000	4,200	4,500	4,500	4,500
	Actual	3,518	4,119	4,868	5,097	4,329	4,547		
	Variance	35%	4%	11%	27%	3%	1%		
Additional Information: This metric tracks the sum of all lenders that have received export training by SBA trade finance staff.									

Objective 1.5 Fuel high-growth entrepreneurship, innovation, and job creation by providing the tools small businesses need to start and grow their business

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Millions of Dollars of SBA Debenture Leverage Committed to SBICs	**Target**	$ 1,352	$ 1,900	$ 2,400	$ 2,500	$ 2,500	$ 2,500	$ 2,600	$ 2,600
	Actual	$ 1,827	$ 1,924	$ 2,156	$ 2,549	$ 2,533	$ 2,514		
	Variance	35%	1%	-10%	2%	2%	1%		
Additional Information: The measure tracks the dollar amount of commitments to SBIC funds.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Time (Months) Taken to License an SBIC	**Target**	N/A	N/A	N/A	N/A	Baseline	6.0	6.0	6.0
	Actual	5.5	5.4	6.8	7.4	8.4	6.0		
	Variance	N/A	N/A	N/A	N/A	N/A	0%		
Additional Information: The measure monitors the average number of months for the internal SBIC licensing process.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Financed	**Target**	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	1,225
	Actual	1339	1094	1068	1085	1210	1201		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		

Additional Information: The SBA will be adding a metric in FY 2018 that tracks the number of small businesses financed through the SBIC program.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Emerging Small Businesses Financed	**Target**	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	700
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		

Additional Information: The SBA will be adding a metric that tracks the number of emerging small businesses financed through the SBIC program. Emerging small businesses include small businesses located in low- to moderate-income areas, as well as businesses owned by women, veteran, and minority populations. Historical data will be added upon an assessment of the methodology in FY 2017.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Dollars Awarded to SBIR Proposals	**Target**	N/A	N/A	N/A	N/A	2.9%	3.0%	3.2%	3.2%
	Actual	2.5%	2.6%	2.7%	2.8%	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		

Additional Information: Federal agencies with extramural budgets for research or research and development in excess of $100 million must spend at least the targeted amount on small business innovation. There is a two-year data lag in reporting results.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Federal Government Dollars Awarded to STTR Proposals	**Target**	N/A	N/A	N/A	N/A	0.40%	0.45%	0.45%	0.45%
	Actual	0.30%	0.35%	0.35%	0.40%	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		

Additional Information: Federal agencies with extramural budgets for research or research and development in excess of $1 billion must spend at least the targeted amount on small business innovation. There is a two-year data lag in reporting results.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Applications Received for SBA Accelerators Program	**Target**	N/A	N/A	N/A	N/A	N/A	382	450	N/A
	Actual	N/A	N/A	N/A	N/A	421	393		N/A
	Variance	N/A	N/A	N/A	N/A	N/A	3%		N/A

Additional Information: This measure tracks the number of applications submitted to SBA's Accelerators program. The measure reports the success of outreach efforts to promote the program. The SBA is not requesting funding for growth accelerators in FY 2018.

Objective 1.6 Ensure that SBA's disaster assistance resources for businesses, non-profit organizations, homeowners, and renters can be deployed quickly, effectively, and efficiently in order to preserve jobs and help return small businesses to operation

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Customer Satisfaction Rate for Approvals	**Target**	71%	71%	71%	71%	71%	71%	71%	71%
	Actual	80%	80%	81%	80%	80%	84%		
	Variance	13%	13%	14%	13%	13%	18%		

Additional Information: The SBA conducts an annual customer satisfaction study on its Disaster Assistance program using the methodology of the American Customer Satisfaction Index (ACSI). The SBA can use the survey data to identify and target areas for improvement that will have the greatest impact on customer satisfaction scores. The high variance may be the result of a number of factors, including the new process for issuing applications to disaster survivors (i.e., using call centers to promote the use of electronic loan applications), greater usage of the electronic loan application and other technology tools, and the program's high employee engagement rate. While not a definitive explanation without further evaluation, these may have had a direct impact on disaster survivors by increasing the number of positive interactions with the SBA.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Disasters Having Field Presence Within Three Days	**Target**	95%	95%	95%	95%	95%	95%	95%	95%
	Actual	100%	100%	100%	100%	100%	100%		
	Variance	5%	5%	5%	5%	5%	5%		

Additional Information: Field presence is defined as getting disaster personnel to disaster sites within three days of disaster declaration.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Loans With Initial Disbursements Within Five Days of Loan Closing	**Target**	95%	95%	95%	95%	95%	95%	95%	95%
	Actual	100%	100%	100%	100%	98%	96%		
	Variance	5%	5%	5%	5%	3%	1%		

Additional Information: Disbursement refers to the last step of a three-step disaster loan process in which a loan is closed and funds are disbursed to the customer for an approved loan amount.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Disaster Loans Processed Within Standard	**Target**	85%	85%	85%	85%	85%	85%	85%	85%
	Actual	100%	95%	55%	100%	100%	99%		
	Variance	18%	12%	-35%	18%	18%	16%		

Additional Information: The SBA introduced this composite performance indicator in FY 2015 to replace separate indicators related to business, home, and economic injury loan processing. Historical data have been provided for context. A streamlined approval process and digital service improvements have allowed the Disaster Assistance program to process higher-volume loans in a more efficient and timely manner, resulting in a high variance.

Objective 2.1 Ensure inclusive entrepreneurship by expanding access and opportunity to small businesses and entrepreneurs in communities where market gaps remain

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses in Emerging Markets Assisted by 7(a), 504, and Microloans	**Target**	34,200	31,800	31,000	31,550	32,250	32,250	34,050	36,650
	Actual	36,933	33,449	33,428	35,014	35,845	38,307		
	Variance	8%	5%	8%	11%	11%	19%		

Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). Streamlined processing for loans under $350,000 and fee relief were particularly effective in supporting emerging small businesses assisted.

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses in Emerging Markets Assisted by 8(a), 7(j), and HUBZone	**Target**	17,007	21,925	18,325	18,025	18,025	18,050	16,000	19,800
	Actual	17,165	18,532	17,071	17,163	20,324	19,686		
	Variance	1%	-15%	-7%	-5%	13%	9%		

Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). The SBA continues to see fewer designated 8(a) firms and HUBZone firms although both programs launched program improvements to reverse this pattern.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses in Emerging Markets Assisted by 7(a) Loans	**Target**	24,800	24,400	23,600	24,100	24,600	24,600	25,850	30,000
	Actual	28,386	23,846	24,225	27,778	29,369	30,574		
	Variance	14%	-2%	3%	15%	19%	24%		

Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural). 7(a) loan activity increased across all loan sizes, but the streamlined processing for loans under $350,000 and fee relief were particularly effective in supporting the number of emerging small businesses assisted by 7(a) loans.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses in Emerging Markets Assisted by 504 Loans	**Target**	4,800	4,000	3,800	3,800	4,000	4,000	4,200	3,300
	Actual	4,548	5,379	4,361	3,319	2,782	3,227		
	Variance	-5%	34%	15%	-13%	-30%	-19%		
Additional Information: Geo-coding data for economic empowerment zones and low-moderate income areas was discontinued in May 2015 and is not included in June-Sept FY 2015 and FY 2016. HUBZone was a part of this data set and was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZones and Rural).									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by Microloans	**Target**	4,600	3,400	3,600	3,650	3,650	3,650	3,650	3,650
	Actual	3,999	4,224	4,842	3,917	3,694	4,506		
	Variance	-13%	24%	35%	7%	1%	23%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers, the minimum number of loans for intermediaries, and technical assistance amendments.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Jobs Supported by Microloans	**Target**	14,500	14,000	12,500	12,750	12,750	15,000	15,000	15,000
	Actual	13,271	13,280	15,636	15,880	16,600	17,573		
	Variance	-8%	-5%	25%	25%	30%	17%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers and the minimum number of loans for intermediaries.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Thousands of Dollars in Loans Approved by SBA to Microlenders	**Target**	Baseline	25,000	25,000	25,000	25,000	35,000	35,000	35,000
	Actual	35,479	24,606	43,286	26,465	34,987	35,000		
	Variance	N/A	-2%	73%	6%	40%	0%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers and the minimum number of loans for intermediaries.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Thousands of Dollars in Loans Approved by Lenders to Microborrowers	**Target**	65,000	45,340	44,000	45,000	45,000	55,000	55,000	55,000
	Actual	47,453	46,107	54,850	55,478	52,080	61,223		
	Variance	-27%	2%	25%	23%	16%	11%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers and the minimum number of loans for intermediaries.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Counseled by Micolenders	Target	6,500	13,600	14,400	14,600	14,600	14,600	14,600	16,000
	Actual	15,900	15,892	19,368	15,668	17,200	17,948		
	Variance	145%	17%	35%	7%	18%	23%		
Additional Information: This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that included increasing the pool of eligible microborrowers, the minimum number of loans for intermediaries, and technical assistance amendments.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Grant-eligible Microlenders	Target	N/A	Baseline	135	135	135	135	140	145
	Actual	131	134	135	137	137	140		
	Variance	N/A	N/A	0%	1%	1%	4%		
Additional Information: The SBA established this performance indicator in FY 2013 and has provided historical data for context.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by 8(a)	Target	9,457	8,500	8,300	8,000	8,000	8,000	5,500	8,000
	Actual	7,814	7,388	6,661	6,660	6,948	8,010		
	Variance	-17%	-13%	-20%	-17%	-13%	0%		
Additional Information: The 8(a) Business Development program met its priority goal to approve over 600 new firms into the program in FY 2016.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by 7(j)	Target	3,550	3,550	3,550	3,550	3,550	3,550	4,000	4,000
	Actual	3,550	3,272	3,913	4,104	5,360	5,245		
	Variance	0%	-8%	10%	16%	51%	48%		
Additional Information: Due to the increase marketing efforts with internal and external stakeholders, the number of businesses assisted by the 7(j) program increased. The marketing efforts included developing a one page 7(j) Info Fact Sheet on the 7(j) program and engagement with federal agency small business and procurement officials.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted by HUBZone	Target	4,000	9,875	6,475	6,475	6,475	6,500	6,500	7,800
	Actual	5,801	7,872	6,497	6,399	8,016	6,431		
	Variance	45%	-20%	0%	-1%	24%	-1%		
Additional Information: This number includes the number of firms that received contract awards under HUBZone certification and does not reflect the total number of firms currently active in the program.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Veterans Trained by VBOCs	**Target**	N/A	N/A	N/A	Baseline	33,000	48,000	50,000	32,000
	Actual	28,952	44,535	23,271	39,201	46,629	27,938		
	Variance	N/A	N/A	N/A	N/A	41%	-42%		
Additional Information: This performance indicator was introduced in FY 2015, and historical data have been provided for context. The target was not met because the VBOC cooperative agreement/grant award announcement occurred in the third quarter of FY 2016. Of the 20 VBOCs, six new recipients were selected and integrated into the VBOC Partner Network. The FY 2017 target for this performance indicator, set in FY 2015, is not representative of the percentage of transitioning service members exiting the military who opt to participate in entrepreneurialship training.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Veterans Counseled through VBOCs	**Target**	N/A	N/A	N/A	Baseline	31,000	31,000	31,000	16,000
	Actual	34,956	44,079	49,791	38,923	15,488	19,404		
	Variance	N/A	N/A	N/A	N/A	-50%	-37%		
Additional Information: This performance indicator was introduced in FY 2015; however, the methodology calculation has been revised to ensure consistency among SBA's other entrepreneurial development programs. A historical data have been provided for context. The SBA is placing greater priority in developing its quality of services in terms of hours served per client. VBOCs anticipate sustaining the current level of service but are now tracking the average time spent per client, theorizing that increased interaction with repeat clients will improve overall client business outcomes. The VBOC cooperative agreement/grant award announcement occurred in the third quarter of FY 2016. Of the 20 VBOCs, six new recipients were selected and integrated into the VBOC Partner Network.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Boots to Business (B2B) Participants Trained	**Target**	N/A	N/A	N/A	15,000	15,500	17,500	20,000	18,000
	Actual	N/A	N/A	4,514	14,684	14,457	15,000		
	Variance	0%	0%	0%	-2%	-21%	-14%		
Additional Information: This performance indicator was introduced in FY 2015, and historical data have been provided for context.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Boots to Business (B2B) Participants Eight Week Graduation Rate	**Target**	N/A	N/A	N/A	Baseline	50%	50%	50%	40%
	Actual	N/A	N/A	27	30	37%	39%		
	Variance	N/A	N/A	N/A	N/A	-26%	-22%		
Additional Information: This performance indicator was introduced in FY 2017. Historical data has been provided and updated to reflect improved program oversight.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Formed by Boots to Business (B2B) Graduates	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	255	255
	Actual	N/A	N/A	N/A	N/A	N/A	250		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: This performance indicator is being introduced in FY 2017. Baseline data are available via survey (OMB control #3245-0390, expiration date 12/31/2018). Survey conducted annually on rolling basis, based on participants' B2B graduation date.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Small Businesses Assisted in Native American Communities	**Target**	N/A	N/A	N/A	N/A	N/A	Baseline	2,000	1,800
	Actual	1,684	1,713	1,943	2,107	2,209	1,817		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: This measure tracks the number of small businesses assisted through training and technical assistance workshops. The SBA established this performance indicator in FY 2016 and has provided historical data for context.									

Objective 2.2 Provide timely, instructive, and useful information to the small business community through SBA's extensive digital and in person outreach efforts

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Average Monthly SBA.gov Site Visits	**Target**	N/A	1,200,000	2,000,000	2,400,000	2,300,000	2,300,000	2,400,000	2,400,000
	Actual	N/A	1,439,750	2,159,850	2,800,000	2,245,979	2,094,429		
	Variance	N/A	20%	8%	17%	-2%	-9%		
Additional Information: This measure is a monthly average of all site visits to SBA.gov.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Average Monthly Unique Visitors to SBA.gov	**Target**	N/A	Baseline	1,500,000	1,500,000	1,500,000	1,400,000	1,400,000	1,400,000
	Actual	N/A	950,000	1,420,000	1,680,000	1,514,000	1,415,576		
	Variance	N/A	N/A	-5%	12%	1%	1%		
Additional Information: This measure tracks the monthly average of unique visitors. The measure was previously titled "Number of Unique Visitors to SBA.gov." When a new user visits SBA.gov, SBA.gov captures the data via a session cookie. As more users access the website, the number of "unique" (new) visitors will level-off and decrease over time.									

Objective 2.3 Foster a small business-friendly environment by encouraging federal agency awareness about the impact of unfair regulatory enforcement and compliance efforts, reducing burdens on small business

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Board Membership Rate	**Target**	N/A	N/A	78%	85%	85%	90%	85%	76%
	Actual	98%	96%	74%	80%	74%	76%		
	Variance	N/A	N/A	-5%	-6%	-13%	-16%		
Additional Information: This measure tracks the board membership rates across the ten regional offices. The SBA had several departures toward the end of FY 2016. The SBA is examining its time to vet candidates for the boards.									

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Rules Identified that Burden Small Businesses	**Target**	N/A	N/A	N/A	2	5	6	8	7
	Actual	N/A	N/A	N/A	6	7	6		
	Variance	N/A	N/A	N/A	200%	40%	0%		
Additional Information: This measure tracks rules and recurring regulatory issues that the SBA successfully identified, escalated, and addressed with agency partners on a systemic level for the benefit of the broader small business community. Further work will be completed to quantify the economic impacts of the rules identified in future years.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Outreach Events	**Target**	N/A	N/A	46	52	58	58	60	60
	Actual	56	48	48	64	66	102		
	Variance	N/A	N/A	4%	23%	14%	76%		
Additional Information: Because of an aggressive outreach schedule focused on connecting directly with small business stakeholders in their communities while significantly improving awareness of the resources the office provides to small business owners, the SBA exceeded its outreach target for FY 2016.									

Strategic Goal Three – Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses

Objective 3.1 Streamline, simplify, and strengthen SBA's core programs and operations to ensure that they are high performing, effective, and relevant to the needs of the small business community

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
IT Helpdesk Customer Satisfaction Rate	**Target**	N/A	N/A	N/A	Baseline	85%	85%	85%	
	Actual	N/A	N/A	N/A	85%	85%	85%		
	Variance	N/A	N/A	N/A	N/A	0%	0%		
Additional Information: The metric reports the average score on customer service surveys submitted to the Office of the Chief Information Officer. The SBA will create new metrics in FY 2017 to better address workload and management needs.									

