

# U.S. SMALL BUSINESS ADMINISTRATION

## FISCAL YEAR 2010 CONGRESSIONAL BUDGET JUSTIFICATION

PERFORMANCE BUDGET

**U.S. Small Business Administration**



***Your Small Business Resource***

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# Table of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Understanding the Budget Tables .....</b>	<b>7</b>
<b>Budget Tables .....</b>	<b>11</b>
<b>FY 2010 Performance Plan.....</b>	<b>27</b>
<i>Strategic Goal One – Expand America's ownership society, particularly in underserved markets.....</i>	<i>29</i>
Financial Assistance.....	30
7(a) Loan Program.....	33
504 Loan Program .....	36
Microloan Program.....	38
Credit Risk Management .....	39
Small Business Investment Company Program .....	41
New Markets Venture Capital Program .....	42
International Trade Program.....	43
Surety Bond Guarantee Program .....	45
Management and Technical Assistance .....	47
Small Business Development Center Program .....	47
Drug Free Workplace Program.....	49
Women's Business Ownership .....	50
Entrepreneurship Education .....	52
SCORE .....	52
Small Business Training Network.....	53
7(j) Program .....	54
Native American Affairs .....	55
Faith-Based and Community Initiatives .....	55
Veterans Business Development.....	56
Contracting Assistance.....	60
8(a) Business Development Program.....	60
Prime Contracting and Subcontracting Assistance Programs.....	62
Small Disadvantaged Businesses Program .....	64
HUBZone Program .....	64
Office of Field Operations.....	66
<i>Strategic Goal Two – Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.....</i>	<i>71</i>
Disaster Assistance.....	71
<i>Strategic Goal Three – Improve the economic environment for small business.....</i>	<i>75</i>
Regulatory Assistance.....	75
Office of Advocacy .....	75
Office of the National Ombudsman.....	80
Business Gateway.....	81

<i>Strategic Goal Four – Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls.....</i>	<i>85</i>
Human Capital Management .....	85
Office of Human Capital Management.....	85
Information Technology Management.....	92
Office of the Chief Information Officer .....	92
Financial and Performance Management .....	96
Office of Performance Management and Chief Financial Officer .....	96
<b>Appendices.....</b>	<b>99</b>
<i>Appendix 1 — Appropriations Language.....</i>	<i>101</i>
<i>Appendix 2 — Internal E-Gov Efforts .....</i>	<i>105</i>
<i>Appendix 3 — Glossary of Acronyms and Abbreviations.....</i>	<i>111</i>
<b>Office of Inspector General Budget Request .....</b>	<b>115</b>

# Executive Summary

## Overview

Over the last decade, small businesses across this country have been responsible for the majority of new private sector jobs, leaving little doubt that they are a vital engine for the nation's economic growth. However, with the United States facing the most severe economic crisis in more than 70 years, small businesses are confronted with a frozen lending market and limited access to the capital they need to survive and grow at this critical time. In this climate, the mission of the U.S. Small Business Administration to support the growth and vitality of small businesses is even more relevant. In fact, the SBA has an essential role to play in ensuring that small businesses can be the key driver for economic recovery and remain the underpinning of American competitiveness and job creation in the years ahead.

It is in this environment that the SBA is putting forward this FY 2010 budget request, which reflects the Agency's commitment to helping small businesses and entrepreneurs meet these current challenges through financing, technical assistance and access to government contracting opportunities. This budget request leverages SBA's powerful reach into the small business community, which includes a portfolio of more than \$90 billion in loan guaranties and, through its network of partners, more than 14,000 counselors actively assisting small businesses around the country. It also maximizes SBA's position as a leader in collaboration with other federal agencies to better ensure small businesses are being served effectively, as well as getting their share of contract spending.

This budget request also reflects the priorities of the new Administration and new leadership team at the Agency. The leadership team is committed to re-examining and optimizing the effectiveness of its programs and priorities. Consistent with the President's focus on effective management, the SBA leadership team will identify clear and measurable outcomes that are aligned with the Agency's mission and goals for its stakeholders. The SBA will track its success in implementing these goals and report progress to the appropriate stakeholders.

At the same time, the SBA is also a key member of the federal government's disaster assistance operation, with a team of trained specialists who are crucial to helping small businesses, residents and whole communities recover in the wake of disasters. The Agency has made improvements in the administration of the Disaster loan program and has completed the re-engineering of its disaster loan processing operation. As a result, processing backlogs have been eliminated and there has been a recognized improvement in the quality of service to the country. Last year, the SBA completed implementation of the Disaster electronic loan application system. The Agency has completed a Disaster recovery plan that will ensure effective Agency-wide operations in the event of other catastrophic events like the Gulf Coast hurricanes of 2005.

The new leadership team recognizes that while the Agency operates under the FY 2010 budget, it will also continue to deploy the programs of the American Recovery and Reinvestment Act of 2009. These critical programs are already providing a lifeline for small businesses that are suffering in the current economic crisis. Knowing that economic recovery will take time, the SBA also recognizes that it must be prepared to be an effective partner in economic recovery throughout FY 2010.

## Principles Guiding the Agency's Future

This FY 2010 budget reflects SBA's core mission, its critical role in economic recovery, and its place at the table in providing disaster assistance. This budget includes important investments in several key areas that are aligned around three guiding principles:

1. Optimizing core operations by:

- Articulating clear target outcomes and metrics that will allow the Agency to measure and communicate progress;
  - Maximizing operational capacity and efficiency through information technology; and,
  - Maximizing the Agency's human resources through training and professional development.
2. Providing increased access to the Agency's critical loans, counseling and government contracting programs through:
    - Effective deployment of SBA programs and resources;
    - Stronger communication with lenders and borrowers; and
    - Collaboration with SBA's partners to expand the Agency's reach and to leverage more opportunities for the stakeholders.
  3. Advocating across the federal government to ensure the needs of small businesses are being met.

## Highlights of the Budget Request

SBA's total budget request for FY 2010 is \$779 million in new Budget Authority (BA). Of this amount, the operating budget request (excluding funding requested for the Disaster program, Office of Inspector General, Surety Bond Guarantee program, business loan subsidy, non-credit programs, and reimbursables) is \$459 million for FY 2010. This represents a \$74 million, or 19 percent, increase over the FY 2009 enacted of \$384 million. In addition, the FY 2010 funding requested for non-credit programs totals \$138 million, or a \$24 million decrease (15 percent) from the FY 2009 enacted. It is important to note that these figures do not include the funding provided to SBA in the Recovery Act of 2009 which are available through FY 2010. The Recovery Act of 2009 provided a total of \$730 million, of which: (1) \$69 million is for administrative costs, including \$24 million for microloan technical assistance activities and \$20 million for information technology systems; (2) \$10 million for the Office of Inspector General; (3) \$15 million for the Surety Bond Guarantee program; (4) \$6 million for microloan subsidy costs; (5) \$375 million for temporary fees reductions for the 7(a) and 504 loan programs and higher 7(a) guaranties; and, (6) \$255 million for a business stabilization program (America's Recovery Capital Loan Program).

- The FY 2010 resources requested will support a total of more than \$28 billion in small business financing through the 7(a), 504, SBIC debentures, and Microloan programs. For its 7(a) program, the SBA requests \$80 million of credit subsidy BA to support \$17.5 billion in lending authority. The Agency also requests \$7.5 billion in lending authority for the 504 program, \$3 billion in authority for the SBIC Debenture program and \$3 million in credit subsidy BA to support a Microloan direct program loan level of \$25 million. Finally, \$12 billion in authority is requested for the secondary market guaranty program; and, \$101 million is requested for disaster administrative expenses to supplement the estimated carryover balance of \$95 million that will be available in FY 2010.

In addition to the new initiatives that are discussed here, this budget will support the following critical activities:

- A disaster loan volume of \$1.1 billion in direct lending (the Agency's 10-year average based upon "normalized" activity, adjusted for inflation), provided by the estimated loan subsidy carried over into FY 2010. Continuation of the Agency's successful human capital training program, mentoring programs, succession planning and proactive recruitment of highly qualified staff.
- Continuation of the modernization of the Agency's loan management and accounting system, including the implementation of the origination, servicing, liquidation, litigation and

guaranty purchase functions for one of the major loan programs and its integration with the Financial Management System.

- Strengthening and upgrading information technology infrastructure to provide an effective, robust, secure and easily accessible information systems environment to support the Agency's business decisions and operations and to secure offsite data storage and computing facilities.

SBA's FY 2010 budget request will support 2,203 FTEs from the salaries and expenses budget. This is an increase of 80 FTEs whose activities will, among other priorities, include processing anticipated needs related to loan origination, servicing, guaranty purchase and liquidation processes at SBA loan servicing centers.

### **Core Operations and Operational Office Initiatives**

As mentioned, the effective deployment of SBA's core programs and resources is critical during these current tough economic times. As a result, the FY 2010 budget takes significant steps forward in optimizing the core operations of the Agency with investments in both people and technology infrastructure. These important steps will ensure the availability of both the skills and the resources needed to fulfill the Agency's mission at this time.

#### *Loan Management and Accounting System*

SBA's business loan operations currently run on a Cobol-based system that was developed in-house; major components of the system are more than 25 years old. The system is operated on an expensive mainframe that is dependent on obsolete technology and cannot take advantage of technological advances. The modernization of this Loan Management and Accounting System is a major Agency-wide undertaking that began in FY 2006 and is expected to be completed by FY 2014. The Agency completed the acquisition strategy and recently awarded three different blanket purchase agreements (BPA) for Program Management; System Integration, Hosting and Application Management; and Independent Quality Assurance and IV&V.

This initiative falls under the OMB-mandated Financial Management Line of Business guidance for acquiring and deploying financial management systems. The Program Management BPA has a ceiling of \$5 million over 5 years; the Independent Quality Assurance BPA has a ceiling of \$7.5 million over 5 years; and the System Integration, Hosting and Application Management BPA has a ceiling of \$250 million over 10 Years. Under the System Integration, Hosting and Application Management BPA, the SBA has issued three task orders valued at approximately \$28 million, to: (1) host and support SBA's existing Oracle Federal Financials based administrative accounting system that will be used as a single integrated financial management system; (2) execute a pilot to demonstrate the new solution's ability to meet the requirements of the SBA 7(a) regular loan program; and, (3) develop a detailed plan that articulates the implementation and full deployment of all SBA loan programs, supported by more than 6,000 financial institutions. The SBA will use the implementation plan to incrementally modernize its loan and financial management systems. This incremental approach allows the Agency to fully validate the solution prior to full system deployment and achieve incremental success.

For FY 2010, the SBA is requesting \$12 million, an increase of \$4 million from FY 2009, in regular salaries and expenses funding for this initiative (to be complemented by a similar amount in disaster administrative expense funding). Considering the nature and complexity of the project and the underlying uncertainties of the acquisition process, it is requested that the funds appropriated for the project in FY 2010 be available for two years. This request for two year funding is consistent with the FY 2009 enacted appropriation.

### *Office of Human Capital Management*

America's small businesses deserve to have efficient and effective SBA services. As a service and oversight Agency, SBA's employees are its most critical resource and are essential to the successful delivery of such services. Employee surveys in both 2004 and 2006 indicated morale and job satisfaction at the SBA were lower than at other federal agencies. SBA's human capital initiatives are particularly critical over the next year because 31 percent of the Agency's workforce will be eligible to retire by 2010.

The FY 2010 budget request includes in excess of \$2 million in funding to ensure that the Agency's effectiveness can be sustained and strengthened. The results of the 2008 Federal Human Capital Survey was released, and the survey provides Agency-specific and government-wide feedback from employees regarding four human capital management systems: *Leadership and Knowledge Management, Results-Oriented Performance Culture, Talent Management, and Job Satisfaction*. At 78.5 percent, SBA's response rate for the 2008 survey was the highest of all participating federal agencies. An initial review of the results reveals some very promising improvements in the positive responses to survey questions in the four key areas. In the areas of *Leadership and Knowledge Management* and *Talent Management*, the SBA ranked number one among federal agencies in the percentage increase in positive responses. These improvements are the direct result of the revised leadership and training initiatives that were previously undertaken and will continue into FY 2010.

An additional \$13.6 million is requested for compensation and benefits for a staffing level of 2,203 regular Full Time Equivalents. Of this amount, \$10 million is requested for compensation and benefits to support the hiring of an additional 80 FTEs. These additional FTEs will provide, along with other priorities, the necessary operational support for the expected increase in purchases of existing SBA loans.

### *Headquarters Facility*

The current lease for the SBA headquarters building expires in November 2010. Based on discussions with GSA, the SBA can remain at the current location but at a higher office square footage cost. However, under the Federal Acquisition Regulations, other property managers must have the opportunity to bid on SBA's future space. If the SBA does relocate, the total cost of the move is estimated to be at least \$10 million. This would mean a short term cost increase to cover moving expenses, to be followed by long term savings over the life of the lease due to a reduced square footage cost. Therefore, the FY 2010 budget request includes a \$10 million increase in the Agency-wide rent (or relocation) costs. The \$10 million estimate includes the cost of relocating certain critical systems hardware, having a backup plan/system in place in the event difficulties are encountered during the relocation of the mainframe systems, connectivity of all network and mainframe systems including those with the immediate offices, servicing centers, field offices, servicing agents and others. The \$10 million will also cover the costs of moving personnel and office furniture, or the installation of new furniture and telecommunications systems in the new headquarters facility.

### *Office of the Chief Information Officer*

An increase of \$5.6 million is requested for the Office of the Chief Information Officer. This increase is to cover the funds required for the continuity of basic information technology operations due to higher than inflationary increases in software costs and license fees, contractor support and additional IT security items. Of this amount, \$3 million is for new initiatives which include: specialized project manager and technical training; increased speed and flexibility for making changes to information on the web; the development of an off-site data storage and computer facility; and the expansion of email storage capabilities for SBA employees.

For FY 2010 contributions to E-Gov initiatives, a total of \$3.2 million is included in the Budget, representing no increase from the FY 2009 Budget. In FY 2010, allocations to specific initiatives will be addressed at a later time, as redistributions to meet changes in resource demands are assessed across all inter-agency projects by the Federal CIO, in consultation with the CIO Council.

#### *Office of Entrepreneurial Development*

A total of \$20 million is requested to enable the SBA to continue to invest in and encourage collaboration between its numerous entrepreneurial development partners. These funds will be used to ensure counseling activities are linked together and are connected to the important programs that provide capital and government contracting opportunities for small businesses. With this funding and the assistance of current and potential partners, both public and nonprofit, the SBA will focus on augmenting the best practices of its providers and linking its diverse networks and resources. By aligning the resources, expertise, and special authorities of its partner entities, the SBA will be better positioned to stimulate the economy and implement reforms directed at America's small business community. Along with its collaborative partners, the SBA will target initiatives to segments of the economy and population that have been disproportionately impacted by the poor economy or are poised to for growth or reform. These could include the auto, clean energy and manufacturing industries, along with veterans and other economically challenged populations.

The funding requested for the Office of Entrepreneurial Development also includes a \$500,000 increase for a data mining pilot project. The purpose of the data mining project is to develop tools that will allow the SBA to quickly pull entrepreneurial development information to further analyze SBA Entrepreneurial Development programs and how they are meeting the needs of small businesses.

#### *Office of Capital Access*

The FY 2010 budget request includes \$3 million in credit subsidy BA for the Microloan program. This request is in addition to the \$6 million in subsidy to support \$50 million in loan level authority provided in the Recovery Act of 2009 that is available through September 30, 2010. Small business loans under \$35,000 provide a critical level of capital to certain sectors in the economy, many of which are in underserved communities. In addition, in the non-credit area, the SBA also requests \$10 million for direct microloan technical assistance funding. This funding will supplement current aid from SBA's technical assistance resource partners throughout the country to microloan borrowers.

The FY 2010 request includes a \$3 million initiative to complete a study focused on the next generation of equity capital programs. With an eye toward stimulating innovation and creating jobs, this initiative is an important step to assess current SBA programs and ways that the Agency can more effectively support innovative small businesses.

#### *Office of Veterans Business Development*

Since the enactment of the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (Public Law 110-186) on February 14, 2008, the SBA has made significant progress in implementing the provisions of the act. However, in order to improve small business assistance programs for veterans of the armed services and military reservists, the FY 2010 budget includes \$1 million for veteran outreach centers. These funds will assist the SBA in complying with Section 101 of PL 110-186.

#### *Office of Communications and Public Liaison*

SBA programs and services reach an ever-increasing number of entrepreneurs and small business owners across the United States, enabling access to capital, government contracting and technical

assistance in a wide variety of industries and communities. A total of \$1 million is included in this budget request for improved marketing and communications efforts through, but not limited to, increased printing and reproduction of materials, use of innovative and new online technologies, and video conferencing and other tools that strengthen communication with field staff and small businesses across the country.

#### *Office of Government Contracting/Business Development*

Included in the budget request is an additional \$2 million for government contracting/business development activities. These funds will be used for revising program certification and recertification processes through implementation of a risk-based mechanism to evaluate requested documentation and determine when site visits are necessary to verify the physical requirements of a HUBZone business. Combined with a site-visit plan that will reach a significantly greater percentage of HUBZone companies in FY 2010 than in previous years, this effort will reduce potential for fraud, waste and abuse, while also improving application processing times. The Office of Government Contracting and Business Development will also continue to improve the education and training that it provides to small businesses and procuring agencies regarding small business contracting opportunities.

#### *Office of Disaster Assistance*

For the disaster program, the SBA has made major investments since the 2005 Gulf Coast hurricanes to improve its preparedness for catastrophic events. This FY 2010 budget request includes \$1.7 million in Disaster Subsidy and \$1.3 million in Disaster Administration funding for the implementation of pilot programs to test two disaster loan guaranty programs established in Public Law 110-246, the Food, Conservation, and Energy Act of 2008 (the "Farm Act"). The purpose of these pilot programs is to test new loan procedures and to ensure these programs are fully developed before they will be needed as a result of a catastrophic disaster.

Excluding the requested funding for the pilot programs mentioned, the budget requests \$101 million for Disaster Loan Administrative Expenses. No funds were requested or enacted in FY 2009, due to estimated available unobligated balances. It is estimated that the amount of carryover funds into FY 2010 for Disaster Administration and Disaster Subsidy will total \$95 million and \$730 million, respectively.

Finally, the SBA proposes that the maximum term for physical disaster business loans to borrowers able to obtain credit elsewhere be increased to seven years. This proposal is an increase from the current three year term, and will reduce the average monthly borrower payment by more than 50 percent, and will reduce the subsidy rate for the overall disaster assistance program an estimated three basis points.

#### *National Conference on Small Business*

An additional \$300,000 is requested in the FY 2010 budget for a national conference on small business. The conference will focus on job creation data and the connection between federal policies and innovation, health care, education and energy and their impact on small business and job creation. It is expected that the Council of Economic Advisors, the Domestic Policy Council and the National Economic Council will be important participants in this conference, along with other agencies such as the Departments of Energy and Commerce.

#### **Outcomes Driven**

To fulfill its mission, it is critical that the SBA understands how to measure progress and drive outcomes for its programs and services. The Agency is proud of its work to improve program performance through budget and performance integration. The SBA has emphasized the need for clearly defined targeted outcomes, as well as programs, processes and policies that are aligned to

achieve those outcomes. The Agency's Office of Performance Management is focused on internal operations and an Agency-wide performance management framework. That framework, designed to better align Agency mission, funding and priorities, already includes monthly performance management reports to closely track Agency operations and priorities. It is the objective of the Agency to continue to improve the use of these metrics to drive progress and achieve the outcomes it needs to successfully carry out its mission.

## Understanding the Budget Tables

Consistent throughout the budget tables is the fact that the FY 2009 enacted numbers do not include funding provided in the American Recovery and Reinvestment Act of 2009.

### Table 1 – Summary of New Budget Authority

This table shows the Gross and Net amounts of new funding appropriated by Congress for FY 2008 and FY 2009 and requested for FY 2010. In order to accurately portray the balances in each of the appropriation accounts, the carryover balance from prior year and carryover over balance into the next year has been changed to reflect the current state. New funding 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 prior to rescissions.
- *Salaries and Expenses, Business Loan Program, Disaster Loan Program, Office of Inspector General, and Surety Bond Guarantee* are the five appropriation accounts for SBA.
- *504 Negative Subsidy Receipts* are estimated collections on the FY 2009 negative (0.07 percent) subsidy rate.

This table can be cross-referenced with Table 2 as discussed below.

### Table 2 – Sources of Funds: Summary by Source

This table shows the total resources that the Agency had at its disposal in FY 2008 and requested for FY 2009 and FY 2010 to cover program and administrative costs. The data is summarized by the source of funds. An explanation of these sources follows.

- *Gross New Budget Authority* equals the amount of new funding appropriated by Congress for FY 2008 and requested for FY 2009 and FY 2010. (This is the same as *the Total, Gross New Budget Authority* amount shown in Table 1, with the exception of FY 2009 where there are 504 Negative Subsidy Receipts.)
- *Carryover from Prior Year* refers to multiyear funds that were appropriated in a prior fiscal year, but were not spent and are available during the current fiscal year.
- *Carryover into Next Year* refers to multiyear funds that were not spent in the current fiscal year and can be carried forward to the next fiscal year.
- *Other Fee Income* refers to collections from the public for services provided and for which legislative authority permits collecting fees, e.g. certain licensing and examinations.
- *Reimbursable Income* is funding received from other federal agencies for services performed by SBA.
- *Subsidy Receipts* are estimated collections on the FY 2009 negative (0.07 percent) subsidy rate.
- *Recoveries* are the result of loans cancellations of prior year obligations for which unexpired subsidy budget authority is made available in the current year.

To understand how this table relates to the other tables, first note that it contains the same data that is presented in Table 3, but from the perspective of *Sources of Funds* rather than the appropriation account. Second, it is also a summary of the detail presented in Tables 10 and 11.

### **Table 3 – Sources of Funds: Summary by Appropriation Account**

This table shows the total resources that the Agency had or projects to have at its disposal for program and administrative operations. The resources are presented by the name of the appropriation account, e.g. Salaries and Expenses, rather than the type or source of funds, e.g. New Budget Authority, Carryover, Fee Income, or Recoveries (as in Table 2). Total amounts in this table tie to Table 2.

### **Tables 4 – 6: Uses of Funds: Salaries and Expenses**

The top of Table 4 shows the major uses of the Salaries and Expenses budgetary resources. The following explains the major categories.

- *Office Operating Budgets* (See detail on the bottom half of the page.) These are the funds that program and administrative offices directly manage for daily operations, e.g., travel, supplies, and contracted services.
- *Agency-wide Costs* (See Table 5). These are costs such as rent and telecommunications, which are managed centrally by the Agency.
- *Compensation and Benefits* (See Table 5). All Compensation and Benefits for the Salaries and Expenses Account are managed centrally. The Full-Time Equivalents (FTE) supported by Compensation and Benefits appear in Table 9 (not including Disaster, Office of Inspector General, and Reimbursables).
- *Non-Credit Programs* (See Table 6). These programs have received separate funding in the Salaries and Expenses account in the past. In an effort to better manage the Agency's resources, avoid duplication of administrative systems, and allow more flexibility in managing resources, it is requested that some of the current non-credit programs be merged into office operating budgets.
- *Congressional Initiatives* (See Table 4). These are constituent interest grants authorized by Congress for administration by SBA.
- *Reimbursable Expenses* (See Table 6). These are programs for which SBA receives reimbursable budget authority from other federal government agencies.

### **Table 7 – 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. The data on this table does not cross reference to Table 8. For example, the amount shown for the Surety Bond Guarantee program on Table 7 is SBA's share of the liability for guaranteeing performance bonds for small businesses. The amount shown for the Surety Bond program in Table 8 is the salaries, benefits, various fixed costs, and overhead for administering the Surety Fund Guarantee program in Table 7.

### **Table 8 – 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 4, which shows the direct operating budget costs for major program offices. It also differs from Table 6, which shows the total amount for grants, but excludes administrative direct, indirect, and overhead costs.

The costs presented in Table 8 will be used in the performance tables that will be included in the performance budget. Table 8 does not include subsidy budget authority for business and disaster loan programs or the appropriation for surety bond guaranties.

#### **Table 9 – Full Time Equivalent Employees**

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

#### **Table 10 – Sources of Funds: Appropriation Detail**

This table shows the detail for Tables 2 and 3 (Sources of Funds summaries). The Disaster Assistance and Business Loan 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 operating expenses of those programs.

#### **Table 11 – Sources of Funds: Detail for Business Loan Programs**

This table shows the funding source detail for each of SBA's business loan programs.

#### **Table 12 – Sources of Funds: Salaries and Expenses (S&E) Operating Budget**

This table shows the detail for the sources of funding for the Agency Operating Budget, as follows:

- *Salaries and Expenses Appropriation* is the amount appropriated by Congress prior to rescissions. These amounts are also shown on Table 1.
- *Less: Non-Credit Programs* - These are the programs that receive separate line item funding in the appropriation each year. See the detail for Non-Credit Programs on Table 6.
- *Less: Congressional Initiatives* – These are constituent interest grants authorized by Congress for administration by the SBA.
- *Plus: Transfer from Business Loans* – The entire amount appropriated for administering the business loan program, e.g. 7(a), 504, etc. is transferred and combined with Salaries and Expenses funding. See the Salaries and Expenses and Business Loans sections of Table 10.
- *Plus: Transfer from Disaster Loans* – A specific amount in the appropriation is given to be transferred from the Disaster Assistance program to Salaries and Expenses to cover administrative overhead costs. See the Salaries and Expenses and Disaster Assistance sections of Table 10.
- *Plus: Net Carryover of Funds* – This is the net amount of unexpired funds carried over from the prior fiscal year less the amount estimated to remain unexpired and carried over into the next fiscal year. See the Salaries and Expenses portion of Table 10.
- *Plus: Fee Income* - refers to authorized collections from the public for services provided, e.g. certain licensing and examinations. See the Salaries and Expenses portion of Table 10.

#### **Table 13 – Summary of Changes – Agency Operating Budget**

This table is a reconciliation of the amounts needed for the Salaries and Expenses operating budget. The amounts shown for the S&E operating budget are the same as shown in Tables 4 and 12. The amount requested for FY 2010 is reconciled to the amount requested for FY 2009. The Explanation of Change shows the major reasons for the requested increase or decrease in funding resources.

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# Budget Tables

**Table 1**  
**FY 2010 Congressional Budget Submission**  
**SUMMARY OF NEW BUDGET AUTHORITY**  
*(Dollars in Thousands)*

	<b>FY 2008 Actual</b>	<b>FY 2009 Enacted *</b>	<b>FY 2010 Request</b>	<b>FY 2010 Incr/(Decr)</b>
Gross New Budget Authority				
Salaries and Expenses	\$ 423,574	\$ 455,503	\$ 422,000	\$ (33,503)
Business Loan Program				
<i>Administration</i>	135,414	138,480	153,000	14,520
<i>Loan Subsidy</i>	2,000	2,500	83,000	80,500
Disaster Loan Program				
<i>Administration</i>	389,814	0	102,310	102,310
<i>Loan Subsidy</i>	662,939	0	1,690	1,690
Inspector General	18,000	16,750	16,300	(450)
Surety Bond Guarantee	3,000	2,000	1,000	(1,000)
Total, Gross New Budget Authority	<u>\$ 1,634,741</u>	<u>\$ 615,233</u>	<u>\$ 779,300</u>	<u>\$ 164,067</u>

\* Note: Enacted amounts do not include funding provided in the American Recovery and

**Table 2**  
**FY 2010 Congressional Budget Submission**  
**SOURCES OF FUNDS: SUMMARY BY SOURCE**  
*(Dollars in Thousands)*

	<b>FY 2008 Actual</b>	<b>FY 2009 Enacted *</b>	<b>FY 2010 Request</b>	<b>FY 2010 Incr/(Decr)</b>
Summary, Total SBA				
Gross New Budget Authority	\$ 1,634,741	\$ 615,233	\$ 779,300	\$ 164,067
Carryover from Prior Year	520,161	1,334,802	844,448	(490,354)
Carryover into Next Year	(1,334,802)	(844,448)	(659,448)	185,000
Other Fee Income	9,727	12,402	12,402	0
Reimbursable Income	7,992	500	1,000	500
Subsidy Receipts	0	0	0	0
Recoveries	90,340	10,000	10,000	0
Total	<u>\$ 928,159</u>	<u>\$ 1,128,489</u>	<u>\$ 987,702</u>	<u>\$ (140,787)</u>

\* Note: Enacted amounts do not include funding provided in the American Recovery and Reinvestment Act of 2009.

**Table 3**  
**FY 2010 Congressional Budget Submission**  
**SOURCES OF FUNDS: SUMMARY BY APPROPRIATION ACCOUNT**  
*(Dollars in Thousands)*

	<b>FY 2008 Actual</b>	<b>FY 2009 Enacted *</b>	<b>FY 2010 Request</b>	<b>FY 2010 Incr/(Decr)</b>
Summary, By Appropriation Account				
Salaries and Expenses	\$ 574,277	\$ 625,885	\$ 597,402	\$ (28,483)
Business Loan Program	1,860	2,500	83,000	80,500
Disaster Assistance Administration	207,385	280,598	187,310	(93,288)
Disaster Loan Program	124,263	200,756	101,690	(99,066)
Inspector General	17,374	16,750	17,300	550
Surety Bond Guarantee Program	3,000	2,000	1,000	(1,000)
<b>Total</b>	<b>\$ 928,159</b>	<b>\$ 1,128,489</b>	<b>\$ 987,702</b>	<b>\$ (140,787)</b>

\* Note: Enacted amounts do not include funding provided in the American Recovery and Reinvestment Act of 2009.

**Table 4**  
**FY 2010 Congressional Budget Submission**  
**USES OF FUNDS: SALARIES & EXPENSES**  
*(Dollars in Thousands)*

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Enacted *</u>	<u>FY 2010</u> <u>Request</u>	<u>FY 2010</u> <u>Incr/(Decr)</u>
Salaries & Expenses Budget				
Office Operating Budgets	\$ 81,441	\$ 80,986	\$ 129,778	\$ 48,792
Agencywide Costs	44,980	48,875	60,527	11,652
Compensation & Benefits	233,016	254,629	268,185	13,556
Subtotal, Agency Operating Budget	<u>359,438</u>	<u>384,490</u>	<u>458,490</u>	<u>74,000</u>
Non-Credit Programs	140,378	175,241	137,912	(37,329)
Congressional Initiatives	69,451	65,654	0	(65,654)
Reimbursable Expenses	<u>5,010</u>	<u>500</u>	<u>1,000</u>	<u>500</u>
Total	<u>\$ 574,277</u>	<u>\$ 625,885</u>	<u>\$ 597,402</u>	<u>\$ (28,483)</u>
Office Operating Budget Detail				
Executive Direction	\$ 10,212	\$ 17,865	\$ 25,070	\$ 7,205
Capital Access	21,471	17,033	22,341	5,308
Gov Contr/Business Development	1,114	1,137	6,562	5,425
Entrepreneurial Development	1,607	903	22,616	21,714
Management and Administration	14,344	10,913	13,735	2,822
Chief Information Officer	28,417	28,627	34,244	5,617
Regional and District Offices	<u>4,276</u>	<u>4,508</u>	<u>5,210</u>	<u>702</u>
Total	<u>\$ 81,441</u>	<u>\$ 80,986</u>	<u>\$ 129,778</u>	<u>\$ 48,792</u>

\* Note: Enacted amounts do not include funding provided in the American Recovery and Reinvestment Act of 2009.