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SBA Small Business Utilization Rate	**Target**	67.00%	67.00%	67.00%	68.00%	69.00%	72.75%	72.75%	TBD
	Actual	67.00%	71.00%	72.00%	77.48%	78.1%	73.70%		
	Variance	0%	6%	7%	14%	13%	1%		
Additional Information: The SBA tracks small business contracts and has the highest small business contracting goal in the federal government. The SBA exceeded its target of 72.75 percent by continuing to default to small businesses first when awarding a contract. FY 2018 target will be set at the end of FY 2017 during the negotiation process with SBA's Office of Government Contracting and Business Development.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Security Incidents Reported to US CERT Within Specified Timeframes	**Target**	N/A	100%	100%	100%	100%	100%	100%	100%
	Actual	N/A	100%	100%	100%	100%	100%		
	Variance	N/A	0%	0%	0%	0%	0%		
Additional Information: The metric reports the percentage of the total number of incidents reported to US CERT within the mandatory timeframe.									

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SBA Real Estate Footprint Reduction Rate	**Target**	N/A	N/A	N/A	N/A	Baseline	2%	2%	2%
	Actual	N/A	2%	2%	2%	2%	4.7%		
	Variance	N/A	N/A	N/A	N/A	N/A	135%		
Additional Information: The SBA tracks the square footage of its facilities and, through Freeze the Footprint guidance, continues to reduce the amount of space needed for operations.									

Objective 3.2 Invest in the Agency's employee recruitment, hiring, training, work-life programs and performance management so staff is engaged to more effectively serve small businesses

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Average Number of Days to Hire	**Target**	108	100	80	100	100	100	100	100
	Actual	112	154	154	85	97	98		
	Variance	-4%	-54%	-93%	15%	3%	2%		
Additional Information: Time to hire includes the time a completed recruit action is received until the job offer is accepted. During Quarter 2 of FY 2017, there was a hiring freeze, so the number of hiring actions was significantly lower in this time period. In FY 2013 the "Time-to-Hire" goal was adversely impacted by sequestration and FTE constraints requiring, the Agency to "manage" the onboarding of new hires to support adjustments in the FTE ceilings for budget requirements related to the CR constraints. Additionally, the FY 2014 goals for "Time-to-Hire" were increased from "80 days" to "100 days" as a result of the adjustments in the hiring cycle to account for the change in ending the cycle at the point when managers "make an offer to the selected candidate" rather than ending the cycle at the point when the new hire is actually "onboarded." The reason for this change is the fact that the clearance process time is beyond the control of the hiring manager or the hiring staff.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Retention Rate for New Hires	**Target**	N/A	80%	85%	88%	93%	93%	93%	93%
	Actual	80%	83%	77%	74%	79%	92%		
	Variance	N/A	3%	-8%	-14%	-14%	-1%		
Additional Information: The retention rate is defined as an employee remaining in a current position for a minimum of two years within the Agency. The SBA has examined its methodology and recalculated the retention rates between FY 2011 to FY 2016.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Federal Employee Viewpoint Survey Job Satisfaction Rate	**Target**	71%	71%	71%	71%	71%	64%	67%	67%
	Actual	67%	66%	66%	65%	62%	64%		
	Variance	-5%	-7%	-7%	-8%	-13%	0%		
Additional Information: The satisfaction rate is the Human Capital Assessment and Accountability Framework (HCAAF) Trends – Job Satisfaction Index, which indicates the extent to which employees are satisfied with their jobs.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Federal Employee Viewpoint Survey Engagement Index	**Target**	N/A	N/A	N/A	N/A	Baseline	64%	67%	67%
	Actual	65%	64%	65%	62%	60%	63%		
	Variance	N/A	N/A	N/A	N/A	N/A	-2%		
Additional Information: Memorandum 15-04 establishes that federal agencies increase engagement efforts with the goal of increasing the government-wide Engagement Index on the FY 2017 Federal Employee Viewpoint Survey to 67 percent. The Index is comprised of three sub-categories, including Leaders Lead, Supervisors, and Intrinsic Work Experience. The SBA established this measure in FY 2016. Historical data have been provided for context.									

Objective 3.3 Mitigate risk to taxpayers and improve oversight across SBA programs

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Risk-Based Reviews of Lenders	**Target**	N/A	N/A	180	195	335	335	335	300
	Actual	N/A	N/A	184	219	378	368		
	Variance	N/A	N/A	2%	12%	13%	10%		
Additional Information: SBA's Office of Credit Risk Management conducts reviews of lenders that guarantee SBA loans. Risk-Based Reviews include Analytical Risk-Based Reviews, Targeted Risk-Based Reviews, and Full Risk-Based Reviews of Lenders.									

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of HUBZone Sites Visited	**Target**	1,000	690	517	518	500	475	492	492
	Actual	988	788	511	569	518	515		
	Variance	-1%	14%	-1%	10%	4%	8%		

Additional Information: The number of HUBZone sites visited target is 10 percent of the previous fiscal year total number of HUBZone firm sites.

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of Annual 8(a) Reviews Completed	**Target**	100%	100%	100%	100%	100%	100%	100%	100%
	Actual	99%	101%	100%	100%	100%	100%		
	Variance	-1%	1%	0%	0%	0%	0		

Additional Information: Each active 8(a) program participant is reviewed on an annual basis to ensure continued compliance with program requirements. Reviews are completed on a rolling basis and must occur within 60 days of the one-year anniversary date from a firm's acceptance into the 8(a) program. For example, a firm certified on January 1 of a given year would need the review completed by March 1 of the following calendar year.

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Financial Reviews of Entrepreneurial Development Resource Partners	**Target**	45	45	75	75	65	65	65	65
	Actual	45	49	76	70	66	69		
	Variance	0%	9%	1%	-7%	2%	6%		

Additional Information: The indicator includes the number of reviews completed.

Performance Goal		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Financial Reviews of VBOCs	**Target**	N/A	N/A	N/A	Baseline	5	5	5	5
	Actual	N/A	N/A	N/A	N/A	N/A	0		
	Variance	N/A	N/A	N/A	N/A	N/A	-100%		

Additional Information: A VBOC Partner Review involves an analysis of internal procedures using SBDC-consistent procedures. The SBA plans to review five of the 15 VBOCs each annual period of performance (not fiscal year).

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Analytical Risk-Based Reviews of Lenders	**Target**	N/A	N/A	110	150	300	300	300	140
	Actual	N/A	N/A	110	181	300	287		
	Variance	N/A	N/A	0%	21%	0%	-4%		

Additional Information: Enhanced analysis of risk factors during development and implementation of the FY 2017 Annual Risk Plan identified a need to conduct additional Targeted Risk-Based Reviews in lieu of as many Analytical Risk-Based Reviews. See next chart below.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Targeted Risk-Based Reviews of Lenders	**Target**	N/A	N/A	40	20	15	15	15	103
	Actual	N/A	N/A	41	13	32	32		
	Variance	N/A	N/A	3%	-35%	113%	113%		
Additional Information: Enhanced analysis of risk factors during development and implementation of the FY 2017 Annual Risk Plan identified a need to conduct additional Targeted Risk-Based Reviews in FY 2018. Therefore, Targeted Risk-based Reviews significantly exceeded the planned performance indicator.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Full Risk-Based Reviews of Lenders	**Target**	N/A	N/A	30	25	20	20	20	57
	Actual	N/A	N/A	33	25	46	49		
	Variance	N/A	N/A	10%	0%	130%	145%		
Additional Information: Enhanced analysis of risk factors during development of the FY 2017 Annual Risk Plan throughout the year identified a need to conduct additional Full Risk-Based Reviews.									

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of Supervision and Enforcement Actions	**Target**	N/A	Baseline	5	5	5	5	5	10
	Actual	N/A	3	24	9	6	13		
	Variance	N/A	0%	380%	80%	20%	160%		
Additional Information: Lender oversight and recommendations for actions against lenders is based on a more thorough use of monitoring, increased supervision, and enforcement tools.									

Appendix 6 – Management Challenges

The SBA Inspector General submitted its Report Number 17-02 entitled: *Report on the Most Serious Management and Performance Challenges in Fiscal Year 2017*, October 14, 2016. The report represents the OIG's current assessment of Agency programs or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. A summary of the contents of the report follows. Within each Management Challenge is a series of recommended actions (noted by a number) to resolve the Challenge. Refer to the associated Strategic Objective section for details regarding the recommended actions and the SBA progress on addressing the Challenge.

Challenge			Strategic Objective
1	Small Business Contracting	Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goals Achievements	1.2
2	IT Security	SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges	3.1
3	Human Capital	SBA Needs Effective Human Capital Strategies to Carry Out its Mission Successfully and Become a High-Performing Organization	3.2
4	Risk Management and Oversight	SBA Needs to Improve its Risk Management and Oversight Practices to Ensure its Loan Programs Operate Effectively and Continue to Benefit Small Businesses	3.3
5	8(a) Business Development Program	SBA Needs to Ensure that the Section 8(a) Business Development Program Identifies and Addresses the Needs of Program Participants, Only Eligible Firms are Admitted in the Program, and Standards for Determining Economic Disadvantage are Justifiable	2.1
6	Loan Operations	SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers	3.3
7	Disaster Assistance	Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments	1.6
8	Acquisition	SBA Needs to Effectively Manage its Acquisition Program	3.1

To read the full report, go to: https://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017

U.S. Small Business Administration

Office of Advocacy

Fiscal Year 2018
Congressional Budget Justification

and

Fiscal Year 2016
Annual Performance Report

U.S. Small Business Administration
Office of Advocacy

Fiscal Year 2018 Congressional Budget Justification
and
Fiscal Year 2016 Annual Performance Report

Overview

The Office of Advocacy is an independent office within the U.S. Small Business Administration. Advocacy has its own statutory charter, Title II of Public Law 94-305 as amended (15 U.S.C. § 634a *et seq.*), originally enacted in 1976. The office is headed by a Chief Counsel for Advocacy, appointed by the President and confirmed by the Senate. Advocacy works to reduce the burdens that federal regulations and other policies impose on small entities and provides vital small business research for the use of policymakers and other stakeholders.

The mission of the Office of Advocacy is to encourage policies that support the development and growth of American small businesses by:

- early intervention in federal agencies' regulatory development process on proposals that affect small entities and providing Regulatory Flexibility Act compliance training to federal agency policymakers and regulatory development officials;
- producing research to inform policymakers and other stakeholders on the impact of federal regulatory burdens on small businesses, to document the vital role of small businesses in the economy, and to explore and explain the wide variety of issues of concern to the small business community; and
- fostering two-way communication between federal agencies and the small business community.

Advocacy represents the interests of small businesses within the federal government. The office advances the views and concerns of small businesses before Congress, the White House, federal agencies, the federal courts, and state and local policymakers as appropriate. Economic research, policy analyses, and small business outreach help identify issues of concern. Documentation of the contributions of, and challenges for, small businesses in the U.S. economy provides policymakers with the information that they need to make better decisions.

In addition to those responsibilities included in Advocacy's basic charter, further duties and powers were conferred upon the Chief Counsel for Advocacy by the Regulatory Flexibility Act (RFA) of 1980 as amended (5 U.S.C. § 601 *et seq*.), and Executive Order 13272. These duties include the monitoring of federal agency compliance with the RFA, providing RFA compliance training to regulatory officials, and assisting regulatory agencies during all stages of the rule development process to mitigate the potential impact of rules on small entities while still achieving their regulatory objectives.

Public Law 111-240, the Small Business Jobs Act of 2010, further amended Advocacy's statutory authority to require that each budget submitted by the President shall include a separate statement of the amount of appropriations requested for Advocacy, and that these funds be designated in a separate Treasury account. The Act also requires the SBA to provide Advocacy with office space, equipment, an operating budget, and communications support, including the maintenance of such equipment and facilities (15 U.S.C. § 634g(b)).

Before FY 2012, Advocacy was fully integrated within SBA's Executive Direction budget. In recognition of the office's independent status and newly separate appropriations account, Advocacy's FY 2013 Congressional Budget Justification and FY 2011 Annual Performance Report were for the first time presented in a separate appendix to SBA's submission. The current budget request for FY 2018 is the sixth to use this format, which is intended to improve the transparency of Advocacy operations and costs, more clearly identify the resources available to Advocacy, and provide a basis for performance measurement.

FY 2018 Budget Request

For FY 2018, the Office of Advocacy requests $9.12 million in new budget authority for its direct expenses, $100,000 less than that received for FY 2017.

New Budget Authority	FY 2012 Enacted	FY 2013 Enacted [1]	FY 2014 Enacted	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Annualized CR	FY 2017 Final Enacted	FY 2018 Request
Dollars in Millions	9.120	8.643	8.750	9.120	9.120	9.103	9.220	9.120

[1] As adjusted by sequestration.

The largest portion of Advocacy's request, $8.650 million, is planned for the compensation and benefits of Advocacy's professional staff. Staffing accounts for about 95 percent of Advocacy's total FY 2018 budget and is planned at 52 full-time equivalent positions. Of the balance of Advocacy's request, $150,000 is planned to supplement available carryover balances for the office's congressionally mandated economic research program, and $320,000 is planned for all other direct expenses, including subscriptions to legal and economic research resources, travel, training, office supplies, and other miscellaneous expenses directly attributable to Advocacy.

Pursuant to Section 1602(b) of Public Law 111-240, SBA will provide additional support to Advocacy, including office space and equipment, communications and IT services, and maintenance of equipment and facilities. The costs for these services, as well as centralized indirect expenses shared with other SBA offices, appear elsewhere in SBA's budget request.

Small business is the engine of innovation, economic growth and job creation. Advocacy's FY 2018 request will allow it to continue its mission of supporting the startup, development and growth of small businesses and to focus on emerging priority areas, including innovation and international trade. Advocacy's activities have always required cross-agency collaboration with other federal agencies throughout government. Whether assisting agencies in achieving their regulatory goals without unnecessary adverse consequences for small entities, or adding value to the data that they collect and making it more accessible to stakeholders, or providing RFA compliance training to policy and rule development officials in more than 100 agencies, Advocacy engages every day in cross-agency cooperation to remove barriers to small business innovation, economic growth and job creation, and to provide stakeholders with the information they need to make informed decisions, as described in the Planned Performance sections below.

Advocacy Strategic Goals

As part of the separation of Advocacy's annual budget justification and performance report from that of SBA, Advocacy adopted two strategic goals that are specific to the office, and it revised the performance indicators that are associated with these goals. The two goals align closely with Advocacy's two primary statutory responsibilities: regulatory advocacy and economic research. Three performance indicators from prior years remain unchanged, while two others were dropped. The efficiency measure of "cost per $1 million in regulatory savings" was retained, and two new indicators were added under Advocacy's economic research strategic goal beginning in FY 2013. Information on past performance using prior discontinued indicators will continue to be presented for those years in which they were used from FY 2011 forward.

Advocacy Strategic Goal 1: To be an independent voice for small businesses inside the government and to assist federal agencies in the development of regulations and policies that minimize burdens on small entities in order to support their startup, development and growth.

Implementation strategies

Monitoring of federal regulatory activity. Advocacy's Office of Interagency Affairs monitors new federal regulatory proposals through publicly available sources such as the *Federal Register* and the agencies' periodic publication of their regulatory agendas. Many agencies also notify

Advocacy directly in advance of planned regulations, particularly when these proposals have significant costs or would affect significant numbers of small entities. Pursuant to Executive Order 13272, Advocacy also consults on regulatory proposals with OMB's Office of Information and Regulatory Affairs, with which the office has a strong working relationship. In addition, the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau have special statutory requirements for notifying Advocacy of planned regulatory activity with significant effects. Advocacy also subscribes to various publications and services that specialize in tracking legislation, regulations, and public policy issues.

Solicitation of the views of stakeholders. Advocacy conducts a continuing program of outreach to its many stakeholders in order to solicit their views on issues of concern to small businesses. One of the most important sources of input are roundtables that Advocacy sponsors on specific topics, at which representatives of small businesses, industries, and government agencies can meet and informally discuss matters of current interest. Advocacy also sponsors larger conferences and symposia to discuss major issues. Advocacy maintains close contact with many congressional committees, including those with jurisdiction over the most important areas of interest to small businesses. The Chief Counsel regularly meets with business organizations and trade associations in addition to traveling throughout the country to hear directly from stakeholders. Advocacy's regional advocates are the office's eyes and ears outside of Washington, DC, and the office also receives a steady flow of input on small business concerns from its many stakeholders, including business organizations and trade associations, congressional offices, SBA offices and resource partners, and small businesses themselves.