**Table 5**  
**FY 2010 Congressional Budget Submission**  
**USES OF FUNDS: AGENCYWIDE COSTS**  
*(Dollars in Thousands)*

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Enacted</u>	<u>FY 2010</u> <u>Request</u>	<u>FY 2010</u> <u>Incr/(Decr)</u>
Express Mail	\$ 379	\$ 480	\$ 490	\$ 10
Judgment Fund	65	750	765	15
Office Security	2,159	2,160	2,953	793
Performance Awards	2,162	2,354	2,401	47
Postage	675	580	592	12
Reasonable Accommodations	14	40	41	1
Relocation	367	750	765	15
Rent	32,054	34,164	44,847	10,683
Telecommunications	3,886	4,423	4,511	88
Transit Subsidy	970	1,020	1,184	164
Unemployment Compensation	778	388	396	8
Workers Compensation	1,470	1,766	1,582	(184)
Total	<u>\$ 44,980</u>	<u>\$ 48,875</u>	<u>\$ 60,527</u>	<u>\$ 11,652</u>
Compensation & Benefits	<u>\$ 233,016</u>	<u>\$ 254,629</u>	<u>268,185</u>	<u>13,556</u>

**Table 6**  
**FY 2010 Congressional Budget Submission**  
**USES OF FUNDS**  
**NON-CREDIT PROGRAMS and REIMBURSABLE EXPENSES**  
*(Dollars in Thousands)*

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Enacted</u>	<u>FY 2010</u> <u>Request</u>	<u>FY 2010</u> <u>Incr/(Decr)</u>
Non-Credit Programs				
7(j) Technical Assistance Program	\$ 2,300	\$ 2,380	\$ 3,397	\$ 1,017
Drug-Free Workplace	980	1,000	1,030	30
HUBZones Program	1,924	2,150	2,184	34
Microloan Technical Assistance	14,816	20,000	10,000	(10,000)
National Women's Business Council	714	775	773	(2)
Native American Outreach	933	1,033	1,040	7
PRIME Technical Assistance	2,715	5,000	3,120	(1,880)
SBDC Grants	97,321	110,000	97,000	(13,000)
SCORE	4,950	5,000	5,148	148
Veterans Business Development	743	1,200	1,200	0
Women's Business Centers Grants	12,981	13,750	13,020	(730)
	<u>\$ 140,378</u>	<u>\$ 162,288</u>	<u>\$ 137,912</u>	<u>\$ 24,376</u>
Total, Non-Credit Programs				

**Table 7**  
**FY 2010 Congressional Budget Submission**  
**SUMMARY OF CREDIT PROGRAMS & REVOLVING FUND**  
*(Dollars in Millions)*

	Program Level			Subsidy Amount			Subsidy Rate		
	FY 2008 Actual	FY 2009 Enacted *	FY 2010 Request	FY 2008 Actual	FY 2009 Enacted *	FY 2010 Request	FY 2008 Actual	FY 2009 Enacted *	FY 2010 Request
Guaranteed Loans									
Section 7(a) Guaranty	\$ 11,840	\$ 17,500	\$ 17,500	\$ 0.0	\$ 0.0	\$ 80.0	0.00%	0.00%	0.46%
Section 504 CDC Guaranty <sup>1/</sup>	5,246	7,500	7,500	0.0	(1.3)	0.0	0.00%	(0.070)%	0.00%
SBIC - Debentures	1,029	3,000	3,000	0.0	0.0	0.0	0.00%	0.00%	0.00%
Total	<u>\$ 18,115</u>	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 0.0</u>	<u>\$ (1.3)</u>	<u>\$ 80.0</u>			
Direct Loans									
Microloan Direct Program	\$ 21	\$ 21	\$ 25	\$ 2.0	\$ 2.5	\$ 3.0	10.12%	11.66%	12.04%
Total Business Loans	<u>\$ 18,136</u>	<u>\$ 28,021</u>	<u>\$ 28,025</u>	<u>\$ 2.0</u>	<u>\$ 1.2</u>	<u>\$ 83.0</u>			
Secondary Market Guarantees	<u>\$ 4,138</u>	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Disaster Assistance	<u>\$ 763</u>	<u>\$ 1,061</u>	<u>\$ 1,100</u>	<u>\$ 124.3</u>	<u>\$ 158.3</u>	<u>\$ 0.0</u> <sup>4/</sup>	<u>16.27%</u>	<u>14.92%</u>	<u>10.74%</u> <sup>3/</sup>
Surety Bond Guarantee Program <sup>2/</sup>	<u>\$ 531</u>	<u>\$ 1,000</u>	<u>\$ 500</u>	<u>\$ 3.0</u>	<u>\$ 2.0</u>	<u>\$ 1.0</u>			
Intermediate Disaster Assistance			<u>\$ 12</u>			<u>\$ 0.4</u>			<u>2.83%</u>
Expedited Disaster Assistance			<u>\$ 59</u>			<u>\$ 1.3</u>			<u>2.14%</u>

\* Note: Enacted amounts do not include funding provided in the American Recovery and Reinvestment Act of 2009.

<sup>1/</sup> Negative Subsidy applies to disbursements only.

<sup>2/</sup> The funds requested for Surety Bonds and displayed under Subsidy Amount are for claims.

<sup>3/</sup> This reflects a reduction in the 10.77% subsidy rate to 10.74% in view of legislative proposal to increase maximum term for physical disaster business loans to borrowers able to obtain credit elsewhere to seven years. Note: the subsidy rate of 10.73% for the program included in the FY 2010 Budget Appendix and the Credit Supplement is in error.

<sup>4/</sup> The estimated program level of \$1.1 billion is supported by sufficient unobligated balances in subsidy budget authority funds that are expected to be carried over from FY 2009 into FY 2010.

**Table 8**  
**FY 2010 Congressional Budget Submission**  
**TOTAL COST BY PROGRAM AND ACTIVITY**  
*(Dollars in Thousands)*

	<u>FY 2008</u> <u>Actual</u>	<u>FY 2009</u> <u>Enacted</u>	<u>FY 2010</u> <u>Request</u>
<b>Capital Access Programs</b>			
International Trade Program	\$ 4,154	\$ 4,679	\$ 5,416
New Market Venture Capital	281	293	324
Prime Technical Assistance	2,813	5,062	3,235
Surety Bond Program	4,413	4,632	5,121
Subtotal	<u>\$ 11,661</u>	<u>\$ 14,666</u>	<u>\$ 14,096</u>
<b>7(a) Loans</b>			
Loan Making - 7(a) Loans	\$ 55,571	\$ 57,193	\$ 64,527
Loan Servicing - 7(a) Loans	6,645	6,797	7,633
Loan Liquidation - 7(a) Loans	20,041	20,390	23,017
Lender Oversight - 7(a) Loans	4,025	3,956	4,681
Subtotal	<u>\$ 86,282</u>	<u>\$ 88,336</u>	<u>\$ 99,858</u>
<b>504 Loans</b>			
Loan Making - 504 Loans	\$ 18,079	\$ 18,395	\$ 21,164
Loan Servicing - 504 Loans	1,522	2,819	1,578
Loan Liquidation - 504 Loans	2,999	3,053	3,433
Lender Oversight - 504 Loans	2,506	2,467	2,915
Subtotal	<u>\$ 25,106</u>	<u>\$ 26,734</u>	<u>\$ 29,090</u>
<b>Microloans</b>			
Loan Making - Microloans	\$ 2,490	\$ 2,391	\$ 2,923
Loan Servicing - Microloans	468	298	550
Loan Liquidation - Microloans	206	133	242
Microloan Technical Assistance	15,221	20,258	10,479
Subtotal	<u>\$ 18,385</u>	<u>\$ 23,080</u>	<u>\$ 14,194</u>
<b>SBIC Loans</b>			
Loan Making - SBIC Loans	\$ 2,479	\$ 2,812	\$ 3,108
Loan Servicing - SBIC Loans	9,491	10,768	11,902
Loan Liquidation - SBIC Loans	5,127	5,816	6,429
Subtotal	<u>\$ 17,097</u>	<u>\$ 19,396</u>	<u>\$ 21,439</u>
<b>GCBD Programs</b>			
7(j) Program	\$ 4,761	\$ 4,851	\$ 6,608
8(a) Program	51,795	54,921	64,996
HUBZone Program	8,644	9,262	10,125
Prime Contract Program	24,164	25,843	31,876
Business Matchmaking	2,296	2,428	2,699
Small Disadvantaged Business	1,086	0	0
Subcontracting Program	3,033	3,252	3,998
Subtotal	<u>\$ 95,779</u>	<u>\$ 100,557</u>	<u>\$ 120,302</u>

**Table 8 (continued)**  
**FY 2010 Congressional Budget Submission**  
**TOTAL COST BY PROGRAM AND ACTIVITY**  
*(Dollars in Thousands)*

	<b>FY 2008 Actual</b>	<b>FY 2009 Enacted</b>	<b>FY 2010 Request</b>
Entrepreneurial Development Programs			
Drug Free Workplace	\$ 1,085	\$ 1,104	\$ 1,167
SCORE	10,586	10,507	11,496
Small Business Development Centers	111,481	124,655	114,775
Small Business Training Network	327	305	525
Women's Business Ownership	22,744	23,853	24,506
Subtotal	<u>\$ 146,223</u>	<u>\$ 160,424</u>	<u>\$ 152,469</u>
Executive Direction			
Advocacy	\$ 9,133	\$ 10,123	\$ 11,165
Native American Outreach	1,505	1,633	1,740
National Women's Business Council	979	1,050	1,098
Ombudsman	1,518	1,622	1,780
Veteran's Business Development	5,012	5,690	8,148
Subtotal	<u>\$ 18,147</u>	<u>\$ 20,118</u>	<u>\$ 23,931</u>
Regional & District Office Programs			
Field Offices - Counseling	\$ 6,477	\$ 6,851	\$ 7,643
Field Offices - Training	11,353	11,995	13,380
Subtotal	<u>\$ 17,830</u>	<u>\$ 18,846</u>	<u>\$ 21,023</u>
Total - Regular Funds	<u><u>\$ 436,510</u></u>	<u><u>\$ 472,157</u></u>	<u><u>\$ 496,402</u></u>
Disaster Assistance			
Loan Making - Disaster	\$ 226,621	\$ 300,602	\$ 227,104
Loan Servicing - Disaster	33,875	44,437	14,967
Subtotal	<u>\$ 260,496</u>	<u>\$ 345,039</u>	<u>\$ 242,071</u>
Other			
Inspector General	\$ 23,012	\$ 21,925	\$ 23,708
Congressional Grants	69,451	68,607	0
Rural Business Investment Program	29	134	135
Business Gateway	3,969	2,674	1,593
Loan Monitoring System	2,330	0	0
ED Programs	0	0	25,847
Relocation Rent	0	12,297	12,924
FEMA Agreement	950	0	0
State Department Agreement	1,750	0	0
Other Reimbursable Programs	20	400	900
Subtotal	<u>\$ 101,511</u>	<u>\$ 106,037</u>	<u>\$ 65,107</u>
Total Obligations	<u><u>\$ 798,517</u></u>	<u><u>\$ 923,233</u></u>	<u><u>\$ 803,580</u></u>

**Table 8 (continued)**  
**FY 2010 Congressional Budget Submission**  
**TOTAL COST BY PROGRAM AND ACTIVITY**  
*(Dollars in Thousands)*

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
	<b>Actual</b>	<b>Enacted</b>	<b>Request</b>
Overhead <i>(already included in the above cost estimates)</i>			
General Planning and Management	\$ 49,570	\$ 53,044	\$ 58,198
Information Technology Management	36,139	35,154	42,246
Procurement and Contracting Services	15,085	13,681	16,269
Improved Financial Performance	14,763	22,291	27,177
Budget and Performance Integration	2,110	2,166	2,465
Competitive Sourcing	204	212	225
E-Government	2,372	2,398	4,084
Human Capital Management	893	931	984
Improper Payments	9	9	11
Total	<u>\$ 121,145</u>	<u>\$ 129,886</u>	<u>\$ 151,659</u>

**Table 9**  
**FY 2010 Congressional Budget Submission**  
**FULL TIME EQUIVALENT (FTE) EMPLOYEES**

	<b>FY 2008 Actual</b>	<b>FY 2009 Enacted</b>	<b>FY 2010 Request</b>	<b>FY 2010 Incr/(Decr)</b>
Regular Funds	2,073	2,119	2,183	64
Disaster Loan Making	1,332	750	1,000	250
Disaster Loan Servicing	104	171	171	0
Line Item Initiatives	13	4	20	16
Reimbursable Funds	8	11	0	(11)
Inspector General	106	106	106	0
Total	3,636	3,161	3,480	319

**Table 10**  
**FY 2010 Congressional Budget Submission**  
**SOURCES OF FUNDS: APPROPRIATION DETAIL**  
*(Dollars in Thousands)*

	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request	FY 2010 Incr/(Decr)
<b>Salaries and Expenses</b>				
Net New Budget Authority	\$ 423,574	\$ 455,503	422,000	\$ (33,503)
Carryover from prior year	14,310	31,105	12,105	(19,000)
Carryover into next fiscal year	(31,105)	(12,105)	(12,105)	0
Transfer from Business Loans	135,554	138,480	153,000	14,520
Transfer from Disaster Loans	15,000	0	9,000	9,000
Reimbursable Expenses	7,930	500	1,000	500
Estimated Fee Income	9,727	12,402	12,402	0
Unobligated Bal./Rec. at Year End	(713)	0	0	0
<b>Total Budget Authority</b>	<b>\$ 574,277</b>	<b>\$ 625,885</b>	<b>\$ 597,402</b>	<b>\$ (28,483)</b>
<b>Business Loans</b>				
<i>Administrative Expenses</i>				
New Budget Authority	\$ 135,414	\$ 138,480	\$ 153,000	\$ 14,520
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Transfer from Other Accounts	0	0	0	0
Transfer to Other Accounts	(135,414)	(138,480)	(153,000)	(14,520)
Unobligated Balances at Year End	0	0	0	0
<b>Total Budget Authority</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<i>Loan Subsidies</i>				
New Budget Authority	\$ 2,000	\$ 2,500	\$ 83,000	\$ 80,500
Subsidy Receipts	0	0	0	0
Carryover from prior fiscal year	369	369	369	0
Carryover into next fiscal year	(369)	(369)	(369)	0
Transfer from Other Accounts	0	0	0	0
Transfer to Other Accounts	(140)	0	0	0
Rescission on Unobligated Balance	0	0	0	0
<b>Total Budget Authority</b>	<b>\$ 1,860</b>	<b>\$ 2,500</b>	<b>\$ 83,000</b>	<b>\$ 80,500</b>
<b>Disaster Assistance</b>				
<i>Administrative Expenses</i>				
New Budget Authority	\$ 389,814	\$ 0	\$ 102,310	\$ 102,310
Carryover from prior fiscal year	195,548	375,598	95,000	(280,598)
Carryover into next fiscal year	(375,598)	(95,000)	0	95,000
Transfer from Disaster Loans	0	0	0	0
Recoveries	13,621	0	0	0
Transfer to Inspector General	(1,000)	0	(1,000)	(1,000)
Transfer to Salaries & Expenses	(15,000)	0	(9,000)	(9,000)
Rescission on Unobligated Balance	0	0	0	0
<b>Total Budget Authority</b>	<b>\$ 207,385</b>	<b>\$ 280,598</b>	<b>\$ 187,310</b>	<b>\$ (93,288)</b>

**Table 10 (continued)**  
**FY 2010 Congressional Budget Submission**  
**SOURCES OF FUNDS: APPROPRIATION DETAIL**  
*(Dollars in Thousands)*

	<b>FY 2008 Actual</b>	<b>FY 2009 Enacted</b>	<b>FY 2010 Request</b>	<b>FY 2010 Incr/(Decr)</b>
<i>Direct Loans Program</i>				
New Budget Authority	\$ 662,939	\$ 0	\$ 0	\$ 0
New BA: Test Under Farm Bill	0	0	1,690	1,690
Carryover from prior fiscal year	304,622	920,756	730,000	(190,756)
Carryover into next fiscal year	(920,756)	(730,000)	(640,000)	90,000
Recoveries from prior years	77,458	10,000	10,000	0
Rescission on Unobligated Balance	0	0	0	0
<b>Total Budget Authority</b>	<b>\$ 124,263</b>	<b>\$ 200,756</b>	<b>\$ 101,690</b>	<b>\$ (99,066)</b>
<i>Inspector General</i>				
New Budget Authority	\$ 18,000	\$ 16,750	\$ 16,300	\$ (450)
Carryover from prior fiscal year	5,312	6,974	6,974	0
Carryover into next fiscal year	(6,974)	(6,974)	(6,974)	0
Transfer from Disaster	1,000	0	1,000	1,000
Reimbursable Expenses	62	0	0	0
Unobligated Balances at Year End	(26)	0	0	0
<b>Total Budget Authority</b>	<b>\$ 17,374</b>	<b>\$ 16,750</b>	<b>\$ 17,300</b>	<b>\$ 550</b>
<i>Surety Bond Guarantee Program</i>				
New Budget Authority	\$ 3,000	\$ 2,000	\$ 1,000	\$ (1,000)
<b>Total Budget Authority</b>	<b>\$ 3,000</b>	<b>\$ 2,000</b>	<b>\$ 1,000</b>	<b>\$ (1,000)</b>
 <b>Total Financing Available</b>	 <b>\$ 928,159</b>	 <b>\$ 1,128,489</b>	 <b>\$ 987,702</b>	 <b>\$ (140,787)</b>

**Table 11**  
**FY 2010 Congressional Budget Submission**  
**SOURCES OF FUNDS: DETAIL**  
**BUSINESS LOAN PROGRAMS**  
*(Dollars in Thousands)*

	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2010</b>
	<b>Actual</b>	<b>Enacted</b>	<b>Request</b>	<b>Incr/(Decr)</b>
<b><u>BUSINESS LOANS SUMMARY</u></b>				
New Budget Authority	\$ 137,414	\$ 138,480	236,000	\$ 97,520
Subsidy Receipts	\$ 0	0	0	0
Carryover from prior fiscal year	369	369	369	0
Carryover into next fiscal year	(369)	(369)	(369)	0
Transfer to/from Other Accounts	(135,554)	(138,480)	(153,210)	(14,730)
Recoveries	274	0	0	0
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	<u>\$ 2,134</u>	<u>\$ 0</u>	<u>\$ 82,790</u>	<u>\$ 82,790</u>
<b>Administrative Expenses</b>				
New Budget Authority	\$ 135,414	\$ 138,480	\$ 153,000	\$ 14,520
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Transfer to/from Other Accounts	(135,414)	(138,480)	(153,000)	(14,520)
Recoveries	0	0	0	0
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>7(a) General Business</b>				
New Budget Authority	\$ 0	\$ 0	\$ 80,000	\$ 80,000
Carryover from prior fiscal year	75	75	75	0
Carryover into next fiscal year	(75)	(75)	(75)	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	0	0	0	0
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>
<b>504 CDC Guaranty</b>				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Subsidy Receipts	0	0	0	0
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	0	0	0	0
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Microloans - Direct</b>				
New Budget Authority	\$ 2,000	\$ 2,500	\$ 3,000	\$ 500
Carryover from prior fiscal year	294	274	0	(274)
Carryover into next fiscal year	(274)	(274)	0	274
Transfer to/from Other Accounts	(140)	0	(210)	(210)
Recoveries	274	0	0	0
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	<u>\$ 2,154</u>	<u>\$ 2,500</u>	<u>\$ 2,790</u>	<u>\$ 290</u>

**Table 12**  
**FY 2010 Congressional Budget Submission**  
**SOURCES OF FUNDS: SALARIES AND EXPENSES (S&E) OPERATING BUDGET<sup>1</sup>**  
*(Dollars in Thousands)*

	<u>FY 2008 Actual</u>	<u>FY 2009 Enacted</u>	<u>FY 2010 Request</u>	<u>FY 2010 Incr/(Decr)</u>
Resources Available for S&E Operating Budget				
Salaries and Expenses Appropriation	\$ 423,574	\$ 455,503	\$ 422,000	\$ (33,503)
Less: Non-Credit Programs	(140,378)	(175,241)	(137,912)	37,329
Congressional initiatives	(69,451)	(65,654)	0	65,654
Plus:				
Transfer from Business Loans	135,554	138,480	153,000	14,520
Transfer from Disaster Loans	15,000	0	9,000	9,000
Net Carryover of Funds	(17,508)	19,000	0	(19,000)
Fee Income	12,647	12,402	12,402	0
Subtotal, S&E Operating Budget	\$ 359,438	\$ 384,490	\$ 458,490	\$ 74,000
Reimbursable Expenses	\$ 5,010	\$ 500	\$ 1,000	\$ 500
Total Resources for S&E Operating Budget	<u>\$ 364,448</u>	<u>\$ 384,990</u>	<u>\$ 459,490</u>	<u>\$ 74,500</u>

<sup>1</sup>The amounts shown do not include Disaster Assistance or Inspector General.

**Table 13**  
**FY 2010 Congressional Budget Submission**  
**SUMMARY OF CHANGES - Agency Operating Budget**  
*(Dollars in Thousands)*

Salaries and Expenses Operating Budget	
FY 2009 Enacted	\$ 384,490
FY 2010 Request	<u>458,490</u>
Change - Increase/(Decrease)	<u><u>\$ 74,000</u></u>
Explanation of Change:	
1. Mandatory salary and other adjustments:	
Pay COLA	\$ 3,556
Increase in Agencywide costs	11,652
2. Increased funding to cover inflation for Operating Budgets	
	\$ 601
3. Additional program adjustments:	
Additional FTEs to support expected increase in purchase of existing loans	\$ 10,000
Loan Modernization and Accounting System and JAAMS increase	5,014
Increase in the Office of Chief Information Officer for dynamic web upgrades and security off-site data and continuity of contracts	8,266
Issue at least one Request for Proposal (RFP) to support economic recovery using grants and to develop new web-based products and services	17,000
Modernize data collection and analysis	3,000
Expand Veteran Business Outreach Centers	1,000
Increases in Personnel Services Contract	1,890
Increase for training and National Service Contracts	1,121
Increase for Agency wide marketing and web site development	1,000
Data mining	500
PRISM enhancements-Contract Management System	300
Increase for new HUBZone certification system/paper based processing	800
Performance of quality assurance and best practices reviews	2,000
National conference on small business	300
Capital Access study of next generation of equity capital companies	3,000
Interagency initiatives	1,000
Development of a new Hub Zone certification system	2,000
Total Change - Increase/(Decrease)	<u><u>\$ 74,000</u></u>

## FY 2010 Performance Plan

This FY 2010 Congressional Budget Justification lays out the activities the SBA will undertake as it moves forward to expand opportunities for the nation's small businesses and to assist victims of federally-declared disasters. The goals, objectives and strategies outlined in this plan are guided by four core values:

- *Outcomes Driven* — The SBA will clearly define the outcomes it is targeting and ensure that its programs, processes and policies are aligned in achieving them.
- *Customer Focused* — The Agency serves people and will be responsive to their needs, both in the services it provides and in how they are delivered.
- *Employee Enabled* — SBA employees extend the hand of service to Americans every day, and the Agency must ensure they have the tools, the training and the support to be effective.
- *Accountable, Efficient and Transparent* — The SBA has a bedrock obligation to the taxpayer to manage efficiently, invest capital prudently and be open and honest about its results.

The four strategic goals outlined in this plan are not significantly different from those of recent SBA planning cycles. The Agency's core objectives of effectively supporting the nation's entrepreneurs and providing assistance to victims of disaster remain unchanged. However, the means for achieving goals reflect the lessons learned through experiences in serving customers across the nation and from listening to, and working with, Agency employees at all organizational levels. SBA's four strategic goals are:

***Strategic Goal One* — Expand America's ownership society, particularly in underserved markets**

***Strategic Goal Two* — Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster**

***Strategic Goal Three* — Improve the economic environment for small business**

***Strategic Goal Four* — Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls**

The SBA continues to focus on the impact of its programs and its effectiveness in managing operations. The Agency is driving improvements in customer service and simplifying its programs to make them more accessible and more useful to small business owners.

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## ***Strategic Goal One – Expand America’s ownership society, particularly in underserved markets***

Small businesses represent an essential mechanism by which individuals enter the economic and social mainstream of American society. The needs of a small business change as the entity goes through the various stages of its lifecycle - from a possibility to a vibrant, successful business. Strategic Goal One represents SBA’s commitment to helping small businesses overcome the competitive opportunity gaps often faced by entrepreneurs. The SBA empowers individual entrepreneurs to take advantage of the opportunities the market offers by providing knowledge, skills and technical assistance; access to loans and equity; and contracting opportunities either directly or through its partners. While SBA programs benefit all small business entrepreneurs, the Agency places particular emphasis on groups that own and control little productive capital and have limited access to markets.

Strategic Goal One has three Long-Term Objectives:

**LTO 1.1 — Improve access to SBA programs and services by small business to drive business formation, job growth, and economic activity.**

**LTO 1.2 — Support entrepreneurship in markets with higher poverty and unemployment, and in the military community.**

**LTO 1.3 — Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.**

**Financial Assistance** — Having access to capital when needed, and under the right conditions, is vital to the success of a small business. This need changes as a business goes through the various stages in its lifecycle. The financial vulnerability of a small business may make SBA financial assistance a vital component at any given time. The SBA has structured its programs to fill the financial gap as determined by differing financial markets and the various stages of a small business’s lifecycle. The SBA provides loans through its 7(a) loan, 504 loan, and Microloan programs, as well as equity and mezzanine financings through its SBIC program. The Agency has placed its focus on providing financing assistance that is effective and at the lowest possible cost to the taxpayer.

**Management and Technical Assistance** — One of the roles of the SBA is to help small businesses avoid negative outcomes, including business failure and bankruptcy. Businesses fail for many reasons and, although it is the reason most often cited, inadequate financing (i.e., insufficient cash flow or initial start-up capital) is only one of those reasons. Businesses also fail because of inadequate short- and long-term planning, inadequate market research, ineffective marketing, incomplete or deficient strategy or vision, and inadequacies in the management team, among other reasons. SBA’s management and technical assistance programs address these potential pitfalls. They help small businesses get off to a good start, and increase their chances of becoming established, employment-generating businesses, and they help existing businesses prosper and grow.

One of the Agency’s main objectives is to continue to improve the quality of the management and technical assistance data collected so that it can better measure the services that it provides and the outcomes resulting from those services, and so it can better target its assistance to address the needs of its small business clients. Having complete, consistent and accurate data is the first requirement for measuring the effectiveness and efficiency of SBA assistance.

**Contracting Assistance** — SBA’s role is to ensure small businesses have a fair opportunity to sell products and services to the federal government. Purchases by military and civilian agencies amount to more than \$500 billion a year and include everything from complex space vehicles to

janitorial services and cancer research. The federal government buys just about every category of commodity and service available.

There are several statutory programs that are available to small businesses to aid in this effort. These include the 8(a) business development program, that has a contracting component, and the Historically Underutilized Business Zone program. The 8(a) program offers a broad range of management, technical financial and procurement assistance to firms owned and controlled by socially and economically disadvantaged individuals. The HUBZone program is a contracting assistance program whose primary objective is job creation and increasing capital investment in distressed communities.

## **Financial Assistance**

The SBA helps make capital available through financing partners to small businesses that might not otherwise obtain financing on reasonable terms and conditions. The Agency offers financial assistance through loan guaranty and investment programs. Except for the Disaster loan program, the Agency does not make direct loans to businesses, but rather guarantees loans made by its partners (lenders and certified development companies). The guaranty allows business owners to obtain funds that they would not otherwise be able to obtain. The SBA also provides surety guaranties for surety bonds.

The focus of the Office of Capital Access is to balance the need to make capital available to small businesses with the need to provide appropriate monitoring and oversight to ensure that tax dollars are used most effectively and wisely. The OCA works to ensure that financial assistance products provided to small businesses meet their needs, particularly the needs of underserved markets; that operational processes are streamlined and efficient, with adequate controls to protect the taxpayer from unnecessary losses, and; that the Agency's partners receive excellent customer service.

The financing programs are currently delivered through four offices within the Office of Capital Access: Financial Assistance, International Trade, Investments, and Surety Bond Guarantee. The Office of Financial Program Operations is responsible for loan processing, servicing and liquidation and purchase of SBA guaranteed loans. The Office of Risk Management sets risk management goals and standards for functions across OCA program areas. And, the Office of Credit Risk Management works to oversee SBA lending partners and review SBA portfolio information. Ultimately, the offices across OCA work together to provide important financing to creditworthy businesses unable to obtain financing through the conventional lending market, while balancing appropriate program integrity and oversight.

Small businesses are an important component of the nation's economy. A 2007 Office of Advocacy study shows that, in 2004, the small business share of the GDP in the 16 non-farm industry sectors ranged from 18 percent of the information sector to 85 percent of both the construction and other services. Over the 7-year period studied, the small business share of GDP held steady at around 50 percent (<http://www.sba.gov/advo/research/rs299tot.pdf>). In addition, start-up businesses help a state's economy grow. Another study held that "the most fruitful policy option available to state governments is to establish and maintain a fertile environment for new establishment formations" (<http://www.sba.gov/advo/research/rs292tot.pdf>).

## **Financial Program Operations**

Financial assistance is provided through four major programs: the 7(a), 504, Small Business Investment Company Debentures and Microloan programs. The loan guaranty and debenture programs are largely provided through lending partners such as financial institutions, small business lending companies, small business investment companies, credit unions and certified

development companies. The SBA also makes direct loans to microloan intermediaries to support lending to micro-enterprises.

The process by which the SBA provides small businesses with opportunities for obtaining loans is supported by three major activities: processing, servicing, and purchasing loans. Processing includes reviewing and approving loans; servicing activities include loan collections and modifications; and purchasing is characterized by activities related to purchasing delinquent guaranteed loans and coordinating the liquidation of collateral with lending partners. These activities are delivered through six centers located throughout the country that approve, service, and purchase SBA loans.

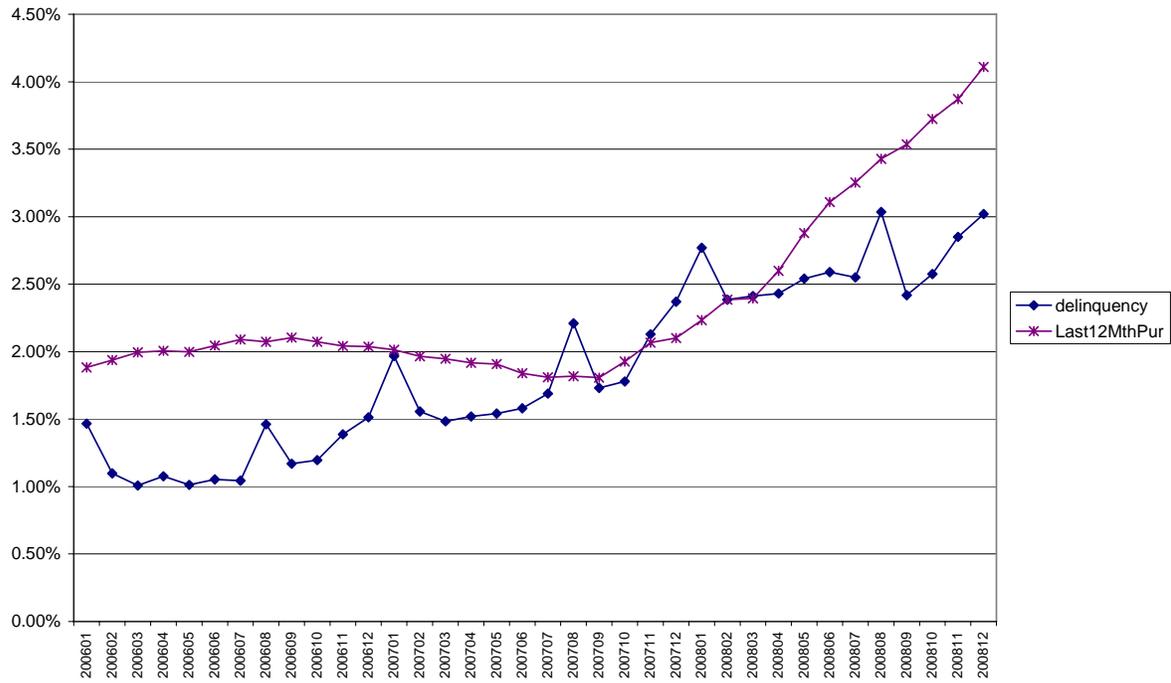
The SBA has centralized all disaster loan servicing activities in two centers, each responsible for servicing disaster loans for one-half of the country. Servicing activities include all loan collection and modification activities.

When normal loan collection activities fail to restore a successful loan repayment plan, loans are transferred from the service centers to a third center, a nationwide loan liquidation center, for intensive workout or liquidation. This includes oversight of collateral and the referral of defaulted loans to the U.S. Treasury cross-servicing program for the Agency nationwide.

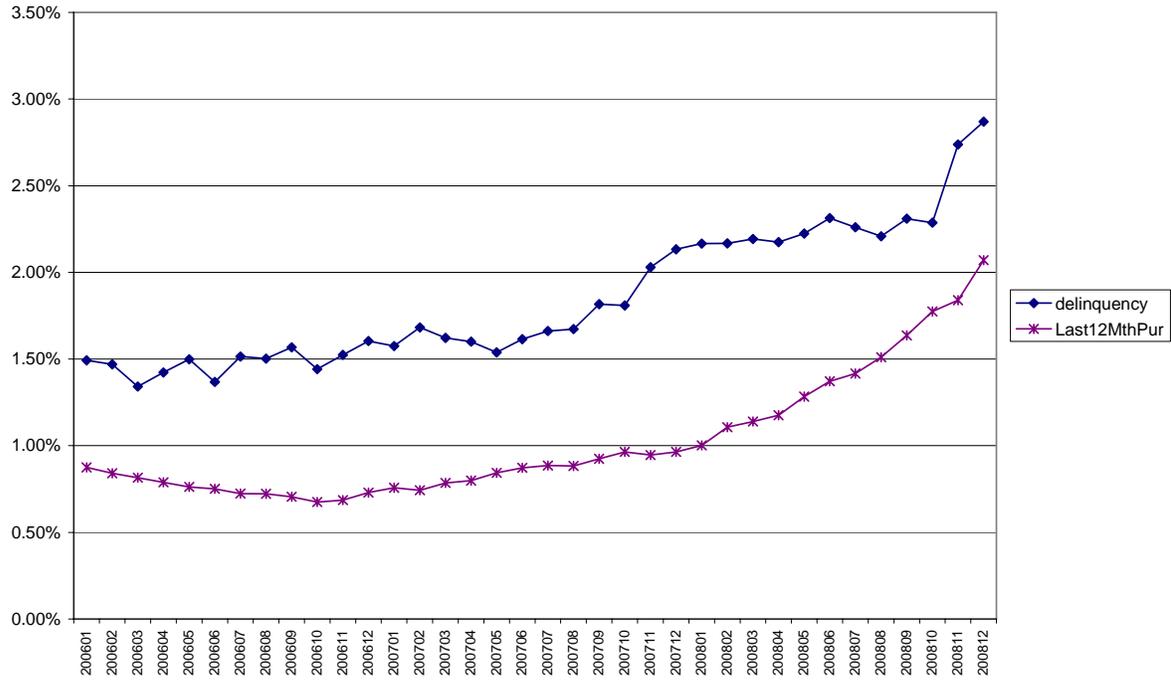
As shown in the following charts, the SBA has seen an increase in delinquency and purchase rates in both the 7(a) and 504 programs, its two major credit programs. Between December 2007 and December 2008, both delinquency rate and purchase rates increased significantly. In the 7(a) program, the delinquency rate increased 27 percent, from 2.37 percent to 3.02 percent, and purchase rates increased by more than 95 percent, from 2.10 percent to 4.11 percent. In the 504 program, the delinquency rate increased by 34 percent, from 2.13 percent in December 2007 to 2.87 percent in December 2008. The 504 purchase rate increased by nearly 115 percent, from 0.96 percent in December 2007 to 2.07 percent in December 2008.

The Agency believes these trends reflect the broader economic conditions as well as challenges in credit and financial markets throughout the country. The trend has significant implications for both program fees as well as for loan operations. With increasing numbers of loans requiring action on the part of the SBA, significant pressure is put upon operations centers to manage the increase in loan related activity.

**7a Loans : Delinquency & 12 Mn Purchase rates  
200601 to 200812**



**504 Loans: Delinquency Rates & 12Mn Pur Rates  
200601 to 200812**



In the following pages, the 7(a) and 504 programs are presented separately (individual tables and narratives). These two programs are highly suited to a variety of small business owners and, in many cases, small businesses qualify for both types of loans. However, the SBA is primarily interested in ensuring that small businesses have access to capital regardless what programs are used. Therefore, a table is included that shows the combined number of 7(a) and 504 loans funded.

### **7(a) Loan Program**

Through its 7(a) loan program, the SBA expands access to capital for small businesses. Helping businesses access the capital they need often improves the chances that they can create or maintain employment, increase revenue and survive. The 7(a) loan program is the Agency's largest business loan program to assist small businesses to obtain financing when they do not qualify for conventional credit. The program is particularly valuable to those underserved businesses that have traditionally had trouble accessing the conventional credit market. Its flexibility enables small businesses to obtain financing of up to \$2 million for various business uses, with a loan maturity of up to 10 years for working capital and 25 years for real estate. The program had seen growth over the past years, including FY 2007, despite the rising interest rate environment. However, in FY 2008 the SBA saw declining volume which has continued and accelerated in FY 2009. This is due to a number of factors, including the current economic environment, and has resulted in a lessening of demand by small businesses for credit, reduced credit qualifications of small business borrowers, some tightening by banks of credit in the commercial lending area, and frozen secondary markets, reducing volume for commercial lending overall.

In February 2009 Congress passed, and the President signed, the American Recovery and Reinvestment Act (the Recovery Act) as a nationwide effort to grow the economy by jumpstarting job creation, re-starting lending, and investing in small businesses. It assigns a key role to the SBA, with program tools that offer new economic incentives to small businesses and lenders alike. Through program changes and funding in the Recovery Act, the SBA is working to restore access to capital for small businesses, address immediate problems facing the neediest borrowers, and facilitate small business recovery opportunities.

In addition, one initiative that the SBA intends to build upon is expansion of the Small/Rural Lender Advantage initiative which was launched in FY 2008. It provides smaller SBA lenders a streamlined way to process standard 7(a) loans of up to \$350,000 as a way to encourage the lenders to do more SBA lending. If the initiative proves successful in FY 2009, the SBA would like to make it available to all lenders in FY 2010 for smaller dollar loans that are made in underserved markets, regardless of the size of the lender. This will encourage lenders to make more of these more costly loans in the communities that need them most. Smaller dollar loans have fallen off in volume, in part because they are the costliest to make.

## 7(a) Loan Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Loans Funded (#)	Output	88,845	90,483	92,553	64,514	66,178	44,940
SB Assisted (#)	Output	83,102	80,303	84,666	59,019	60,486	41,112
USM - Lns Funded (#)	Output	N/A	N/A	33,388	25,119	25,304	17,498
USM - SB Assisted (#)	Output	N/A	N/A	30,529	22,978	23,127	16,006
Jobs Created/Retained (#)	Outcome	662,133	790,170	864,947	649,271	925,493	541,265
Cost per Loan Funded (\$)	Efficiency	\$ 559	\$ 461	\$ 452	\$ 861	\$ 864	\$ 1,436
Cost per SB Assisted (\$)	Efficiency	\$ 881	\$ 903	\$ 843	\$ 1,462	\$ 1,460	\$ 2,429

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 73,238	\$ 72,485	\$ 71,387	\$ 86,282	\$ 88,336	\$ 99,858
Loan Making (\$000)	\$ 49,672	\$ 41,741	\$ 41,822	\$ 55,571	\$ 57,193	\$ 64,527
Loan Servicing (\$000)	\$ 16,362	\$ 17,190	\$ 5,674	\$ 6,645	\$ 6,797	\$ 7,633
Loan Liquidation (\$000)	\$ 7,204	\$ 13,554	\$ 15,146	\$ 20,041	\$ 20,390	\$ 23,017
Lender Oversight (\$000)	N/A	N/A	\$ 8,745	\$ 4,025	\$ 3,956	\$ 4,681

## 7(a) and 504 Loans

Loans Funded	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
7(a) and 504 Loans Funded Combined (#)	97,819	100,203	102,958	73,144	74,903	74,903

## FY 2008 Accomplishments

The SBA reached out to its lending partners through a Lender Relationship Management initiative. The initiative, (1) reminds lenders that the Agency continues to be available to guarantee loans to small businesses, and (2) works with lenders to provide good customer service to ensure that both the SBA's and the lender's operational needs are met. The Agency took this proactive step to inform lenders of the improvements made in its products, technology and processes. This initiative involves headquarters and field personnel throughout the Agency. The initiative has increased the knowledge in the lender community of product offerings and operational requirements. At the same time the SBA is able to improve the effectiveness of its programs by maintaining closer contact with lenders and keeping informed of their needs and their perceptions of the Agency.

The SBA successfully established the Small/Rural Lender Advantage initiative to improve access to SBA products for community lenders and increase their ability to assist underserved customers. S/RLA is not a new product, but rather a streamlined way for lenders with small SBA loan volume to gain experience with regular 7(a) lending. Features include a streamlined application and eligibility questionnaire to significantly reduce paperwork requirements, making SBA's products and services more attractive to lenders and borrowers.

In FY 2007, the SBA embarked upon an initiative to update its Standard Operating Procedures governing 7(a) and 504 loan processing, servicing and liquidation and providing them in a searchable format. This modernization initiative proved highly successful in FY 2008. The first effort, a major revision of SOP 50 10 that describes the rules and policies to become a 7(a) lender or CDC, as well as 7(a) and 504 loan processing regulations, policies and procedures, was completed and presents the Agency's policies in a much shorter and easier format to understand. This modernized edition is better organized by type of loan program, and is web-based and designed with searchable PDF technology, which has become the industry standard for large web-based documents.

The highly successful re-engineering of the National Guaranty Purchase Center in Herndon, Virginia allowed the SBA to surpass the key goal of the “Brand Promise Restored” campaign, that lenders would receive a decision on their guaranty purchase request within 45 calendar days of submission of a workable package. The center also eliminated a substantial backlog of pre-purchase reviews by the end of May 2008, as pledged at the launch of the BPR Campaign. The time to purchase a typical guaranty fell from more than 279 days at the beginning of September 2007 to less than 20 days by end of the campaign. In addition, the acceptable quality of guaranty purchase packages from SBA’s lending partners rose from less than 10 percent to more than 70 percent. A documented, standardized operations manual and review process were part of the re-engineering effort. As a result, the NGPC doubled its productivity while improving the quality and effectiveness of the guaranty purchase review process. Lenders are paid faster, and their confidence in the predictability of the SBA guaranty has been restored. The NGPC continues to re-engineer other areas of its operation to gain further efficiencies and improve quality throughout the organization.

In addition to Herndon, center re-engineering and continuous improvement projects are under way in all of the SBA’s loan processing, servicing and purchase/liquidation centers. By eliminating non-value added activities, the SBA is able to focus resources on those areas representing the most risk to the Agency, improve customer service, and make sound business decisions driven by performance metrics that promote transparency and accountability. Work initiated in FY 2007, and continued in FY 2008, to implement performance management metrics and scorecards in all centers will continue to be refined in FY 2009 and FY 2010 as key management tools for enhancing performance, quality and accountability.

Workload in SBA service and liquidation centers has increased due to the substantial growth in the total loan portfolio over the last the last five years. As a result of this growth and the product life cycle of several newer loan products, in FY 2008 the Agency began to experience an increase the number of loan defaults, liquidation, and charge off activity. Although new loan volume was down in FY 2008, the growth in loan servicing and liquidation transactions will persist for several years to come due to the growth experienced in the past several years.

Staffing in SBA centers was carefully reviewed during FY 2008 to ensure that adequate staffing was available to address the increases in volume. The SBA created balanced staffing models for all of its centers to model the impact of projected changes in workload and the impact on the ability of the centers to maintain continuity in all of their operations. By ensuring that there is adequate staffing to manage lending functions, the Agency is able to continue its efficient, timely, and quality level of service while performing at a higher level in the secondary functions vital to the center and ensuring the on-going quality and integrity of its loan programs. The models indicated that additional staffing is required to meet the incoming workload through FY 2009, and the SBA took immediate steps to reallocate staffing resources to meet those demands.

#### **FY 2009 - FY 2010 Planned Performance**

As stated previously, the SBA will monitor and perfect its Small/Rural Lender initiative which was rolled out nationwide in September 2008. This initiative leverages improvements in loan application processing and other efficiencies that resulted from the successful centralization of all 7(a) loan approval activities in FY 2007. As a result, loan approval times for more than 93 percent of the loans were reduced to six days or less with most loans being processed in less than three days. Expanding on this efficiency to make it more cost effective for all participating lenders is the way 7(a) should evolve to ensure the flow of capital to creditworthy smaller businesses. It is anticipated that continuous process improvements, possibly augmented by moderate additional capacity investments in SBA’s Citrus Heights facility, will be able to support this loan growth.

The SBA will continue its Lender Relationship Management initiative in FY 2009 and FY 2010. This initiative will help maximize 7(a) loan volume by increasing marketing and training for lending

partners. These efforts will emphasize start-up business loans, larger loans that support job growth, and more loans that assist small businesses located in underserved markets. Use of technology and better educational tools for interfacing with processing and servicing centers will also be stressed to continue to improve efficiencies and customer service.

Customer service, quality improvements, efficiency and effectiveness will continue to be the focal points of SBA centers. All centers are focused on a vision for how they should be operating 12-18 months in the future. The vision incorporates the elimination of non-value added activities through continuous process improvement, better customer service, greater ease of use for all stakeholders, and continual reduction of variation for greater process control and quality. Quality assurance teams have been organized, plans developed, and projects are underway. Backlogs have been eliminated or are in the final phases of elimination, and the operational teams are focusing efforts on re-engineering processes for a more effective and efficient centralized environment.

The Standard Operating Procedures modernization initiative continues into FY 2009 and has resulted in an update to SOP 50 10 5, effective March 1, 2009. The goal is to have an update to the SOP approximately every six months to incorporate new policies and/or procedures that were implemented in the previous six months as well as to clarify any existing policies. The second effort, SOP 50 51, Loan Liquidation and Guaranty Purchase, is underway and will be completed in FY 2009. It will be better organized by type of loan program and will be web-based with search capabilities.

The SBA has restructured its Community Express pilot program to ensure it is properly focused and positioned to meet the needs of underserved markets. These changes were implemented for FY 2009.

Finally, the American Recovery and Reinvestment Act includes temporary changes to the 7(a) loan program regarding SBA fees and guaranty percentages and creates a new, short term loan program of \$35,000 or less to assist small businesses with short term cash flow issues resulting from the current economic downturn.

### ***504 Loan Program***

The 504 loan program serves small businesses requiring "brick and mortar" financing. A typical 504 loan project includes a loan secured from a private sector lender with a senior lien, and a SBA backed loan secured from a CDC in a second lien position. Thanks to particular features of this program, such as a statutorily-mandated job creation component, a community development goal, or a public policy goal achievement component, the program helps the SBA facilitate job creation and meet the Agency's mission to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses. As with the 7(a) loan program, the 504 loan program receives much support from SBA field offices which promote the program and train lenders and small businesses on the program's features. After several years of growth in 504 lending, the Agency experienced a reduction in the number of 504 loans approved in FY 2008.

## 504 Loan Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Lns Funded (#)	Output	8,974	9,720	10,405	8,630	8,725	6,575
SB Assisted (#) <sup>(1)</sup>	Output	7,629	7,569	9,708	8,084	8,185	6,159
USM - SB Lns Funded (#)	Output	N/A	N/A	3,695	3,544	3,538	2,700
USM - SB Assisted (#)	Output	N/A	N/A	3,449	3,332	3,319	2,538
Jobs Created/Retained (#)	Outcome	135,022	135,479	140,778	121,723	158,122	83,944
Cost per SB Loans Funded (\$)	Efficiency	\$ 1,581	\$ 1,651	\$ 1,540	\$ 2,095	\$ 2,108	\$ 3,219
Cost per SB Assisted (\$)	Efficiency	\$ 2,859	\$ 2,830	\$ 2,566	\$ 3,106	\$ 3,266	\$ 4,723

<sup>(1)</sup> FY 2005 and FY 2006 totals for these indicators only include the data for existing businesses. Start-up businesses were not included. Starting in FY 2007, all Small Businesses Assisted are included.

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 21,812	\$ 21,424	\$ 24,915	\$ 25,106	\$ 26,734	\$ 29,090
Loan Making (\$000)	\$ 14,190	\$ 16,046	\$ 16,028	\$ 18,079	\$ 18,395	\$ 21,164
Loan Servicing (\$000)	\$ 5,452	\$ 3,636	\$ 2,590	\$ 1,522	\$ 2,819	\$ 1,578
Loan Liquidation (\$000)	\$ 2,170	\$ 1,742	\$ 1,687	\$ 2,999	\$ 3,053	\$ 3,433
Lender Oversight (\$000)	N/A	N/A	\$ 4,610	\$ 2,506	\$ 2,467	\$ 2,915

### FY 2008 Accomplishments

Re-engineering projects in the Citrus Heights Loan Processing Center consistently reduced the turnaround time on 504 loan modification decisions from six days and over to three days or less. In addition, policy improvements eliminated the need for SBA approval of certain actions normally processed by the center, freeing up resources for more value-added activities. Continuous process improvement of the activities that remain will allow the center to process more loans more efficiently.

The SBA introduced ETran, its direct electronic lender interface that is widely used in the 7(a) program, into the 504 program to include 504 loan servicing actions. The Agency expects that ETran servicing will be particularly useful for the CDCs as there are often numerous minor changes to a 504 loan record just prior to loan closing. In 2008, a pilot program allowed five active CDCs to use the ETran system for loan origination. The SBA received positive feedback from the participants. The Agency is currently in the process of enhancing the servicing module with additional requirements derived from the pilot, and is planning a more expansive rollout for FY 2009.

The Agency also re-engineered the 504 loan liquidation process in its two centralized locations, the Little Rock and Fresno servicing centers. The re-engineering leverages the efficiencies gained from centralizing the activity into a more performance-based environment where the emphasis is on timely, consistent and sound decisions to maximize recovery for the portfolio. SBA's centers encourage participation with the CDCs in the liquidation process.

### FY 2009 - FY 2010 Planned Performance

Re-engineering projects in Sacramento, Little Rock and Fresno will continue into FY 2009 and FY 2010. Through continuous process improvement and leveraging of technology, the centers will be able to shorten cycle times, improve quality, and even automate actions that currently require staffing resources to process. The ultimate beneficiary of such activities will be the small business borrower, as the cost of the program is lowered and ease of use is improved.

The Recovery Act also contained changes that apply to the 504 Program, including eliminating certain loan fees, allowing refinancing of traditional debt into the 504 program for certain project expansions, and providing SBA guaranties for pools of third-party first mortgages related to the 504 program. It is anticipated that, as the Agency executes the Recovery Act, demand for 504 loans will increase.

In FY 2010 the SBA plans to evaluate the corporate governance provisions of the 504 loan program as well as the current framework of CDC approval, renewal and expansion requests. Consistent with the re-engineering of the servicing centers, processes will be reviewed so that non-value added practices can be eliminated while maintaining program integrity.

In FY 2009 - FY 2010, the SBA will continue to expand ETran for 504 loans from the Sacramento processing center into its servicing centers in Fresno and Little Rock, and will increase the number and type of transactions that CDCs can process through ETran. This will allow the Agency to reallocate its resources to more value-added activities within the center.

The Standard Operating Procedures modernization initiative continues into FY 2009 and will result in updated SOPs for all lending functions. The second effort, SOP 50 51, Loan Liquidation and Guaranty Purchase, is underway and will be completed in FY 2009. It will be better organized by type of loan program and will be web-based with search capabilities.

With the 2010 cohort, the subsidy model for the 504 program will include a servicing fee for purchased debenture accounts.

### **Microloan Program**

Through the Microloan program, the SBA provides loans and technical assistance to intermediaries that provide very small loans to start-up and newly-established small businesses such as childcare centers needing small scale financing and technical assistance for start-up or expansion. Under this program, the Agency makes direct loans to nonprofit community based lenders (intermediaries) which in turn make loans to eligible borrowers in amounts up to \$35,000. The microloans made by the intermediaries are not guaranteed by the Agency.

### **Microloan Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Loans Funded (#)	Output	2,436	2,395	2,427	2,682	2,500	2,500
SB Assisted (#)	Outcome	2,436	2,395	2,427	2,682	2,500	2,500
Cost per SB Assisted (\$)	Efficiency	\$ 7,590	\$ 6,626	\$ 7,126	\$ 6,855	\$ 9,232	\$ 5,678
Cost per Loan Funded (\$) <sup>(1)</sup>	Efficiency	\$ 1,584	\$ 1,269	\$ 1,536	\$ 928	\$ 956	\$ 1,169

<sup>(1)</sup> Does not include the cost of Technical Assistance.

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Resources (\$000)	\$ 18,489	\$ 15,870	\$ 17,294	\$ 18,385	\$ 23,080	\$ 14,194
Total Loan Making (\$000)	\$ 3,859	\$ 3,040	\$ 3,727	\$ 2,490	\$ 2,391	\$ 2,923
Loan Servicing (\$000)	\$ 387	\$ 20	\$ 312	\$ 468	\$ 298	\$ 550
Loan Liquidation (\$000)	\$ 115	\$ -	\$ 157	\$ 206	\$ 133	\$ 242
Technical Assistance (\$000)	\$ 14,128	\$ 12,810	\$ 13,098	\$ 15,221	\$ 20,258	\$ 10,479

## **FY 2008 Accomplishments**

The Microloan program continued to grow in FY 2008, reaching nearly 2,700 loans, as the difficulty of obtaining regular bank financing increased. Most of the growth occurred in the first quarter of the fiscal year, and since then program volume has declined. In FY 2009, new microloan originations are running about 21 percent behind last year in terms of both the number of loans and dollars loaned.

The program continued to be a major resource for entrepreneurial development and financing, especially among underserved communities. The SBA projects that the Microloan program will continue to effectively reach significant numbers of women and minorities with about 48 percent of its microloans going to businesses 51 percent or more owned by women, and about 53 percent going to minority-owned firms.

The SBA is strengthening the management of the Microloan program by conducting a top to bottom review of the program to identify opportunities for improvement. Additionally, the Microloan program is seeking to create greater transparency in the accounting and portfolio management of the loans to the program's intermediaries.

## **FY 2009 - FY 2010 Planned Performance**

Due to recent credit conditions, the Microloan program has experienced a significant increase in inquiries, both from potential borrowers and prospective intermediaries. The Recovery Act provided additional funding for both microloans and for technical assistance for microloan borrowers.

The SBA expects microloan volume to increase slightly in FY 2009. It is projected that these loans will result in about 10,000 jobs created or retained in FY 2009. Based on interest in the program, which has been generated by the Recovery Act, and the substantial additional resources to be made available by the Act, the SBA expects a significant increase in program activity in FY 2010.

An operational assessment of the Microloan program is underway and will be completed in FY 2009.

## ***Credit Risk Management***

The SBA works to maximize the efficiency of its lending programs by effectively managing program credit risk, monitoring lender performance, and enforcing lending program requirements. The Agency conducts a continuous risk-based, off-site analysis of lending partners through the Loan/Lender Monitoring System, a state-of-the-art portfolio monitoring system that incorporates credit scoring metrics for portfolio management purposes. In addition to overseeing lenders, the L/LMS provides policy, portfolio and program analysis. With the implementation of the L/LMS and redesign of the on-site review process, oversight functions are focused on those 7(a) lenders, certified development companies, and microloan Intermediaries that pose the most risk to the SBA. In February 2006, Thomas H. Stanton, *Managing Information and Risk: Promising Practices of Federal Financial Systems*, sponsored by Deloitte and Touche, USA, recognized this system as a promising practice in federal credit management.

The Office of Credit Risk Management is divided into three teams: large lender oversight, small lender oversight, and program and policy analysis. The differentiation of lender oversight by lender size reflects the different forms of oversight needed for large lenders versus small lenders.

The Office of Credit Risk Management also assesses the quality of the overall SBA 7(a), 504, microloan, and disaster loan portfolios. These efforts not only help protect the interests of the

taxpayer, but also help lending partners better understand how best to fulfill the requirements of the lending programs in a way that is mutually beneficial to lenders and the SBA. SBA lending partners are crucial to the overall success of these programs.

### **FY 2008 Accomplishments**

*Increased the Number of On-site Reviews* — The implementation of the lender fee regulations enabled the Agency to increase the number of on-site risk-based reviews from 80 performed in FY 2007 to over 200 performed in FY 2008.

*Improved Portfolio Analytics* — The Agency undertook several initiatives that will assist in improving portfolio analytics to support lender oversight operations. A staffing analysis was performed to determine the appropriate effective level of staff resources the Office of Credit Risk Management needed to perform its function. As a result of the staffing analysis, the office revised its processes to make individual financial analysts responsible for lenders in specific geographic regions. This will improve the management of lender relationships within the Office of Credit Risk Management and allow the analysts to become more familiar with regional issues that may affect individual lender performance.

*Developed a Communications Plan* — In an effort to increase awareness of the risk management policies and procedures, a communications plan was created. The purpose of this plan is to improve understanding of the Office of Credit Risk Management's mission, objectives and oversight processes to increase transparency.

*Enhancements to the Loan/Lender Monitoring System* — A rescaling was completed to address the inspector general's concern about the "subjectiveness" of the SBA's former risk ratings scale.

### **FY 2009 - FY 2010 Planned Performance**

*Maintain Reasonable Level of Credit Risk* — The SBA will continue expanding upon its goal of ensuring stewardship and accountability over taxpayer dollars through financial portfolio management and prudent oversight. The Agency will achieve this goal by: (1) continuing to perform on-site lender reviews with the objective of reviewing all large and mid-size lenders and community development companies generally on a bi-annual basis; (2) ensure that these lenders and CDCs whose portfolios comprise more than 80 percent of the Agency's guaranty dollars outstanding are accountable for managing their portfolios in a prudent manner, thus reducing the SBA's overall credit risk; and (3) continuing to monitor its smaller lenders and CDCs through its off-site monitoring process.

The SBA will expand its oversight efforts to the Microloan program by applying its off-site monitoring approach to microloan intermediaries.

*Enhance Program Management by Issuing Guidance and Conducting Analysis* — The SBA also plans to issue guidance with regard to the use of loan agents by lenders to originate SBA guaranteed loans. In addition, as L/LMS continues to be leveraged for oversight and portfolio management purposes, more involved data analysis of performance trends will be conducted. The results of these analyses will be used for more effective management of SBA loan portfolios, as well as to assist in identifying irregularities that may be an indication of inappropriate lending activities.

Finally, the SBA will also apply its portfolio analysis capabilities, first developed through L/LMS, to the Agency's disaster loan portfolio. This portfolio analysis capability will be used to provide relevant information for senior management to use in decision making.

*Development of Enforcement Action Guidance* — The SBA plans to issue further guidance to lenders regarding grounds for enforcement actions and the types of enforcement actions that may

be taken by the Agency against lenders. This guidance will increase Agency transparency with its lending partners.

### **Small Business Investment Company Program**

The Small Business Investment Company program provides private equity capital and long-term loans to small businesses. SBICs are privately owned and managed investment funds, licensed and regulated by the SBA. They use their own private capital plus funds borrowed with an SBA guaranty to make investments in qualifying businesses.

By increasing availability of venture capital to small businesses, the SBA is able to assist entrepreneurs during critical business phases from establishment through growth. SBICs make investments in small businesses that have exceeded the personal resources of the founder or the capacities of angels (private investors) but are often too small to merit the attention of the larger venture funds or obtain other types of financing. In addition, unlike typical angel investors, SBICs provide strategic guidance to small businesses.

Due to deficiencies in the structure of the participating securities program, and the downturn in the stock market in 2001, significant losses in that program have been realized. No participating securities SBICs were licensed after FY 2004, and FY 2008 was the last year of leverage availability for the program. In order to help minimize the losses on the participating securities program, and to ensure the debentures program remains financially sound, the SBA has increased financial monitoring in the Office of Operations and the Office of Licensing and Program Standards.

In addition, since FY 2004, the SBA has focused on improving collections in the Office of Liquidations. As a result, since FY 2005 the recovery rate, as measured by total collections to average of beginning and ending leverage outstanding, has consistently exceeded subsidy model estimated recovery rates. (See the third performance measure in the OMB Program Assessment Review Tool at <http://www.whitehouse.gov/omb/expectmore/detail/10009026.2007.html>).

### **SBIC Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Assisted (#)	Outcome	2,298	2,121	2,057	1,905	1,328	1,150
USM - SB Assisted (#)	Outcome	781	729	721	632	398	345
Cost per SB Assisted (\$) <sup>(1)</sup>	Efficiency	\$ 6,908	\$ 7,152	\$ 7,656	\$ 8,975	\$ 14,605	\$ 18,643

<sup>(1)</sup> The formula for calculating the Cost Per Small Business Assisted was revised in FY 2006 to include only the cost of loan making. Previously, this measure was calculated using Total Administrative Resources.

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 15,874	\$ 15,169	\$ 15,749	\$ 17,097	\$ 19,396	\$ 21,439
Loan Making (\$000)	N/A	\$ 3,648	\$ 4,382	\$ 2,479	\$ 2,812	\$ 3,108
Loan Servicing (\$000)	N/A	\$ 8,385	\$ 8,459	\$ 9,491	\$ 10,768	\$ 11,902
Loan Liquidation (\$000)	N/A	\$ 3,136	\$ 2,908	\$ 5,127	\$ 5,816	\$ 6,429

### **FY 2008 Accomplishments**

FY 2008 marked the 50<sup>th</sup> anniversary of the SBIC program. As a small business progresses through the stages of its life cycle, the type of capital required may include venture or mezzanine

financing. The SBA meets these types of financing needs through the SBIC program, principally in the \$500,000 to \$5 million range. In FY 2008, the Agency assisted approximately 2,000 small businesses with over \$2.2 billion of capital.

The Investment Division implemented the Office of Liquidation Standard Operating Procedures to address the specific needs of the participating securities program and help maximize recoveries. The Agency will continue to monitor these activities to ensure that recoveries continue to occur in an efficient and effective manner. As a result of these efforts, the SBA expects to exceed its recovery rate goal as identified in the Program Assessment Rating Tool in FY 2008.

In addition to its liquidation efforts, the SBA focused on operational changes designed to ensure appropriate credit risk management practices and make the program more attractive to fund managers and investors. As part of this effort, the Agency embarked on an enhancement of its data management functions via an extranet website to collect critical SBIC financial, investor, and capital information.

### **FY 2009 - FY 2010 Planned Performance**

For FY 2009 – FY 2010, the SBA will focus on appropriate management of program risk, customer service, and enhancing the attractiveness of the program to fund managers. Recent changes under the ARRA (principally increased leverage and overline limits) should contribute to the attractiveness of the program thereby enticing additional interest in the program. With respect to program risk, the Agency will continue to implement the liquidation strategy, issue remaining program guidance, and conduct investment valuations and examinations of SBICs. With respect to customer service, the Agency will continue to measure performance in this area and seek regulatory changes to increase the attractiveness of the program. Additionally, the Investment Division expects to complete the first phase of its data enhancement project designed to facilitate the collection of data from the licensees and improve management decision-making capabilities.

In addition, the SBA will implement program changes outlined in The Recovery Act related to the SBIC program in FY 2009.

### ***New Markets Venture Capital Program***

The New Markets Venture Capital program combines equity investing and hands-on technical assistance to foster new business growth and job creation in low-income areas. Businesses in these areas have traditionally lacked access to equity capital, and the program is helping to address this need. Through its unique combination of equity capital and no-cost technical assistance, New Markets Venture Capital companies offer entrepreneurs in low-income areas an enhanced opportunity to succeed.