Engagement with federal agencies on regulations and policies affecting small businesses. After an issue of interest has been identified, Advocacy's Office of Interagency Affairs works with regulatory development officials and policymakers to ensure that the views of small entities are known and considered in the agency's actions. This engagement can take many forms, depending on the stage of the policy or regulatory proposal. Advocacy attorneys and economists often have pre-proposal consultations with regulatory development officials in order to help them design a rule that will accomplish the agency's regulatory objectives while minimizing burdens on small entities. Advocacy also provides regulatory agencies with technical assistance of various types to help ensure agency compliance with the RFA and related requirements. Such assistance can include estimates of the numbers of businesses likely to be affected by a proposal, legal opinions on RFA issues, the review of draft materials, arranging consultations with affected industry representatives, and other assistance specific to each case. Advocacy interventions can occur at all stages of the rule development process, from confidential pre-decisional deliberative consultations before a proposal is made, to formal comments after a proposed rule has been published, to comments after a rule has been finalized. Advocacy also provides congressional testimony on issues affecting small business as requested, and the office regularly advises congressional committees on small business issues.

Small Business Regulatory Enforcement Fairness Act (SBREFA) Panels. The Small Business Regulatory Enforcement Fairness Act (Title II of P.L. 104-121, as amended) requires three agencies (the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau) to take special steps to ensure that the views and needs of small entities are considered early in the process of drafting rules that could have significant effects. In the SBREFA panel process, Advocacy, OMB's Office of Information and Regulatory Affairs, and the rule-writing agency develop information solicited from small entity representatives and other sources concerning the potential impacts of a new agency proposal. The panel then considers alternatives that minimize burdens, and it prepares a report with recommendations that must by law be addressed in the final rule. The extra steps required for those agencies and regulations subject to the panel process ensure that small business concerns are considered early in the rule development process, and the process is an important tool for Advocacy.

Regulatory Flexibility Act (RFA) compliance training. The RFA, first enacted in 1980 and strengthened in 1996 and 2010, requires most federal regulatory agencies to consider the effects of planned regulatory actions on small entities and to take steps to minimize them when possible, including the consideration of alternatives for rules with significant impacts and the convening of SBREFA panels with special outreach provisions for certain agencies. Failure to comply with RFA requirements can result in litigation. A significant body of RFA case law has developed over the years, and courts have struck down rules because of RFA problems. Executive Order 13272 requires Advocacy to provide RFA compliance training to federal regulatory development officials, and the office has a continuing program to provide live classroom training to regulatory officials throughout the government. RFA training is customized to each individual agency or multi-agency group receiving the training. Advocacy believes that better-trained regulatory and policy staff develop smarter rules that have reduced impacts on small entities. Better compliance and reduced litigation are also favorable outcomes resulting from fully RFA-compliant rules.

Retrospective review of regulations. Section 610 of the Regulatory Flexibility Act requires agencies to review existing regulations periodically to determine whether they are still justifiable based on a number of factors. Advocacy believes that the full potential of this provision in the RFA has not been realized, and welcomed Executive Orders 13563, 13579, and 13610, which among other provisions, directed departments and agencies throughout government to review existing significant regulations and consider how best to promote retrospective analyses of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. Advocacy was involved in this initiative before and since its publication and continues to work with OMB and regulatory agencies to identify rules where regulatory cost savings can be achieved. More recently, President Trump has signed important new executive orders on regulatory reform, including Executive Orders 13771 and 13777, which require federal agencies to take more aggressive steps to alleviate unnecessary regulatory burdens. Advocacy stands ready to help all agencies in this effort.

Performance objectives

Advocacy has two performance objectives related to Strategic Goal 1:

- Objective 1.1 - the achievement of regulatory cost savings of at least $6.5 billion in FY 2018 from rules on which Advocacy has worked; and
- Objective 1.2 - the provision of Regulatory Flexibility Act compliance training in FY 2018 to at least 100 policymakers and regulatory development officials in federal agencies which promulgate regulations that impact small entities.

Representing the concerns of small businesses before federal regulatory agencies is one of Advocacy's most important statutory missions. Advocacy has adopted the achievement of regulatory cost savings for small businesses and other small entities as an outcome performance measurement for this activity, although the office also works with agencies to advance small entity interests in other ways that do not necessarily produce measurable cost savings.

Advocacy works with federal regulatory agencies at all stages of the rule development process to help them design regulations that will minimize unnecessary costs to small entities while still achieving agency regulatory objectives. Cost savings from rules on which Advocacy has intervened consist of forgone capital or annual compliance costs that otherwise would have been required in the first year of a rule's implementation. Advocacy captures cost savings in the quarter and fiscal year in which the regulating agency agrees to changes resulting from Advocacy's intervention and not necessarily during the period in which the intervention occurred. Therefore, the results reported for any year do not reflect the total of Advocacy's interventions to date that may produce quantifiable cost savings in the future. Cost savings estimates are generally based on estimates from the agencies promulgating the rules in which Advocacy intervened, although industry estimates may be used in some cases.

A limitation of this performance measure is that it is impossible to predict with any degree of accuracy when federal agencies will publish final rules that reflect cost savings from rules in which Advocacy intervened, and it is equally difficult to predict the amount of savings likely to be achieved before action on a rule begins. Cost savings rely on externalities (i.e., it is a regulatory agency's decision to reduce the burden on small entities, not Advocacy's), so significant variations from established goals can and do occur. Also, because agencies may make further revisions to a rule, cost savings may change over time based on new information and/or further negotiations and revisions. However, even with these limitations, past performance over an extended period has demonstrated that significant cost savings have been achieved and measured.

Another limitation of this measure is that Advocacy is unable to include in its annual estimate of regulatory cost savings those savings that result solely from pre-decisional deliberative consultations or technical assistance provided to regulatory agencies. These savings are in addition to those claimed under this performance measure and are substantial but impossible to measure with accuracy.

The second performance objective for Strategic Goal 1 in FY 2018 is that Advocacy will provide RFA compliance training to at least 100 policymakers and regulatory development staff in federal agencies which promulgate regulations that impact small entities. This is also an outcome measure, with the result that federal regulatory officials have the expertise needed to develop and publish better rules that achieve their regulatory objectives while minimizing unnecessary burdens on small entities. Reduced RFA-related litigation and better compliance by the regulated community also result.

Executive Order 13272 requires Advocacy to provide the RFA compliance training measured by this performance indicator. Since Advocacy began its ongoing RFA compliance training program in 2004 through FY 2016, such live classroom training has been provided to officials in 18 cabinet-level departments and agencies, 69 separate component agencies and offices within these departments, 23 independent agencies, and various special groups including congressional staff, business organizations and trade associations.

FY 2016 Accomplishments

During FY 2016, Advocacy achieved $1.393 billion in first-year cost savings, $346 million of which will also be annually recurring savings, although they will not be counted again for the purposes of performance measurement. These savings resulted from actions on seven separate federal regulations originating in seven agencies (the Environmental Protection Agency, the Occupational Safety and Health Administration, the Employee Benefits Security Administration, the Department of Energy, the Department of Labor, the Federal Acquisition Regulation Council, and the Food and Drug Administration). Additional information on these rules was detailed in Advocacy's annual report on RFA activities for FY 2016. This report and those for past years can be accessed online at http://www.sba.gov/advocacy/regulatory-flexibility-act-annual-reports. Advocacy expects additional significant savings to be achieved as a result of its continuing work on numerous other rules, but savings are not scored until a rule is finalized, and the timing for this is beyond Advocacy's control.

During FY 2016, Advocacy provided Regulatory Flexibility Act compliance training to 157 policy and rule development officials at regulatory agencies, exceeding its annual goal for this activity that at least 100 officials receive such training.

Although not used as performance indicators, two other measures relating to regulatory advocacy illustrate the diversity of activity in which Advocacy was engaged in FY 2016, during which Advocacy provided 20 written public comment letters to 12 different agencies about a wide variety of proposals affecting small business. Also during FY 2016, Advocacy's legal team hosted 22 roundtables in Washington, DC, to collect information from stakeholders on a diverse range of issues, and five additional roundtables were hosted by regional advocates outside of Washington.

During FY 2016, Advocacy also continued to provide the Administration with counsel subsequent to Executive Orders 13563 (*Improving Regulation and Regulatory Review;* January 18, 2011), Executive Order 13579 (*Regulation and Independent Regulatory Agencies;* July 11, 2011), Executive Order 13610 (*Identifying and Reducing Regulatory Burdens;* May 10, 2012), and related memoranda to the heads of executive branch departments and agencies. These directives supplement existing regulatory review processes, particularly the Executive Order 12866 process that has been in place since 1993. They also reiterate key provisions of the RFA, and in particular its Section 610 "look-back" provisions mandating the periodic review of existing regulations, in addition to encouraging public participation in this process.

This important regulatory initiative is very much in keeping with Advocacy's mission, the RFA, and Executive Order 13272. In fact, both Advocacy and the RFA are mentioned by name in the presidential memorandum *Regulatory Flexibility, Small Business, and Job Creation* (January 18, 2011). The memo emphasized the importance of compliance with the RFA and its purposes. During 2016, Advocacy continued to examine rules that agencies determined should be reviewed, and the office continues to provide additional counsel on which of these reviews would be likely to lead to regulatory burden reduction for small business. Also, as explained below in the section on FY 2018 planned performance, President Trump has signed important new executive orders that require federal agencies to take more aggressive steps to alleviate unnecessary regulatory burdens, and Advocacy stands ready to help all agencies in this newly strengthened effort.

Also of major importance in the office's regulatory advocacy activities is its participation in the Small Business Regulatory Enforcement Fairness Act (SBREFA) panels required by Title II of Public Law 104-121, as amended, for significant rules planned by three agencies: the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau. In the panel process, representatives of the rule-writing agency, the Office of Management and Budget, and Advocacy are required to solicit information from industry representatives and other sources on the potential effects of a new agency proposal, to consider alternatives that minimize burdens, and to prepare a report with recommendations that must by law be addressed in the final rule. Although SBREFA panels are labor intensive, they have a proven track record of helping agencies write better rules. During FY 2016, EPA initiated four new panels, OSHA one new panel, and CFPB two new panels.

FY 2018 Planned Performance

Advocacy intends to continue to achieve regulatory cost savings and a reduced regulatory burden through its regulatory interventions. The office relies on various types of activities to achieve regulatory cost savings. These include: participating in the SBREFA panel process for regulations promulgated by EPA, OSHA, and the CFPB; writing official comments to federal regulatory agencies on their compliance with the RFA and other rulemaking activities; testifying before Congress on small business issues; responding to OMB referrals on proposed legislation and regulatory proposals; participating with OMB during the Executive Order 12866 review process and during implementation of Executive Order 13272; and providing technical and RFA compliance assistance to agencies as requested at all stages of the rule development process.

In FY 2018, Advocacy's goal for regulatory cost savings is $6.5 billion. Although year-to-year fluctuations can and do occur, the long-term annual average of Advocacy's cost savings metric is $6.89 billion (from FY 1998, the first year in which data are available, through FY 2016). Advocacy continues to review difficulties in the quantification of cost savings resulting from rules on which it has worked. In recent years, Advocacy has helped agencies improve numerous draft rules, reducing burdens on small entities, but the agencies have not provided data upon which cost savings estimates can be based. Because Advocacy was not able to quantify savings on these rules, none were claimed. Advocacy continues to work with agency regulatory development officials and OMB's Office of Information and Regulatory Affairs to improve regulatory cost reporting in the future.

Advocacy will continue to train federal regulatory agency personnel on RFA compliance, as required by Executive Order 13272. Classroom training has been conducted by Advocacy staff since FY 2004 and will continue indefinitely. Agencies have been responsive to the classroom training that their staffs have received, and many have implemented better regulatory flexibility practices as a result. Almost all federal regulatory agencies have now received RFA compliance training from Advocacy, but Advocacy will continue to provide "refresher" training, train new personnel, and train officials of component agencies within major departments. Advocacy expects to exceed its FY 2018 goal of providing RFA training to at least 100 regulatory officials.

In FY 2018, Advocacy will continue to assist regulatory agencies in complying with the requirements of Executive Orders 13563, 13579, and 13610. These orders direct federal regulatory agencies to promote the coordination, simplification, and harmonization of regulations that are redundant, inconsistent, or overlapping across agencies. They also direct agencies to consider regulatory flexibility whenever possible, to ensure scientific and technological objectivity in regulatory development, and to identify means to achieve regulatory goals that are designed to promote innovation. The orders and related guidance documents also direct agencies to review existing significant regulations and consider how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. Public participation in this process is encouraged and an accountability framework through agency reporting to OMB has been established.

More recently, President Trump has signed Executive Order 13771 (*Reducing Regulation and Controlling Regulatory Costs;* January 30, 2017) and Executive Order 13777 (*Enforcing the Regulatory Reform Agenda;* February 24, 2017), which require federal agencies to take more aggressive steps to alleviate unnecessary regulatory burdens. These steps include the establishment of a Regulatory Reform Task Force in each agency to identify regulations that eliminate jobs or inhibit job creation; are outdated, unnecessary, or ineffective; impose costs that exceed benefits; interfere with regulatory reform initiatives and policies; or that rely on questionable data, information, or methods. The Task Force must report to its agency head progress made towards identifying regulations for repeal, replacement, or modification, and agencies must incorporate into their annual performance plans indicators that measure progress towards these goals. The new executive orders are intended to work in tandem with and reinforce the earlier Executive Orders 12866 and 13563, which are both mentioned by name in Executive Order 13777. Advocacy stands ready to help all agencies in this newly strengthened effort to review regulations and reduce their burdens when possible.

In FY 2018, Advocacy will continue to work with OMB and federal regulatory agencies as they implement the retrospective review of existing regulations as provided by both Section 610 of the RFA and executive orders. Advocacy will examine rules that agencies determine should be reviewed and provide further recommendations and technical assistance to encourage regulatory burden reduction for small business.

Advocacy is prepared for continued SBREFA panel activity in FY 2018. Although it is impossible to predict with accuracy how many of these labor-intensive panels will be convened in the future, Advocacy is prepared to accommodate this priority work.

At the request of OMB's Office of Information and Regulatory Affairs and the Office of the United States Trade Representative, Advocacy has participated since 2012 in various international working groups on regulatory cooperation and trade initiatives that would affect U.S. small businesses. International regulatory cooperation has become the subject of recent trade negotiations, including disproportionate burdens that smaller businesses may face in international trade. Advocacy's unique knowledge of how regulations affect small business give the office the ability to help the small businesses of America have a place at the table during trade negotiations. The office continues to explore how it can represent U.S. small businesses both in dealing with foreign regulations and those U.S. regulations impeding small business involvement in international trade. Lowering such regulatory barriers could open vast new markets to smaller firms.

Public Law 114-125, the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA), also established a new role for Advocacy to facilitate greater consideration of small business issues during international trade negotiations. Under TFTEA, the Chief Counsel for Advocacy must convene an Interagency Working Group (IWG) whenever the President notifies Congress that the Administration intends to enter into trade negotiations with another country. The purpose of the IWG is to conduct small business outreach in manufacturing, services, and agriculture industries and to receive input from small businesses on the potential economic effects of a trade agreement on these sectors. From these efforts, the IWG is charged with identifying the most important priorities, opportunities, and challenges affecting these industry sectors in a report to Congress. This report must also provide an analysis of the economic impact on various industries, information on state-owned enterprises, recommendations to create a level playing field for U.S. small businesses, and information on federal regulations that should be modified in compliance with the potential trade agreement.

Advocacy looks forward to this new avenue through which it can use its resources and regulatory experience to help small businesses participate in international trade with a more level playing field.

Advocacy Strategic Goal 2: **To develop and disseminate research and data on small businesses and the role that they play in the economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, innovation, and factors that encourage or inhibit small business startup, development and growth.**

Implementation strategies

Adding value to raw data. Advocacy itself is not a data collection agency (although in some contract research projects, surveys may be conducted). Instead, Advocacy's Office of Economic Research assembles and uses data and other information from many different sources to develop data products that are as timely and actionable as possible. Advocacy's efforts often add value to existing government data resources by developing information that is useful to small business stakeholders from sources that may not have been originally intended for that purpose. Advocacy economic research funds support the development of small firm data at agencies such as the U.S. Census Bureau. Other agencies that have contributed to Advocacy research include the Bureau of Labor Statistics, the Internal Revenue Service, the Social Security Administration, the Federal Reserve Board, the Departments of Education, Defense and Veterans Affairs, and additional components in the Departments of Commerce and Labor. Advocacy has used data from all of these agencies and other sources in its data and research products. Advocacy aims in all its data publications to respond to the needs of its stakeholders with products that help answer their questions and inform their decisions with the best information possible.

Specialized contract research. Another important activity in meeting this strategic goal is contract research to address specialized issues of concern to Advocacy's stakeholders. These issues are many and varied. Some have been addressed regularly, such as the cost of regulation, innovation, job creation, taxation, and topics relating to firms owned by women, minority, and veteran entrepreneurs. Other topics reflect changing policy issues and priorities or respond to requests from stakeholders. Subject to the availability of funding, Advocacy solicits ideas for its discretionary contract research program each year, and announcements for competitive research proposals are published as small business set-asides through the regular government procurement process. Advocacy also uses contract research funds to update older studies of special value when resources are available.

Assistance in regulatory advocacy. Advocacy economists work with agencies throughout government every day to assess the potential impact of proposed regulations on small entities. This is an example of how the various operating divisions within Advocacy work together to advance the office's goals. Regulatory flexibility analyses, and threshold analyses to determine what RFA provisions apply to a given proposal, often turn on how many firms of what size would be affected by that proposal. Advocacy's regulatory economists provide data and economic analyses to help quantify these effects. Advocacy research funds have also supported a competitive "indefinite date – indefinite quantity" (IDIQ) contract for professional assistance on impact analyses that are needed on particularly complex proposals or those with potentially large impacts.

Dissemination of research. Advocacy research products receive wide distribution. All data products and contract research studies are published online, and information on new research is included in Advocacy's monthly newsletter, *The Small Business Advocate*, which goes to more than 37,000 online subscribers. Also, Advocacy's specialized research and data listserv goes to more than 28,000 subscribers. Roundtables are held to discuss the office's research products, in addition to conferences and symposia on topics of special interest, such as access to capital and innovation. Advocacy's Office of Interagency Affairs shares economic research with its contacts throughout government, and Advocacy's field component of regional advocates promotes the office's data and research products in presentations throughout the country. Advocacy data and research products are frequently cited in the press, and they are widely used by congressional offices, government policymakers, and many other stakeholders.

Performance objectives

Advocacy has three performance objectives related to Strategic Goal 2:

- Objective 2.1 - in FY 2018, the publication of at least 20 research and data products related to small businesses and issues of concern to them;
- Objective 2.2 - in FY 2018, at least 360 outreach events by Advocacy's regional advocate team at which research or data developed by Advocacy or policy and regulatory issues are discussed with at least five or more small business stakeholders; and
- Objective 2.3 - in FY 2018, at least 12 presentations by Advocacy economists on Advocacy research to academic, media, or policy audiences.

In addition to regulatory advocacy, Advocacy's second core responsibility is the development of economic research and data products relating to the role that small businesses play in the nation's economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority, and veteran entrepreneurs, and factors that influence entrepreneurship, innovation, and other issues of concern to small businesses.

Advocacy economists perform and publish in-house research in addition to managing contract research projects on specific issues. Advocacy economic research funds also support the development of small firm data at other agencies such as the U.S. Census Bureau. Advocacy economists also work with agencies throughout government on a daily basis to assess the potential impact of their regulations on small entities.

Advocacy is continuing its output measure of the number of its published research and data products related to small businesses and issues of concern to them, with a FY 2018 goal of 20 such products. These research reports inform policymakers by providing data on small business demographics, demonstrating the importance of the role of small business in the economy, highlighting the impact of federal policies and regulations on small businesses, and providing new research on specialized issues of interest to stakeholders.

Advocacy believes that good policy requires good information, and the office's research and data products result in the outcome that policymakers have the information they need to make better decisions.

A second performance objective for Strategic Goal 2 is an output measure that Advocacy's regional advocates participate in at least 360 outreach events with at least five small business stakeholders where Advocacy research or data products or regulatory and policy issues are discussed. Advocacy makes every effort that its research and data products provide information that is both timely and actionable, with the outcome that stakeholders can make better decisions. It is also important that these stakeholders are aware of the availability of Advocacy's work and how to access it electronically.

Many of Advocacy's stakeholders and users of its research products are located in or near Washington, including congressional offices, federal agencies, and business and trade associations. However, there is an important need to increase awareness of Advocacy's work not just in Washington, DC, but also in communities throughout the country where the vast majority of small businesses are located. Advocacy's regional advocates promote this awareness in their respective regions. This performance indicator measures this aspect of Advocacy's continuing outreach efforts to disseminate information on economic research products and pending regulatory proposals.

A third performance objective for Strategic Goal 2 is an output measure that Advocacy economists make at least 12 economic presentations to academic, media, or policy audiences each year. Typical events in which presentations might take place include academic conferences, trade association meetings, policy symposia, think tank events, or government-sponsored events.

FY 2016 Accomplishments

During FY 2016, Advocacy published 26 research and data products, exceeding its annual goal for that year of 20 reports. Advocacy's contract research publications in this period included studies on: the income and net worth of veteran business owners over the business cycle, 2007 - 2013; foreign-born scientists and engineers in U.S. STEM fields entrepreneurship; the effect of crowdfunding performance and outside capital; and minority STEM entrepreneurs. Because of the timing of the procurement process for Advocacy's research contracts, which typically are awarded in the fourth quarter and have one-year completion terms, additional pending projects are expected to be released in FY 2017.

During FY 2016, Advocacy released a new edition of its popular *Small Business Profiles for the States and Territories*, in addition to new editions of *Small Business Frequently Asked Questions,* and *Small Business Finance Frequently Asked Questions.* During FY 2016, two new papers were added to Advocacy's series of *Issue Briefs*, including briefs on small businesses as key players in international trade and data on minority businesses from the Census Bureau's most recent Survey of Business Owners. Eight new items were added to Advocacy's growing list of *Fact Sheets,* including owner fact sheets on women-owned businesses, veteran-owned businesses, and businesses owned by minorities in general, African Americans, Hispanics, Asian Americans, American Indians and Native Alaskans, and Native Hawaiians and Pacific Islanders.

During FY 2016, two new series of papers written by Advocacy economists were initiated. The Trends in Entrepreneurship series began with two entries entitled *The Missing Millennial Entrepreneurs* and *The Ascent of the Senior Entrepreneur,* while the new Alternative Finance Series began with *What is Alternative Finance?* A new series of infographics appeared, including products entitled *Minority STEM Entrepreneurs, Startup Rates and Firm Age, Establishment Startups and Exits, What's New with Small Business,* and *How Can Crowdfunding Help Entrepreneurs?*

Also in FY 2016, Advocacy's Office of Economic Research (OER) launched a new series of programs called Small Business Economic Research Forums. For these forums, OER invites an expert to discuss a key economic topic and to give a presentation to attendees. The forums are valuable to keep Advocacy's staff up-to-date on the latest data and research from other agencies and researchers. During FY 2016, OER hosted 10 forums featuring distinguished speakers on a wide variety of topics. More detail on each forum can be accessed in OER's annual report at https://www.sba.gov/sites/default/files/OER_Annual_Report_FY2016.pdf.

On June 22, 2016, Advocacy hosted an event in Washington, DC, to mark a number of important milestones for the office: 40 years since Advocacy's founding, 35 years since the RFA was enacted, 20 years since the passage of SBREFA, and 15 years of carrying out the duties of Executive Order 13272. The symposium brought together participants from Congress, the White House, federal agencies, and small business stakeholders. The day's events included a congressional panel that focused on the regulatory process while another panel included former Chief Counsels discussing their past experience in shaping regulations and policy. In addition, other panel topics included perspectives of government and private sector economists on analyzing the cost of regulations to small business and ideas for reducing the regulatory burden on small business.

Beginning in FY 2013, Advocacy adopted a performance measure for outreach activity by its regional advocates. During FY 2016, Advocacy's 10 regional advocates reported a total of 509 qualifying outreach events, exceeding their annual goal of 360 such events for this activity.

Also beginning in FY 2013, Advocacy adopted another new performance indicator, this one for measuring outreach activity by its professional economists. During FY 2016, Advocacy economists had made 52 such presentations to academic, media, or policy audiences, substantially exceeding the annual goal of 12 events.

FY 2018 Planned Performance

Economic research remains one of the office's core statutory missions. Not only does it provide valuable information to Advocacy's many stakeholders, but it also plays a significant role in the office's other missions, including regulatory advocacy in particular. Regulatory flexibility analyses and policy decisions often hinge on how many firms suffer what consequences from a given proposal or policy. Advocacy's economic research also drives many of the outreach efforts that the office conducts to serve its customers. These include publications, symposia, and other meetings, regional advocate activities, data requests from other agencies, and congressional inquiries.

In general, Advocacy's economic research budget supports: 1) the development and purchase of small business data from other federal agencies and special tabulations of unpublished data relating to small business that are held by these agencies; and 2) the commissioning of extramural contract research projects on specialized topics of importance to policymakers and the small business community.

For FY 2018, Advocacy's request includes $150,000 in new funding for economic research purposes. This amount will supplement expected carryover balances that occur when solicitations for contract research proposals, for which funds must be reserved in advance, do not result in technically acceptable proposals. When this happens, the previously reserved but unused funds become available again and can be used to fund new research projects. The FY 2018 request provides sufficient funding to continue data purchases and to support data collection at other agencies that underpins a variety of Advocacy's widely used data products.

Advocacy has an annual goal for regional advocate participation in at least 360 meetings with at least five small business stakeholders where Advocacy research or data products or regulatory and policy issues are discussed. This activity is intended to provide broad distribution of

Advocacy's work and to inform stakeholders on the availability of Advocacy resources online, as well as to solicit information from attendees. Advocacy's regional advocates promote this awareness in their respective regions.

Although Advocacy's regional advocates have a specific performance measure for economic research dissemination, they contribute to Advocacy's work in many other ways. Regional advocates are the Chief Counsel's eyes and ears outside of Washington, DC, and are on the front line in carrying out Advocacy's mission. They interact directly with small businesses, small business trade organizations, governors, and state legislatures to educate them about the benefits of regulatory flexibility. Regional advocates conduct outreach to locate participants for SBREFA panels that require small entity representatives. They work closely with the 10 regional Regulatory Fairness Boards to develop information for SBA's National Ombudsman. They alert businesses in their respective regions about regulatory proposals that could affect them (for example, by alerting firms that an agency is seeking comment on the small business impacts of a proposed regulation). Regional advocates are vital for the two-way communication that Advocacy needs from the vast majority of small entities that operate outside of the Washington area.

During FY 2018, Advocacy economists will make at least 12 economic presentations to academic, media, or policy audiences at organized events. Typical events in which presentations might take place include academic conferences, trade association meetings, policy symposia, or other government-sponsored events. This goal is intended to encourage Advocacy's professional economists to share Advocacy's work and their own research with other professionals, policymakers, and opinion leaders.

Performance Measurement

Following are tables depicting Advocacy performance indicators from FY 2011 through FY 2016, together with FY 2017 and FY 2018 targets. As part of the separation of Advocacy's annual budget justification and performance report from that of SBA, Advocacy's Chief Counsel and management team adopted revisions to the office's pre-2012 performance metrics after a thorough review of the effectiveness of prior Advocacy performance indicators. Advocacy believes that the new performance measures beginning in FY 2013 more accurately reflect the priorities of the office under the realignment of strategic goals in that year. Three performance indicators from prior years remain unchanged while two others were dropped. The efficiency measure of "cost per $1 million in regulatory savings" was retained, and two new indicators were added under Advocacy's economic research strategic goal.

Advocacy Strategic Goal 1: To be an independent voice for small businesses inside the government and to assist federal agencies in the development of regulations and policies that minimize burdens on small entities to support their start-up, development and growth.

Objective 1.1 - Achievement of regulatory cost savings

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Regulatory cost savings to small businesses ($ billion)	Target	5.50	5.50	6.50	6.50	6.50	6.50	6.50	6.50
	Actual	11.70	2.45	1.53	4.81	1.61	1.39	TBD	TBD
	Variance	113%	-55%	-76%	-26%	-75%	-79%	TBD	TBD

TDB - To be determined.
Additional information: This goal has been used since the establishment of performance measurements in FY 2001.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Cost per $1 million in regulatory cost savings ($)	Target	$2,253	$1,658	$1,369	$1,301	$1,301	$1,403	$1,434	$1,403
	Actual	$710	$3,445	$5,759	$1,793	$5,754	$6,574	TBD	TBD

TDB - To be determined.
Additional information: This efficiency measure has been used since the establishment of performance measures in FY 2001. Targets for this measure are established by dividing Advocacy's budget request for any given year by the regulatory cost savings target for that year. Actuals for this measure are established by dividing Advocacy's actual obligations incurred (see accompanying table) by actual cost savings achieved (see preceding indicator). Unlike other performance measures, low er actual costs per million in savings than those originally targeted reflect better than expected outcomes. Accordingly, variance percentages for this efficiency measure are not used.

Objective 1.2 - Provision of Regulatory Flexibility Act compliance training to regulatory development officials throughout government

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Newly trained regulatory staff with in-house expertise on Regulatory Flexibility Act (#)	Target	100	100	100	100	100	100	100	100
	Actual	189	148	159	132	126	157	TBD	TBD
	Variance	89%	48%	59%	32%	26%	57%	TBD	TBD

TDB - To be determined.
Additional information: This goal has been used since FY 2004, the function being mandated by Executive Order 13272.

Advocacy Strategic Goal 2: To develop and disseminate research and data on small businesses and the role that they play in the economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, innovation, and factors that encourage or inhibit small business start-up, development and growth.

Objective 2.1 - Publication of research and data products

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Advocacy research & data publications (#)	Target	25	25	20	20	15	20	20	20
	Actual	25	28	22	22	26	26	TBD	TBD
	Variance	none	12%	10%	10%	73%	30%	TBD	TBD

TDB - To be determined.
Additional information: This goal has been used since FY 2004.

Objective 2.2 - Outreach by regional advocates

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Outreach events by regional advocate team using Advocacy work products (#)	Target	N/A	N/A	360	360	360	360	360	360
	Actual	N/A	N/A	607	536	550	509	TBD	TBD
	Variance	N/A	N/A	69%	49%	53%	41%	TBD	TBD

TDB - To be determined.
N/A - Not applicable.
Additional information: This goal has been used since FY 2013.

Objective 2.3 - Outreach by Advocacy economists

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Presentations by Advocacy economists to academic, media or policy audiences (#)	Target	N/A	N/A	12	12	12	12	12	12
	Actual	N/A	N/A	17	26	34	52	TBD	TBD
	Variance	N/A	N/A	42%	117%	183%	333%	TBD	TBD

TDB - To be determined.
N/A - Not applicable.
Additional information: This goal has been used since FY 2013.

Discontinued indicators

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
States considering legislative or executive regulatory flexibility actions (#)	Target	10	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Actual	5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Variance	-50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Additional information: This goal used from FY 2004 through FY 2011 under Strategic Goal 1. Prior year data is provided for those years in which indicator was in use.

Performance Indicator		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Instances of Advocacy work products being used in academic curricula (#)	Target	15	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Actual	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Variance	-100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Additional information: This goal used from FY 2004 through FY 2011 under Strategic Goal 2. Prior year data is provided for those years in which indicator was in use.
N/A - Not applicable.

Budgetary Resources	Budgetary obligations incurred						Budget plan	
	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Request	FY 2018 Request
Administrative resources ($ thousands)	$8,309	$8,440	$8,811	$8,628	$9,264	$9,157	$9,320	$9,120
Public Law 111-240 established a separate appropriations account for Advocacy effective in FY 2012. Prior to FY 2011, Advocacy's administrative resources included overhead and indirect costs that Advocacy shared with other SBA offices. Beginning in FY 2011, amounts reflecting Advocacy budget requests and budgetary obligations incurred reflect only amounts requested for or incurred by its own new appropriations account.								

Explanations for Variances

As indicated in the preceding charts depicting Advocacy performance indicators, significant variances occurred between Advocacy's goals for FY 2016 and actual results. Explanations for these variances follow.

Regulatory cost savings to small businesses (79 percent below goal). Advocacy did not meet its goal of $6.5 billion in regulatory cost savings to small businesses, being able to quantify $1.39 billion in such savings in that year. However, Advocacy's annual average from FY 1998 (the first year with data) through FY 2016 was $6.89 billion in savings per year, exceeding the current annual goal. As explained in the preceding section on FY 2016 accomplishments under Strategic Goal One, significant variations in this measure can and do occur from year to year due to factors over which Advocacy has no control. Cost savings rely on externalities — regulatory agencies make the actual decisions that reduce burdens on small entities, not Advocacy — and these agencies control both the timing and amount of savings when they finalize and publish their rules.