Selected by the SBA through a competitive process, eligible companies are privately owned and managed for-profit entities with a unique perspective regarding the geographic areas in which they invest. They use their own private capital plus debentures obtained at favorable rates with SBA guaranties for investing. They also provide technical assistance to the enterprises in which they invest or intend to invest, using private resources matched by the SBA in the form of Operational Assistance grants.

The New Markets Venture Capital program is a small program. The SBA will assess the future potential of this program as investment results become clearer.

## FY 2008 Accomplishments

During FY 2008, NMVC companies extended \$13.4 million in 55 separate financings to 36 companies. The reduced number of financings from FY 2007 reflects the fact that all of the NMVC companies are near the end of their investment cycle and are generally only doing follow-on financings.

## FY 2009 - FY 2010 Planned Performance

The New Markets Venture Capital Companies have essentially completed the investment phase of their lifecycle. They are in the process of nurturing and harvesting their portfolios. Any additional investing will principally be for follow-ons to support the companies' growth and development. The success of this program will be greatly determined by the performance of these portfolio companies over the next three to four years. The Investment Division will focus its efforts in the program on monitoring the financial health of the NMVCCs' companies and their underlying portfolios.

## *International Trade Program*

According to U.S. Department of Commerce data, 97 percent of all U.S. exporters are small businesses. The SBA estimates that in FY 2010 these businesses will account for over \$600 billion in exports, equivalent to 29 percent of the dollar value of all U.S. anticipated exports. SBA's Office of International Trade takes two approaches to enhancing the participation of small businesses in international trade. The first is a field-based export promotion and finance network of senior international trade and finance specialists working in U.S. Export Assistance Centers. The second is policy-oriented collaboration with the government's international affairs agencies to advance U.S. international commercial, economic and diplomatic objectives.

Lenders are often hesitant to provide loans for export transactions because of the inherent degree of uncertainty and complicated characteristics of international trade. The SBA addresses these challenges by providing small businesses and lenders with training and technical assistance in order to facilitate access to capital. The Agency's network of export specialists at 18 U.S. Export Assistance Centers works closely with businesses and banks to deliver trade promotion and finance services.

The SBA also helps represent and advance U.S. interests with international organizations concerned with small business development and supports trade capacity building efforts as part of U.S. international trade agreements. SBA's Office of International Trade also engages small business agencies in other countries to facilitate opportunities for small business linkages and exports.

## **International Trade Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Loans Funded (#)	Output	2,638	3,082	2,767	3,090	2,921	1,096
SB Assisted (#)	Outcome	2,484	2,851	2,513	2,908	2,652	1,031
USM Assisted (#)	Outcome	N/A	N/A	1,007	1,248	1,176	443
Cost per Loan Funded (\$)	Efficiency	\$ 2,047	\$ 1,396	\$ 1,900	\$ 1,344	\$ 1,602	\$ 4,942
Cost per SB Assisted (\$)	Efficiency	\$ 2,174	\$ 1,510	\$ 2,092	\$ 1,428	\$ 1,764	\$ 5,253

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 5,400	\$ 4,304	\$ 5,258	\$ 4,154	\$ 4,679	\$ 5,416

## **FY 2008 Accomplishments**

In FY 2008 the SBA, through its Office of International Trade, funded 3,090 loan guaranties to support small business exporters that generated export sales exceeding \$2.4 billion; trained over 3,200 lenders; counseled over 2,800 lenders; trained over 6,300 small businesses; and counseled over 4,500 small businesses.

The Agency took important steps to improve its international finance products, including the following:

- Submitted for Agency-wide clearance, a new Export Working Capital Program SOP and Lender's Guide;
- Initiated a new policy designed to encourage preferred lender processing of Export Working Capital loans;
- Updated the EWCP loan authorization wizard for issuance in FY 2009;
- Conducted an international trade finance lender roundtable; and
- Created a marketing task force to ensure that products and services are available to both lenders and the small business community, including a strong effort to enlist more participating lenders to provide working capital through the EWCP and Export Express loan programs.

The SBA coordinated the first Small Business International Trade Symposium in South Florida. This celebration of small business in international trade drew more than 400 people for a town hall meeting with the SBA Administrator and Commerce Secretary, a small business exporter success story panel, a discussion on "What Free Trade Agreements Mean to Small Business," and a panel of local resource providers. Feedback was extremely positive.

The SBA participated in the Americas Competitiveness Forum. SBA's presentation highlighted best practices to prepare micro, small, and medium-sized businesses to effectively engage in international trade. The ACF was hosted by the Commerce Department and the City of Atlanta.

During the September 2008 Association of Small Business Development Centers annual conference, the Office of International Trade and the Trade Promotion Coordinating Committee conducted a six-hour training session for international trade technical assistance personnel from the SBDC network. Those counselors and trainers who successfully completed this training were awarded TPCC Training Certification.

SBA's Office of International Trade continues to collaborate with other federal agencies that have special initiatives that focus on the small business sector. OIT has been called upon by the U.S. Department of the Treasury (Office of Technical Assistance); U.S. Department of State (providing technical assistance on small business development and public and private sector assistance programs); U.S. Trade Representative's Office; Ex-Im Bank, TDA and OPIC on an "as-needed basis," to provide SBA program information and share best practices that may be used as models for international economic development projects in which those agencies participate.

## **FY 2009 - FY 2010 Planned Performance**

*Export Promotion and Finance* — The SBA will continue to collaborate with the Trade Promotion Coordinating Committee agencies, state and local resources, Agency-sponsored resource partners and stakeholders in trade promotion and finance, and national and community banks to ensure that small business exporters receive support to be competitive in the world economy.

The Agency will train lenders and small businesses to heighten awareness of its programs and services and work to ensure that small business exporters have access to training through the

SBA's resource partners. Performance metrics to track production, outputs and outcomes, and additional training for SBA staff will be further refined to ensure success.

Export Express is a key loan program that provides access to capital to experienced exporters as well as to those who are new to export markets. The Export Express loan product will be modified to accommodate faster and easier processing by lender partners, including reducing certain documentation now required. The Export Express pilot loan program has been submitted for a 15-month extension to December 31, 2009.

A finalized Export Working Capital Program SOP and updated EWCP Wizard Authorization will be released Agency-wide and nationally to all SBA lenders.

The SBA will work with resource partners to conduct small business international trade symposiums throughout the U.S. The symposiums will focus on stimulating interest and enthusiasm for international trade and recent trade agreements. They will also inform small businesses of programs and services that can help facilitate their effective participation in trade.

*International Commercial, Economic and Diplomatic Agenda* — The SBA will continue to contribute to the President's Export Council and as a core member of the Trade Promotion Coordinating Committee. The Agency will focus on strategic alliance initiatives with countries that have negotiated free trade agreements with the United States and/or other countries that are determined priority markets by the U.S. Government.

The SBA will support Presidential initiatives such as the Summit of the Americas by continuing to advance the summit deliverable, Small and Medium Enterprises Congress of the Americas on International Trade. The Agency will also support U.S. engagement with African nations. It plans to arrange for training and to participate in the trade and investment framework agreements, lead-ups to full trade agreements between the U.S. and countries in Africa. The Office of International Trade will also continue to represent the U.S. Government in small business dialog with multi-lateral organizations such as the Asia Pacific Economic Cooperation and the Organization for Economic Development and Cooperation.

### ***Surety Bond Guarantee Program***

Under the Surety Bond Guarantee program, the SBA guarantees bid, payment, and performance bonds on contracts up to \$2 million for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. The Recovery Act temporarily increased the \$2 million ceiling to \$5 million, and in some cases up to \$10 million, through September 30, 2010. The SBA guaranty gives sureties an incentive to provide bonding for eligible contractors and thereby increases a contractor's access to contracting opportunities. Under the surety guaranty, an agreement between a surety and the SBA, the Agency assumes between 70 percent and 90 percent of the loss in the event of contractor default.

### Surety Bond Guarantee Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Final SBG (#)	Output	1,680	1,706	1,617	1,576	1,800	1,980
Total Bonds (#)	Output	5,678	5,214	5,809	6,055	6,000	6,600
USM- Final SBG (#)	Output	N/A	N/A	N/A	668	600	660
Cost per Final SBG (\$)	Efficiency	\$ 2,906	\$ 4,107	\$ 4,283	\$ 2,800	\$ 2,573	\$ 2,586
Cost per Total Bid Bonds (\$)	Efficiency	\$ 860	\$ 1,344	\$ 1,192	\$ 729	\$ 772	\$ 776

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000) <sup>(1)</sup>	\$ 4,882	\$ 7,006	\$ 6,926	\$ 4,413	\$ 4,632	\$ 5,121

<sup>(1)</sup> Administrative resources do not include funds appropriated for the contingent liability in the revolving fund.

### FY 2008 Accomplishments

In FY 2008, the SBA guaranteed 6,055 bonds. As a result, \$538 million in contract revenue was generated for small businesses, and approximately 5,075 jobs were created.

In FY 2008, several program initiatives designed to strengthen the Agency's partnership with the surety industry were completed. A proposed rule was drafted to address needed program changes that will enhance productivity and efficiency. An independent study of the program was conducted to: (1) identify the approximate size of the small business market for the program; (2) evaluate marketplace factors that influence surety and small business participation in the program; and (3) identify actions required to enhance program efficiency and effectiveness. The study concluded that the small business market is significantly larger than is currently being served and major program adjustments are needed to reduce the paperwork burden on small businesses and surety companies that discourages their participation in the program. Additionally, the study confirmed that broad marketplace factors, such as upturns and downturns in the economy at large affect the demand for surety bond guaranties, but that the program serves a useful purpose in smoothing out cyclical changes. Overall, the study recommended that the program office identify and adopt best practices from the reinsurance industry as a way to overcome complaints that the program is too paper intensive. Finally, the program office published a new Field Office Operating Guide to standardize best practices within the field offices, and new metrics were adopted in FY 2008 to promote improved customer service.

### FY 2009 - FY 2010 Planned Performance

With the passage of the American Recovery and Reinvestment Act in February, the Agency looks forward to a strengthened government/industry partnership supporting an increased number of small businesses in the construction and service sectors during the balance of FY 2009. The SBA will continue its focus on reaching the maximum number of small businesses, especially those located in underserved areas. The Agency will continue to market the program to non-participating sureties in an effort to expand the program to all geographical areas of the country, as well as to better integrate it with other SBA programs such as lending, 8(a), and HUBZone programs. During FY 2009, the program office will undertake a comprehensive study to determine the feasibility of developing and implementing an enhanced Surety Bond Guarantee program that emulates best practices employed in the reinsurance industry. Key aspects of such a program will include sound risk assessment and risk management practices and procedures, the adoption of new performance based metrics for key program principals, reduced paperwork burden for small businesses and surety companies, and a zero-based subsidy operating structure.

## Management and Technical Assistance

Each year over 1.4 million small businesses and entrepreneurs benefit from the expertise of the SBA and its resource partners as they work to establish or grow a small business. The assistance includes support for business and strategic plan development, planning and conducting market studies, implementing new technologies, accessing capital, and many other undertakings vital to the success of a typical small business throughout its lifecycle.

SBA management and technical assistance programs include the Office of Entrepreneurial Development programs — Small Business Development Centers, Women's Business Centers, SCORE, Drug Free Workplace, and services such as the Small Business Training Network — plus the 7(j) program, Native American Affairs, Faith-Based and Community Initiatives, and Veterans Business Development.

### *Small Business Development Center Program*

As SBA's largest non-financing program, Small Business Development Centers meet the counseling and training needs of more than 600,000 business clients annually. SBDCs deliver management and technical assistance to small businesses using an extensive business education network comprised of 63 lead centers that manage more than 950 service center delivery points throughout the U.S. and the territories, including the District of Columbia, Guam, Puerto Rico, American Samoa and the U.S. Virgin Islands. SBDCs focus on providing marketing, financial and business planning services through counseling and training. Special emphasis areas include manufacturing, procurement, technology transfer, disaster recovery, technology, market research and international trade.

Small Business Development Centers exist from a unique mix of SBA funding combined with state and private sector resources. By providing grant funding across the country, the SBA fosters the economic growth of small businesses. These small businesses in turn foster local and regional economic development through business revenues generated and job creation and retention.

### **SBDC Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Multi-Year Extended Engagement Clients (#)	Output	N/A	N/A	44,242	50,807	55,000	60,000
SB Created (#) <sup>(1)</sup>	Outcome	N/A	N/A	7,331	12,730	6,500	7,500
Capital Infusion (\$ Billion)	Outcome	N/A	N/A	3.4	3.6	2.5	2.5
Cost per Multi-Year Extended Engagement Clients (#)	Efficiency	N/A	N/A	\$ 2,288	\$ 2,194	\$ 2,266	\$ 1,913
Cost per SB Created (\$) <sup>(2)</sup>	Efficiency	N/A	N/A	\$ 13,810	\$ 4,992	\$ 10,931	\$ 8,723

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 105,593	\$ 103,007	\$ 101,241	\$ 111,481	\$ 124,655	\$ 114,775

<sup>(1)</sup> The original projection for Small Businesses Created was implemented before it was measured using EDMIS. The FY 2008 and FY 2009 goals were reduced to reflect a more realistic goal based on the data analysis from EDMIS.

<sup>(2)</sup> Prior to FY 2008, the SBDC program used full program budget dollars to calculate this metric. To better represent the program results, only program funding attributable to assisting nascent entrepreneurs is used in the calculation. This percentage is determined annually by the percentage of the client base that consists of nascent entrepreneurs. In FY 2008, the percentage of nascent entrepreneurs was 57%, which has also been applied in developing the FY 2009 and FY 2010 targets.

## **FY 2008 Accomplishments**

FY 2008 saw some major improvements relative to financial and programmatic oversight of the SBDC network. Statutorily, the SBA is required to perform financial and programmatic reviews on a biennial basis. Thus, given 63 funding recipient organizations, 31 or 32 networks receive a financial and/or programmatic review annually.

In FY 2007-FY 2008, the Agency completed a re-engineering project that revised the methodology and frequency of financial examinations while still meeting the legislative mandate. The revised financial review process, frequency and extent of examination, is based on a risk model developed in consultation with the SBDC community, the Association of Small Business Development Centers, and the SBA. An SBDC's score on the model determines its level of risk and the appropriate extent of oversight necessary, ranging from limited documentation submissions to complete, onsite examinations. The new process is intended to reward those networks that demonstrate good financial management of their funding and encourage others to achieve a higher level of financial performance.

The Agency also began a re-engineering effort to monitor the SBDCs with an increased focus on performance management. Revisions of SBA field functions were addressed to make the field's role commensurate with its capabilities, with SBA program managers assuming a more proactive role in looking at individual network performance and working with SBDC state/region directors regarding that performance. As a result of this management improvement, in FY 2009, site reviews are based more on need, service delivery, and level of performance than on traditional compliance factors.

A business counselor core competency initiative process began in FY 2008. Scheduled to be completed in FY 2011 and being developed and implemented in collaboration with the Association of Small Business Development Centers, this project will address quality assurance across the national network of SBDCs regarding the level of counselor capability and services being delivered to clients.

## **FY 2009 - FY 2010 Planned Performance**

FY 2009 will see improved performance monitoring from the new quality standards for programmatic reviews and financial examinations that were developed and/or implemented during FY 2008. The new criteria included those related to site selection, review cycles, scheduling and logistics, geographical coverage, entrance and exit briefings, on-site protocols, and timeframes for submissions of follow-up documentation and final reports. Reviews will assess service delivery and how it meets the needs of local customers looking to start and grow their businesses. They will also assess whether and how the economic impact of businesses, access to capital, assistance provided to businesses leading to an increased number of new business starts, and financial deficiencies within the SBDC are improved.

For FY 2009, the SBA will place emphasis on increasing online delivery of services across the SBDC network as a method of increasing client access to services and information. In addition, SBDC networks will be encouraged to increase collaboration with local ethnic groups, immigrant organizations and other stakeholders, and to support economic growth of low- and moderate-income communities, rural and underserved populations. Participation at Association of Small Business Development Center conferences and special interest meetings focusing on technology, strategic planning, and service delivery will serve to spotlight this effort.

The SBA will also continue to encourage SBDCs to attain the status of Small Business Technology Development Center in recognition of the expanded management assistance needs of technology-based and high-growth small businesses and their catalyst role in energizing America's economy.

During FY 2007 new goals were established that center on economic impact rather than program output. FY 2009 will be the first year of sufficient program data using the new program performance measurements, particularly the data on the number of multi-year extended engagement counseling clients (five hours or more), for there to be an adequate assessment of their value as leading indicators of greater economic impact for the program.

The SBA and the Association of Small Business Development Centers are collaborating to develop business counselor core competencies across the nationwide network of SBDCs. This initiative addresses the issue that all counselors employed in the program meet prescribed standards leading to a consistent level of quality service. It is anticipated that counselor core competencies will be developed for implementation across the SBDC national network in FY 2011.

**Drug Free Workplace Program**

The Drug Free Workplace program, within the Office of Small Business Development Centers, requires the SBA to award grants to eligible intermediaries to provide financial and technical assistance to small businesses seeking to establish drug free workplace programs. The grantees are also expected to educate working parents on how to keep their children drug free. As part of the program, the SBA also awards contracts to small business development centers to provide information and assistance to small businesses with respect to establishing drug free workplace programs.

**Drug Free Work Place Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Educated (#)	Output	5,150	531	2,731	2,280	1,450	1,500
Programs Implemented (#)	Output	1,029	62	453	363	165	170
Cost per SB Educated (\$)	Efficiency	\$ 201	\$ 2,194	\$ 311	\$ 476	\$ 761	\$ 778

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 1,033	\$ 1,165	\$ 849	\$ 1,085	\$ 1,104	\$ 1,167

**FY 2008 Accomplishments**

During fiscal year 2008, the DFWP grantees have:

- Financially assisted 1,682 small businesses;
- Technically assisted 1,703 small businesses;
- Assisted small businesses to implement 155 complete drug free workplace programs;
- Assisted small businesses to implement 208 partial drug free workplace programs; and
- Educated 2,280 small businesses.

**FY 2009 - FY 2010 Planned Performance**

In FY 2009 DFWP grantees are expected to educate 1,450 small businesses on maintaining their programs, and it is anticipated that 165 programs will be implemented. It is expected that the performance level will increase slightly with the addition of one or two grantees in FY 2009.

## Women's Business Ownership

The Office of Women's Business Ownership has management and oversight authority of the Women's Business Center program. The program's mission is to provide quality counseling and training services to all entrepreneurs, primarily women, and especially those who are socially and economically disadvantaged. The program does this by reaching out to targeted populations of pre-venture and existing entrepreneurs through 113 WBCs located throughout most of the U.S. and its territories. The WBCs are the brick and mortar locations that provide training and counseling on such topics as writing a business plan, cash flow management, and other basic business functions.

The WBC program provides initial grants for a five-year period to non-profits that show capability to operate a WBC and can provide matching funds (2:1 for the first two years and 1:1 thereafter). The program previously gave those entities that successfully completed the initial funding phase an opportunity to receive sustainability grants for an additional five years. However, in 2007, Congress passed a bill providing for permanent three-year renewable funding for all graduating WBCs, whether from the initial phase or from the sustainability phase. In three years, the sustainability grants will be phased out, leaving the initial five-year grants and the continuous three-year renewable option.

WBC grants are continued or new grants are awarded depending on the availability of federal funds and on the applicants' ability to demonstrate the following: milestone achievement, sound grant management practices (both financial and programmatic), sound financial systems, ability to meet match requirements, successful market penetration in their target market, and alignment with their host organization's mission. A returning WBC must be able to demonstrate its ability to sustain compliance with their cooperative agreement as outlined by the Office of Women's Business Ownership.

### WBC Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Assisted (#)	Output	144,316	129,373	146,828	159,879	135,000	135,000
Jobs Created/ Retained (#) <sup>(1)</sup>	Outcome	9,442	6,879	632	650	632	632
SB Created (#) <sup>(1)</sup>	Outcome	N/A	N/A	618	727	618	618
Cost per SB Assisted (\$)	Efficiency	\$ 163	\$ 170	\$ 139	\$ 142	\$ 177	\$ 182

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 23,555	\$ 22,033	\$ 20,432	\$ 22,744	\$ 23,853	\$ 24,506

<sup>(1)</sup> Prior to FY2007, the SBA collected the number of Jobs Created/Retained from the WBCs through annual reports for which SBA had no way to verify the data. The SBA now collects the information through EDMIS which is tied to the form 641 counseling records for each counseling session. While this number does not include impact data from training, it is an accurate reflection of the impact from counseling.

### FY 2008 Accomplishments

In FY 2008, the Office of Women's Business Ownership went through a complete re-engineering process. The effort included the conversion to a payment system housed at the Department of Health and Human Services. This system allowed grantees, through an automated electronic system, to access their funds within 24 hours. This was a huge undertaking and required an enormous effort to migrate each grantee into the new system.

Staffing within the Office of Women's Business Ownership was realigned to better serve WBC grantees. Program managers were assigned SBA regions for which they have daily responsibility for oversight and management of the WBCs within their regions, working with the respective district offices. In addition, a financial team was assembled with oversight responsibility of the grants function. At the very end of FY 2008, a grants management specialist position was filled to oversee the entire grants function. These accomplishments were acknowledged by the SBA by presenting OWBO with one of the Agency's first Continuous Improvement Awards.

Finally, OWBO has begun a serious examination of all WBCs by an independent accounting firm to assess risk and to take corrective action, including possible suspension, non-renewal or termination of any WBCs that are in violation of their cooperative agreement.

### **FY 2009 - FY 2010 Planned Performance**

In FY 2009 the migration to the HHS payment processing system will be complete and fully automated with each WBC able to draw down an advance of one quarter of their annual funds per quarter of the fiscal year, except the fourth quarter which will be a reimbursement. The structure will allow for proper reconciliation of all accounts after each of quarter.

OWBO will enhance its WBC secure website with improved functionality for forms, worksheets and other necessary information a WBC needs as well as structured guidance on how to use each. It is designed as a grants management tutorial, but also serves as a one stop clearinghouse for information from OWBO, including recordings of conference calls and SBA information notices and others items of interest.

Also, in FY 2009, OWBO will continue its efforts to ensure that the WBC portfolio retains the highest of performance standards. Routine financial reviews are now being conducted by a contracted CPA firm; and each new WBC or center entering the renewal funding phase will receive a financial review and site visit.

Finally, in FY 2009, OWBO will hold a series of nine SBA Regional meetings (SBA Regions 7 and 8 will be combined) in lieu of the Leadership and Professional Development Conference. This will allow the OWBO staff an opportunity to provide customized training for the grantees and SBA field personnel in smaller groups. This effort, which will not replace the annual conference, will be the vehicle to help the WBCs to fully understand and be able to implement the prior trainings on compliance to the new processes and procedures put in place in FY 2008.

In FY 2010, the portfolio of WBCs will likely stand at 113, with 23 centers in the middle of their 5-year cycle, 22 centers remaining in the sustainability cycle, 34 centers entering into renewability, and 34 centers remaining in the middle of their 3 year renewability cycle. However, this census may change as the economic downturn has affected grantee hosts, creating a difficult uphill battle in raising matching funds.

In FY 2010, it is likely that OWBO will request proposals for new centers in the six states and U.S. territories that do not currently have a WBC, subject to the availability of funds. The plan for adding new centers is part of a strategic effort on the part of the SBA to leverage the limited funds provided to the program with the best resources available to deliver sustainable results while managing growth.

In FY 2010, the HHS system will begin it's second full year in operation, thus making the knowledge gap and training needs much less time consuming for the staff. This will allow OWBO staff to focus on the performance management of the WBCs. Program managers will be able to perform better data analysis to analyze trends in customer services and needs.

### ***Entrepreneurship Education***

The Office of Entrepreneurship Education is the education, information and outreach office for the Office of Entrepreneurial Development. It manages the national SCORE program, the Small Business Training Network, the Office of International Visitors and other initiatives.

The Office of International Visitors serves an increasing number of foreign delegations that can serve as excellent collaborators on a number of projects targeted for FY2010. The unit plans to maintain its service delivery excellence while also playing a facilitation role in developing new linkages with Agency products and special markets.

In FY 2008 the Office of Entrepreneurship Education led and coordinated the active participation of multiple program and field offices to introduce the Emerging 200 underserved initiative as a prototype for training executives of emerging firms. In FY 2009 the office will deliver a second round of training in each of the 10 original sites, and add five new locations to the portfolio. SBA's FY 2010 budget request to support the continuation of this initiative to new markets reflects both the increased demand expressed by local representatives and the understanding of the importance of advanced technical training opportunities that is targeted to high-growth firms.

### **SCORE**

SCORE's primary product is the business knowledge of its nearly 11,000 volunteer working and retired business professionals who donate more than 1.1 million hours of service annually. SCORE mobilizes this experience to assist entrepreneurs and emerging small businesses participating in America's ownership society. Distinct in the federal government as the only volunteer business advisor and mentoring program, SCORE adapts its structure and services to meet the needs of small business in ever-changing economic conditions.

In addition to free face-to-face counseling and low-cost workshops in the community, SCORE offers free online counseling and training workshops on its award winning website [www.score.org](http://www.score.org). SCORE's 1,200 online counselors provide expert advice in more than 600 business areas. On the website are communities specifically for veterans, manufacturers, women and minorities. SCORE offers Spanish language materials and also provides business research, information and articles to its online communities for veterans, manufacturers, women, minorities and young entrepreneurs.

All SCORE chapters are required to maintain "minimum standards" for administration and operation, leadership and planning, community relationships, and chapter excellence based on the quality of counseling and professionalism of workshops and seminars. All chapters must maintain a website and all new volunteers must have and use email. Volunteers must sign a Code of Ethics and Conduct and renew it annually in writing. Chapters not meeting minimum standards are subject to termination of charters for non-performance. All volunteers undergo training tailored to the specific skills for which they are recruited. Nationally-mandated training for volunteers is conducted online and participation is tracked.

## SCORE

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Assisted (#) <sup>(1)</sup>	Output	403,724	308,710	336,411	360,559	349,867	349,867
SB Created (#) <sup>(2)</sup>	Outcome	N/A	N/A	1,082	943	1,082	1,082
Cost per SB Assisted (\$)	Efficiency	\$ 46	\$ 55	\$ 29	\$ 29	\$ 30	\$ 33
Budgetary Resources	Budgetary Obligations Incurred				Budget Requests		
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request	
Total Administrative Resources (\$000)		\$ 18,507	\$ 16,932	\$ 9,799	\$ 10,586	\$ 10,507	\$ 11,496

<sup>(1)</sup> In FY 2006 SCORE implemented new ED client definitions. The number of distinct clients counseled and trained in FY2006 was the baseline for future goals. The elimination of reporting ongoing clients resulted in fewer reported counseling and training activities.

<sup>(2)</sup> In the FY 2009 CBJ and the FY 2010 OMB Submission, the target (for the FY 2007 Actual and the FY 2008 Goal) was incorrectly identified as 19,732. That number did not represent Small Businesses Created. Corrections have been made to the FY 2007 Actual and the FY 2008 Goal to reflect the correct actual and goal of 1,082.

### **FY 2009 - FY 2010 Planned Performance**

In FY 2010 additional funding above the current level will allow SCORE to accelerate the implementation of its information technology plan. Implementation will provide additional administrative tools to both clients and counselors resulting in a better quality of service, quality client metrics and measures, as well as taking an administrative burden off SCORE volunteer counselors, allowing them to focus on client service, market penetration and expansion of services.

### **Small Business Training Network**

Consistent with its mission to inform and educate, the Office of Entrepreneurship Education provides a virtual campus for small businesses. The Small Business Training Network offers more than 26 free online courses. Greater than 10,400 clients each week register for SBTN courses.

Targeted courses provide the ability to create and deliver meaningful training plans that support small businesses in underserved markets and address very specific client needs, such as helping entrepreneurs navigate and survive these tough economic times.

### **FY 2008 Accomplishments**

SBTN exceeded its internal performance goals for the number of clients registering for online courses by 287,209 clients or 112 percent. In FY 2008, 542,638 small business clients enrolled in and benefitted from online training. Twelve new courses were added to the catalog of offerings, and multiple other offerings were improved. In addition, assessment tools were created and launched to evaluate client needs and lead them to targeted online training. Approximately 350,000 clients have completed such assessment tools.

### **FY 2009 - FY 2010 Planned Performance**

The Small Business Training Network improves the economic environment for small businesses by using the Internet and other electronic applications to serve customers efficiently and effectively. SBTN works with multiple program offices to offer targeted online training. Such collaborations have been very effective in increasing the number of SBTN training clients and supporting specific offices. Examples include new online courses built for finance and contracting clients, and the introduction of new technologies to sort online training clients by zip code. Continuous electronic improvements are planned, especially in the area of assessments, so that client training needs can

be better understood and addressed more efficiently via online training. A key innovation planned this year is a certificate program that tracks clients and offers an umbrella certificate.

**7(j) Program**

The SBA is authorized, under Section 7(j) of the Small Business Act, to enter into grants, cooperative agreements or contracts with public or private organizations that can deliver management or technical assistance to individuals and enterprises eligible for assistance under the Act. This assistance is delivered through the 7(j) Management and Technical Assistance program to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low-income or firms owned by low-income individuals.

Under the 7(j) program grants, cooperative agreements, or contracts are awarded to qualified service providers that have the capability to provide business development assistance to eligible clients.

Assistance under the 7(j) program may include accounting and marketing services, feasibility studies, marketing/presentation analyses and advertising expertise, loan packaging, proposal/bid preparation, industry specific technical assistance, and other specialized management, training and technical services. Additionally, an executive education program is offered for owners and senior officers of 8(a) firms to take part in intensive week-long training sessions.

**7(j) Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Assisted (#)	Output	2,107	2,317	2,486	2,021	2,289	2,400
Cost per SB Assisted (\$)	Efficiency	\$ 1,479	\$ 988	\$ 1,344	\$ 2,356	\$ 2,119	\$ 2,753

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 3,116	\$ 2,289	\$ 3,340	\$ 4,761	\$ 4,851	\$ 6,608

**FY 2008 Accomplishments**

During FY 2008, the SBA continued to provide technical assistance to 8(a) firms and other 7(j)-eligible businesses. The Office of 8(a) Business Development used 7(j) funding in 2008 to provide face-to-face training, roundtables, and networking events at the 2008 National Minority Enterprise Development Week. Using 7(j) funds, the SBA provided management and technical assistance training that included: Cost Pricing Levels I and II; Financial Management for Small Businesses; and, Managing Success in the 8(a) Business Development Program, Parts 1 & 2. The Agency also distributed a business development tool entitled *Gems of Wisdom for Succeeding in the 8(a) BD Program and Beyond*.

**FY 2009 - FY 2010 Planned Performance**

During FY 2009 and FY 2010, the SBA will continue to provide technical assistance to 8(a) firms and other 7(j)-eligible firms. Further, the SBA will ensure that 7(j) funds are used to provide targeted training to 8(a) firms in both the developmental and transitional stages of the program. As has been the case for several years, 7(j) training continues to be conducted by contractors at locations throughout the country to ensure that the training is available to as many program participants as practicable.

7(j) funds continue to be used to increase the skills of the 8(a) firms in the federal contracting arena. In addition 7(j) funds will provide international trade leads to 8(a) firms in order to increase the competitive mix of those firms interested in international trade opportunities.

### ***Native American Affairs***

The Office of Native American Affairs is charged with providing assistance to American Indians, Alaska Natives, Native Hawaiians and the indigenous people of Guam and American Samoa. SBA loan guaranties and technical assistance services are available to members of these groups living in urban areas and certain rural communities. For Native Americans living in much of Indian Country, actual reservation communities where the land is held in trust by the U.S. federal government, SBA loan guaranties are not available.