Advocacy continues to address the challenges of the quantification of cost savings resulting from rules on which it has worked. In recent years, Advocacy has helped agencies improve numerous draft rules reducing burdens on small entities, but the agencies have not provided data upon which cost savings estimates can be based. Because Advocacy was not able to quantify savings on these rules, none were claimed. Advocacy continues to work with agency regulatory development officials and OMB's Office of Information and Regulatory Affairs to improve regulatory cost reporting in the future.

Regulatory staff with in-house expertise on Regulatory Flexibility Act compliance (57 percent over goal). Advocacy continued its aggressive RFA compliance outreach efforts in FY 2016, and agencies have also responded to presidential directives on regulatory review, including Executive Orders 13563, 13579, and 13610, as well as the President's memorandum to all department and agency heads, *Regulatory Flexibility, Small Business, and Job Creation,* in which the importance of compliance with the RFA and its purposes is emphasized. The new Executive Orders 13771 and 13777 signed by President Trump are also expected to strengthen regulatory review efforts by agencies in the future.

Research and data publications (30 percent over goal). Advocacy is pleased to have substantially exceeded its FY 2016 goal of 20 research and data publications with the release of 26 such products, including updated revisions to its most popular periodic reports, additions to both the *Issue Brief* and *Fact Sheet* series, and a number of contract research products on specialized topics.

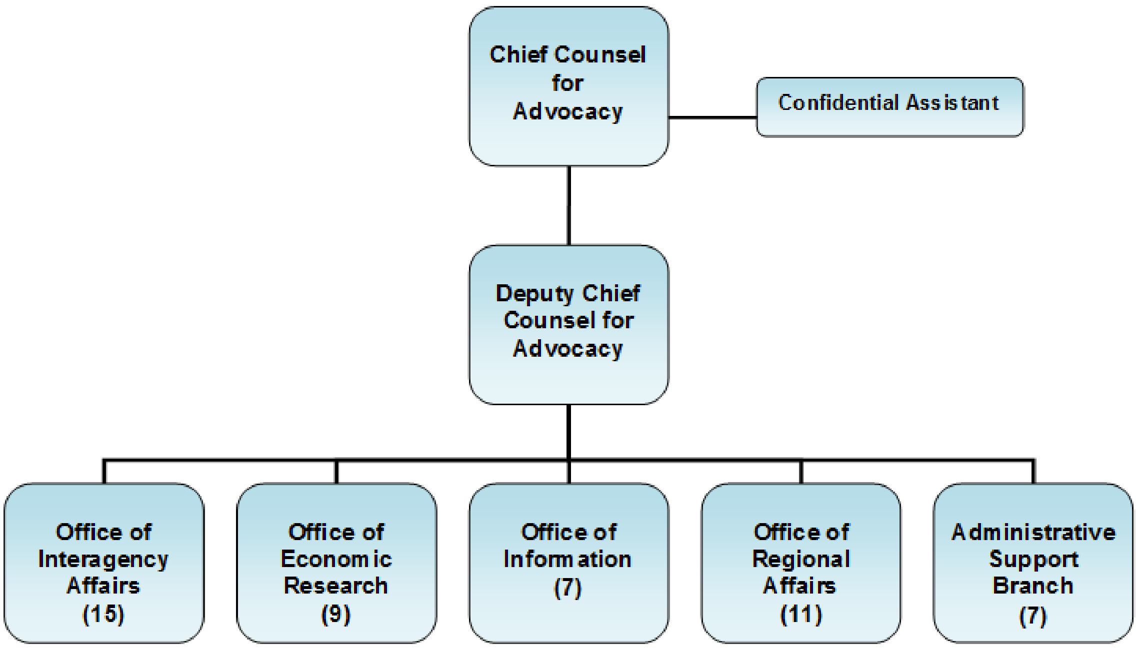
Outreach events by regional advocates (41 percent over goal). Advocacy's 10 regional advocates substantially exceeded their goal of participation in 360 outreach events during FY 2016 with 509 such events.

Presentations by Advocacy economists to academic, media, or policy audiences (333 percent over goal). Advocacy economists substantially exceeded their FY 2016 goal of making presentations to at least 12 academic, media, or policy audiences with 52 such presentations.

Verification and Validation

Advocacy management has adopted verification and validation documentation in conformity with the standards used by SBA's Office of Performance Management. This documentation is reviewed annually and is on file with that office. It is also published on Advocacy's own **Performance and Budget** website at http://www.sba.gov/advocacy/performance-budget.

Office of Advocacy Organization



U.S. Small Business Administration

Office of Inspector General

FY 2018 CONGRESSIONAL BUDGET JUSTIFICATION

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Overview

In fulfillment of the Inspector General Act of 1978, as amended, the U.S. Small Business Administration (SBA) Office of Inspector General (OIG) provides auditing, investigative, and other services to support and assist the SBA in achieving its statutory mission. The OIG provides taxpayers with a significant return-on-investment (ROI) as it roots out fraud, waste, and abuse in SBA programs. During FY 2016, the OIG achieved nearly $145 million in monetary recoveries and savings — close to a sevenfold ROI.

The mission of SBA is to maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and to assist in the economic recovery of communities after disasters. While SBA's programs are essential to strengthening America's economy, the Agency faces a number of challenges in carrying out its mission. Challenges include fraudulent schemes affecting all SBA programs, significant losses from defaulted loans, procurement flaws that allow large firms to obtain small business awards, excessive improper payments, and outdated legacy information systems. The OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations.

For FY 2018, the OIG requests $19.9 million, plus an additional $1.0 million transfer from the Disaster loan program — for a total of $20.9 million. The OIG needs these funds to provide effective independent oversight of SBA's programs and operations, including funding for an expected increase in the cost of the independent audit of SBA's FY 2016 and future financial statements (due in large part to new OIG review mandates incorporated into the Digital Accountability and Transparency Act of 2014, P.L. 113-101) and cover the government-wide pay raise and other inflationary costs.

With the funds requested for FY 2018, the OIG will:

- Work an active caseload of about 215 criminal and civil fraud investigations of potential loan and contracting fraud and other wrongdoing. Many of these investigations involve complex, multimillion-dollar fraudulent financial schemes perpetrated by multiple suspects. (During FY 2016, OIG investigations resulted in 45 indictments/informations, 41 convictions, and over $141.5 million in potential recoveries, fines, asset forfeitures, civil fraud settlements, or loans/contracts not being approved or being cancelled.)

- Conduct risk-based audits and reviews of SBA activities with a focus on systemic, programmatic, and operational vulnerabilities. (During FY 2016, the OIG issued 23 reports with 81 recommendations for improving the Agency's operations, identifying improper payments, and strengthening controls to reduce fraud and unnecessary losses in SBA programs.)

- Contract with an independent public accountant to perform the annual audit of SBA's financial statements and report on the Agency's compliance with the requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act).

- Provide oversight and monitoring of SBA's information technology (IT) security and application development activities, including new systems under development and the Agency's compliance with the Federal Information Security Management Act (FISMA). The OIG has identified systemic problems with SBA's IT systems, and this remains one of the most serious management challenges facing the Agency.

- Maintain a robust OIG Hotline to receive and process allegations of waste, fraud, abuse, or serious mismanagement in the SBA or its programs from employees, contractors, and the public. (During FY 2016, the OIG Hotline received 1,041 complaints, which hotline staff reviewed and analyzed to determine the appropriate course of action.)

- Through a designated Whistleblower Protection Ombudsman, established pursuant to the Whistleblower Protection Enhancement Act of 2012, educate SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure.

- Pay for required employee background investigations to achieve a high level of integrity in the OIG's workforce.

- Adjudicate OIG employees and contractors for issuance of Personal Identity Verification (PIV) cards pursuant to Homeland Security Presidential Directive 12 (HSPD-12) background investigations requirements.

- Review proposed revisions to SBA regulations, policies, procedures, and other directives with an emphasis on strengthening internal controls to preclude potential fraud and wasteful, confusing, or poorly planned initiatives. (During FY 2016, the OIG provided recommendations to improve 52 of the 119 proposed revisions it reviewed.)

- Make present responsibility referrals that may result in debarments, suspensions, and other administrative enforcement actions to foster integrity in SBA programs. (During FY 2016, the OIG sent 75 suspension and debarment referrals to the SBA and was involved with six actions other agencies pursued.)

- Continue to serve as an educational resource, ensuring that oversight and lending officials develop or maintain technical proficiency in small business issues; suspension and debarment; the Program Fraud Civil Remedies Act; and other topics related to deterring and detecting fraud in government lending and contracting programs. (During FY 2016, the OIG delivered 74 training and outreach sessions for approximately 1,717 attendees.)

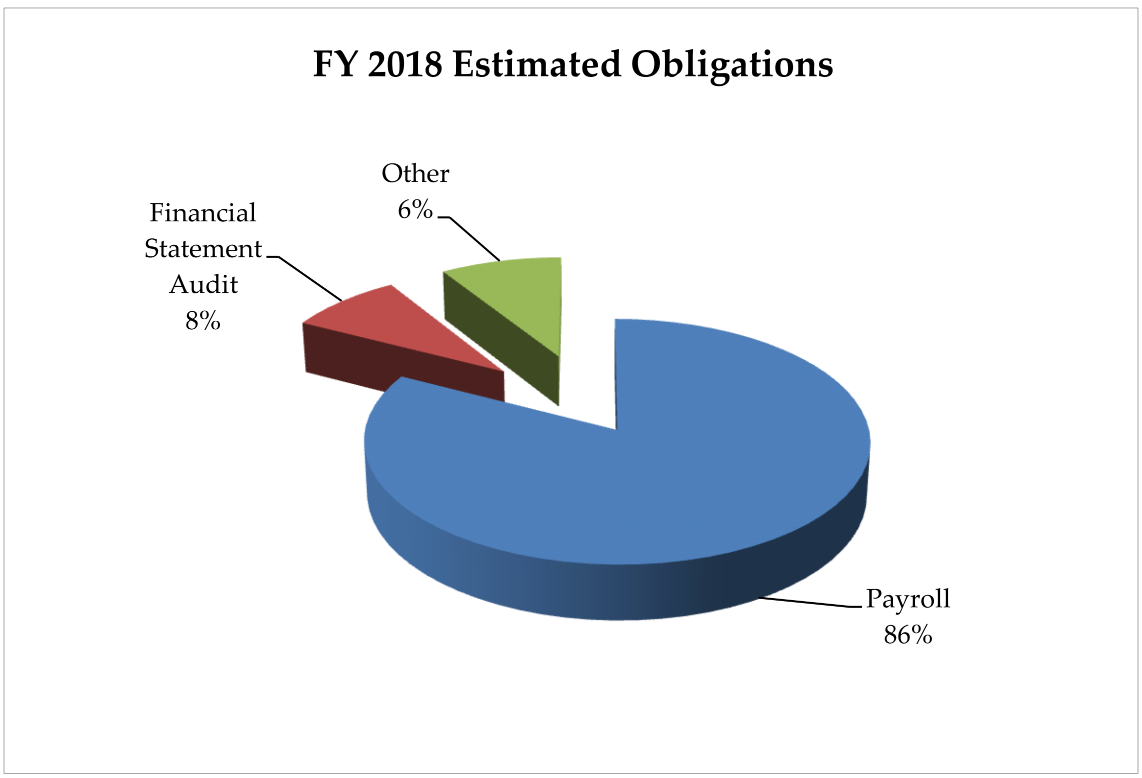
Budget Request

To address the challenges and risks discussed above and in the Critical Risks section below, the OIG requests a total of $20.9 million for FY 2018 — a direct appropriation of $19.9 million and $1.0 million to be transferred from SBA's Disaster Loan program account for work on disaster program issues.

FY 2018 Budget Request

Dollars in Millions	FY 2016 Enacted	FY 2017 Annualized CR	FY 2017 Enacted	FY 2018 Request	FY 2018 Incr/Decr
New Budget Authority	$19.9	$19.9	$19.9	$19.9	$0.0
Transfer from Disaster Loan Program	1.0	1.0	1.0	1.0	0.0
Total	**$20.9**	**$20.9**	**$20.9**	**$20.9**	**$0.0**

The majority of the funds requested for FY 2018 will be used for salary and benefits for 102 Full-Time Equivalent positions, as well as the cost of the annual audit of SBA's financial statements by an independent public accountant.



Critical Risks Facing the SBA

Within available resources, the OIG must focus on the most significant risks to the SBA and the taxpayer. Some of the critical risks facing the SBA are discussed below. Many of these risks are addressed in the OIG's *Report on the Most Serious Management and Performance Challenges Facing the SBA*, which the OIG issues annually in accordance with the Reports Consolidation Act of 2000.

Risks in SBA's Lending Programs

The SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans totaling about $118.8 billion. Over the years, the OIG has worked closely with the Agency to identify potential points of risk and to improve SBA's oversight and controls to ensure that eligible participants most in need of assistance benefit from these programs.

For example, the Agency's largest lending program, the Section 7(a) Loan Guaranty program, is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in acquiring, operating, or expanding an existing business. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with the majority of loans being made by lenders to whom the SBA has delegated loan-making authority. Additionally, the SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on — and giving greater independence to — its lenders. Past OIG reviews have reported on these trends, and the OIG continues its work to identify risks and/or control weaknesses associated with SBA's lender and loan agent oversight processes.

Criminals use a wide array of techniques to fraudulently obtain — or induce others to obtain — SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. Consequently, there is a greater chance of financial loss to the Agency and its lenders. The OIG dedicates a significant portion of its resources to identifying wrongdoers and, whenever possible, recovering funds.

Through the Disaster Loan program, the SBA makes direct loans to homeowners and businesses harmed by disasters to fund repair or replacement of damaged property and to businesses to provide needed working capital. OIG and General Accountability Office (GAO) audits have identified that this program is vulnerable to fraud and losses because (1) loan transactions are often expedited in order to provide quick relief to disaster victims; (2) lending personnel hired in connection with a disaster declaration may lack sufficient training or experience; and (3) the volume of loan applications may overwhelm SBA's resources and its ability to exercise careful oversight of lending transactions.

OIG audits and investigations have identified specific instances of fraud as well as necessary systemic improvements to reduce fraud, provide effective and efficient loan delivery, and protect taxpayer dollars.

Risks Affecting SBA's Oversight of Contracts for Small and Disadvantaged Businesses

The Small Business Act directs the SBA to promote the award of federal contracts to small businesses and firms owned by disadvantaged individuals (such as minorities, service-disabled veterans, women, firms from areas of low economic activity, and others). Under a statutory goal, the government directs approximately 23 percent of federal procurement funds to these programs. For FY 2015 — the latest year for which information is available — the SBA reported that small and disadvantaged firms were awarded $90.7 billion government-wide in prime contracting assistance. However, OIG audits and investigations have identified numerous instances where firms that do not meet the criteria to be either "small" or "disadvantaged" have improperly obtained contracts under SBA contracting programs. For example, a joint investigation with other agencies resulted in a federal court ordering the co-owner of a Massachusetts construction firm to forfeit $6,756,205 and serve 30 months in prison. He had previously been found guilty of conspiracy to defraud the United States and wire fraud after making false statements to several agencies about his firm's qualifications. The firm had received over $113 million in service-disabled veteran-owned small business set-aside contracts. In addition, GAO has issued a series of reports documenting that ineligible companies had been admitted to SBA contracting assistance programs and were seeking set-aside contracts. These improprieties have resulted from a variety of factors, including fraud by company managers, excessive control over small or disadvantaged firms by large companies or non-disadvantaged individuals, weak oversight by the SBA and federal procurement personnel, and regulatory ambiguities and loopholes. The OIG has issued management challenges recommending corrective actions to promote integrity in small business contract awards and oversight of the Section 8(a) Business Development program.

Risks Associated with SBA's Information Security Controls and Other Operations

SBA's IT systems play a vital role in managing the Agency's operations and programs, including a loan portfolio that is approaching $120 billion. However, OIG audits and other reviews have identified serious shortcomings in SBA's information systems and related security controls. OIG reviews have found that the SBA has not fully implemented adequate oversight of its IT systems, has not established an effective process to remediate security vulnerabilities, and has not developed an effective process to upgrade IT capabilities. The OIG has issued management challenges recommending corrective actions in SBA's IT security and acquisition processes.

Risks Associated with SBA's Oversight and Controls of Grants for Entrepreneurial Development

The SBA provides training, mentoring, and counseling services to small businesses through a variety of strategic partnerships. The Office of Entrepreneurial Development (OED) oversees a network of programs and services that support the training and counseling needs of small business. The OED manages and leverages three major resources: small business development centers (SBDCs), the SCORE Association (SCORE), and women's business centers (WBCs). Although each resource program's goals and target audiences may vary, they share a common mission: to provide business advice, mentoring, and training to small businesses and entrepreneurs. The SBDC program is the largest grant program in the Agency's portfolio. The OIG has identified problems with co-mingling SBDC grant funds with private-enterprise contributions and accounting for required matching funds. Some SBDCs are also co-located with WBCs, which makes it difficult to determine what services are associated with each grant program. In addition, having two grant programs delivering similar services increases the risk of duplicating services and contributes to government waste. A recent OIG review determined that an SBDC's subcenters did not adequately document employees' time and effort on the grant (Report 16-06). In addition, for grants awarded under the Disaster Relief Appropriations Act of 2013, the OIG found that the SBA did not enhance its internal controls to ensure program goals were achieved and expenditures were allowable (Report 17-09) and (Report 17-10).

OIG Oversight Activities

Through audits and other reviews, the OIG provides independent oversight of critical aspects of SBA's programs and operations to improve the Agency's efficiency and effectiveness. An important aspect of this work is identifying and following up on SBA's major management and performance challenges, as required by the Reports Consolidation Act. The OIG also supports SBA's mission by detecting, investigating, and deterring fraud and other wrongdoing in the Agency's programs and operations. The OIG serves as a government-wide training resource for small business fraud and enforcement issues. These activities help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of SBA programs because it helps ensure that the Agency's resources are utilized by those who deserve and need them the most.

FY 2016 Accomplishments

During FY 2016, the OIG issued 23 reports containing 81 recommendations for improving SBA's operations and reducing fraud and unnecessary losses in the Agency's programs. In addition, OIG investigations resulted in 45 indictments/informations and 41 convictions. Overall, the OIG achieved monetary recoveries and savings of nearly $141.5 million from recommendations that funds be put to better use agreed to by management, disallowed costs agreed to by management, court-ordered and other investigative recoveries and fines, and loans or contracts not made as a result of investigations, and name checks. These results reflect an almost sevenfold ROI as compared to the resources that are available for OIG operations.

Following are summaries of some key reports, investigations, and activities that demonstrate the complex nature of OIG's work and the importance to identifying more efficient and effective business practices. It is noted that OIG investigations often involve multiple subjects, large-dollar losses, various joint agencies, and substantial restitution and forfeiture monies returned to the government.

Business Loans and Lender Oversight

- A review of SBA's 504 loan liquidation process showed management and monitoring of the 504 liquidation portfolio at the Commercial Loan Servicing Centers (CLSCs) during FYs 2015 and 2016 was effective. Additionally, SBA CLSCs generally maximized recovery when liquidating the 504 loans the OIG reviewed. While the SBA had established effective policies and procedures and had experienced staff managing its current 504 loan liquidation operations, the OIG identified opportunities to improve SBA's internal controls. Specifically, the OIG determined that one CLSC had not developed a formal training plan for staff in accordance with established goals and procedures. The OIG also determined that the internal policies and procedures for liquidating 504 loans were unique to and applied inconsistently at the centers. In addition, components of the information systems used by each center were developed independently and were not utilized uniformly. Without consistent implementation and application of policies and procedures over the 504 loan liquidation process, the CLSCs' effectiveness in liquidating 504 loans could result in loss to the Agency. Further, in the event of significant turnover or workload fluctuation at a given center, differences in operations could impact the Agency's ability to effectively reallocate resources to meet demand. The OIG recommended two actions that will help improve SBA's internal controls over servicing and liquidating 504 loans. The Agency agreed with OIG's findings and recommendations. [(Report 16-23)]

- An OIG report presented the results of its ongoing High Risk 7(a) Loan Review program from April 2015 to September 2016 and an overall summary of its work to date. OIG's review of eight early-defaulted loans identified material lender origination and closing deficiencies that justified denial of the guaranty for three loans totaling $3.2 million. To facilitate SBA's timely review and recovery of these payments, the OIG formally issued separate reports on each loan that included detailed descriptions of the identified material deficiencies. The OIG also identified suspicious activity on two purchased loans totaling $1.4 million, resulting in formal referrals to OIG's Investigations Division.

  To date, four loans that had material lender deficiencies or indications of suspicious activity financed change of ownership transactions. In OIG's judgment, change of ownership transactions continues to be an area of high risk for the SBA. Furthermore, four loans the OIG formally reported on or referred to its Investigations Division were included in either SBA's FY 2014 or FY 2015 reviews for improper payments. The SBA did not identify or report the improper payments totaling $4.5 million associated with these loans.

  The OIG recommended in the previous management advisory memorandums that the SBA require the lenders to bring the three loans into compliance or seek recovery of approximately $3.2 million. The SBA agreed with the recommendations and is working with the lenders. In this report, the OIG recommended that the SBA evaluate the time National Guaranty Purchase Center loan specialists have to review complex early-defaulted loans involving change of ownership transactions. The SBA agreed with the recommendation. [(Report 16-22)]

- As part of the High-Risk 7(a) Loan Review program, the OIG issued an Advisory Memorandum to provide the SBA with early notification of issues identified during OIG review. Specifically, the OIG identified a loan with material lender non-compliance with SBA's loan origination and closing requirements. Specifically, the lender neither ensured SBA loan proceeds were used for an eligible purpose nor assessed the borrower's repayment ability and size in accordance with SBA's requirements. As a result, the OIG determined a recovery from the lender for SBA's guarantee payment of $850,791 would be appropriate to cure the lender's material deficiencies on this loan. The Agency agreed with the recommendation to recover funds from the lender. [(Report 16-19)]

- A review of a $1.3 million 7(a) loan intended to acquire a limousine service identified that a 7(a) lender did not provide sufficient information to support that it approved the loan in accordance with SBA's origination and closing requirements. Specifically, the lender did not inspect or adequately value the significant fixed assets for this limousine and transportation service business, resulting in increased losses to the SBA. The SBA has agreed to recover the $299,318 guarantee payment from the lender to cure the lender's material deficiencies on this loan. [(Report 16-08)]

- The OIG identified that another 7(a) lender did not provide sufficient information to support that it approved the loan in accordance with SBA's origination and closing requirements. Specifically, the lender did not comply with material SBA requirements regarding new construction of and improvements to an existing building. The OIG also determined that the lender failed to address and mitigate adverse changes affecting both project control and the borrower's financial condition, compounding the risk to the SBA loan. As a result, the SBA has agreed to recover from the lender the $2 million guarantee payment to cure the lender's material deficiencies on this loan. (Report 16-11)

Disaster Loans

- Hurricane Sandy struck the East Coast of the United States in October 2012, causing approximately $67 billion in damage. As of November 2013, the SBA had approved and disbursed 19,295 loans, totaling approximately $758 million; 501 of these loans had defaulted by April 2015. A review of Early Defaulted Hurricane Sandy Disaster Loans found that despite the relatively low early default rate of Hurricane Sandy loans compared to other disasters, 17 of the 21 loans reviewed were approved without verifying borrowers' eligibility or were made to borrowers that lacked creditworthiness or repayment ability. The OIG statistically projected its sample results to the universe of early-defaulted loans and determined with 95 percent confidence that at least 361 of the 501 early-defaulted loans, valued at $4.3 million, were not approved in accordance with SBA or other federal requirements. The most prevalent area of concern the OIG observed was borrower creditworthiness as the majority of loans in OIG's sample were made to borrowers with unsatisfactory credit histories. The OIG also determined that the Office of Disaster Assistance could improve its disaster loan portfolio risk analysis process to reduce the early default rate. The OIG made recommendations to clarify creditworthiness guidance; train employees to adequately determine borrower eligibility, creditworthiness, and repayment ability; and improve portfolio risk analyses. (Report 16-18)

Entrepreneurial Development

- The SBA awarded about $1.9 million to the Tennessee SBDC (Lead Center) hosted by Middle Tennessee State University for calendar year 2013. An OIG review found the Lead Center generally complied with grant requirements for reporting, budget management and control, and its federal expenditures and matching contributions were, in general, properly authorized, classified, supported, and charged to the grant. However, a significant portion of the personnel expense transactions that the OIG tested did not sufficiently document the actual time personnel spent working on the grant (of the $1.9 million that the SBA awarded to the Lead Center, the approved budget designated nearly $1.2 million to be used for personnel costs). For every dollar that lead centers receive from the SBA, SBDCs must provide a dollar-for-dollar match. Because employees' time and effort spent on the grant counted towards the Lead Center and subcenters' required match, if this time and effort was overstated, the match could also be overstated. The SBA plans to implement both recommendations that the OIG made. (Report 16-06)

- In 2012, the SBA provided Syracuse University $450,000 to develop a new, pilot veteran's assistance program, called the Boots to Business (B2B) program. In February 2014, the SBA announced the B2B program as a full program and posted the announcement on Grants.gov. SBA staff retrieved 10 eligible applications from the system and eventually selected Syracuse University for the $3 million grant. The OIG found that SBA's program announcement included a process to evaluate B2B grant applications. However, reviewers responsible for evaluating and scoring applications did not consistently follow this evaluation guidance. Additionally, although officials in the Office of Veterans Business Development (OVBD) met with the reviewers to discuss which applicant should be selected to receive the $3 million award, the SBA has no documentation rationalizing its final selection of Syracuse University. Because the SBA lacked such documentation, it could not demonstrate that it made a merit-based selection in awarding the grant. Overall, these issues may have been prevented if officials in the Office of Grants Management and OVBD had provided effective oversight, and the SBA had a current Standard Operating Procedure for grants management that (1) provided clear guidance on how to develop program-specific review criteria, (2) clearly defined the roles and responsibilities of grants and program personnel involved in the evaluation process, and (3) ensured grants and program personnel maintained a record of the evaluation process. The SBA implemented OIG's four recommendations. (Report 16-12)

Improving IT Systems and Controls

- FISMA requires that the OIG review SBA's information security program. This review found that the SBA continues to progress in certain FISMA evaluation categories, but still needs to implement 31 longstanding open recommendations and related unresolved vulnerabilities in the FISMA reporting areas (Report 16-10). Moreover, pursuant to *The Cybersecurity Act of 2015, Section 406, Federal Computer Security (Section 406),* the OIG evaluated whether the SBA designed and implemented effective internal controls over cybersecurity logical access and information security management. The OIG selected a subset of personally identifiable information development and production systems and found that the Agency did not meet federal standards relating to Section 406 of the Cybersecurity Act. The results of both the FISMA and Section 406 reports indicate that until the SBA takes steps to address longstanding weaknesses in its IT systems and control structures, the Agency will be at risk of data loss or system penetration. (Report 16-10) (Report 16-17)

- The OIG issued the DATA Act Readiness review to assess SBA's progress in meeting the requirements of the DATA Act. The OIG found that the SBA developed a project plan as prescribed by the eight key steps in Treasury's DATA Act Implementation Playbook. The OIG further determined that the Agency has made significant progress implementing the initial steps of its project plan and identified two potential risk areas that may affect the Agency's ability to meet the DATA Act reporting requirements. (Report 17-05)

- The OIG issued Audit Report 16-16, *Weakness Identified During SBA's Office 365 Cloud Email* to determine whether SBA's email cloud migration to Office 365 followed applicable federal guidance and standards, such as those outlined in FedRAMP. The OIG identified multiple risk areas during the migration effort including the need for adherence to federal email archive guidelines and improved reporting controls for all SBA IT investments on the federal IT dashboard. (Report 16-16)

Preventing and Reducing Improper Payments

- The OIG annually evaluates SBA's compliance with the Improper Payments Elimination and Recovery Act (IPERA) requirements. OIG's objectives were to (1) assess progress made by the SBA to remediate improper payment-related recommendations, and (2) determine whether the SBA complied with IPERA reporting requirements using guidelines outlined in the Office of

Management and Budget (OMB) Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*. OIG's overall qualitative review showed that the SBA continued to make progress in its efforts to prevent and reduce improper payments. The SBA published and posted its Agency Financial Report (AFR) on its website, conducted program-specific risk assessments, published improper payment estimates for all programs and activities identified as susceptible to significant improper payments, published extracts from the applicable programmatic corrective action plans in the AFR, reported a gross improper payment rate of less than 10 percent for six of seven areas tested for FY 2015 reporting, and published and met the annual reduction target for three of the applicable seven areas tested. (Report 16-15)

- The OIG also annually assesses the effectiveness of Agency controls over travel and purchase charge card programs in accordance with OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. For FY 2016, the OIG found the SBA implemented most of the key internal controls and guidance to administer its travel and purchase charge card programs. (Report 17-07)

Agency Management

- The OIG reviewed SBA's procurement practices for contracts to acquire IT products and services. For FYs 2013 and 2014, the SBA obligated $161.7 million on new contract actions, of which $109 million (67 percent) were IT product or service contracts. The OIG found that SBA personnel did not adequately plan for contracts and inconsistently evaluated vendor quotes while performing a best value determination for one contract. If these problems persist, the SBA will be unable to determine whether it is receiving its IT deliverables at fair and reasonable prices. In addition, for the six contracts awarded by the Department of the Interior's Interior Business Center (IBC) on behalf of SBA, the agency did not comply with Federal Acquisitions Regulation (FAR) requirements when determining whether using IBC was the best procurement approach. As a result, the SBA spent over $600,000 in service fees to use IBC for the six contracts the OIG reviewed. The SBA could incur an additional $1.3 million in contract services fees if the six contracts are fully exercised. The OIG also found that the SBA funded 8 of the 12 contracts — with a total estimated value of $64.3 million — using a variety of SBA appropriations that Congress authorized for specific purposes without providing justification or documentation. (Report 16-05)

- As part of the OIG's ongoing review of SBA's pay setting practices, the OIG identified that Executive Resources set initial pay higher than allowed for 4 out of 10 Senior Executive Service (SES) employees the OIG reviewed. Additionally, for one political SES hired in March 2015, Executive Resources set the initial pay based on the 2015 SES pay table instead of 2013, which resulted in an overpayment of $969. Furthermore, because the SBA lost its SES certification on August 25, 2015, the pay levels for newly appointed political SESs hired after that date must be based on 2013 rates of basic pay for agencies without a certified SES performance appraisal system. Nevertheless, Executive Resources set the initial pay for three political SESs above level III of the 2013 executive pay schedule after the SBA lost its SES certification, which amounted to overpayments totaling $6,704. In total, the four SES appointees received overpayments totaling $7,673. Accordingly, this advisory contains three recommendations to strengthen internal controls over pay setting practices. SBA management agreed to implement these recommendations, including recovering the overpayments. (Report 16-20)

In a subsequent review during the first half of FY 2017, the OIG identified that the SBA did not prepare the required documentation to justify the higher initial pay determinations for Schedule C political appointees (Schedule Cs) hired during 2014–2016. While the OIG determined that all 10 Schedule C appointees the SBA hired in 2014 met the criteria supporting superior qualifications for higher pay, the SBA did not adequately document each use of the superior qualifications authority. The SBA took steps to correct this deficiency during 2015–2016; however, the SBA still hired six Schedule C employees without all the necessary documents to comply with federal regulations and internal policies. Personnel responsible for setting pay did not receive fundamental training on the use of the superior qualifications authority. Additionally, SBA's SOP on the superior qualifications authority insufficiently provides guidance specifically for Schedule Cs. Without systematic controls in place to assure compliance with all documentation requirements, the SBA is susceptible to improperly using the superior qualifications authority, resulting in potential salary overpayments for future Schedule C hiring. Accordingly, this advisory contains two recommendations to strengthen internal controls over pay setting practices. SBA management's planned actions resolve these recommendations. (Report 17-08)

Investigative Actions

- Former Missouri Banker Sentenced to Prison and Ordered to Pay Over $4.2 Million in Restitution. The former executive vice president of a Missouri bank was sentenced in federal court to 3 years imprisonment and 3 years of supervised release, and was ordered to pay $4,223,917 in restitution. He had previously pled guilty to conspiracy to defraud the United States in connection with a complex commercial loan fraud scheme in which 16 others had been charged via a 185-count indictment. As part of the scheme, a number of SBA loans were fraudulently obtained by businesses ineligible to receive them. The co-conspirators concealed past due loan payments, made loans to nominee borrowers, created false bank record entries, structured loans to avoid the bank board of directors' scrutiny, and concealed unrecorded letters of credit. They also utilized SBA loan proceeds for personal use, misapplied loan proceeds, prepared fraudulent SBA loan applications, and paid and accepted bribe money to secure loans. Finally, the former executive and another individual pled guilty for providing false information to the U.S. Department of Housing and Urban Development (HUD) and Federal Housing Administration in order to obtain a $18,219,400 loan for the operation of a Missouri apartment complex. The former executive is the last of the 17 original co-conspirators to be sentenced. This investigation was conducted jointly with the Federal Bureau of Investigation (FBI) and HUD OIG.