### **FY 2008 Accomplishments**

*Tribal Self Assessment Tool* — The Office of Native American Affairs hired a contractor to help develop a Tribal Self Assessment Tool. The contractor convened an Initiative Oversight Committee made up of approximately 30 individuals, mostly of Native American descent and coming from a wide geographic area. Continuing initiatives included conducting Tribal Self Assessment Tool workshops to train designated tribal members across Indian Country.

*Interagency Agreement* — The Office of Native American Affairs entered into an interagency agreement for the purpose of developing a training program for SBA employees on working effectively with tribal governments.

*Co-sponsorship Agreement* — The ONAA also entered into a co-sponsorship agreement with the American Indian Alaska Native Tourism Association for the purpose of supplying information on SBA programs and services to Native American entrepreneurs during the 10<sup>th</sup> Annual American Indian Tourism Conference.

### **FY 2009 – FY 2010 Planned Performance**

The Office of Native American Affairs will continue outreach to Native American tribes and Native American entrepreneurs living on reservations. During the current economic down-turn, ONAA will focus on outreach to these target groups to encourage business ownership. ONAA's goal is to promote participation in the 8(a) Business Development program and the HUBZone program as well as provide information about the SBA contracting and loan programs. ONAA will continue to pilot the Tribal Self Assessment Tool.

### ***Faith-Based and Community Initiatives***

The Faith-Based and Community Initiatives program helps the federal government coordinate a national effort to expand opportunities for faith-based and neighborhood organizations and to strengthen their capacity to better meet the social needs in America's communities.

SBA's Center for Faith-Based and Community Initiatives was established by Executive Order 13199, as amended in 2004. The center is in the process of changing its name in accordance with the President's executive order dated February 5, 2009 and will be known as the Center for Faith-Based and Neighborhood Partnerships. Its main goal is to develop and coordinate outreach to disseminate information on SBA programs through faith-based and other neighborhood organizations, particularly in underserved and economically distressed areas. Many faith-based and nonprofit organizations support economic and community development. By working with these organizations, the SBA and its resource partners can more effectively reach entrepreneurs and

small businesses to inform them of the wide range of SBA financial and technical assistance programs available.

### **FY 2008 Accomplishments**

The center continued its effort with the Office of Field Operations whereby SBA district offices partnered with local faith-based and other neighborhood organizations to conduct outreach to entrepreneurs and small businesses and inform them about SBA programs and services. Much of this outreach focused on reaching people in underserved communities and contributed to achieving the Agency's Strategic Goal One: *Expand America's ownership society, particularly in underserved markets.*

In FY 2008 SBA district offices, in partnership with faith-based and other neighborhood organizations, held 4,502 meetings and workshops and provided information on SBA programs to 218,679 individuals.

Separate data collection for faith-based and secular organizations began in October 2007. In FY 2008, the percentage of meetings and workshops conducted with faith-based organizations was 15 percent of the total outreach with community organizations.

The center implemented a large community organization outreach initiative, which was designed to strengthen partnerships with larger faith-based and other community organizations, and to develop more efficient methods of outreach for underserved markets. Five district offices participated in the initiative: Boston, Philadelphia, Atlanta, Albuquerque and Los Angeles. The initiative evaluated new strategies to bring SBA services to first-time entrepreneurs, start-ups and existing small businesses. The best practices were communicated to all SBA field offices.

### **FY 2009 - FY 2010 Planned Performance**

The center, to be known as the Center for Faith-Based and Neighborhood Partnerships in accordance with the President's executive order dated February 5, 2009, will continue to improve its strategy with the Office of Field Operations whereby district offices, in partnership with grassroots faith-based and other neighborhood organizations, conduct outreach to entrepreneurs and small businesses to inform them about SBA programs and services. Its goal is to more than double outreach activity with faith-based and secular community organizations as measured by the number of meetings and workshops, and attendees.

The center will continue to collect data on the participation of faith-based and other neighborhood organizations, and other applicants, including government entities, in SBA grant programs as requested by the White House Office of Faith-Based and Neighborhood Partnerships.

The center will complete its evaluation of the large community organization outreach initiative to strengthen partnerships between faith-based and other neighborhood organizations and the SBA. The best practices of the test will be communicated to all SBA field offices and integrated into the Agency's operations, goals and strategic plan.

### ***Veterans Business Development***

Through its Office of Veterans Business Development, the SBA promotes veterans' small business ownership by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated Agency initiatives and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and discharging active duty personnel. This is accomplished through: SBA district office veterans business development officer initiatives; OVBD-developed and distributed materials; websites; partnering; management of regional Veterans Business Outreach Centers; direct guidance and assistance to Agency veteran

customers; inter-agency assistance with other federal partners; and through enhancements to intra-agency programs used by the military and veterans communities.

### **FY 2008 Accomplishments**

OVBD enhanced veteran, service member and reservists business ownership opportunities through the following activities. The associate administrator conducted 69 major media interviews on behalf of the Agency to increase public awareness of SBA programs and services for veterans and Reserve component members of the U.S. Military.

OVBD provided e-based assistance to 11,104 veterans and reservists seeking entrepreneurial, financial and procurement guidance and direction. Email requests are instrumental in identifying specific assistance needed by veteran, service-disabled veteran and Reserve component members. In response, OVBD developed a PowerPoint module on DOD Procurement Technical Assistance Centers which was distributed to SBA veterans business development officers for use in presentations and district office outreach and training events, and OVBD developed a service-disabled veteran federal procurement officer "Letter Packet" for use in securing enhanced procurement opportunities in the federal marketplace. OVBD provided 207 public presentations and training events to enhance veterans' understanding of and access to SBA programs and partners to improve access to broader federal procurement opportunities, initiatives, and programs for veterans and for service-disabled veterans. OVBD also referred veterans to SBA district offices and SBA resource partners for locally based training, workshops and assistance.

OVBD continued distribution of requested veteran's entrepreneurial resource material "Kits" to state offices of the DOD National Committee for Employer Support of the Guard and Reserve, to DOD military family support centers, to state National Guard Adjutants Generals, to state departments of veterans affairs, to all SBA program and partner offices, and to some 75 veterans service organizations. In FY 2008 more than 52,629 "Kits" were requested by and distributed to resource partners nationally.

OVBD produced and distributed the *VETGazette* and Vet News/Business Opportunity alerts to more than 7,300 veterans, Agency employees and veteran's organizations. These publications provide timely information on federal procurement opportunities and other programs for veterans and transitioning active duty personnel.

OVBD expanded its district office veterans outreach initiative whereby OVBD helps district offices pay costs associated with various outreach activities, training events and conferences for veterans to start, grow or restart small business concerns. In FY 2008, OVBD provided \$58,050 to 17 SBA district offices for this targeted outreach, coordination and assistance. Through this initiative, and through OVBD material-supported (but not funded) initiatives, the veterans business development officers build relationships with and coordinate outreach and training with hundreds of local partners. With an investment of less than \$2 per veteran, the SBA was able to reach 34,244 veterans.

OVBD hosts, funds and manages the Advisory Committee on Veterans Business Affairs which serves as an independent source of advice and policy recommendations to Congress, the President, the SBA Administrator, the associate administrator for veterans' business development and other U.S. policymakers. In FY 2008, OVBD managed the process of establishing this important advisory committee as a permanent advisory committee.

OVBD continued to develop, update and provide veterans business resource guides, fact sheets, PowerPoint presentations, frequently asked questions, first steps to selling to the government, and pre and post mobilization business planning guides for reservists, veterans, service-disabled veterans, and discharging service members.

The OVBD-funded Veteran Business Outreach Centers conducted their second annual Customer Satisfaction Survey in FY 2008. The centers surveyed 2 percent of the total veteran customer population. The survey revealed that 85 percent of the clients using the centers were satisfied or highly satisfied with the quality, relevance and timeliness of the assistance provided. Clients evaluating the centers gave 85 percent ratings for the training programs provided and 85 percent ratings for program evaluation. In FY 2008, the five centers provided counseling assistance, training and directed referrals to more than 54,800 veteran and reservist entrepreneurs nationally.

In FY 2008, OVBD dedicated resources to enhanced procurement opportunities across the federal marketplace, especially for service-disabled veteran-owned small business and veteran-owned small business. In implementing the requirements of the Presidents Executive Order No.13360, OVBD provided enhanced tools, one-on-one and group counseling and training, increased outreach, and provided specific guidance to other federal agency procuring offices and personnel. OVBD staff worked with service-disabled veterans, their organizations and with SBA field personnel to improve government-wide opportunity and performance.

In FY 2008, OVBD continued to assist external and internal Agency partners in development of specific initiatives for veteran, service disables-veteran, Reserve component member, and discharging service member entrepreneurs. Examples include development and support of the Pilot "Army Advantage Fund" special recruitment initiative for the Department of the Army. OVBD updated the veteran's entrepreneurship chapters for the online DOL Turbo TAP program and for the DOL TAP Seminar Facilitation Manual. OVBD participated on the DOL-VETS Advisory Committee on Veterans' Employment, Training and Employer Outreach and the DOL Office of Disability Employment Policy "America's Heroes at Work" committees, bringing the perspective of veteran's entrepreneurship to the federal veterans employment programs arena. The office developed program materials and program recommendations for inclusion in the DOD "676 Committee" Report to Congress, and participated on the DOD Commission on the National Guard and Reserve Working Group, as well as the DOD Advisory Committee to the Yellow Ribbon Reintegration program being developed and implemented for Reserve component members, veterans and their families. Internally, OVBD worked with the Office of Native Affairs in development of a special outreach initiative targeting SBA assistance to Native American veterans. OVBD also assisted the Office of Field Operations in developing special outreach initiatives targeted to veterans and reservists. OVBD assisted the Office of Small Business Development Centers in the design and implementation of their new Veterans Assistance and Services program, and in their annual program SBDC announcement/agreement. OVBD also worked with the DOD Office of the Assistant Secretary for Reserve Affairs, the SBA Office of Advocacy and the U.S. Census Bureau on a collaborative research project to help determine the economic effects of Title 10 activations on self-employed Reserve component members of the U.S. military.

OVBD outreach, coordination, ombudsman responsibility and program and policy development resulted in a record number (more than 200,000) of veterans, service-disabled veterans, reservists, discharging service members, their family members, and external program partners utilizing SBA services and programs in FY 2008.

### **FY 2009 - FY 2010 Planned Performance**

For FY 2009 – FY 2010, the SBA Office of Veterans Business Development plans to continue making special efforts to reach and inform veterans, service-disabled veterans, Reserve component members, and discharging service members about the availability of all business counseling, training, lending and contracting programs available from federal and state governments, and from private sector partners. An integral part of the operating and performance plan will be implementing Public Law 110–186, the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008. This public law is designed to improve and expand small business assistance for veterans of the armed services, including military reservists. In addition, OVBD will continue to develop and distribute information guides and educational packages such as the veteran's resource guides, service-disabled veteran-owned business

owners' procurement fact sheets, pre and post mobilization business planning guides, women veteran resources, Military Reservist Economic Injury Disaster Loan Fact Sheets and other targeted program fact sheets, PowerPoint presentations, and the *VETGazette* electronic newsletter.

The Agency is continuing to implement Public Law 110-186, which was passed in February 2008 to expand outreach to and develop small business assistance programs for veterans of the armed forces and military reservists. Implementation actions include:

- A plan to expand the number and location of Veteran Business Outreach Centers, as well as their scope of assistance and services.
- Working to establish an interagency task force comprised of federal agencies and veteran organizations and military organizations to coordinate administrative and regulatory activities to improve access to capital, improve capacity, improve training and counseling services and improve federal contracting goal achievements for veterans and service-disabled veterans.
- Working with the SBA Advisory Committee on Veteran Business Affairs to develop a long-term strategic plan to support veteran and reservist small business owners.
- Developing a site on [Business.gov](http://Business.gov) to provide comprehensive access to any veteran or reservist seeking information regarding the full range of government related resources supporting successful veteran entrepreneurship, including Department of Labor transition assistance programs and workshops nationwide.
- Coordinating with and continuing to assist the Office of Small Business Development Centers to implement their grant-based veterans' assistance and services program.
- Continuing and expanding the SBA district office veterans outreach initiative to more locations, utilizing OVBD developed materials and expanding OVBD funding to this highly successful initiative.
- Developing and distributing more tools in support of achieving the three percent federal procurement goal for service-disabled veteran owned small businesses and best efforts goal for veteran owned small businesses.
- Working with Agency partners at the Departments of Defense, including coordination with the Secretary of Defense Yellow Ribbon Reintegration Program, the National Committee for Employer Support of the Guard and Reserve, the Department of Labor Assistant Secretary for Veterans Employment and Training Advisory Committee on Veterans Employment, Training and Employer Outreach, and the Department of Veterans Affairs Vocational Rehabilitation and Employment and Office of Small Disadvantaged Utilization to ensure that veterans, disabled veterans, reservists, service members and their spouses are aware of and have access to the full range of SBA programs and services.
- Expanding SBA's outreach to and cooperation with university-based veteran's entrepreneurial training programs, student veteran groups and emerging networks of recently discharged veterans utilizing GI Bill benefits.
- Expanding the VBOC program, re-establish the Veterans Entrepreneur Training program, conduct a study on the gaps in availability of VBOCs, and work within the Agency to ensure that veterans receive special consideration in new programs developed as part of the American Recovery and Reinvestment Act.

OVBD will continue to use and explore potential strategic alliances with other federal government, state government, private and not-for-profit partners to help reach the millions of veterans, reservists, active military personnel and their spouses, including already successful veteran business men and women.

## Contracting Assistance

The strength of the nation's economy is fortified when competitive and innovative small businesses are able to participate in the federal marketplace and provide solutions to the many challenges facing the federal government. The SBA works to increase the breadth and strength of the national industrial base and the number of jobs supported by the small business sector through programs having to do with federal contracting. The Agency assists other agencies in taking advantage of the resource represented by small business, at the same time that small businesses grow stronger by benefiting from federal contracting opportunities.

The SBA has procurement center representatives located at buying activities that work with the buyers to identify prime and subcontracting opportunities for small businesses. The Agency has commercial market representatives located throughout the country who work with prime contractors and small businesses to identify subcontracting opportunities.

### 8(a) Business Development Program

The SBA 8(a) BD program was created to assist eligible small socially and economically disadvantaged business concerns to compete in the American economy through various forms of business development. This business development assistance is rendered to eligible firms in a structured developmental process over a nine year program participation term. An applicant firm must: (1) be a small business; (2) be unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States; and (3) demonstrate potential for success.

#### 8(a) Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Assisted (#)	Outcome	9,458	9,600	9,536	9,122	9,363	9,457
Cost per SB Assisted (\$)	Efficiency	\$ 3,319	\$ 3,081	\$ 4,320	\$ 5,678	\$ 5,866	\$ 6,873

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 31,387	\$ 29,582	\$ 41,191	\$ 51,795	\$ 54,921	\$ 64,996

### FY 2008 Accomplishments

The Agency embarked upon several initiatives in an effort to improve program delivery and ensure that the 8(a) Business Development program is relevant to a changing industry. Initiatives included improvements to the 8(a) Business Development program application and the development and implementation of the electronic annual review process.

In FY 2008, the SBA awarded a contract to develop the Business Development Management Information System based on the Business Process Re-engineering initiative. BDMIS is a

comprehensive, integrated system that supports the activities of the Office of Business Development. It consists of the following components:

- Electronic 8(a) certification application;
- Electronic annual review/continued eligibility; and
- Various back-office functions.

The new BDMIS was deployed on July 28, 2008.

The Office of Business Development developed *Insight: Guide to the 8(a) BD Program*, which is a self-paced online training program with an indexed guide that explains 8(a) eligibility criteria, the 8(a) application process and the resources available to assist 8(a) firms. In addition, the Office of Business Development created an assessment tool for potential 8(a) applicants. The 8(a) Suitability Assessment Tool is a web-based, fully automated tool designed to help prospective 8(a) firms better determine if they are a good fit for the program. The tool serves as a self-paced filter governing the number and quality of new 8(a) applicants, based on suitability and eligibility criteria.

The Agency also developed an online self-paced training program designed to help small business clients understand and participate in federal contract markets. This web-based tool includes over 40 web links highlighting the best contracting resources and directly engages customers in the contracting process, specifically CCR and DUNS registration and federal business opportunity searches.

In an effort to ensure greater oversight as it relates to 8(a) contracts awarded by procuring agencies, the Office of Business Development revised the language in the partnership agreements between SBA and the procuring agencies to clarify roles and responsibilities. The revised partnership agreements specifically require the procuring agencies to monitor 8(a) firms' compliance with contract performance. Partnership agreements have been executed between SBA and 40 procuring agencies.

### **FY 2009 - FY 2010 Planned Performance**

The SBA will continue to explore additional ways to increase and improve the delivery of business development assistance to 8(a) program participants. During FY 2009 and FY 2010, the Agency will fully implement the 8(a) BD plan and assessment tool (BDAT). The BDAT is a comprehensive plan to provide individualized business development assistance to 8(a) participants. This tool will track the assistance provided to an 8(a) participant from program entry until the firm leaves the 8(a) program. The SBA will continue to provide training to ensure that all business development field staff members are knowledgeable about the tools that can be used to better service their 8(a) portfolio.

The 8(a) BD plan and BDAT consists of the following components:

*Development and implementation of a tracking mechanism that shows each firm's progress in obtaining the assistance needed to meet the outstanding business development needs of each company* — As part of the Business Development Management Information System, which will involve an e-annual review component, the SBA plans to have each 8(a) firm's business development plan tracked electronically and reviewed/assessed during the firm's annual review. The e-annual review will allow the 8(a) firm to enter its annual review data on-line into the BDMIS. It will contain a tracking mechanism for the firm's business development which will include the contents of the firm's business development plan. The e-annual review component of the system was deployed on July 28, 2008 and will be fully utilized in FY 2009 and FY 2010.

*Development and implementation of a business development assessment tool to identify the individual business development needs of program participants* — The SBA will implement the Small Business Development Center assessment tool for use by the 8(a) program. The tool is an

electronic questionnaire, currently in use by the Agency's Office of Entrepreneurial Development, which allows a firm to answer a series of questions on a number of management and business skills. The firm is asked to rate its need for management and technical assistance in the specific skill area. The 8(a) Business Development Assessment Tool will have topics ranging from general business questions to legal and insurance, business planning, financing, marketing and business operations.

**Prime Contracting and Subcontracting Assistance Programs**

The SBA works to create an environment for maximum participation in federal government prime and subcontracting by small businesses, including businesses owned and controlled by socially or economically disadvantaged individuals, women, veterans (including service-disabled veterans), and small businesses located in HUBZones. The SBA advocates on behalf of small business in the federal contracting world and administers several programs and services that assist small businesses in meeting the requirements to receive government contracts, either as prime contractors or subcontractors.

By increasing contracting opportunities for small businesses under procurement preference programs and full and open competition, the SBA encourages more firms to compete in the federal marketplace and promotes awards of federal contracting dollars to such firms. Because of these efforts, more small businesses are able to compete for a share of federal contract opportunities, strengthening and diversifying the nation's industrial base, and supporting an increased number of jobs.

**Prime Contracting Program**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Fed Contract Dollars Awarded to SB (\$ Billion)	Output	\$ 75	\$ 78	83	\$ 93	\$ 90	\$ 95
Jobs Created/Retained (#)	Outcome	562,000	612,000	605,000	654,114	643,293	637,156
Cost per Job Created/Retained (\$)	Efficiency	\$ 27	\$ 31	\$ 33	N/A	\$ 40	\$ 50

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 15,384	\$ 18,853	\$ 19,842	\$ 24,164	\$ 25,843	\$ 31,876

**FY 2008 Accomplishments**

During FY 2008 the SBA improved the small business procurement scorecards for tracking the statutory goals and federal agencies' plans for meeting their proposed goals. For the first time, all chief financial office agencies had plans in place that are available to the public. This has increased transparency and accountability as well as the sharing of best practices for all to review and use.

Working with the Procurement Advisory Council, scorecard guidance was clarified. The SBA hired additional procurement center representatives, increasing the number from 52 at the beginning of the fiscal year to 66 by the close of the year. Training was conducted for all government contracting staff during the last quarter of the fiscal year. Additional training was provided to SBA's Procurement Center Representatives 1102 workforce. PCRs are required to maintain Continuous Learning Points to sustain the 1102 Procurement Analyst certification.

A web-based internal performance management system was developed in conjunction with the Office of the Chief Information Officer.

The Offices of Government Contracting and Field Operations developed a working arrangement to maximize effectiveness of use of district office and procurement center representative personnel. Procurement center representatives concentrate on buying activities to maximize opportunities for small businesses, and district offices ensure necessary training opportunities to increase the small business contracting pool.

The SBA completed a business case for the electronic procurement center representative system, a technology solution envisioned to improve the efficiency and effectiveness of SBA's PCR function. As an electronic application potentially integrated into contract writing systems, ePCR will increase PCR coverage of federal contracting activities and automate many of the business processes currently associated with the small business review of procurement requests and subcontracting plans. Once implemented, ePCR will provide SBA management with timely and accurate reporting to improve the effectiveness of PCRs and will aid federal agencies in meeting their small business goals, thereby supporting SBA's mission to enable the viability of small businesses.

A method was developed to review all size standards in a concise period of time and on a regular basis. In addition, size adjustments were made for inflation, and fuel oil dealers' size standards were changed from revenue-based to employee-based because of the volatility of fuel prices.

#### **FY 2009 - FY 2010 Planned Performance**

During this period the SBA will continue to work with the Office of Procurement Policy and federal agencies on improving data quality.

The Agency will continue to refine the scorecard to measure progress on the plans and to better synchronize the plans with the timing of the beginning of each fiscal year. A review and analysis of the goaling process will be conducted. A standard operating procedure will be developed for the goaling process, and formal scorecard guidance will be finalized.

The SBA will begin implementation of an internal system for tracking the government contracting field personnel workload.

The Agency will continue working with the Integrated Acquisition Environment to incorporate an ePCR system. It will be working with several agencies initially to pilot the efforts to determine how to bring the effort to fruition.

An inclusive review of all small business size standards will be completed during this period to ensure that small business size standards are in line with marketplace and economic conditions. The SBA is responsible to the public for ensuring that size standards levels are sound and rational. Inflationary concerns will be addressed as a separate issue and not included in the comprehensive review.

During FY 2008 the SBA conducted 30 surveillance reviews. A surveillance review is a comprehensive assessment of a contracting activity's small business program. Surveillance reviews are performed to assess the quality of a contracting activity's small business program, evaluate its impact on small business, and recommend changes to improve small business participation in the contracting activity's acquisition process. This was an extremely aggressive schedule and required a realignment of resources to meet the goal. The SBA was successful and maintained the high quality of its reviews, however further analysis indicated the Agency would be unable to meet the previously defined goal of 36 for FY 2009. There are a couple of factors that prevent the higher goal. They are: geographic location of the agencies, and time away from the buying activities that could impact small business opportunities. Based on these concerns, the

SBA will maintain a consistent 30 surveillance reviews, an aggressive schedule without sacrificing quality.

### ***Small Disadvantaged Businesses Program***

The Small Disadvantaged Business program is intended to help small businesses be successful in the future. Companies just starting or in a growth stage can benefit from the wide range of services the SBA offers, such as support for government contracts, access to capital, management and technical assistance, and export assistance. The Agency's efforts help to build community-based small businesses which revitalize neighborhoods, create jobs and encourage economic growth. It uses a number of assistance intervention tools ranging from contract support to low interest loans for site acquisition, construction and the purchase of new or upgraded equipment.

#### **SDB <sup>(1)</sup>**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
SB Certified (#)	Output	968	734	474	789	-	-
Cost per SB Certified (\$)	Efficiency	\$ 1,667	\$ 2,414	\$ 2,605	\$ 1,376	-	-

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 1,614	\$ 1,772	\$ 1,235	\$ 1,086	\$ -	\$ -

(1) As a result of discussions with OMB and DOJ, the SBA no longer certifies small disadvantaged businesses on behalf of other agencies for the Small Disadvantaged Business Certification. The cost of staffing and the certifications process no longer exists at the SBA.

### **FY 2008 Accomplishments**

The SBA certifies small businesses that meet specific social, economic, ownership and control eligibility criteria. Once certified, the firm is added to an online registry of SDB-certified firms, making them eligible for special bidding benefits. Certified firms remain in the online registry for three years. Contracting officers and large business prime contractors may search this online registry for potential suppliers. In FY 2008, the SBA approved 613 applications for Small Disadvantaged Business certification.

### **FY 2009 - FY 2010 Planned Performance**

The SBA certification program was discontinued September 3, 2008.

### ***HUBZone Program***

The HUBZone program provides federal contracting assistance for qualified small businesses located in economically distressed communities, known as historically underutilized business zones or HUBZones. The objective is to increase employment, capital investment and economic development in these areas, which includes metropolitan area census tracts; non-metropolitan counties; federally recognized Indian reservations; and former military bases closed as a result of the Base Realignment and Closure Act. The program provides for set-asides, sole source awards and price evaluation preferences for HUBZone certified small businesses.

## HUBZone

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual <sup>(1)</sup>	FY 2009 Goal	FY 2010 Goal
SB Assisted (#)	Output	2,960	5,044	2,833	3,218	3,900	4,000
Annual Value of Federal Contracts (\$ Billion)	Output	\$ 6.1	\$ 7.1	\$ 8.5	2Q 09	\$ 9.4	\$ 12.0
Cost per SB Assisted (\$)	Efficiency	\$ 2,625	\$ 1,486	\$ 2,389	2Q 09	\$ 2,090	\$ 2,485
Cost per Federal Contract Dollar (\$)	Efficiency	\$ 0.0013	\$ 0.0011	\$ 0.0008	2Q 09	\$ 0.0009	\$ 0.0008

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Request	FY 2010 Request
Total Administrative Resources (\$000)	\$ 7,769	\$ 7,496	\$ 6,767	\$ 8,679	\$ 8,150	\$ 9,939

(1) Data not yet available. FY 2008 actual data will not be available until 2nd quarter FY 2009.

## FY 2008 Accomplishments

The Dynamic Small Business Search showed that 10,772 certified HUBZone firms were listed on or before September 30, 2008. Although this is a healthy portfolio, representing various NAICS, the HUBZone program encountered several challenges, specifically: a GAO audit, a GAO forensic investigation, and the Office of Advocacy report measuring the effectiveness of the program.

As a result of these challenges, the HUBZone program embarked on a complete re-engineering of the program. This included an independent audit to perform a sample inspection of its portfolio and a comprehensive business process re-engineering effort. The following improvements have taken place:

- The HUBZone maps, a web-based system that identifies qualified HUBZone areas, were updated. The update insures that interested firms can confidently search addresses to determine if their principal office is in a HUBZone and if 35 percent of their employees reside in a HUBZone.
- Procedures were put in place to minimize program risk by collecting additional supporting documentation of all HUBZone applications to support program eligibility. These procedures have improved internal control standards and enhanced the program's integrity by ensuring firms meet the HUBZone program criteria.
- A methodology for measuring the economic impact of the HUBZone program was drafted and published in the Federal Register. The final version is expected to be finished and published in a Final Notice to the Federal Register in FY 2009. The methodology will assist in the determination of the program's effectiveness.
- The Business Process Re-Engineering effort was deployed, which will help create a roadmap to streamline the HUBZone program processes while maintaining program integrity.

## FY 2009 - FY 2010 Planned Performance

During FY 2009 and FY 2010 the SBA plans to conduct field training with district office field liaisons and government contracting area office staff, and several targeted outreach programs. Field training will focus on program administration and delivery with specific emphasis on strategies to increase prime and subcontract awards to HUBZone firms. The training will be held in cities where SBA has regional offices and will be directed toward state and local government officials, regional planning groups, chambers of commerce and economic development organizations, small business development centers, and procurement and technical assistance centers. The

anticipated outcomes are increased understanding of the program, and the beginning of a public/private sector network that will promote and support the HUBZone program in local communities. Training conferences will be targeted to urban communities with high unemployment and poverty levels, and to Indian reservations, and will focus on HUBZone applicant recruitment.

Also, the SBA will continue to explore opportunities for continuous improvement and deployment of re-engineering initiatives to all aspects of the HUBZone operation, including systems development, business processing, administrative functions, field office coordination and customer service.

## Office of Field Operations

The Office of Field Operations represents SBA field offices at headquarters. The OFO provides policy guidance and oversight to regional administrators and district directors in implementing Agency goals and objectives. The office establishes and monitors performance goals for district offices, provides feedback to headquarters on the performance of major programs, and manages resources in an open and transparent manner. In addition, the OFO ensures that field offices have adequate input to policy formation and deliberations at headquarters, organizes reviews of field activities, and regularly informs the SBA Administrator and senior leadership on field activity.

SBA district office staff members foster solid, long-term relationships within their communities by providing assistance to individuals and businesses in the formation, management, financing, and/or operation of a small business concern; by identifying government contracting opportunities for small businesses; and by working with lenders to encourage and facilitate small business lending. The district office staffs promote SBA programs and services through marketing and outreach, training seminars and one-on-one counseling. District offices also provide programmatic support to and review of resource partners such as the Small Business Development Centers and Women's Business Centers.

### Office of Field Operations

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Annual 8(a) Reviews (%)	Output	77%	82%	100%	100%	100%	100%
SB Assisted - Counseling/Training (#)	Outcome	409,276	315,665	348,855	305,755	350,000	280,000
Cost per SB Assisted (\$)	Efficiency	\$ 72	\$ 49	\$ 92	\$ 58	\$ 54	\$ 75

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 29,563	\$ 15,509	\$ 32,159	\$ 17,830	\$ 18,846	\$ 21,023

### FY 2008 Accomplishments

**Compliance** — The district offices, under the direction of the OFO, contribute to ensuring program integrity by conducting a variety of compliance and oversight activities. These activities, which are appropriately carried out at the local level, constitute significant work by field staff. They include:

- *8(a) Program Annual Reviews* — Review annually every 8(a) program firm in the district portfolio for continuing eligibility; visit annually every 8(a) program firm in the district portfolio to verify validity; and conduct exit interviews for each firm graduating from the 8(a) program to determine the benefits derived from participation in the program.

- *Women's Business Center Examinations* — Examine each WBC twice a year for compliance with program requirements.
- *Lender/Community Development Corporation Oversight* — Review of CDC annual reports to determine compliance with membership distribution, job creation/retention, contractual arrangements, financial management, etc.; review of special lending designations (i.e. Community Express, SBA Express, and Patriot Express) and applications/renewals; review and approve/disapprove credit unions for participation in the 7(a) loan program.
- *Small Business Development Center Reviews* — Examine and negotiate contract terms on an annual basis.
- *Borrower Background Investigation* — Process, recommend and/or approve SBA Form 912 (Statement of Personal History) for loan applicants and management.
- *HUBZone Reviews* — Review selected firms annually to determine continuing eligibility.

### **Program-Related Activities**

*Capital Access/Lender Relations Management* — The OFO undertook a role participating in SBA's Lender Relations Management initiative. The initiative is a focused and strategic approach to improve relationships with the Agency's lending partners by listening to their concerns. To that end, approximately 2,300 current and prospective lenders were contacted by district offices, and the collected information was sent to headquarters for analysis. The goal was to use this information to improve policies and procedures, tailoring the lending programs when possible, and attract new lending partners. One of the findings revealed an opportunity to enhance lender training to improve knowledge of the benefits and use of the Agency's loan products.

*Brand Promise Management Restored Campaign* — The OFO partnered with the Office of Capital Access in working with lending partners at the district office level to ensure that loan purchase packages conformed to Agency requirements, thereby helping to facilitate a more timely and efficient process. The district offices contributed to eliminating the backlog of loan purchases.

*Loan Production* — The district offices also contributed to the achievement of the Agency's loan goals. In FY 2008, the SBA made/guaranteed approximately 110,679 loans worth \$19 billion through the 7(a) and 504 loan programs.