- Bank Agrees to Pay $9.5 Million under the False Claims Act. A bank agreed to pay the United States $9.5 million to settle claims under the False Claims Act after having been found civilly liable for not adhering to SBA Preferred Lenders program requirements. Such requirements include demanding adequate bank and Internal Revenue Service tax records from borrowers, ensuring that borrowers have the ability to repay the loans, and applying prudent lending standards. The bank had approved 74 SBA loans brokered by an investment firm. After many of these loans went into default, the bank submitted guaranty claims to the SBA. The SBA approved claims for 24 loans and paid the bank the SBA-guaranteed portion of the unpaid balances, minus any asset liquidation recovery. The U.S. Attorney's Office for the District of Maryland subsequently prosecuted a major principal and others associated with the investment firm for conspiring to commit bank fraud. The scheme was designed to fraudulently obtain SBA-guaranteed business loans, with resulting losses of over $100 million. The conspirators admitted creating and submitting fraudulent documents to secure the bank's loan approvals. The bank in turn approved the loans based on this documentation. The main principal and five other defendants were sentenced to federal prison. This investigation was worked jointly with the FBI.

- Bank Fraud Conspirators Sentenced to Prison, Probation, and over $7.4 Million in Restitution. A Texas man was sentenced in federal court to 5 years of probation after having previously pled guilty to conspiracy to commit bank fraud. He was also ordered to pay $3,740,165 in restitution to be divided among the bank, SBA, and the U.S. Department of Agriculture (USDA). The court also ordered $3,140,272 in forfeiture, which, if collected, will lower the restitution amount. In addition, one of two other individuals who conspired with the Texas man was sentenced in federal court to 6.5 years of imprisonment after having pled guilty to conspiracy to commit bank fraud. He will later serve 5 years of probation. As was the case with the Texas man, this individual was ordered to pay $3,740,165 in restitution, with the same allocation as above. The court also ordered $1 million in forfeiture which, if collected, will lower the restitution. The Texas man and the two other individuals had conspired to obtain SBA and USDA guaranteed loans under fraudulent pretenses. The Texas man applied for a $2 million SBA-guaranteed loan from a Utah bank in order to purchase a hotel in Tyler, TX. One of the two other individuals submitted a financial statement signed by the Texas man containing materially false information. This misled the bank into believing that the man had over $2.3 million in personal assets. Because the man was required to provide $687,000 in cash injection, the second individual created the appearance of more than $250,000 in the Texas man's business account to mislead the bank into believing that the cash injection could be satisfied. In another situation, the Texas man applied for a $4,650,000 USDA Rural Development guaranteed loan from the same bank to purchase a hotel in Paris, TX. This time, one of the two individuals submitted documents signed by the Texas man containing false information that misled the bank into believing that the man had over $6 million in personal assets. Because a $1,550,000 cash injection was required, the second individual caused $1,475,000 to be transferred into business accounts in the man's name, although the second individual controlled the funds. Again, this misled the bank into believing that the Texas man could satisfy the loan's cash injection requirement.

- Colorado Real Estate Firm Owner to Pay over $950,000 in Restitution and Serve 48 Years in Prison. The owner of a Denver, CO, real estate investment firm was ordered to pay $951,571 in restitution after having been sentenced in State court to 24 years of incarceration and 5 years of parole. This sentence will run consecutively to his earlier sentence of 24 years for domestic violence. A jury had found him guilty on 11 counts, including making false statements to SBA, a California bank, and the State of Colorado; criminal impersonation; and theft of funds from various lenders. He and five other family members had been originally indicted on 37 total counts. Those family members have been sentenced. The investigation showed that the owner obtained a $2,323,000 SBA-guaranteed loan to refinance his office building and other debt. To obtain the loan, he concealed his extensive criminal history and probation. He also falsified documents related to his debts. The owner and five other family members had created a criminal enterprise by using their status as real estate industry professionals to execute a large long-term fraud-for-profit scheme. The scheme primarily centered on mortgage fraud, including the manipulation of multiple real estate transactions through fraudulent statements, material omissions, false identification and notary commissions, and "straw buyers" to buy and sell real estate. This case was initiated after the OIG received a referral from the California bank. This was a joint investigation with the Colorado Attorney General's Office, Colorado Bureau of Investigation, FBI, and Federal Housing Finance Agency OIG.

- Texas Minister Sentenced to 66 Months in Prison and over $1.3 Million in Restitution. A Texas minister was sentenced to 66 months in prison and 5 years of supervised release and was ordered to pay $1,305,800 in restitution to SBA. He previously had pled guilty to fraud in connection with a major disaster. The minister had obtained a $1,310,300 SBA disaster assistance loan for Hurricane Ike-related damages to his non-profit organizations. The investigation determined that several contractor and vendor invoices submitted to the SBA were never paid or were merely proposals. The minister initially deposited a $250,000 SBA disbursement in his bank account and then wrote a $200,000 check to a roofing contractor. The roofing firm owner wrote a $200,000 check to the minister with "donation" reflected in the memo section. The roofing firm had not even started repairs prior to the first disbursement. The minister then withdrew $223,000 and purchased a cashier's check. He deposited it into an escrow account for his attempted purchase of a radio station for $8.75 million. The minister later manipulated a bank employee into withdrawing escrow funds, which violated his brokerage agreement. The radio station's owner then filed a lawsuit against the bank for releasing funds without his consent and later received a monetary settlement. In another matter, the SBA instructed the minister to address liens and judgments appearing on his title commitment. In response, he submitted copies of checks never negotiated by lien holders. He apparently used the same ploy with the title company and obtained a clear title policy. According to attorney's offices representing the clients who were awarded the judgments, the liens were still in place, and the judgments were still outstanding. A title search determined the liens still existed. The investigation also found that SBA loan funds had been transferred to Louisiana casinos for gambling. The minister and his wife debited $263,775 primarily in SBA funds. Finally, the minister purchased his two non-profit locations in an arrangement with two Florida financial institutions. He issued several hundred thousand dollars in church bonds for one non-profit. Although required to pay a monthly mortgage payment to bond holders, he defaulted, making only one nominal payment with SBA disaster loan proceeds. Although he formed a third non-profit organization, he foreclosed on all locations to eliminate existing liens. This investigation was conducted jointly with the FBI.

Additional information on OIG's accomplishments is provided in the Statistical Highlights section of this document and in OIG's *Spring and Fall 2016 Semiannual Reports to Congress*.

FY 2017 and 2018 Planned Performance

During FY 2017 and 2018, in addition to conducting audits and reviews that are required by statutes and other directives, the OIG will continue to focus on the most critical risks facing the SBA. Several areas of emphasis are discussed below.

Financial Assistance

The SBA paid guaranty claims totaling $1.3 billion FY 2014 and $1.1 billion in FY 2015 for defaulted 7(a) loans and 504 debentures. Some of SBA's losses correlate to similar root causes reported in the mortgage industry, such as limited SBA oversight of lenders and loan agents, poor lender loan processing, unscrupulous borrowers, and complicit brokers and lenders.

The OIG will continue to address financial losses in SBA's lending due to lender errors and various fraud schemes. The OIG's Early Defaulted Loan Review Group will continue to perform in-depth analyses of high risk 7(a) loans that default within approximately 18 months of final disbursement. When lender negligence is found, this group will recommend non-payment of the guaranty (or recovery if the guaranty is already paid). The OIG will also target the most offending lenders to attain corrective actions and identify trends for operational improvement by the SBA. When the OIG identifies suspected fraud, those loans will be investigated.

The OIG will continue to focus on detecting fraud committed by loan agents, such as packagers and brokers. A loan agent is sometimes hired by an applicant or lender to assist the applicant in obtaining an SBA loan. Although honest loan agents help small businesses gain access to capital, some dishonest ones have perpetrated fraudulent schemes involving tens of millions of dollars in loans. These fraudulent loans often default for non-payment, and the SBA is forced to use taxpayer funds to purchase the guaranteed portions of the loans. For example, a joint investigation resulted in the former bank vice president of a now-defunct California bank being sentenced in federal court to 3 years of supervised release and ordered to pay restitution of $973,789 to the SBA and $482,283 to the Federal Deposit Insurance Corporation (FDIC). A loan broker for the bank was sentenced in federal court to 3 years of supervised release and ordered to pay $82,185 in restitution to the FDIC. The loan broker admitted paying cash bribes in return for the bank vice president's assurance that loans for the business customers the broker referred would be approved and funded, and that tens of thousands of dollars in broker's commissions would be paid. In turn, the bank vice president made certain that the broker's clients' loans were approved, regardless of the loans' soundness. Moreover, the two individuals supplied or accepted false information in loan applications. Finally, the broker admitted lying to law enforcement agents by concealing the bribes and hiding her relationship with the bank vice president.

The OIG will also continue to conduct audits of SBA's internal loan program operations and oversight, including audits of SBA's loan origination, servicing, and liquidation processes, loans sold on the secondary market, Microloans, loans to poultry farmers, as well as audits of SBA's oversight of loan agents and loan officers. Past work has shown that loans were not always properly originated and that effective controls and procedures were not in place to prevent improper payments.

The SBA is moving to an all-electronic application and processing system in the 7(a) loan program. The OIG will include this module in its FISMA evaluation scope to ensure that IT security is maintained.

Disaster Assistance

OIG audits will continue to focus on applicant eligibility, loan origination, disbursements, repayment ability, loan servicing, and liquidation activities related to disaster loans. In October 2012, Hurricane Sandy struck the northeastern United States. It was the second costliest storm in U.S. history. The OIG will investigate and audit disaster loans made in the aftermath of Hurricane Sandy to prevent and minimize losses in this program. Such audits will assess whether the SBA processed homeowner and business loans in accordance with the Agency's procedures and established goals, ensured applicant eligibility, verified uses of loan proceeds before loans were fully disbursed, and appropriately identified duplicate benefits. In addition to the Hurricane Sandy audits the OIG is performing, the OIG will also conduct audits to assess SBA's response and readiness associated with more recent disasters, such as the Louisiana Floods. In addition, the OIG will continue to evaluate potential risks in the program such as: timely program delivery, training of reserve workforce, loss verification, and credit elsewhere.

The OIG will also continue to investigate allegations of unauthorized use of loan proceeds; overstatement of financial losses, material false statements in the application process, false or counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the times of the disasters. To date, OIG's office has initiated 72 investigations involving allegations of fraud pertaining to Hurricane Sandy. As of April 6, 2017, the OIG had 33 open cases involving disaster loans with potential dollar losses of nearly $13.5 million.

In response to the potential for fraud following Hurricanes Katrina, Wilma, and Rita, the OIG joined other law enforcement organizations in establishing the National Center for Disaster Fraud. From FY 2006 through FY 2016, the OIG, in conjunction with other law enforcement agencies, produced 86 arrests, 97 indictments/informations, and 96 convictions related to wrongdoing in SBA's Disaster loan program for these three hurricanes. Investigations for these disasters to date have resulted in over $6.6 million in court-ordered restitution and related recoveries, as well as the denial of nearly $4.5 million in loans to potentially fraudulent borrowers.

In response to the potential for fraud following Hurricanes Sandy, the OIG joined other law enforcement organizations in support of the New Jersey Attorney General's Office Sandy Fraud Task Force. From FY 2014 through FY 2016, the OIG, in conjunction with other law enforcement agencies, produced 37 indictments/informations and 26 convictions related to wrongdoing in SBA's Disaster loan program for Hurricane Sandy. The first OIG Sandy investigation was opened in May 2013. Subsequently, the OIG has had 69 Sandy investigations, totaling over $16.6 million in potential fraud. As of the end of FY 2016, the OIG had 22 Sandy cases open with potential fraud totaling nearly $9.1 million.

Government Contracting and Business Development

The SBA directs significant efforts toward helping small businesses obtain federal contracts and providing other business development assistance. SBA's Office of Government Contracting and Business Development is tasked with helping small businesses obtain federal contracting opportunities and helping small, disadvantaged, veteran-owned, and women-owned businesses build their potential to compete more successfully in a global economy. During FY 2017 and 2018, the OIG will focus on SBA's oversight of — and current issues affecting — government contracting and business development programs, including investigating allegations that ineligible companies are fraudulently benefitting from these programs.

As of the end of FY 2016, the OIG had 76 open government contracting cases, with potential dollar losses of over $2.4 billion based on the total dollar value of the contracts. The funding requested for FY 2018 will allow the OIG to continue investigating fraudulent schemes that take improper advantage of SBA's contracting assistance programs. In particular, the OIG has experienced a significant increase in the number of *qui tam* cases that are brought by private-sector whistleblowers alleging fraud in SBA's small business and socio-economically disadvantaged contracting programs in the past 5 years. Although these cases were relatively rare 5 years ago, the OIG is currently expending considerable resources to provide both investigative and legal assistance to the government's prosecution of an average of 25 active cases on an ongoing basis. In light of the fact that all *qui tam* actions filed with the government between FY 2008 and FY 2013 nearly doubled, the OIG expects this number to increase through FY 2018. For example, during FY 2016, 11 new *qui tam* cases were opened.

Aside from these issues, there are other reasons to be concerned about government contracting programs.

- There is a high level of congressional interest in the government meeting its small business contracting goals. The OIG will continue to assess whether the SBA is taking adequate steps to ensure the integrity of small business contracting. The OIG's work will focus on issues such as the accuracy of reporting small business contract activity, the classification of large businesses as small, adherence to regulations to protect small businesses, training of government contracting personnel, deterring fraudulent acquisition of government contracts, and bundling of contracts.

- The Section 8(a) Business Development program continues to be susceptible to major vulnerabilities. These include limited program oversight; inequitable distribution of contracting opportunities among participants; a lack of reasonable, measurable, consistent, and mandatory criteria pertaining to economic disadvantage; a lack of implemented criteria defining business success for purposes of program graduation; failure to study the long-term effects of the program on former participants; and misrepresentation by companies as small, minority-owned, or disadvantaged businesses to gain an unfair advantage in the federal marketplace. The OIG will continue to review these issues and SBA's management of the Section 8(a) program. The OIG is currently conducting an audit and a number of fraud investigations relating to the Section 8(a) program and will continue to devote resources to these investigations in FY 2018.

- The HUBZone program provides federal contracting assistance to small businesses located in economically distressed areas with the intent of stimulating economic development. The Service-Disabled Veteran-Owned Small Business (SDVOSB) program provides more opportunities in federal contracting for disabled veterans who own small businesses. The GAO has identified significant control weaknesses in these programs that have allowed ineligible firms to receive millions of dollars in contracts. Accordingly, the SBA implemented a more rigorous HUBZone certification and recertification process in the hopes of preventing ineligible firms from achieving certification. However, in a recent review of the HUBZone certification process, the OIG found that 12 firms certified into the program, including 3 ineligible ones, received 94 percent ($34.9 million) of federal contract dollars awarded during a 6-month period in 2012, even though 367 firms were certified during that period. The OIG is currently investigating numerous fraud cases under the HUBZone and SDVOSB programs and will continue to pursue prosecution, civil fraud recovery, and debarment of contractors who improperly obtain HUBZone, SDVOSB, and other preferential contracts.

- The WOSB Federal Contract program provides greater access to federal contracting opportunities for WOSBs and economically disadvantaged WOSBs (EDWOSBs). The program allows contracting officers to set aside specific contracts for certified WOSBs and EDWOSBs and will help federal agencies achieve the existing statutory goal of 5 percent of federal contracting dollars being awarded to WOSBs. To encourage an increase in WOSB and EDWOSB contract awards, the National Defense Authorization Act (NDAA) for 2013 removed the caps on the contract award size for which WOSB and EDWOSB concerns have been able to compete. In FY 2014, the federal government awarded approximately $17.2 billion, or 4.7 percent of federal contracting dollars, to businesses in the WOSB program. Similar to other federal government programs, WOSB and

EDWOSB contracting may be vulnerable to fraud and abuse. False or incorrect WOSB self-certifications may be a significant government-wide problem, according to an audit report issued by NASA's OIG and the SBA OIG (Report 15-10). The NDAA for FY 2013 and 2015 made major programmatic changes to the WOSB the program. Specifically, the FY 2015 Act will (1) grant contracting officers the authority to award sole-source awards to WOSBP firms, (2) remove firms' ability to self-certify, and (3) require firms to be certified. These mandates will considerably increase SBA's oversight role. The SBA has opted to implement the sole-source authority provision first — separate from a certification program. The OIG believes allowing sole source contracting authority in WOSBP, without implementing the contemporaneously required certification program, is inconsistent with SBA's statutory authorization and exposes the program to abuse. Absent a certification program, the Government is more likely to award WOSBP contracts to ineligible firms. The OIG plans to continue monitoring SBA's implementation of these changes to the WOSB program and will be initiating a review of the WOSBP in the 3rd quarter of FY 2017.

- The OIG has conducted a number of fraud investigations involving the mentor/protégé programs under the Section 8(a) program. The SBA is in the process of implementing a statutory mandate by issuing regulations that will expand mentor-protégé programs to other disadvantaged contractors and these regulations are anticipated to be issued prior to FY 2016. The Agency did accept a number of OIG recommendations to revise these regulations to limit the opportunity for fraudulent acquisition of government contracts. Nevertheless, the OIG anticipates that these expanded programs will create opportunities for additional fraud by large, non-disadvantaged contractors, and that greater OIG resources will need to be devoted to investigating this fraud.

Entrepreneurial and Veterans Business Development

During FY 2017 and 2018, the OIG will focus on SBA oversight of and current issues affecting entrepreneurial and veterans' business development programs, with emphasis on grants awarded to SCORE's B2B program and the State Trade and Export Promotion Grant program. The OIG audited the $840,000 Hurricane Sandy technical assistance grant the SBA awarded to the SCORE to determine whether SCORE complied with grant requirements related to federal expenditures and program performance. The OIG found that SCORE did not always comply with financial grant requirements. Consequently, the OIG questioned costs totaling over $391,000, or 47 percent, of SCORE's Hurricane Sandy grant (Report 17-10). The OIG plans to initiate and a review of SCORE to determine whether SBA's controls ensure that is complying with grant requirements.

An OIG review of the B2B program found that SBA's program announcement included a process to evaluate B2B grant applications. However, reviewers responsible for evaluating and scoring applications did not consistently follow this evaluation guidance. The SBA had no documentation rationalizing its final selection of Syracuse University and it could not demonstrate that it made a merit-based selection in awarding the $3 million grant to Syracuse University (Report 16-12). The OIG has an ongoing audit of the B2B program to determine whether SBA's oversight of the B2B program ensured (1) efficiency of program operations, (2) that program goals and objectives were achieved, and (3) that grant recipients complied with grant requirements.

As required by the Trade Facilitation and Trade Enforcement Act of 2015, the OIG reviewed SBA's STEP pilot grant program to determine how the funds were used. The OIG could not determine the exact amounts awarded and expended for the STEP grant program because of inconsistent financial data provided by the SBA. Specifically, the three program offices responsible for managing the STEP grant program reported different totals for the award and expenditure amounts (Report 17-11). As required by the act, the OIG has also initiated a review of the new STEP grant program to determine the extent to which recipients of grants under the program are measuring the performance of the activities being conducted and the results of the measurements; and the overall management and effectiveness of the program.

Financial Management and Information Technology

The OIG will continue to oversee the audits of SBA's financial statements, as well as FISMA and Federal Information Systems Controls Audit Manual reviews, which are conducted by an independent public accountant under a contract with the OIG. The scope and complexity of the audit is anticipated to increase as a result of growing direct and guaranteed loan portfolios and as the Agency complies with the DATA Act.

The OIG will provide oversight and monitoring of SBA's IT security and application development activities, including new systems under development and the Agency's compliance with FISMA. The scope of the FISMA evaluation is anticipated to expand as the OIG evaluates Agency progress in implementing initiatives designed to strengthen and enhance federal cybersecurity. The OIG and the Independent Public Accountant have previously identified systemic problems with security controls over SBA's IT systems and this area remains one of the most serious management challenges facing the Agency.

The OIG also plans to continue monitor systems development activities related to improvements to financial and program related systems as well as investments in cloud computing. Specifically, the OIG will assess Agency progress in implementing the Federal Information Technology Acquisition Reform Act. This Act requires the Chief Information Officer (CIO) to play a critical leadership role in driving reforms to help control system development risks, better manage technology spending, and achieve measurable improvements in agency performance. Furthermore, the CIO must ensure federal IT security is deployed in SBA's highly decentralized and dynamic IT environment.

The OIG has found through previous reviews that the Office of Chief Information Officer (OCIO) needs to improve its leadership roles in overseeing and addressing IT investments. For example, OIG's recent evaluation of the Office 365 migration indicated the lack of IT investment controls such as system development methodology, enterprise architecture, modular project phases, baseline controls, and TechStat sessions. Also, OIG's periodic assessments of FISMA controls and Financial Statement Audit results showed security vulnerabilities were not prioritized and remediated in a timely manner.

The OIG also will continue its mandated reviews of SBA's compliance with IPERA, purchase card and cash gifts acceptance and reporting guidelines.

Acquisition Processes

OIG audits will continue to focus on SBA's compliance with federal contracting regulations and its policies and procedures over IT systems acquisition and project oversight. OIG efforts will also include monitoring system development activities related to SBAcertify.gov. The OIG will validate capital investment and data security controls as well as assess whether software functionality was delivered to end users in accordance with project requirements.

Agency Management Challenges

As required by the Reports Consolidation Act, the OIG annually develops the *Report on the Most Serious Management and Performance Challenges Facing the SBA*. The management challenges focus on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk and generally have been the subject of one or more OIG or GAO reports. The OIG will continue to identify and report serious management challenges facing the SBA and will work throughout the year with Agency management to resolve identified issues as quickly and efficiently as possible.

Security Operations

OIG's Office of Security Operations will continue to perform required employee background investigations to achieve a high level of integrity in the Agency's workforce and adjudicate OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigation requirements.

OIG Hotline

The OIG Hotline received 1,041 complaints during FY 2016. Hotline staff conduct a preliminary review and analysis of all complaints received to determine the appropriate course of action. The OIG Hotline is staffed by OIG employees who process and analyze allegations of waste, fraud, abuse, or serious mismanagement in the SBA or its programs from employees, contractors, and the public. As part of the hotline process, staff may coordinate reviews of allegations within the OIG, with SBA program offices, or with other governmental agencies. The majority of hotline complaints are submitted through an online complaint submission system located on OIG's website. Those who report information can do so openly, anonymously, and confidentially, without fear of reprisal.

Pursuant to the Whistleblower Protection Enhancement Act of 2012, the OIG has designated a Whistleblower Protection Ombudsman within the hotline function to educate SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure. In addition, the National Defense Authorization Act of 2013 created a pilot program extending whistleblower protections to government contractors, subcontractors, and grantees, which was made permanent in December 2016. These provisions may result in the OIG Hotline receiving an increased number of complaints. Additionally, this law mandates OIG investigations of these complaints and a report to the SBA Administrator to consider corrective action on the part of the contractor/grantee.

Review of Proposed Regulations and Initiatives

As part of OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, the OIG reviews changes that the SBA is proposing to make to its program directives such as regulations, internal operating procedures, policy notices, and SBA forms that are completed by lenders and the public. Frequently, the OIG identifies material weaknesses in these proposals and works with the Agency to implement recommended revisions to promote controls that are more effective and deter waste, fraud, or abuse. During FY 2016, the OIG reviewed 119 proposed revisions of program management or SBA reorganization documents and provided comments on 52 of these.

Debarment and Administrative Enforcement Actions

As a complement to criminal and civil fraud investigations, the OIG continually promotes the use of suspensions, debarments, and other administrative enforcement actions as a means to protect taxpayer funds from those who have engaged in fraud or otherwise exhibited a lack of business integrity. The OIG regularly identifies individuals and organizations for debarment and other enforcement actions and submits detailed present responsibility referrals with supporting evidence to the appropriate SBA officials. The OIG also supports actions at other federal agencies through training and direct case assistance. During FY 2016, the OIG sent 75 suspension and debarment referrals to the SBA and was involved with 6 actions other agencies pursued. Most OIG administrative referrals involve the abuse of SBA's loan and preferential contracting programs. When appropriate, the OIG recommends that the SBA suspend the subject of an ongoing OIG investigation given program risk presented by the continued participation of those individuals and entities.

Training and Outreach

The OIG will continue to conduct training and outreach sessions on topics related to fraud in government lending and contracting programs. During FY 2016, the OIG provided 75 presentations for more than 1,747 attendees, including SBA and other government employees, lending officials, and law enforcement representatives. For example, the OIG partnered with the National Science Foundation OIG to present the second annual Small Business Procurement Integrity Seminar. This seminar, which the OIG offered in two locations, equipped federal oversight personnel with the knowledge to identify, develop, and pursue small business contracting fraud cases. The course covered the major small business contracting programs and included a discussion of typical fraud schemes, program rules, and key procurement databases accentuated by multiple case studies. At the end of the session, participants took part in a hypothetical case, which allowed the application of principles taught during the day.

OIG personnel also participated in the training of criminal investigators from several federal agencies and the District of Columbia Office of Inspector General. This training included information on subpoenas, civil remedies, administrative remedies, and small business procurement cases.

Reporting Requirements Under the Inspector General Reform Act of 2008

The following information is provided in accordance with the Inspector General Reform Act of 2008, as amended (P.L. 110-409).

Dollars in Millions	**FY 2016 Enacted**	**FY 2017 Annualized CR**	**FY 2017 Enacted**	**FY 2018 Initial Agency Submission**	**FY 2018 President's Budget**
New Budget Authority	$19.9	$19.9	$19.9	$19.9	$19.9
Transfer from Disaster Loan Program Account	1.0	1.0	1.0	1.0	1.0
Total	**$20.9**	**$20.9**	**$20.9**	**$20.9**	**$20.9**

OIG's FY 2018 budget request includes $160,000 for training, which is sufficient to satisfy all training needs for the fiscal year, and $42,000 for the operation of the Council of Inspectors General on Integrity and Efficiency.

FY 2016 Statistical Highlights

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities:	
– Potential Investigative Recoveries & Fines	$71,707,848
–Asset Forfeitures Attributed to OIG Investigations	$32,951,259
–Loans/Contracts Not Approved or Cancelled as a Result of Investigations	$460,000
–Loans Not Made as a Result of Name Checks	$36,419,588
Investigations Sub-Total	**$141,538,695**
As a Result of Audit Activities:	
–Disallowed Costs Agreed to by Management	$3,200,812
–Recommendations that Funds Be Put to Better Use Agreed to by Management	$0
Audit Sub-Total	**$3,200,812**
TOTAL	**$144,739,507**

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities

Reports Issued	23
Recommendations Issued	81
Dollar Value of Costs Questioned	$8,037,107
Dollar Value of Recommendations that Funds be Put to Better Use	$1,342,438
Recommendations for which Management Decisions Were Made	84
Recommendations Without a Management Decision	14
Collections as a Result of Questioned Costs	$207,165

Indictments, Informations, Convictions, and Other Case Actions

Indictments/Informations from OIG Cases	45
Convictions from OIG Cases	41
Cases Opened	104
Cases Closed	84

SBA Personnel Actions Taken as a Result of Investigation

Dismissals	0
Resignations/Retirements	0
Suspensions	0
Reprimands	0
Other	0

Program Actions Taken During the Reporting Period as a Result of Investigations

Suspensions and/or Debarments Recommended to the Agency	75
—Pending at the Agency as of September 30, 2016*	81*
Suspensions Issued by the Agency	9
Proposed Debarments Issued by the Agency	42
Final Debarments Issued by the Agency	23
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	0
Suspension and Debarment Actions by Other Agencies	6

*The Agency has sent notices on 36 of these referrals.

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	119
Comments Provided by the OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	52

OIG Organizational Structure

The OIG has three divisions and several supporting program offices to carry out its functional responsibilities.

The **Audits Division** performs and oversees audits and reviews to promote the economical, efficient, and effective administration of SBA programs and operations. Key areas of emphasis are SBA's loan, disaster assistance, business development, and government contracting programs, as well as mandatory and other statutory audit requirements involving computer security, financial reporting, and other work. The balance of the engagements is discretionary and focuses on high-risk activities and management issues facing the SBA.

The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff conducts required employee background investigations to achieve a high level of integrity in the Agency's workforce and adjudicates OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigations requirements.

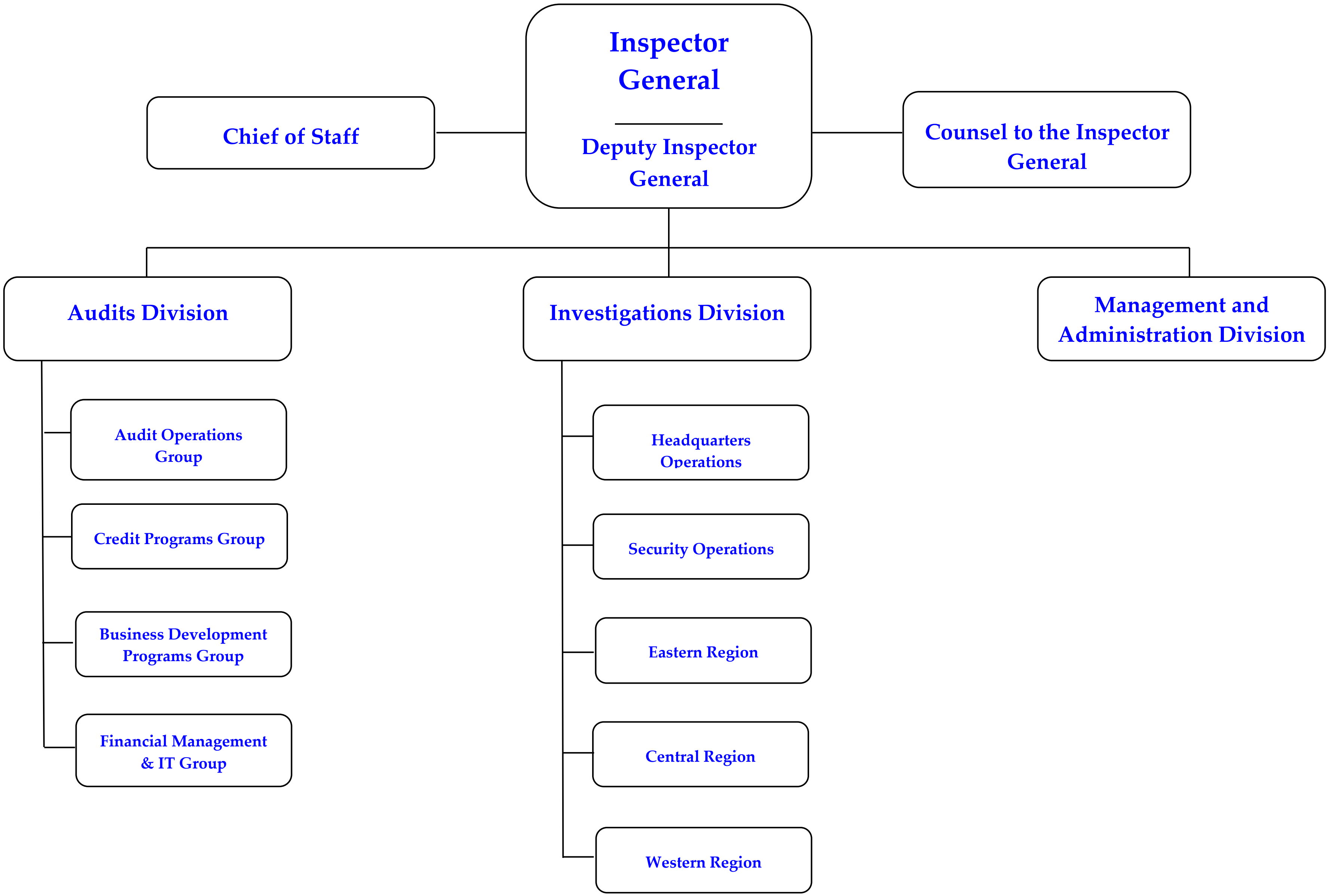
The **Management and Administration Division** provides business support (e.g., budget and financial management, human resources, IT, and procurement) for the various OIG functions and activities.

The **Office of Counsel** provides legal and ethics advice to all OIG components; represents the OIG in litigation arising out of or affecting OIG operations; assists with the prosecution of criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.

The **OIG Hotline,** under the purview of the **Chief of Staff**, reviews allegations of waste, fraud, abuse, or serious mismanagement within the SBA or its programs from employees, contractors, and the public. A preliminary review of all complaints is conducted to determine the appropriate course of action. As part of the review process, hotline staff may coordinate reviews of allegations within the OIG, with SBA program offices, or with other governmental agencies.

An organizational chart for the OIG is provided on the next page.

Small Business Administration
Office of Inspector General



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