*Entrepreneurial Development/E200* — Ten district offices were selected to participate in the Emerging 200 initiative. Under district office direction, 200 inner city businesses (\$400,000 in annual revenues and minimum 3 years in business) were identified and provided in-depth training and assistance to foster their growth. The cities selected to participate in the E200 initiative were: Boston, Baltimore, Philadelphia, Atlanta, Memphis, Chicago, Milwaukee, New Orleans, Albuquerque, and Des Moines.

*Technical Assistance Production* — District offices met the FY 2008 goal of providing technical assistance to nearly 267,000 clients. They provided one-on-one counseling and group training for existing businesses and/or potential business owners. District employees provided direct assistance to clients as well as in partnership with Agency lending and program partners.

*Government Contracting/Business Development/Increasing Small Business Federal Procurement* For the first time, in FY 2008 the district offices, in coordination with the Office of Government Contracting/Business Development were tasked with specific actions in the area of federal procurement, beyond conducting annual 8(a) reviews. The objective was to increase awareness by small businesses of federal procurement opportunities and educate them in the procurement process. Specifically, district offices were tasked with the following:

- Conducting business matchmaking events;

- Conducting or participating in events geared at women-owned, HUBZone and service-disabled, veteran-owned small businesses;
- Working with GCBD staff to identify contracting opportunities for small businesses;
- Working with federal, state, and local entities and resource partners to increase the focus on government contracting;
- Increasing mentor-protégé agreements;
- Conducting procurement-related technical training under the 7(j) program;
- Planning training for staff on contracting and small business/socio-economic procurements; and
- Participating in monthly conference calls with procurement center representatives to discuss procurement opportunities in their respective areas.

### **FY 2009 – FY 2010 Planned Performance**

For FY 2009-FY 2010, the OFO will work closely with program offices to ensure the achievement of program goals and greater engagement with the small business community. In addition, the office will work with district offices to ensure the integrity of SBA programs. This will be achieved through effective oversight of resource partners and program participants and their compliance with internal control requirements as established by the Agency.

From a programmatic standpoint, the OFO will continue to ensure district offices are conducting all compliance functions. Also, the office will: continue to lead efforts to enhance lender relations, expanding the progress made in FY 2008; continue to work with the Agency's resource partners; and, increase the participation of small businesses in the federal procurement arena. The office will also facilitate cooperation and participation by the district offices in disaster assistance activities.

### **FY 2009 Planned Performance for District Offices**

In the second quarter of FY 2008, the OFO initiated a dialogue with senior Agency officials and district office staffs to review the district office goals. The examination of the goals focused on whether the Agency had the correct metrics, whether the goals were outcome driven, and whether they aligned with the Agency's mission. After months of analysis and input from numerous field and headquarters' program officials, a revised set of goals was established. Many of these goals now have shared ownership between the field and headquarters.

*Capital Access* — Under the direction of the OFO, and in coordination with the Office of Capital Access, district offices will work on strategies to help the Agency achieve its loan-making goals. In addition, district offices will continue to build on the lender relations management efforts begun in FY 2008. They will also work with the OCA on conducting the required compliance activities. In FY 2009 the total loans, veterans loans, and underserved markets loans will be the total number in dollars realized in FY 2008. The Agency is also developing a Service Quality Index goal which would measure the improvement of a lender's loan portfolio reconciliation, E-Tran usage, lender portal usage, screen out rates, 1502 reporting, and purchase package first pass rate, etc. The intent would be to improve the lender interaction with the SBA, create greater efficiency, and improve service to customers.

*Entrepreneurial Development* — Under the direction of the OFO and in coordination with the Office of Entrepreneurial Development, district offices will continue to work on strategies to make available to small businesses the full complement of technical assistance, training and counseling resources offered by the Agency and its resource partners. The OFO will continue to coordinate the implementation of the Emerging 200 initiative, and the district offices will also work with the OED to ensure all the required compliance activities are completed.

Government Contracting/Business Development— Under the direction of the OFO and in coordination with the Office of Government Contracting/Business Development, district offices will perform required compliance activities such as 8(a) program annual reviews. District offices will continue the work begun in FY 2008 to create more awareness of, and participation by, small business in federal procurement. In FY 2009, in addition to the compliance requirements, district offices will be goaled on the growth in revenue of the 8(a) firms in their portfolios. As the 8(a) program is a business development program, measuring a firm's revenues is one way to reflect the impact SBA has on assisting these firms. For the first year, the FY 2009 goal will be to maintain the FY 2008 average.

#### **FY 2010 Planned Performance for District Offices**

Capital Access— The district offices will build upon their lending-related activities in FY 2009. In FY 2010, the total, veterans and underserved market loan, goals for district offices will be increased from the achievements (in dollars) realized in FY 2009.

Entrepreneurial Development— The district offices will build upon their entrepreneurial development activities in FY 2009.

Government Contracting/Business Development— The district offices will perform their compliance activities as required by the Government Contracting/Business Development programs. In addition, the offices will continue to increase ways to have greater small business participation in federal procurement. In FY 2010, field offices will be goaled on a five percent growth of their 8(a) portfolio's average revenue as compared to FY 2009.

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**Strategic Goal Two – Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster**

**Disaster Assistance**

By their nature, disasters inflict widespread destruction and distress — on families, businesses and communities. Disasters are unpredictable, but they are not unexpected. They are, unfortunately, all too frequent occurrences. To assist victims of physical disasters, the SBA operates a direct loan program and supports the servicing and collection of these loans after they have been made.

The disaster loan program is the only form of SBA assistance that is not limited to small businesses. Disaster loans help homeowners, renters, businesses of all sizes, and nonprofit organizations to fund rebuilding and recovery efforts. The Agency does this by focusing on the restoration of real and personal property and assisting businesses to return to operations as quickly as possible.

The SBA offers two types of disaster loans to respond to the long-term recovery needs of disaster victims: (1) physical disaster loans, which provide funds to repair or replace disaster damaged uninsured or underinsured real and personal property belonging to homeowners, renters, businesses of all sizes, and nonprofit organizations; and (2) economic injury disaster loans, which provide necessary working capital to small businesses, small agricultural cooperatives and private, nonprofits adversely impacted by the declared disaster until normal operations can be resumed.

In a Presidential disaster declaration, individuals who are homeowners or renters register first with the Federal Emergency Management Agency. FEMA refers qualified individuals to the SBA. Businesses may apply directly to the SBA for disaster assistance. SBA disaster loans have lower interest rates and longer terms than conventional lending offers. 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. Communities that have been devastated by disasters lack the customer base necessary for small businesses to become functional again. By providing integrated assistance, the SBA increases the effectiveness of this federal assistance.

On average, the Agency makes disaster loans totaling approximately \$1 billion each year and has an active portfolio of about \$9 billion. The following table shows the number of applications processed and the number of loans funded for the past four years.

Loan Volume Over 4 Years	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Applications Processed (#)	Output	153,072	441,631	34,401	50,184
Loans Funded (#)	Output	41,651	137,803	13,716	15,128
Cost per Loan Application Processed	Efficiency	\$ 2,574	\$ 4,005	\$ 16,985	\$ 4,516
Cost per Loan Funded	Efficiency	\$ 9,459	\$ 12,835	\$ 42,600	\$ 14,980

The following tables lists the key performance measures used to judge the Office of Disaster Assistance’s effectiveness, and the budgetary resources used to accomplish its mission. They show that, for the most part, the SBA meets or exceeds its goals, which focus on the restoration of property and assisting businesses to return to operations as quickly as possible.

## Disaster Assistance

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Disasters Having Field Presence Within 3 Days (%)	Output	100%	100%	100%	100%	95%	95%
Loans With Initial Disbursements Within 5 Days of Loan Closing (%)	Output	97%	55%	94%	99%	95%	95%
Time to Process 85% of Home Applications (Days)	Output	25	74	7	6	14	14
Time to Process 85% of Business Physical Applications (Days)	Output	35	66	11	11	18	18
Time to Process 85% of EIDL Applications (Days)	Output	24	29	12	12	18	18
SB Sustaining Economic Injury That Remain Operational 6 Months After Final Disbursement (%)	Outcome	93%	77%	80%	92%	77%	77%
SB Sustaining Physical Damage Restored Within 6 Months After Final Disbursement (%)	Outcome	72%	74%	62%	69%	60%	69%
Homeowners Restoring Their Homes Within 6 Months of Final Disbursement (%)	Outcome	75%	61%	58%	71%	77%	71%
Renters Restored Within 6 Months After Final Disbursement (%)	Outcome	70%	65%	68%	73%	84%	73%
Customer Satisfaction Rate (%)	Outcome	66%	57%	66%	65%	71%	65%

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Resources (\$000)	\$ 424,748	\$ 1,795,488	\$ 613,825	\$ 260,496	\$ 345,039	\$ 242,071
Total Loan Making (\$000)	\$ 393,956	\$ 1,768,677	\$ 584,296	\$ 226,621	\$ 300,602	\$ 227,104
Loan Servicing (\$000)	\$ 30,792	\$ 26,811	\$ 29,529	\$ 33,875	\$ 44,437	\$ 14,967

## FY 2008 Accomplishments

Through September 30, 2008, the SBA approved 15,128 disaster loans for \$825,840,100. Throughout 2008, the Agency completed many key projects, highlighted by the following:

*Electronic Loan Application* — The Office of Disaster Assistance has developed an ELA website to expand its outreach. Victims of disasters now may apply for disaster loan assistance at their convenience over any computer connected to the Internet. The website is accessible to the public from the SBA's main website, <http://www.sba.gov>. It simplifies the application process and speeds delivery of assistance to disaster victims across all eligible home or business loan applications. The ELA was available for public use beginning August 4, 2008.

*Achievement Commitment Excellence Campaign* — The Office of Disaster Assistance launched a comprehensive campaign to improve the responsiveness and efficiency of its operations in the following areas: loan application, loan approval, loan disbursement, technology services, administrative services, and personnel services. The goals were to re-engineer and enhance the consistency and responsiveness of ODA's end-to-end disaster loan process as well as improve the productivity and quality of work by ODA staff to disaster victims. ODA initiated and completed 164 action projects as part of the ACE Campaign. Currently there are 19 ACE action projects under further development in the Disaster Credit Management System with staged in implementation dates through July 2009.

*Disaster Assistance Improvement Plan* — DAIP was mandated by the President in Executive Order 13411. The order mandates that federal agencies create a single application that fulfills the information requirements of all applicable federal disaster assistance programs. As a federal

partner included in the mandate, the SBA must provide program application content, data elements, identify funding requirements and sources, modify disaster assistance systems to interface with the DAIP, and provide ongoing program and technical support. The SBA participated in weekly meetings throughout FY 2008 and met the goals set by the order. Costs associated with complying with this mandate were included in the budget.

### **FY 2009 - FY 2010 Planned Performance**

Disaster Assistance goals for FY 2009 were revised to FY 2006 goals because it was determined that customer service was negatively impacted by further reducing the number of days to process loan applications.

The SBA, through its upgrades of the Disaster Credit Management System, plans to meet its FY 2009 and FY 2010 outcome and performance goals using fewer resources.

During FY 2009 and FY 2010, the Agency will continue to build upon the lessons learned as a result of past disasters, including the catastrophic 2005 Gulf Coast hurricanes. The Office of Disaster Assistance will continue to reevaluate and re-engineer business processes to meet the ever changing needs of the disaster victims it serves. The implementation of changes to office operations will be ongoing, and the changes will result in a more efficient operation which will reduce the staff necessary to process major disaster declarations and enhance customer service.

Additionally, the SBA will continue to work with its federal partners to coordinate the delivery of disaster assistance available to disaster victims throughout the nation.

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## **Strategic Goal Three – Improve the economic environment for small business**

Strategic Goal Three is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. The SBA makes government more responsive to small businesses by:

- Reducing excessive federal regulatory burdens;
- Protecting them from excessive federal regulatory enforcement; and
- Providing automated tools and information on how to comply with laws and regulations.

The SBA fulfills these functions through the offices of Advocacy, the National Ombudsman, and the Business Gateway E-Gov initiative.

Strategic Goal Three is implemented according to the following Long-Term Objectives:

**LTO 3.1 — Protect, strengthen and effectively represent the nation’s small businesses to minimize the regulatory burden.**

**LTO 3.2 — Foster a more small-business-friendly environment.**

### **Regulatory Assistance**

America’s small businesses, some 27.2 million strong, are a major sector of the national economy. They represent 99.7 percent of all employer firms, account for half of the country’s gross domestic product, created 60 to 80 percent of net new jobs annually over the last decade, and produce 13 to 14 times more patents per employee than do large firms. Despite their importance to the economy, the cost of government regulation and excessive paperwork heavily burden small businesses. For businesses with fewer than 20 employees, federal regulations cost \$7,647 per employee each year, an amount which is 45 percent higher than businesses with 500 or more employees.

The regulatory burden imposed by the federal government can affect small businesses when regulations are established and when they are enforced. The SBA works on two fronts to minimize those burdens. The Office of the National Ombudsman helps address the burdens associated with unfair enforcement of existing regulations; and the Office of Advocacy ensures that small businesses have a voice in the regulatory development process.

#### **Office of Advocacy**

The SBA, through the Office of Advocacy, works to reduce the burdens that federal policies impose on small entities and provides vital small business research that informs policymakers. Simply stated, the mission of the Office of Advocacy is to encourage policies that support the development and growth of American small business by:

- Early intervention within federal agencies in the regulatory process on issues that affect small business;
- Training federal agencies on how to comply with the Regulatory Flexibility Act;
- Producing research to inform policymakers on the impact of federal regulatory burden on small business and on the vital role of small business in the economy; and
- Increasing states’ regulatory flexibility toward small business.

Advocacy has five internal goals/measures which guide budget planning and measure effectiveness. These are to:

1. Publish annually at least 25 research reports on small business issues;
2. Achieve one-time and ongoing regulatory cost savings of \$5.5 billion, due to Advocacy interventions in FY 2010;
3. Through online and classroom training, ensure that 100 agency regulatory officials have in-house expertise on how to comply with the Regulatory Flexibility Act in FY 2010;
4. Ensure that there are 10 examples of states either continuing to introduce/improve small business regulatory flexibility laws/executive orders, or demonstrating successful implementation of existing small business regulatory flexibility laws/executive orders in FY 2010; and
5. Ensure that there are 15 examples of universities/colleges with business/entrepreneurship programs using Advocacy data and reports as a resource for instruction and/or further research in FY 2010.

### Advocacy

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Research Publications (#)	Output	34	28	32	27	25	25
Regulatory Cost Savings to Small Businesses (\$ Billion)	Outcome	\$ 6.60	\$ 7.25	\$ 2.60	\$ 10.70	\$ 5.50	\$ 5.50
Regulatory Staff with In-House Regulatory Flexibility Act Expertise (#) <sup>(1)</sup>	Outcome	19	1	14	151	100	100
States Considering Legislative/Executive Regulatory Flexibility Action (#) <sup>(2)</sup>	Outcome	19	11	12	10	10	10
Research Publications and Data Reports in Curricula (#)	Outcome	18	16	16	19	15	15
Cost per \$1 Million Savings (\$)	Efficiency	\$ 1,430	\$ 1,292	\$ 3,792	\$ 854	\$ 1,841	\$ 2,030

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 9,439	\$ 9,364	\$ 9,858	\$ 9,133	\$ 10,123	\$ 11,165

<sup>(1)</sup> Beginning in FY 2008, the measure changed from the number of agencies with in-house expertise to the number of employees with in-house expertise. This measure was changed pursuant to Advocacy's new 5-year strategic plan.

<sup>(2)</sup> Beginning in FY 2008, the measure changed from the number of states considering regulatory flexibility legislation/executive orders to the number of states considering additional legislation/executive orders, and examples of successful implementation. This measure was also changed pursuant to Advocacy's new 5-year strategic plan.

### FY 2008 Accomplishments

As of the end of FY 2008, Advocacy had achieved \$10.7 billion in first-year regulatory cost savings and \$2.2 billion in annually recurring savings. The office exceeded its goal for the fiscal year primarily because of two large regulatory outcomes achieved directly through its intervention. One saved small businesses \$1.96 billion, and the other saved small businesses \$5.3 billion. It is impossible to predict with any degree of accuracy when federal agencies will publish final rules that reflect cost savings resulting from Advocacy's intervention, 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).

Advocacy has a goal of ensuring that 100 regulatory staff at federal agencies gain in-house Regulatory Flexibility Act expertise through the training that Advocacy was directed to provide under Executive Order 13272. During FY 2008, 151 key federal officials received RFA regulatory compliance training. Advocacy exceeded its goal for the year by 51 percent.

Advocacy projected that 10 states would formally consider legislative or executive action to increase regulatory flexibility for small businesses, or demonstrate successful implementation of existing small business regulatory flexibility laws in FY 2008. Advocacy met its year-end goal. Ten states considered legislative action and five of those states enacted law. Advocacy attributes its success in reaching this goal to having had a nearly full complement of regional advocates on board. The regional advocates work directly with state governments and state stakeholders to educate them about the benefits of regulatory flexibility.

Advocacy projected that a total of 15 universities/colleges with entrepreneurship programs would insert Advocacy's data into their curricula in FY 2008. The rationale behind this goal is to generate interest in entrepreneurship research among academics and to broaden awareness of existing research. During FY 2008, a total of 19 colleges/universities had inserted Advocacy's data into their curricula.

Advocacy had an output goal of releasing 25 small business research reports in FY 2008. These research reports inform policymakers by providing a snapshot of small business demographics, demonstrating the importance of the role of small business in the economy, and highlighting the impact of federal policies and regulations on small businesses. As the fiscal year ended, Advocacy had released 27 reports.

Advocacy management initiatives continue to improve efficiency and effectiveness and described in the following paragraphs.

*Regional Affairs* — Regional advocate activity benchmarks ensure that all 10 regional advocates remain focused on Advocacy's mission and expectations.

*Web Technologies* — The office has developed its own listservs and RSS feeds to make Advocacy products easily accessible, reach a broad audience, and reduce printing costs.

A "Regulatory Alerts" webpage was developed to alert small entities to regulations that may impact them and to provide links for submitting comments.

Advocacy has initiated its own blog which deals with regulatory issues and small business research.

An email address, [notify.advocacy@sba.gov](mailto:notify.advocacy@sba.gov), was created to allow agencies to notify Advocacy easily when a significant regulation is being proposed.

A webpage was developed for Advocacy's "r3" initiative so that the public can submit information on regulations in need of review or reform, and so that stakeholders and government officials can track progress on nominated regulations. Over 80 nominations were received in FY 2008. Refinements of this webpage will continue.

*Leveraging Resources* — In addition to searching federal regulatory agendas, dockets, the Federal Register, etc., Advocacy has developed additional methods to identify proposed regulations that are a priority of small entities. These include holding issue-based roundtables and trade association outreach.

Advocacy has built a strong relationship with OMB's Office of Information and Regulatory Affairs and its staff in order to maximize joint resources and achieve better regulatory results for small

entities. Ongoing brown bag lunches, employee details (Advocacy staff to OIRA) and regular meetings further solidify that strong relationship.

Advocacy engages in co-sponsorships with organizations that promote entrepreneurship (e.g., the Ewing Marion Kauffman Foundation) in order to share the costs of organizing small business conferences.

*Quality Control and Administrative Simplification* — Advocacy has developed procedures for internal document review and clearance.

An employee orientation manual was developed for all new employees; it contains background information on current staff, useful forms, ethics rules, travel procedures, etc.

Advocacy's quarterly and annual reporting procedures ensure that the office stays on track with respect to its goals.

*Transparency to Stakeholders* — Advocacy published a comprehensive *Background Paper on the Office of Advocacy*. Although this 327-page resource is intended especially for transition purposes and new staff, it is the most comprehensive document ever published on the history, mission, activities and accomplishments of the office. In keeping with Advocacy's belief that good policy requires good information and in the interest of transparency, this document is posted in its entirety on Advocacy's website at <http://www.sba.gov/advo/backgr08.pdf>.

### **FY 2009 - FY 2010 Planned Performance**

The Office of Advocacy intends to achieve regulatory cost savings and reduced regulatory burden through its regulatory interventions. The office relies on various types of interventions to achieve regulatory cost savings. These include: participating in the Small Business Regulatory Enforcement Fairness Act panel process for Environmental Protection Agency and Occupational Safety and Health Administration regulations; writing official comments to federal regulatory agencies on their compliance with the Regulatory Flexibility Act and other rulemaking activities; testifying before Congress on small business issues; responding to OMB referrals on proposed legislation; working with OMB on paperwork burden issues; and working with OMB during the Executive Order 12866 review process and during implementation of Executive Order 13272. In FY 2009 and FY 2010, Advocacy projects it will achieve \$5.5 billion each year in regulatory cost savings. The goal is the same for both years because Advocacy believes that the Regulatory Flexibility Act training that it has provided to agency regulatory and policy staff has helped agencies propose better and less costly regulations. Advocacy has modified its goals from the previous five-year strategic plan, because it is unreasonable to assume that cost savings will continue to rise 10 percent annually. The new goal is based on an average of the cost savings from the last six years, minus outliers.<sup>1</sup>

Advocacy's Office of Interagency Affairs continues to train federal agencies on Regulatory Flexibility Act compliance. This training is required under Executive Order 13272. The executive order was announced in the President's Small Business Plan and signed in August 2002. Classroom training sessions were conducted by Advocacy staff beginning in FY 2004, and will continue indefinitely. In furtherance of a FY 2008 initiative (the Regulatory Review and Reform or "r3" initiative), Advocacy will provide additional training on section 610 of the RFA specifically. Section 610 requires periodic retroactive review of burdensome regulations by federal agencies. Also based on this FY 2008 initiative, Advocacy will continue to release an annual top-ten list of regulations in need of review or reform, and target those regulations for retroactive review. Agencies have been responsive to the classroom training their staffs have received, and some have begun to implement better regulatory flexibility practices as a result. As most federal

<sup>1</sup> Annual cost savings: 2001 = \$3B; 2002 = \$3.1B (excludes one \$18B rule); 2003 = \$6.4B; 2004 = \$6.8B (excludes one \$10B rule); 2005 = \$6.6B; 2006 = \$7.25B. The total savings for the 6-year period is \$33.15B; divided by six years is \$5.5B.

agencies have now received Regulatory Flexibility Act compliance training from Advocacy, in FY 2009 and 2010, repeat training or training of sub-agencies is planned.

Advocacy, through its regional advocates, intends to continue educating state small business organizations and state legislators on the benefits of regulatory flexibility at the state level. Because Advocacy's research demonstrates that regulations disproportionately impact small entities, and because of the enormous cost savings generated at the federal level under the Regulatory Flexibility Act, Advocacy continues to prioritize this state regulatory flexibility initiative which has received broad support from governors and state legislatures since its inception in FY 2004. In FY 2009 and FY 2010, Advocacy intends to continue its education of stakeholders in those states that have signed executive orders in the hope that legislation can be enacted instead. Advocacy also plans to target any remaining states that have not already considered regulatory flexibility legislation or executive action. Also, Advocacy will work to achieve examples of successful regulatory flexibility implementation and/or further improved regulatory flexibility legislation.

Advocacy's chief economist and regional advocates continue their efforts to place Advocacy's research into the curricula at the top universities with major entrepreneurship programs. It is important that the research get into the hands of individuals with the power to impact policy at the highest levels of government. Policymakers and other stakeholders need to be aware of how important small business is to the nation's economy. To accomplish this objective, Advocacy concluded that it is first necessary to broaden interest in small business research through outreach to the academic community. Working closely with schools and their faculties, Advocacy hopes to interest future generations of economists in the study of entrepreneurship and small business. Through its interaction with academia, Advocacy also strives to learn more about data gaps that exist and ways to achieve a broader audience for small business research. Advocacy will continue its efforts to insert its research into university curricula. In FY 2009 and 2010, the office anticipates that at least 15 colleges or universities with business/entrepreneurship programs will use and benefit from Advocacy's research in each year.

Advocacy has a field component of 10 regional advocates. The regional advocates participate in every aspect of achieving office-wide goals. With regard to the cost savings, the regional advocates frequently conduct outreach to locate participants for Small Business Regulatory Enforcement Fairness Act panels that require small entity representatives. The small entities participate in these panels along with the chief counsel, the administrator of OMB's Office of Information and Regulatory Affairs, and Environmental Protection Agency or Occupational Safety and Health Administration representatives (the agencies subject to the panel requirement). Early involvement in the rulemaking process by small entities better ensures that the agency's data is accurate and that less burdensome alternatives will be considered by the agency. In addition to locating small entity representatives, regional advocates share information about regulations with small businesses in their respective regions (e.g., alert businesses that an agency is seeking comment on the small business impacts of a proposed regulation). The two types of involvement described here contribute to the cost savings realized once a final rule is published.

On the goal of encouraging states to consider legislative or executive action to incorporate the concept of regulatory flexibility, the regional advocates are on the front line. They interact directly with small businesses, small business trade organizations, governors and state legislatures to educate them about the benefits of regulatory flexibility. They also testify at state-level legislative hearings on regulatory flexibility when requested to do so.

Advocacy will also require the continued support of the regional advocates in promoting its research to academia. Regional advocates provide classroom lectures, provide small business data for use in professors' and students' research, and persuade institutions to link to Advocacy's data and research on their websites.

The following activity is planned for FY 2009 and FY 2010, which will require additional resources. Section 105 of Public Law 110-385 (approved October 10, 2008) mandated Advocacy to conduct a study evaluating the impact of broadband speed and price on small business. Advocacy's report is to be submitted to the Senate Committee on Commerce, Science and Transportation; the Senate Committee on Small Business and Entrepreneurship; the House Committee on Energy and Commerce; and the House Committee on Small Business. The report is to include: (1) a survey of broadband speeds available to small businesses; (2) a survey of the cost of broadband speeds; (3) a survey of the type of broadband technology used by small businesses; and (4) policy recommendations that may improve small business access to comparable broadband services at comparable rates in all regions of the nation.

### ***Office of the National Ombudsman***

The SBA ensures equity and fairness in the federal regulatory enforcement and compliance process through the Office of the National Ombudsman by:

- Raising awareness of the regulatory assistance available;
- Providing means to register comments about unfair regulatory enforcement and compliance actions by federal agencies; and
- Acting as a neutral liaison between the parties.

### **FY 2008 Accomplishments**

FY 2008 was a very active year. The Office of the National Ombudsman conducted 27 RegFair public events, including hearings, roundtables, speeches, panel participations and key public meetings. The second annual national hearing for trade associations and chambers of commerce occurred with the participation of representatives of 13 national organizations. In addition, ONO received and processed 420 small business comments and carried out 780 responses to the public and customer service assistance actions. ONO produced, finalized, published and disseminated the FY 2007 Annual Report to Congress. Among other items, the report includes federal agency ratings of responsiveness to small business comments. The national ombudsman recruited and screened 12 Regulatory Fairness Board applicants, then recommended candidates to the Administrator for a three-year appointment to the corresponding regional Regulatory Fairness Board. ONO organized and held the legislatively required national RegFair Board conference.

### **FY 2009 – 2010 Planned Performance**

ONO will continue to hold hearings and roundtables, give speeches, and participate on panels to comply with its mission to provide a means by which small business concerns may submit comments about unfair and/or excessive federal regulatory enforcement activities or comment about federal agency compliance issues. ONO will also produce, publish and disseminate the FY 2008 and FY 2009 Annual Reports to Congress. As required, the national ombudsman will organize and conduct a National RegFair Board member annual meeting of all 10 regional regulatory fairness boards. The national ombudsman will continue efforts to recruit and screen viable candidates for all the regional boards as the 3-year terms necessitate proactive actions to reach and maintain the 50-member Regulatory Fairness Boards (5 members for each of the 10 Regions).

## Business Gateway

Through FY 2008, the Business Gateway Program continued collaborating with 21 federal agencies to improve the federal government's interface with small businesses and deliver information and services to citizens in a more customer-friendly manner. The mission of Business Gateway has evolved to serve as an incubator of technologies that improve the delivery of federal information products and services for the nation's small business community. The program, which includes the [Business.gov](#) and [Forms.gov](#) websites, reduces the amount of time and money business owners spend on complying with federal regulations and associated paperwork so that more time can be directed toward running their businesses. Specifically, [Business.gov](#) simplifies and improves businesses' ability to locate government compliance guides and forms they deal with on a regular basis, thereby reducing the effort needed to comply with government regulations.

Business Gateway plays a direct role in assisting the Agency to achieve its strategic objective to foster a more small-business-friendly environment. Customer feedback supports this assertion. Between October 2007 and April 2008, 75 percent of [Business.gov](#) visitors surveyed reported that using the website saved them time. During that same time period, 53 percent of [Business.gov](#) users surveyed reported that it saved them money. By using [Business.gov](#) as a reference tool to find compliance information quickly, business owners are getting back to business and staying successful.

### Business Gateway

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Hours Saved (# in Millions)	Outcome	N/A	4.65	3.25	3.96	2.90	3.40
Customer Satisfaction (%)	Outcome	N/A	76%	70%	72%	73%	74%
Referrals to Partner Sites per Month (%) <sup>(1)</sup>	Outcome	N/A	9%	9%	28%	25%	27%
Cost per Hours Saved (\$)	Efficiency	N/A	\$ 3.48	\$ 3.28	\$ 1.00	\$ 0.92	\$ 0.47

Budgetary Resources	Budgetary Obligations Incurred				Budget Requests	
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Total Administrative Resources (\$000)	\$ 10,780	\$ 16,180	\$ 10,660	\$ 3,969	\$ 2,674	\$ 1,593

<sup>(1)</sup> In FY 2009, [www.Business.gov](#) consolidates into a single website access to business compliance information from across the federal government as well as state and local governments. Increased awareness of the website combined with continual improvements to expand content and include new tools means business owners are finding more relevant information and linking away from the site to other authoritative websites at a higher rate.

### FY 2008 Accomplishments

The Business Gateway team works to solicit input regularly from business owners and uses that feedback as the primary driver for enhancements in functionality and content to the site. The [Business.gov](#) website offers a powerful search engine focused solely on compliance information. Additionally, it pulls together plain language assistance links and points of contact from across the government for access to regulatory compliance information in one place.

Additional accomplishments for Business Gateway during FY 2008 include the following:

#### Features and Content

- Integrated federal, state and local resources into all service offerings, giving small business owners a single place to find regulatory compliance information from all levels of government; [Business.gov](#) is the only major federal information service to successfully provide access to business compliance data on such a broad spectrum.

- Enhanced Permit Me feature to allow business owners to search by city, state or zip code in order to get business licensing requirements from all levels of government.
- Launched a custom state and local search engine that improves upon [Google.com](http://Google.com) by giving results specific to the place where a business owner is located.
- Published “Green Business Guides” on Earth Day 2008, promoting government services and resources that help small business adopt environmentally-friendly and energy efficient business practices.
- Created a Green Business Search Engine that allows business owners to search across resources that help business owners adopt environmentally-friendly business practices.
- Supported the SBA’s statutory requirement to comply with the Energy Independence and Security Act of 2007 by working with the Environmental Protection Agency’s ENERGY STAR program to create the Small Business Guide to Energy Efficiency.
- Launched Google Maps to help small businesses locate small business development centers and federal offices in their local communities.
- Launched social media and networking (Web 2.0) features including:
  - [Business.gov](http://Business.gov) page on Wikipedia.
  - YouTube video channel focusing on government information resources for small businesses.
  - Bookmarking to allow site visitors to add [Business.gov](http://Business.gov) links to their favorite networking site such as [del.icio.us](http://del.icio.us), Facebook, and Digg.
  - [Business.gov](http://Business.gov) toolkit known as a “gadget” that can be placed on websites to provide immediate access to essential online tools and resources to help run a small business. The toolkit allows users to search for information, forms, and contacts from federal, state and local governments; find topics of current interest to the nation’s small business community; get a listing of licenses and permits that apply to their business; or watch videos featuring expert advice from successful entrepreneurs and small business owners.
- Adopted “open source” technologies that allow the Business Gateway team to be technologically innovative by reducing dependencies on proprietary software vendors.
- Implemented a content management system that reduced the dependency on developer resources and shortened the cycle time for posting new content.

### Partnerships

- Enhanced access to small business tax information by developing a content and promotional partnership with the Internal Revenue Service’s small business and self-employed organization.
- Facilitated access to environmental regulatory requirements by expanding a content partnership with the Environmental Protection Agency to highlight the annual reporting requirement for businesses for the Toxic Release Inventory.
- Established over 50 links on state and local government sites, in addition to partner organizations such as IRS, EPA, National Federation of Independent Business and the National Small Business Association.

### Outreach

- Provided overview of Business Gateway demonstration of [Business.gov](http://Business.gov) to representatives of the governments of Australia and the Netherlands.
- Represented the SBA at a number of small business forums sponsored by federal partner agencies.
- Featured in news outlets such as Black Enterprise magazine, [Washingtonpost.com](http://Washingtonpost.com), Long Island Business News, WTOP radio, [Examiner.com](http://Examiner.com) and [FoxBusiness.com](http://FoxBusiness.com).
- Promoted [Business.gov](http://Business.gov) to over 100 associations and all chambers of commerce through direct communication, events, and articles.
- Selected as a finalist or winner of several prestigious awards:

- Selected by the Search Engine Strategies Conference for the prestigious Best Use of Local Search award on August 20, 2008, the only government finalist in any category. Business Gateway was selected over two private sector companies.
  - Awarded the GITEC 2008 Project Management Excellence Award in the category of "Delivering Mission Critical Services/Practical Innovations."
  - Won an [Excellence.gov](#) award for demonstrating how the program has improved organizational performance through the use of technology.
  - Acknowledged with the ACT/IAC 2008 Intergovernmental Solutions Award for demonstrating how adopting best practices can lead to measurable improvements in the efficiency and effectiveness of government programs.
  - Received AFFIRM's Leadership in e-Government Award for management of Business Gateway.
  - Selected as a finalist by the Web Content Managers Advisory Council for the 2008 Web Manager's Best Practice Award.
- Continued a series of regular user interviews and focus groups to more effectively probe the target audience to determine what they like and don't like about the [Business.gov](#) website. The Business Gateway team acted on user suggestions, internal metrics and other analysis to improve the website.

### **FY 2009 - FY 2010 Planned Performance**

The Business Gateway program has historically been managed by the SBA in partnership with 21 other federal agencies. Starting in FY 2009, the SBA is assuming full responsibility for funding and managing the Business Gateway program. The Business Gateway team completed a series of infrastructure changes in FY 2008 that brought the operations and maintenance costs of [Business.gov](#) and [Forms.gov](#) down dramatically. While additional improvements are planned for FY 2009 and 2010, these steps mark the start of Business Gateway's transition from a developmental initiative to an operational program.

In FY 2009 and 2010, Business Gateway will focus on its core values by being open and transparent, collaborative and innovative. The team will leverage technology to develop alternative models for delivering information to business owners that allow them to engage in a two-way dialogue with Business Gateway and with each other. Specific FY 2009 plans include:

- Expanding partnerships with state and local agencies, trade associations, and individual industry experts;
- Offering more distributed information through additional "gadgets", subscription services, and syndicated content;
- Improving the usability and performance of existing tools (e.g., redesign of [Business.gov](#), optimization of search tools);
- Developing interactive community features including forums and blogs, to engage the small business community in an ongoing dialog about their successes, pain points, and lessons learned;
- Developing new services and tools to address the small business community's greatest needs (e.g., loans and grants search tool); and
- Furthering an extensive marketing campaign focused on raising awareness of [Business.gov](#) in existing online communities and publications.

The following table highlights the changes in the Business Gateway operating budget, which reflects a decrease in operating costs of 59 percent between FY 2007 and FY 2009. This reduction is due to a series of proactive decisions implemented during FY 2007 and FY 2008 that significantly change the management approach for the [Business.gov](#) website as well as the underlying technical infrastructure. Even with the SBA assuming full funding responsibility in FY

2009, the FY 2010 request shows a decrease in funding for the program due to these efficiencies. These changes include:

- Implementation of a content management system that streamlines the publication of content and launch of new features;
- Less expensive search solution for Business.gov as a result of shifting to a more cost-effective web hosting arrangement; and
- Lower costs for project management office staffing corresponding to a decline in the need for extensive interagency governance.

<b>Business Gateway Program Costs</b>	<b>FY 2008 Estimated</b>	<b>FY 2009 Planned</b>	<b>FY 2010 Requested</b>
Interagency Contributions (from 21 agencies)	\$ 4,230,400	\$ -	\$ -
SBA Contributions	\$ 525,600	\$ 3,187,779	\$ 2,914,744

In FY 2010, Business Gateway staff will continue to reach out to the business community to determine what tools might serve them best. Additional plans include:

- Continue developing the Small Business Community on Business.gov;
- Develop web services oriented to the small business community; and
- Scale the current infrastructure to accommodate the needs of the open data and web services created.

To ensure that the business community's needs are met, the team will continue to:

- Obtain user feedback on a quarterly basis through usability studies, focus groups, and other research methods including feedback gathered through the American Customer Satisfaction Index survey tool and research into search logs to meet performance goals and respond to evolving user needs;
- Work with partner agencies to develop relevant content and resources to assist businesses struggling to understand government regulatory and paperwork requirements;
- Expand partnerships with industry and trade groups; and
- Increase content based on state and local government compliance guides. This effort will address a primary concern expressed by businesses during usability and focus groups that their primary compliance burden comes from overlapping regulatory and paperwork requirements among federal, state and local governments.

## ***Strategic Goal Four – Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls***

This strategic goal recognizes the fact that the SBA was created for the purpose of fulfilling its programmatic responsibilities of serving the interests of small business. SBA's non-programmatic areas of general management and administration and the various other support functions exist primarily for the purpose of supporting SBA program areas in fulfilling their own objectives. For this reason, the best measure of successful leadership and support is the degree to which these functions help maximize the efficiency and effectiveness of the SBA in achieving its programmatic goals, while also complying with relevant statutory and administrative mandates.

The SBA intends to accomplish this strategic goal through the following three Long-term Objectives:

**LTO 4.1 – Deploy a skilled workforce capable of executing high quality programs**

**LTO 4.2 – Provide a safe and secure information system environment to support business decisions and Agency operations**

**LTO 4.3 – Provide financial and performance management services to support efficient and effective program delivery**

## **Human Capital Management**

**Long-Term Objective 4.1 - Deploy a skilled workforce capable of executing high quality programs**

### ***Office of Human Capital Management***

The foundation of the SBA, and the key to its future success, rests with its workforce. The efforts of the Office of Human Capital Management are outcome-driven to support the strategic management of human capital in the accomplishment of the Agency's mission and strategic goals. The SBA continuously reassesses its organization and processes to improve products and services to gain better business results. The Agency's strategic human capital plan takes into consideration these expectations, and the challenges the SBA has faced in the past few years, as well as what lies ahead. The plan is not expected to be a static document; rather it has been prepared to look forward over the next five years. It will be updated as significant events and accomplishments occur and new major requirements are added. The plan establishes a systematic, Agency-wide approach to human capital management, and aligns it with SBA's mission, vision and goals. It describes key human capital challenges and issues impacting the Agency's ability to achieve its core responsibilities.

The human capital outcome measures for FY 2009 and FY 2010 are:

- 4.1.1** - Refine the number of identified mission-critical occupations and competencies through a more rigid systematic workforce planning process. Design training and training strategies to build on or improve these competencies within the current workforce where gaps exist.
- 4.1.2** - Invest in employee, manager, and leadership training and development programs as a part of the strategic imperative.

- 4.1.3 - Use enabling technology to reinvigorate training and development programs when it maximizes value and minimizes performance risks.
- 4.1.4 - Capture and make available the wealth of expertise and experience of the current workforce to aid in developing the next generation of managers and technicians.
- 4.1.5 - Align human capital plans, strategies and systems to achieve organizational effectiveness and mission accomplishments.
- 4.1.6 - Fully integrate the performance management system to create strategic alignment of the Agency mission and employee responsibilities. Focus on creating a results-oriented performance culture through the Agency.
- 4.1.7 - Maintain a rating of "green" for having met the criteria of the Commercial Services Management initiative of the President's Management Agenda.

### **FY 2008 Accomplishments**

**Outcome Measures 4.1.1 thru 4.1.3** — The SBA instituted the Executive Development Council to provide executive direction, oversight and support for the development of a strong team of leaders. The council accomplishes continuous development of employees at all levels of the organization. It creates a vision of development and designs the developmental strategy that supports the SBA mission and strategic goals. SBA's actions also included analyzing the existing organizational structures from a service delivery, cost, and general workforce planning perspective. During this period, the Agency developed improvement plans for any identified leadership competency gaps and set targets for closure.

The SBA used a best practices approach to assess its leadership skills by using OPM's 360<sup>o</sup> Leadership Assessment Tool which measures individual leadership competencies. SBA supervisors and managers at the SES, GS-15, GS-14, and GS-13 levels participated in the assessment. Executive coaches were provided to SES and GS-15 supervisors and managers to interpret the assessment results and develop individual development plans. The Agency also offered online training to supplement courses in the SBA University curriculum.

The Agency reinvigorated the Executive Resources Board to oversee challenges in the areas of succession planning, setting executive pay, and implementing legislative changes that impact career executives. This revitalization was accomplished by instituting regularly scheduled meetings, formal decision making processes, and holding ERB members accountable and responsible for their assigned activities. The SBA also implemented two training programs: Leadership Effectiveness through Active Development, and the Mid-Level Development Program. LEAD, which was incorporated into the SBA University curriculum, is designed to provide new and seasoned managers and supervisors with development opportunities in the areas of management, legal, communications, leadership and financial management required to lead, manage and motivate their staffs. The MLDP is designed to provide SBA employees with an in-depth understanding of the Agency and its mission and strategic goals. Four SBA career employees completed the MLDP, which provided participants with opportunities to receive general and discipline-specific training designed to develop leadership competencies. During FY 2008, the SBA sponsored employees to participate in the Partnership for Public Service's Annenberg Leadership Institute. The Institute gave rising leaders from the SBA an opportunity to learn best management practices and apply lessons learned. SBA participants partnered with employees from another agency on an action-learning project to assess factors impacting employee engagement and develop a set of solutions to increase workplace satisfaction. In addition to project activities, the SBA Annenberg Fellows attended a series of courses taught by the nation's leading public and private sector experts in strategic thinking and project management, knowledge, networking, leading innovation and change, driving performance and managing people,

communicating and influencing, and crisis management and continuous self development. The SBA conducted the Federal Competency Assessment Tool for Management to ensure that the Agency focuses on the training and development programs needed to meet the leadership competency gaps. To this end, starting in FY 2008, the SBA capitalized on the Treasury Executive Institute's developmental seminars and knowledge sharing opportunities. The TEI provides continuous learning and growth opportunities for federal executives, executive development candidates and senior managers. TEI enriches federal executives' development through training programs that provide education and knowledge sharing opportunities among executives. It accomplishes this by exposing executives to best practices in leadership models, new technologies and executive competencies. During FY 2008, a cadre of 20 SBA executives and GS-15s attended TEI seminars that addressed the following Executive Core Qualifications: Leading People, Results Driven, Business Acumen, and Building Coalitions. These seminars are valuable continuous learning resources to improve SBA's executives by providing opportunities for sharing best practices, developing core competencies, and preparing leaders for senior management.

The SBA continued to promote employee development, offering on-line training courses available anytime through the Internet; and it continues to implement the e-training initiative focusing on unifying, simplifying, and increasing access to high quality e-learning products and services. SkillSoft, the on-line training provider, helps employees rapidly develop skills across a wide range of business and technology subjects, and provides instant access to learning resources. This is a comprehensive learning solution that meets the needs of all business units of the Agency, addressing formal and informal learning assets. SkillSoft Complete is a comprehensive suite of learning assets with over 1,900 courses. Employees have access to Books 24X7, which contains on-demand business, technical and engineering content containing thousands of digitized "best-in-class" books, book summaries, research reports, and best practices. It enables users to search, browse, read and collaborate with other users, and it offers support to workers in acquiring knowledge when and where needed. In addition, technical and other specialized training was provided to employees to fill the gaps identified in the competency survey administered to employees holding mission critical positions. This training was provided through on-line and classroom opportunities, and progress was monitored through the Agency-wide implementation of individual development plans.

During FY 2008, the SBA launched the Senior Executive Service Candidate Development Program. This is a formal 18-24 month leadership development program designed to develop candidates at the GS-14 and GS-15 levels to assume SES leadership positions. The SBA has implemented an OPM-approved Leadership Succession Plan which is a structured process that all SBA managers and executives will use to ensure that the Agency maintains skilled and ample talent and to achieve leadership continuity. Because the SBA feels strongly about the need to conduct succession planning, senior level management has committed multiple resources to ensure its success. This includes funds for formal leadership development programs, work time for employees to participate in developmental opportunities, and other internal developmental opportunities.

Baseline and staff surveys were administered to mission-critical employees, and an aggregate skills gap analysis was conducted. This determined the difference between the aggregated baseline data obtained from the surveys and the collective survey responses obtained from the employees. Subsequently, comprehensive curriculum mapping based on the skills gaps identified from the targeted competencies was established. The curriculum map illustrates and tracks the targeted competencies for each role, and recommendations are made to narrow the identified gaps. Employees in Agency-specific mission critical occupations (business development specialists and lender relations specialists, 465 employees; and loan specialists, 85 employees) were provided a variety of instructor-led and on-line training solutions to address gap closures. Employees in the mission critical occupations of procurement contracting representatives, procurement/contract specialists, IT specialists, and HR specialists were also provided with a variety of instructor-led and online training solutions to address gap closures. The training courses were delivered at SBA University in April and June 2008. More than 45 on-line courses were

tailored to provide competency and skills training for SBA's mission critical occupations in the areas of economics and accounting, technology application, sales and marketing, written communication and financial management. Additionally, the SBA instituted a comprehensive training program for the acquisition workforce (Occupational Series 1102) to ensure compliance with the Federal Acquisition Certification in Contracting program. Forty-six contracting officer technical representatives were trained and certified to meet program office acquisition requirements.

**Outcome Measure 4.1.4 and 4.1.5** — The SBA continued to build upon the success of SBA University with 95 percent of participants rating the university either “excellent” or “good.” In FY 2008, the curriculum focused on the needs of managers, supervisors and headquarters staff and included two course tracks. SBA University 2008 was attended by 1,160 employees and managers during April, June, July and August. These employees were given instruction in job-specific areas as well as continuing seminars to reinforce roles and responsibilities and to further enhance cross-organization information sharing and collaboration within the Agency. Core training was delivered on conflict management, written communication, financial management, customer service and decision making. Elective courses focused on oral communications, project management, Lean Six Sigma, and procurement contracting. The SBA trained 650 managers and supervisors during SBA University 2008 with a specific leadership curriculum designed to close leadership competency gaps. SBA managers and supervisors were provided with a core curriculum including Lean Six Sigma, leading teams/coaching, leadership effectiveness through active development, generational training and leadership philosophy. Ninety-five percent of all management attendees rated the leadership modules as “excellent” to “good.” The Agency designed and implemented a continuous learning plan that provides and reinforces employee learning and skills development year-round.

The SBA implemented a comprehensive strategy for improving the hiring process and ensuring highly qualified candidates are recruited and retained. Throughout the year, the Agency reduced and maintained a “time to hire” rate that was well below the 45-day target established by OPM, and notified applicants of the hiring decision for 70 percent of the hires. The SBA achieved a “hiring time” of 24 days on average and continues to improve. OPM noted that the SBA has the highest government-wide standard for making significant improvement in this area. In February 2008, OPM invited the SBA to share its recruitment model with other federal agencies and non-governmental organizations at the Chief Human Capital Officers Sub-Committee on Hiring and Succession. A key purpose of this roundtable was to showcase agency initiatives in improving aspects of the federal hiring process. The SBA also improved the hiring process and met targets based on the Chief Human Capital Officers Council Management Satisfaction Survey results. Hiring mechanisms were improved with implementation of USA Staffing, a web-based hiring system which maximizes the size and quality of the candidate pool. It provides selecting officials with the best-qualified candidates. Prior to implementation of USA Staffing, the SBA used a manual process for developing and announcing vacancies, recruiting, and issuing certificates for positions. USA Staffing gives candidates the convenience of applying online. It reduces the time needed to fill vacancies by more than 35 percent and yields over four times more applicants per position, on average, than the previous manual process. The SBA implemented a comprehensive strategy for improving the hiring process and ensuring highly qualified candidates are recruited and retained with the use of career patterns and by updating all standardized job templates. In addition to participating in multiple recruitment fairs, the SBA used the student employment program, the career intern program and the White House Fellows program to hire individuals at entry level to replace retiring employees as well as extend opportunities to internal employees seeking to transition into new career occupations.

The SBA implemented the Career Patterns Initiative, which increased the quality of candidates, diversity efforts, and broadened the applicant pool. The Career Patterns Initiative is a new approach for bringing the next generation of employees into the Agency. It is a recruitment technique for identifying opportunities and crafting action plans to ensure employment efforts are successful. The initiative focuses on students, new professionals, mid-career professionals, and retirees. In addition, the Agency's automated staffing system has incorporated Career Patterns

language into vacancy announcement templates. This allows seamless integration of Career Patterns into vacancy announcements. Job templates for MCO vacancies include use of the Career Patterns Initiative.

During FY 2008, the SBA conducted the 2007 Annual Employee Survey with an 85 percent participation rate. Survey results showed improvements in employee satisfaction across all survey dimensions from the 2006 Human Capital Survey results. In four of the five areas, overall satisfaction levels were the highest reported in the past 5 years. There was a 10 point increase in leadership satisfaction, reaching a 5-year high of 59 percent; a 6 point increase in performance culture satisfaction, reaching 49 percent; a 6 point increase in recruitment, development and retention satisfaction, reaching a 5-year high of 65 percent; a 5 point increase in work experience satisfaction, reaching a 5-year high of 71 percent; and a 4 point increase in overall job satisfaction, reaching a 5-year high of 66 percent. Also late in the fiscal year, OPM conducted the government-wide Federal Human Capital Survey for FY 2008. The SBA's 2008 FHCS results showed marked improvements compared to the 2006 survey. The Agency had the highest improvement rate among all federal agencies in two categories: Leadership and Knowledge Management, and Talent Management. The SBA also had the second largest gain in Job Satisfaction, and the sixth largest gain for establishing a Results-Oriented Performance Culture. Also noteworthy, the FY 2008 results showed that 78.5 percent of SBA employees participated in the survey, an increase of 6.5 percent points compared to 2006. This is the highest rate of participation in the federal government. While these are considerable improvements, the Agency will continue efforts to make the SBA one of the best places to work. The SBA will use the data to identify tactical and strategic issues, identify the most important areas to address, pay attention to large proportions of Neutral/Do Not Know responses, and consider results from different perspectives.

**Outcome Measure 4.1.6** — In FY 2008, the SBA used its Accountability Plan to capitalize on a wide range of measures. These included surveys, focus groups, data and narrative reports, reviews by external parties and independent on-site reviews conducted by internal teams. The Agency implemented measures to achieve a results-oriented performance culture that: (1) implemented an improved performance management system that clearly establishes a direct connection between employee performance expectations and the core mission and strategic goals; (2) ensured performance strategies that provided incentives for high performers based on achieving desired mission results; (3) used a performance management system that effectively distinguishes between levels of employee performance; (4) used an automation tool to streamline the appraisal process for employees and managers; (5) assessed performance using appropriate measures; (6) identified developmental needs; (7) promoted accountability for achieving goals, and; (8) improved individual and organization performance. During March 2008, SBA's Office of Inspector General and the Office of Personnel Management conducted a Delegated Examining Unit audit of the Office of Human Capital Management personnel services division at headquarters. A DEU audit of the Office of Disaster Assistance personnel office was conducted in June 2008 by the Office of Human Capital Management.

On September 17, 2008, the SBA was one of few government agencies granted full certification of its Senior Executive Service Performance Appraisal System by the Office of Personnel Management with the Office of Management and Budget's concurrence. SBA's certification ensured that its performance standards link with rigorous performance measures that demonstrate results. As a result of this certification, the SBA can make SES pay adjustments above the executive level III up to level II and have access to the higher aggregate pay limit. Concurrently, the Agency continued to monitor the performance management culture and administer changes to the electronic performance management system (GoalOwner) based on feedback from OPM and from SBA executive management. The SBA continually assessed and revised, as appropriate, the organization's structure to ensure that it was in line with the Agency's strategic plan and strategic human capital plan.

The SBA started to deploy technology initiatives in order to transition from paper-based processes to automated solutions. These technology initiatives will allow the Agency to streamline processes, reduce errors, modernize workflow processes and achieve compliance with mandated e-Gov initiatives. For example, the SBA launched GoalOwner Agency-wide to ensure consistency in establishing and monitoring performance elements that are measurable, achievable and results oriented. The Agency is also moving forward with implementation of e-Clearance which, when fully implemented, will leverage information technology to improve the effectiveness and efficiency of the personnel security investigations process, speed the security clearance process, promote reciprocity among federal agencies and save money. In addition, the SBA continued implementation of e-OPF which will provide employees and managers with a consolidated image and data view that digitally documents the employment actions and history of individuals employed by the SBA. E-OPF will enable management to report benefits and transfer human resources data electronically throughout an employee's lifecycle and will standardize human resources data. It will be a central repository for employee data and an electronic record that employees can access securely via the Enterprise Human Resources Integration portal. The SBA also implemented an electronic Labor Relations/Employee Relations system to enhance the management and tracking of employee and labor management program activities. The system enables accurate reporting and information sharing in an electronic format that allows management to identify trends and the training needed by managers.

During FY 2008, the SBA expanded its employee safety program by purchasing and installing automated external defibrillators at the Washington, DC location and holding various safety training events, including CPR, AED, building evacuation and shelter-in-place. The Agency also developed and implemented the Emergency Alert System which drastically improved its ability to protect employees by providing them with timely emergency alerts and also providing managers with an invaluable employee accountability system. This web-based emergency alert and accountability system was implemented nationwide and is used to send critical information to employees regarding emergency scenarios involving evacuations, shelter-in-place, and transitioning to a continuity of operations plan. The EAS is also used for emergency training exercises and to convey emergency messages from management. It gives the SBA the ability to account for its employees from a remote location; gives SBA managers the ability to alert all or a select group of employees to an impending or occurring event; and provides specific instructions on what procedures are to be followed via alerts through the Agency's LAN network (desktops and laptop computers), cellular devices, home and work telephones, and e-mail. The system also gives employees the ability to call in to a 1-866 accountability line and receive further instructions. The SBA can also use the system's website to quickly communicate emergency information to the media and general public.

**Outcome Measure 4.1.7** —During FY 2008, consistent with SBA's submission to OMB of a revised Competitive Sourcing Green Plan, emphasis was shifted from active competitions to enhancing post-competition accountability activities. OMB accepted SBA's Draft Scorecard documenting a plan to hold no competitions in FY 2008. In the area of post-competition accountability, the SBA is developing a new task order to use its competitive sourcing contractor in the development and execution of a newly robust post competition accountability program. In FY 2008, the SBA posted its OMB-approved 2007 FAIR Act Inventory on the SBA website for public access and review. The Agency also completed the development of its 2008 FAIR Act Inventory and submitted it to OMB by the June 30, 2008 deadline.

#### **FY 2009 - FY 2010 Planned Performance**

The Agency will revise its Human Capital Plan that includes workforce planning data by further refining the plan and communicating the revised plan throughout the Agency. The Agency's performance management e-tool, GoalOwner, which was fully implemented in FY 2009, will continue to measure all employees' performance. With GoalOwner, the SBA will demonstrate that it has an effective performance appraisal and awards systems for all employees, supervisors, SES employees and managers. By linking employees' performance plans to the Agency mission and

program offices' objectives, managers and supervisors will ensure that more than 70 percent of SBA's workforce's performance plans are effectively linked to the Agency's mission, goals and outcomes, and that they hold employees accountable and are awarded for performance results appropriate to their level of responsibility. In support of this, the SBA will fully implement another e-tool, the workforce planning system (WPS) by the third quarter 2010. The SBA's WPS will be used to conduct workforce analyses to identify and measure competency gaps in mission-critical occupations and will implement an improvement plan on gap analysis for all mission-critical occupations. Operationally, the SBA will continue implementing accountability activities to include transactional audit coverage for continued efficiency and productivity improvements within its personnel offices. As a final point, the SBA will complete implementation of the Agency's Leadership Succession Plan.

**Outcome Measures 4.1.1 thru 4.1.5** — In FY 2009 and FY 2010, the SBA will complete and implement a Human Capital Strategic Plan covering a five-year period, FY 2009 - FY 2013. The major difference from previous plans is that the plan will cover a five-year period rather than a single year. A single year focus is limiting whereas a five-year plan allows more strategic planning and flexibilities for leadership and management in all aspects of human capital. Other key changes include the following goals:

- Goal 1: *Organizational Effectiveness* — Align human capital plans, strategies and systems to achieve organizational effectiveness and mission accomplishment.
- Goal 2: *Recruitment and Diversity* — Recruit and hire a highly skilled and diverse workforce aligned with business goals.
- Goal 3: *Employee Retention and Employee Satisfaction* — Retain a high performing workforce and maintain an environment conducive to a high level of employee satisfaction.
- Goal 4: *Technology Skills* — Enhance workforce capabilities to support the use of current, new and evolving technologies.

The SBA Executive Development Council will continue to provide executive direction, oversight and support to continuously develop employees at all levels of the organization. The Agency will conduct a follow-up survey to measure the progress of gap narrowing and to identify whether additional remedial training is warranted for mission critical occupations. The institutionalization of SBA University will provide the delivery mechanism to ensure employees and managers receive the targeted training needed for successful job performance and for meeting the challenges of tomorrow.

The SBA will continue to grow and cultivate internal staff members with demonstrated leadership potential. This is strategically important given the Agency's anticipated critical shortage of non-management staff, supervisors and managers within the next five years. The SBA will accomplish this using a structured approach to talent management and succession planning. The Agency has analyzed the workforce skills needed to further develop employee talents and position the Agency for anticipated future workforce changes and demands. Key to SBA's continued success during FY 2009 and FY 2010 are full execution of these FY 2008 initiatives and programs: the management development training program, LEAD program, SES candidate development program, executive coaching, pre-retirement training seminars, and leadership courses for SES Staff. Coupled with these are the Agency's evaluation of its current mission critical and leadership occupations talents. The SBA will develop gap assessment survey tools, measure competency gaps, and complete training curriculum mapping gaps assessments for all mission critical and leadership occupations.

The Agency, likewise, has a commitment to ensure that all employees receive training and professional development that is relevant and valuable. The SBA Comprehensive Training and Development Strategy is a long-term plan to move beyond annual SBA University events to a life cycle approach to employee development. The SBA will annually assess mission-related training

needs and revise as necessary the Agency's strategy and report on its progress. SBA's training plan will meet these requirements by ensuring an upfront connection to the organization's strategic objectives, targeting training areas of greatest need and biggest payoff, and allowing the use of the best and most cost-effective training methods.

**Outcome Measure 4.1.6** — In FY 2009 and FY 2010, the SBA will implement its Workforce Planning System which will allow management to measure and compare the current workforce with the future workforce demand. This will provide insight to the best policies and initiatives needed to improve the overall human resources system. The SBA will continue to use the Accountability Plan to capitalize on a wide range of measures. This will include employee surveys, focus groups, data and narrative reports, reviews by external parties, and independent on-site reviews conducted by internal teams. Concurrently, the Agency will continue to monitor the performance management culture and administer changes to the GoalOwner system (the Agency's e-performance management solution) based on feedback from OPM and from SBA executive management. The SBA will complete implementation of the following e-gov human resources technology initiatives: USA Staffing, e-OPF, e-QIP, Learning Management System, Time Manager (Automated T&A), EmpowHR, Automated Labor Employee Relations Tracking System, Workers' Compensation Case Management/Safety Incident Reporting System, and GoalOwner. All of these systems will help improve the Agency's performance culture, employee morale, engagement and satisfaction by connecting individual performance to organizational success, including the awards and recognition program. Full implementation of these electronic systems will help move the SBA into the future and position the Agency to meet the demands of tomorrow. The SBA will improve internal controls by closely tracking, managing, and auditing employee personnel actions, payroll, time and attendance, and labor/employee relations program issues.

**Outcome Measure 4.1.7** — Consistent with OMB's guidance and the new emphasis represented by the change in name from competitive sourcing to commercial services management, in FY 2009 and FY 2010 the SBA will develop a program of internal business process re-engineering as an alternative to formal public/private competitions.

## Information Technology Management

**Long-Term Objective 4.2 – Provide a safe and secure information system environment to support business decisions and Agency operations**

### *Office of the Chief Information Officer*

SBA's information technology management program provides efficient and secure information systems and related technology to its internal and external customers. The Agency employs governance processes, including enterprise architecture and capital planning, to ensure that investments in information technology complement existing systems and infrastructure and support SBA's mission. SBA's information technology program is presented in four main sections: IT Infrastructure, Information Security and Privacy, Information Technology Governance, and Business Gateway.

#### **OCIO**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
IT Systems Availability (%)	Output	N/A	N/A	99.6%	99.8%	99.6%	99.6%
Unauthorized Network or Data Breaches (#)	Outcomes	N/A	N/A	0	4	0	0

## FY 2008 Accomplishments

### **IT Infrastructure**

#### New Loan Servicing Applications

In FY 2008, OCIO delivered four new and enhanced loan servicing applications.

*The Patriot Express* loan program provides SBA programs and services to veterans and members of the military community who want to establish or expand their businesses. Beneficiaries include veterans, service-disabled veterans, active-duty service members eligible for the military's Transition Assistance Program, reservists and National Guard members, current spouses of any of the above, and widowed spouses of service members or veterans who died during service or of a service-connected disability.

*Surety Bond/Preferred Surety Bond Guaranty* — Phase III of this project included major enhancements to expand system capabilities. Over 100 functional changes were introduced to streamline, automate and refine work processes and to enhance search and report features. The SBG enhancement project was recognized with a "Continuous Improvement Award" to the Office of Surety Guarantees and OCIO in recognition of superior achievement.

*ETran Enhancements Project* — Major enhancements expand electronic capabilities of the systems, including streamlined, automated and refined work processes; improved search and improved interfaces with mainframe systems. The ETran enhancement project was also recognized with a "Continuous Improvement Award" jointly presented to three SBA offices — Capital Access, OCIO, and OCFO — in recognition of superior achievement.

*Guaranty Purchase Tracking System* — In support of SBA's primary workflow initiative, work included upgrading GPTS to support the re-engineered workflow and process design decisions implemented at SBA's National Guaranty Purchase Center in Herndon, Virginia. GPTS now features new reporting capabilities, including performance, inventory and aging reports. Enhancements continue to use business intelligence software for additional analysis and reporting capabilities.

#### Updated Network Equipment and Disaster-Recovery Systems

At the SBA headquarters building in Washington, D.C., the network cable infrastructure was upgraded, increasing data throughput rates tenfold. In addition, SBA network router and switch devices were replaced in order to achieve compliance with OMB requirements (M-05-22) for migration to Internet Protocol Version 6.

OCIO supported the National "Eagle Horizon" 2008 COOP Exercise, a multi-agency national level COOP exercise that was designed to test and evaluate the ability of Executive Branch agencies to continue operations and perform their Primary Mission Essential Functions and Mission Essential Functions during and after a catastrophic natural or man-made event. SBA and OCIO's effort was evaluated as "successful" and demonstrated that the SBA can successfully move its email, PDA and Internet platforms to an alternate location outside of the Washington metropolitan area with no loss of service. Also, the SBA conducted a Business Resumption Plan Test at a designated recovery site.

#### Improved Identity Management in Compliance with Homeland Security Presidential Directive (HSPD-12)

The HSPD-12 initiative is aimed at standardizing identification badging and data access authorization across the federal government. Accomplishments included: issuance of 575 FIP 201 standards-compliant PIV II cards; demonstration of successful interoperability at two Department of

Homeland Security test exercises; remote issuance of 14 PIV II cards at an SBA off-site conference of Agency legal staff; and selection by the Federal Emergency Management Agency to be one of the first agencies to participate in uploading federal emergency responder officials' information into an HR 1 mandated database.

### **Information Security and Privacy**

In FY 2008, OCIO's Office of Information Security made significant strides to prevent security breaches and compromises to the Agency's IT security infrastructure. A network topology assessment initiated in 2007 was successfully completed in FY 2008. As a result of both the topology study and internal and external penetration tests, OIS now has the information and data required to make the business argument for adding selected technologies and services to close identified gaps and thereby improve security controls that will minimize or counteract security threats.

OCIO implemented two-factor authentication for SBA government and contractor staff. Ninety-eight percent of SBA employees and contractors who telecommute or access the network remotely on an ad hoc basis are now using this technology.

Encryption software for laptop computers was initiated in mid FY 2008. By the fourth quarter all SBA-owned laptops were encrypted. This effort continues throughout FY 2009 and will be applied to all such devices as they are purchased. All laptops being serviced will be checked for encryption software as a matter of routine.

Two penetration tests were conducted by an independent contractor to determine the Agency's overall vulnerability against specific external attacks and to measure the overall strength of the controls protecting the Agency.

OCIO was able to close 16 of the 35 outstanding information security audit findings, complete the recertification of 7 major and 2 minor applications, complete new certification and accreditation of 4 minor applications and perform 5 C and A site visits.

The establishment of the Security Operations Center and associated SOP was initiated. Primary SOC support equipment was ordered and a location was determined. In addition, the Vulnerability Assessment Team charter was fully implemented. The VAT is chaired by the chief information security officer.

The Agency's Computer Security Awareness Training was transitioned to the U.S. Department of Defense ISS-Line of Business as a shared service. This tool is now supporting the Agency's mandatory annual training.

#### Privacy

In FY 2008, OCIO drafted SBA's Standard Operating Procedure (90 50), "Breach Notification Response Plan." In addition, OCIO developed the Agency's Social Security Number Implementation Plan; developed and published Agency procedures for responding to incidents involving risk to PII data, including instructions for required reporting to the US CERT; posted Privacy Impact Assessments for Agency information systems containing PII data, and; incorporated privacy training in the on-line self-paced IT Security Awareness Training.

### **Information Technology Governance**

During FY 2008, the SBA continued to strengthen its internal IT management policies and processes, in accordance with requirements of the E-Government Act, Clinger-Cohen Act, and Federal Information Security Management Act. These process improvements aim to ensure that future IT investments align with and clearly support the Agency's mission, vision and operating

plans. OCIO completed Enterprise Segment Architectures for the offices of Government Contracting and Business Development, Human Capital Management, Procurement and Grants Management, and the federal-wide Business Gateway.

OCIO conducted an assessment of the Agency's Capital Planning and Investment Control process, which yielded a roadmap to improve and enhance IT governance efforts within the SBA. The Agency successfully resolved deficiencies that had kept four major IT investment proposals on the OMB Management Watch list. And, SBA's FY 2010 IT Portfolio (OMB Exhibit 53) and Major IT Investments Capital Plan (Exhibits 300) were transmitted in a timely manner with the Agency's budget.

The SBA achieved a rating of "green" on the PMA E-gov Scorecard for FY 2008; created a new "e-government portal" as part of the communication plan for the e-gov program; and successfully executed 11 Agency memoranda of understanding and funds transfers for federal e-gov initiatives in which the SBA participates.

### **Business Gateway**

The Business Gateway Initiative, managed by the SBA Office of the Chief Information Officer, is a collaborative effort for all federal agencies that interact with small businesses and that use information technology to improve the delivery of information and services to citizens. The mission of Business Gateway has evolved to serve as an incubator of technologies that improves the delivery of federal information products and services for the nation's small business community.

The initiative, which includes the [Business.gov](http://Business.gov) and [Forms.gov](http://Forms.gov) websites, reduces the amount of time and money business owners spend on complying with federal regulations and associated paperwork so that more time can be directed toward running their businesses. Specifically, [Business.gov](http://Business.gov) simplifies and improves businesses' ability to locate government compliance guides and forms they deal with on a regular basis, thereby reducing the effort needed to comply with government regulations.

A full discussion of Business Gateway can be found under the Strategic Goal Three section of this document.

### **FY 2009 – FY 2010 Planned Performance**

#### **IT Infrastructure**

##### **Improvement in Steady-State Operations through Application of Best Practice Operating Standards**

In FY 2009 and FY 2010, OCIO will continue SBA's migration to a current version of personal and network computing operating system software; implement data center consolidation and virtualization of server infrastructure; and adopt best practices in line with the IT Infrastructure Library publications and processes. OCIO continues to engage with CIO Council efforts to create baseline IT infrastructure measures and implement cost-reduction plans.

#### **Information Security and Privacy**

The Agency will continue, in FY 2009 and FY 2010, several projects initiated in FY 2008. OCIO will introduce the new federal information security management reporting tool in FY 2009, along with updates to the Computer Security Annual Training module. And it will award a successor to the current IT security services contract in the third quarter FY 2009 for maintenance of information security services. Acquisition requirements will be extensive, both because of changes in SBA's IT security environment, and in response to the heightened emphasis on information matters generally. The SBA will establish a National Communication Systems 3-10 compliant Agency "strong room" by completing the procurement and installation of appropriate security equipment.

## **Information Technology Governance**

### Enterprise Architecture

During FY 2009 and FY 2010, OCIO will ensure integrated IT governance practices between SBA's enterprise architecture program and the Agency's capital planning and investment controls process; establish surveillance and reporting on EA metrics and measures, segment architectures, the IT investment portfolio, and the Agency PAR and PART metrics to meet these or other OMB requirements; update the SBA EA blueprint which provides a view of both the target architecture and the current enterprise architecture with a gap analysis that identifies the transition work needed to achieve the target state; and, most importantly, continue to develop segment architectures for IT infrastructure, financial management, financial assistance, disaster assistance, and the Office of Entrepreneurial Development. Segment architectures are plans aligning the core mission, business services or enterprise services with technology needs as a way of better defining the Agency's information technology needs. Segment architectures are also used to plan, execute, and maintain information technology within each SBA program office or line of business.

### Capital Planning and Investment Control, IT Project Management

The SBA plans to mature its IT governance operations further during FY 2009 – FY 2010 by introducing updated enterprise-level tools with associated training for overseeing and managing major IT projects. This will capitalize on FY 2008 investments in combined capital planning and project planning software that is tied to the Enterprise Architecture side of IT governance. The SBA will also update its communications plan to more clearly spell out the requirements, benefits and efficiency opportunities that well-executed IT governance practices will yield to the Agency.

During FY 2009 – FY 2010 the Agency will continue to execute the IT Governance Maturity Model recommendations developed in FY 2007 to improve transparency, oversight and accountability of SBA's IT investment portfolio. In addition, OCIO will update SBA's System Development Methodology guide, templates and checklists to reflect best practices and new federal requirements and complete the implementation of Primavera ProSight as the Agency-level tool used to support the selection, control and evaluation phases of the IT capital planning and investment control process.

## **Financial and Performance Management**

### **Long-Term Objective 4.3 – Provide financial and performance management services to support efficient and effective program delivery**

#### ***Office of Performance Management and Chief Financial Officer***

The Office the Chief Financial Officer conducts and promotes effective financial management activities for the SBA including budget, credit subsidy, financial operations, financial systems and internal controls. It develops and maintains integrated accounting and financial management systems; directs, manages, and provides policy guidance and oversight of all Agency financial management personnel, activities, and operations; approves and manages financial management systems design and enhancement projects; develops budgets for financial management operations and improvements; implements Agency asset management systems; monitors the financial execution of the Agency budget in relation to actual expenditures; and issues reports on budget and financial results including audited financial statements.

The Office of Performance Management is the driving force behind promoting operational effectiveness, accountability, and transparency within the SBA. This mission is accomplished by developing, coordinating, communicating, and maintaining Agency efforts to transition into an

outcome-oriented, customer-focused, employee-enabled, more accountable and transparent organization. This office is also the leader in the Agency's Performance Improvement initiative. This initiative was designed to develop better performance measures in order to facilitate SBA's continued movement from measuring activity outputs to measuring programmatic and Agency outcomes. The Office of Performance Management provides tools and guidance to assist the Agency in expanding its capacity to improve the performance and efficiency of its programs by providing advice or consultation related to program management, execution, goal development, data integrity and evaluation. It builds Agency capacity for results-based management through training and outreach to program offices, and supports the Agency's strategic planning. It also oversees the preparation of annual financial, accountability and/or performance reports and monitors Agency compliance with performance-related laws and regulations.

**OCFO**

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Goal	FY 2010 Goal
Unqualified Opinions for Audit Year	Outcomes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Material Weaknesses (#)	Outcomes	2	1	0	0	0	0

**FY 2008 Accomplishments**

The SBA's independent auditor, KPMG, issued an "unqualified" opinion on the Agency's FY 2008 financial statements, the fourth year in a row for this result. The independent auditor reported the Agency in conformance with the Federal Financial Management Improvement Act for FY 2008. KPMG did find a "significant deficiency" in the Agency's internal control over its information systems that the SBA will rectify in FY 2009. Financial system improvements to better manage disaster loan approval increases were made during FY 2008, and these will be automated during FY 2009. Finally, the Agency maintained the process to provide enhanced internal control over financial reporting as mandated by OMB Circular A-123 that has contributed to SBA's improved financial management, including activities to bolster internal control over financial activities in business loans, disaster loans, grants and contracting, administrative activities, budget and the financial reporting process.

In addition, for the second time in a row, the SBA received the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" The award reflects the Agency's continuing dedication and hard work towards the goal of financial management excellence.

**FY 2009-FY 2010 Planned Performance**

The SBA is committed to maintaining a "green" rating on the financial performance item in the President's Management Agenda, including obtaining an "unqualified" opinion with no repeat material internal control weaknesses in its FY 2009 financial statement audit. During FY 2009 and FY 2010, the Agency will continue to improve the usage of financial management data including prompt pay, obligation management, and credit portfolio management. Internal controls over financial reporting will be maintained through quality assurance activities and continual improvement in the documentation of the financial management and internal control procedures. FY 2009 A-123 internal control resources have been enhanced through the internal transfer of two staff, and two recruitments are planned making a total of six staff dedicated to A-123 internal control activities. This will reduce the level of contractor assistance required in FY 2009 and FY 2010.

FY 2009 reporting and audit activities are being conducted on a schedule developed with KPMG, the Office of the Inspector General, and the Office of the CFO. Action on audit findings will address

each item to complete work as soon as possible. Internal control activities over financial reporting will be enhanced based on previous year experience. Finally, additional support will be provided to the development of the Loan Management and Accounting System during the year.

The SBA will continue building on its improvements in financial reporting and data quality in FY 2009 and FY 2010. The Agency will also continue to improve the quality of its financial management reporting while meeting all financial/performance/budget deadlines. This is SBA's highest priority in the financial arena. Additional performance priorities include:

- Implementation of the Recovery Act program enhancements and financial management requirements is a focus in FY 2009 to properly manage, account for and report ARRA financial activity, performance results and maintain proper internal control.
- An enhanced monthly reporting process to track progress against established targets and improve the quality of data used to measure program outcomes.
- The SBA will continue to establish and develop training for performance measures and performance management for both program and administrative managers.
- The Agency will continue to improve the measurement of its outputs and outcomes to ensure timely reporting of accomplishments. This will include improved verification and validation of the data, as well as methodologies for estimates for end-of-year-data.
- The SBA will increase the focus of performance and budget integration in the Agency's support offices and will increase their contribution to the success of the programmatic offices and to the efficient management of the Agency. Resource alignment will be accomplished by ensuring that goals, priorities, operating plans, and performance metrics are effectively integrated into the budget and staff allocation process. Additionally, the Agency will identify methods to improve performance/cost data availability for supporting performance management.

## Appendices

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## **Appendix 1 — Appropriations Language**

### **Appendix 2—Appropriations Language**

#### **Salaries and Expenses**

For necessary expenses, not otherwise provided for, of the Small Business Administration as authorized by Public Law 108-447, including hire of passenger motor vehicles as authorized by 31 U.S.C. 1343 and 1344, and not to exceed \$3,500 for official reception and representation expenses, [~~\$386,896,000~~] ~~\$422,000,000~~: *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 [~~\$110,000,000~~] ~~\$97,000,000~~ shall be available to fund grants for performance in fiscal year [2009] 2010 or fiscal year [2010] 2011 as authorized, of which \$1,000,000 shall be for the Veterans Assistance and Services Program authorized by section 21(n) of the Small Business Act, as added by section 107 of Public Law 110-186, and of which \$1,000,000 shall be for the Small Business Energy Efficiency Program authorized by section 1203(c) of Public Law 110-140: *Provided further*, That [~~\$7,654,400~~] ~~\$11,690,500~~ shall be available for the Loan Modernization and Accounting System, to be available until September 30, [2010] 2011: *Provided further*, That \$10,000,000, to remain available until September 30, 2011, shall be for expenses for the relocation of the headquarters of the Small Business Administration: *Provided further*, That notwithstanding the provisions of section 7(e) of the Small Business Act, the Administration may provide financial assistance in the form of grants or cooperative agreements to educational institutions, nonprofit organizations, Federal, State, and local departments and agencies (including Small Business Development Centers operating pursuant to section 21 of the Small Business Act, Women's Business Centers operating pursuant to section 29 of the Small Business Act, and SCORE chapters operating pursuant to section 8(b)(1)(B) of the Small Business Act) for the purpose of providing management or technical assistance and other services to small businesses. (*Financial Services and General Government Appropriations Act, 2009*)

#### **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, [~~\$16,750,000~~] ~~\$16,300,000~~. (*Financial Services and General Government Appropriations Act, 2009*)

#### **Disaster Loans Program Account**

(including transfers of funds)

*For the cost of guarantied loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, \$1,690,000, to remain available until expended, of which \$352,357 is for loan guaranties as authorized by section 42 of the Small Business Act, and \$1,337,643 is for loan guaranties as authorized by section 12085 of Public Law 110-246.*

*In addition, for administrative expenses to carry out the direct and guaranty loan programs, \$102,310,000, to be available until expended, of which \$91,000,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, which may be paid to the appropriations for Salaries and Expenses; of which \$9,000,000 is for indirect administrative expenses for the direct loan program, which may be paid to the appropriations for Salaries and Expenses; 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 paid to the appropriations for the Office of Inspector General; and of which \$1,310,000 is for*

*administrative expenses to carry out the guaranty loan programs, which may be paid to the appropriations account for Salaries and Expenses.*

**Business Loans Program Account**  
(including transfers of funds)

For the cost of direct loans, [\$2,500,000] \$3,000,000, to remain available until expended, and for the cost of guarantied loans, \$80,000,000, as authorized by section 7(a) of the Small Business Act, 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 [2009] 2010 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 [2009] 2010 commitments for general business loans authorized under section 7(a) of the Small Business Act shall not exceed \$17,500,000,000: *Provided further*, That during fiscal year [2009] 2010 commitments to guarantee loans for debentures under section 303(b) of the Small Business Investment Act of 1958, shall not exceed \$3,000,000,000: *Provided further*, That during fiscal year [2009] 2010, guaranties 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 guaranty loan programs, [\$138,480,000] \$153,000,000, which may be [transferred to and merged with] paid to the appropriations for Salaries and Expenses. (*Financial Services and General Government Appropriations Act, 2009.*)

**Surety bond guaranties revolving fund**

For additional capital for the Surety Bond Guaranties Revolving Fund, authorized by the Small Business Investment Act of 1958, as amended, [\$2,000,000] \$1,000,000, to remain available until expended. (*Financial Services and General Government Appropriations Act, 2009.*)

**Administrative Provisions-Small Business Administration**  
(including transfer of funds)

Sec. 520. Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Small Business Administration in this Act may be transferred between such appropriations, but no such appropriation shall be increased by more than 10 percent by any such transfers: *Provided*, That any transfer pursuant to this paragraph shall be treated as a reprogramming of funds under section 608 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in that section.

[Sec. 521. All disaster loans issued in Alaska or North Dakota shall be administered by the Small Business Administration and shall not be sold during fiscal year 2009.]

[Sec. 522. None of the funds made available under this Act may be used by the Small Business Administration to implement the rule relating to women-owned small business Federal contract assistance procedures published in the Federal Register on October 1, 2008 (73 Fed. Reg. 56940 et seq.).]

[Sec. 523. Of the amount made available under the heading "State and Tribal Assistance Grants" under title II of division F of the Consolidated Appropriations Act, 2008 (Public Law 110-161; 121 Stat. 2125) for the Mingo County Redevelopment Authority, \$2,953,000 is transferred to the "Salaries and Expenses" account of the Small Business Administration. The amount transferred under this section shall be for the Mingo County Redevelopment Authority and shall be available for use under the terms and conditions otherwise applicable to amounts appropriated for the "Salaries and Expenses" account of the Small Business Administration and shall remain available until expended.]

[Sec. 524. Funds made available under section 534 of Public Law 110-161 (121 Stat. 2125) for the Alabama Small Business Institute of Commerce, Small Business Incubator, Rainbow City, Alabama shall be made available to Alabama Small Business Institute of Commerce, Rainbow City, Alabama.]

[Sec. 525. For an additional amount under the heading ``Small Business Administration, Salaries and Expenses'', \$65,653,678, to remain available until September 30, 2010, shall be for initiatives related to small business development and entrepreneurship, including programmatic and construction activities, and in the amounts specified in the table that appears under the heading ``Administrative Provisions-Small Business Administration'' in the explanatory statement described in section 4 (in the matter preceding division A of this consolidated Act). ]

*Sec. 521. Section 7(d) of the Small Business Act (15 U.S.C. 636(d)) is amended in subparagraph 7(d)(5)(D) by striking in the last sentence "three years" and inserting "seven years". (Financial Services and General Government Appropriations Act, 2009.)*

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## ***Appendix 2 — Internal E-Gov Efforts***

### **Section 1- Implementation of Electronic Government Initiatives**

***Please provide a brief overview of your agency's implementation of the Act including a description of any internal agency-specific E-Government initiatives.<sup>2</sup>***

#### **The U.S. Small Business Administration**

America's small businesses play a vital role in creating opportunities for individuals, employees, and economic growth. The U.S. Small Business Administration maintains its longstanding efforts to bridge the competitive opportunity gaps that small entrepreneurs face. To that end, the SBA will continue to use the Internet and information technology to simplify the interaction between small businesses and the federal government.

As the managing partner of the Business Gateway initiative, the SBA is recognized and lauded for the innovative ways in which Business.gov provides information and resources that help small businesses comply with federal, state and local business laws and government regulations.

The following pages demonstrate the commitment of two offices within the SBA to the principles of eGovernment: the Office of Human Capital Management, an internal organization that partners with SBA leaders to develop strategic solutions to human capital issues and create a work environment that attracts and retains the talented and high performance workforce the SBA needs to accomplish its mission; and the Office of Capital Access, whose mission is to make capital available through financing partners to small businesses that might not otherwise obtain financing to start-up or existing businesses on reasonable terms and conditions. The Office of Capital Access balances the need to make capital available to small businesses with the need to provide appropriate monitoring and oversight to ensure that tax dollars are used most effectively and wisely.

#### **A. *Describe how the initiative is transforming agency operations;***

##### **GoalOwner (Office of Human Capital Management)**

GoalOwner is a web-based performance management system that provides the SBA with a solution that meets OPM regulatory requirements and helps create an effective performance-driven culture. It also will help improve accountability by cascading the Agency's strategic goals and priorities into individual performance objectives for every level of the organization, while also ensuring that objectives are written using the SMART (Specific, Measurable, Achievable, Relevant and Timely) criteria. GoalOwner facilitates continuous performance dialogue between managers and employees and provides the basis for management to make informed decisions relative to awards, pay and career development.

##### **E-Tran (Office of Capital Access)**

E-Tran is an SBA loan guaranty origination solution that leverages best-practice Internet technology to reduce the turnaround time on loan guaranty origination and servicing requests and provide the Agency with high quality, timely data to support the management and oversight of its portfolio. E-Tran is one component of an overall strategy to provide increased efficiency and decreased costs in the loan guaranty origination and servicing process.

<sup>2</sup> Information about the 25 Presidential E-Government and 9 Lines of Business initiatives will be collected at a different time and should not be included in this report. You may include any other of your agency's major IT investments and other information technology investments as identified on your agency's exhibit 53, projects described in your Information Resources Management Strategic Plan, and any other projects using information technology, and combined with processes implementing these technologies, enhance the access to and delivery of government information and services to the public and other agencies.

The SBA has worked with thousands of lenders over several years to tailor the suite of solutions for the lending community. E-Tran's flexibility allows lenders to determine which method of access is best for them. E-Tran was created to allow access through a number of channels, including:

- A web page where lenders can enter loan information for single loans;
- A secure web site capable of accepting multiple applications simultaneously via an XML (Extensible Markup Language) file transfer; and
- Working with software intermediaries that have E-Tran loan submission functionality built into their program.

**B. *Explain how your agency maintains an ongoing dialogue with interested parties to find innovative ways to use information technology for the initiative.***

**GoalOwner (Office of Human Capital Management)**

The Agency maintains a dialogue with interested stakeholders through a comprehensive communications plan that takes a multifaceted approach to inform the SBA community about GoalOwner. Stakeholders receive a continuous stream of information through information notices, management briefings, interoffice working groups, trainings, the online GoalOwner toolkit, interactive computer-based tutorials, online informational podcasts, newsletters, SBA University, and the GoalOwner e-helpdesk. The Agency receives feedback and suggestions from interested stakeholders, interagency working groups, interoffice working groups, management briefings, training sessions and the GoalOwner e-helpdesk.

**E-Tran (Office of Capital Access)**

Currently, the Agency communicates with interested parties via the web, list servers, notices, trade group conferences and regional/local lender events. As the community of interested parties grows, additional requirements will be suggested, including the possible expanded use of the Agency's IT solution to include additional functionality along the lifecycle of a loan guaranty.

Five years ago less than five percent of SBA's loans were originated electronically. Today, as a result of E-Tran, 75 percent of 7(a) loans are processed electronically. Additionally E-Tran has been described as a best-practice by lending industry executives and described "as one of the best things ever accomplished by the Agency" in a recent customer service survey.

The E-Tran Program Management Team recently received the SBA Continuous Improvement Award for expanding E-Tran functionality to Loan Servicing. During a recent customer survey, one of SBA's most active lenders described the expansion of E-Tran to Servicing as follows:

- Eliminates the headaches associated with faxing documents back and forth to the servicing center, depending on the number of items (servicing requests) that are needed. Incomplete fax notifications are constantly received and/or do not receive a response from the servicing center, generating another fax request.
- Expedites the process by getting immediate cancellations. This in turn places the funds back into the SBA General Account to be loaned to another applicant and gets the refund of the cancelled loan processed immediately.
- Streamlines the internal process. One person will be able to handle the cancellation process from start to finish.

The OCA will continue to expand (E-Tran servicing/liquidation, fee payment, and reporting) to improve processes, increase efficiency for the lending community/Agency, and decrease cost.

- C. **Identify external partners (e.g., federal, state or local agencies, industry) who collaborate on the initiative.**

**GoalOwner (Office of Human Capital Management)**

GoalOwner is an initiative that stemmed from SBA's need for greater performance management accountability. The SBA participated in a government-wide interagency working group, led by the Office of Personnel Management, and received feedback and lessons learned from other federal performance management professionals regarding best practices. From these meetings, the SBA received valuable information and guidance that contributed to the development of GoalOwner, which meets SBA-specific performance management requirements. Additionally, within SBA OHCM formed interoffice working groups to shape GoalOwner to meet the Agency's needs.

**E-Tran (Office of Capital Access)**

While the OCA has not partnered with other agencies on this initiative, other agencies have contacted the SBA in hopes of using the E-Tran application as a model. The SBA has communicated with public and private organizations in the development of this IT solution. From this communication, the OCA has incorporated best practices in the origination of government guaranteed loans.

Currently, the E-Tran application is considered an Industry Best Practice. Public and private organizations exhibiting best practices in XML programmed file transfers, describe the process as having the potential to alleviate many of the interoperability problems associated with the exchange of documents and data.

- D. **Identify improved performance (e.g., outcome measures) by tracking performance measures supporting agency objectives and strategic goals.**

**GoalOwner (Office of Human Capital Management)**

GoalOwner aligns employees' performance objectives with SBA's strategic goals and ensures a consistent format for establishing performance objectives that are results-oriented and outcome-based. GoalOwner cascades the goals and objectives into the performance plans of employees at every work unit level.

**E-Tran (Office of Capital Access)**

The E-Tran application provides the Agency with quality, timely data to support the management and oversight of its portfolio. The application has stored data and loan program validation requirements. This ensures that the Agency receives quality data on its borrowers and that the loan complies with statutory requirements.

Through this technology, the SBA is better positioned to track performance measures. With the improved data quality, the SBA can analyze a portfolio to ensure Agency objectives are met and risk is mitigated.

- E. **Quantify the cost savings and cost avoidance achieved through implementing the initiative (e.g., reducing or eliminating other investments in information technology).**

**GoalOwner (Office of Human Capital Management)**

GoalOwner will allow the SBA to track the performance management process online. Since the SBA has replaced the manual, paper-based performance management process with GoalOwner, the Agency can process performance management actions seamlessly and eliminate manual filing, storage, and maintenance of paper records, in accordance with the Paperwork Reduction Act. Further, by using GoalOwner's reporting capability, OHCM can track the timely issuance of

performance plans and performance ratings, and quickly rectify performance management issues before they escalate into grievances that could potentially cost the Agency. More importantly, program managers and supervisors can use GoalOwner to quickly identify performance deficiencies and take corrective action to ensure continued efficient and effective operations, which could ultimately result in savings to the Agency.

#### **E-Tran (Office of Capital Access)**

In FY 2008, 75 percent of 7(a) loans were processed electronically via one of the OCA's E-Tran solutions. Bank of America, one of SBA's most active lenders, reports that with the help of E-Tran the bank is able to close smaller, more routine loans within five days of the customer's request, previously considered an unattainable goal. Prior to E-Tran implementation, this borrower-to-lender-to-SBA process could take up to 10 days. Lenders using E-Tran report being able to provide financing to small business entrepreneurs 36-48 hours sooner than the paper-based method of loan guaranty processing. The OCA would need a comprehensive study to accurately project the total five-year cost-savings of E-Tran. However, the OCA's lending partners anecdotally suggest E-Tran enables substantial cost/time savings.

Approximately 3,000 loan processors, representing 1,500 banks, have signed on to electronically originate or service loans via E-Tran. With the help of SBA's district office personnel, the OCA is aggressively marketing E-Tran to the remaining SBAExpress and PLP lenders who are not currently taking advantage of the program. By the end of FY 2007 the OCA aims to have 90 percent of all 7(a) lending processed electronically via E-Tran. Additionally, the OCA will be piloting an E-Tran solution for 504 loan processing this fiscal year.

#### **F. *Explain how this initiative ensures the availability of government information and services for those without access to the Internet and for those with disabilities.***

#### **GoalOwner (Office of Human Capital Management)**

GoalOwner is Americans with Disabilities Act-compliant and is accessible to SBA employees via the Intranet or through VPN access. The database is a web-based application that is only accessible via the Internet. However, those employees without Internet access can receive performance feedback from their supervisors who can print the performance plans and mail or fax the documents to their direct reports.

#### **E-Tran (Office of Capital Access)**

The SBA has maintained working relationships with financial partners to ensure that availability to all of the OCA programs is not diminished. This means the Agency will still accept loan applications via fax or mail until it is determined that all financial institutions have access to the E-Tran application.

The OCA has experienced an enormous rise in E-Tran participation, however rural and small financial institutions may be slow to adopt this technology. The OCA will continue to process government guaranty loans via the current process to ensure that no financial institution is left behind.

#### **G. *Explain how the project applies effective capital planning and investment control procedures.***

The program managers of both the OCHM initiative and the OCA initiative collaborate with the OCIO project managers to budget for and project the funds needed to maintain the system. E-Tran is bundled with SBA's other financial systems, with respect to the capital planning process to create an economy of scale. In addition, both OCHM and OCA brief the Business Technology Investment Council periodically during in-process reviews of programs and investments.

BTIC Authority is established to assist in implementing key provisions of the Clinger-Cohen Act (Information Technology Management Reform Act of 1996), Public Law 104-106, in particular Section 5122 on Capital Planning and Investment Control, and Section 5125 [C] [2], which charges agencies' CIOs with the duty to, *"monitor the performance of information technology programs of the agency, evaluate the performance of those programs on the basis of the applicable performance measurements and advise the head of the agency regarding whether to continue, modify or terminate a program or project.."*

EA is the current term for what was described in the Clinger-Cohen Act as "Information Technology Architecture." The change in name is in support of the Office and Management and Budget's expanded philosophy to monitor the performance of all Enterprise projects and programs, both business and IT related.

## **Section 2 – Agency Information Management Activities**

This year's report continues information streamlining and requires the Agency to report only the website link. Additionally, the Agency shall provide both previously reported (subsections A and B) and any new information (subsections E and F). Subsections C and D shall include information on some previously reported activities.

***Please provide the link(s) to your agency's website of where the following information is located:***

**A. *Your agency's IRM Strategic Plan;***<sup>3</sup>

This is a link to SBA's *IT Strategic Plan 2007-2011*:

[http://www.sba.gov/aboutsba/sbaprograms/OCIO/sba\\_ocio\\_2007\\_2011.html](http://www.sba.gov/aboutsba/sbaprograms/OCIO/sba_ocio_2007_2011.html)

**B. *Final determinations, priorities, and schedules.***<sup>4</sup> ***Also include your agency's information dissemination product catalogs, directories, inventories, and any other management tools used to improve the dissemination of and access to your agency's information by the public;***

The final determinations, priorities, and schedules are available through the Office of the Chief Information Officer website, <http://www.sba.gov/aboutsba/sbaprograms/OCIO/index.html> in the Data Quality Handbook. The handbook is available in PDF format, [http://www.sba.gov/idc/groups/public/documents/sba\\_program\\_office/ocio\\_hp\\_infoquality.pdf](http://www.sba.gov/idc/groups/public/documents/sba_program_office/ocio_hp_infoquality.pdf).

Additional information regarding SBA's programs and activities is available through the SBA Newsroom, <http://www.sba.gov/news/index.html>.

**C. *Your agency's Freedom of Information Act (FOIA) handbook, the link of your agency's primary FOIA website, and the website link where frequent requests for records are made available to the public;***

<sup>3</sup>OMB Memorandum M-06-02, "Improving Public Access to and Dissemination of Government Information and Using the Federal Enterprise Architecture Data Reference Model," of December 16, 2005 (located at: <http://www.whitehouse.gov/omb/memoranda/fy2006/m06-02.pdf>) required agencies to publish the agency's IRM on its public website. See also, See, OMB Memorandum M-06-25, "FY 2006 E-Government Act Reporting Instructions," of August 25, 2006, Section 3, located at: <http://www.whitehouse.gov/omb/memoranda/fy2006/m06-25.pdf>.

<sup>4</sup>See OMB Memorandum M-06-25, section 2.

This is a link to the *Small Business Administration Guide to Public Information*:  
[http://www.sba.gov/aboutsba/sbaprograms/foia/FOIA\\_HANDBOOK.html](http://www.sba.gov/aboutsba/sbaprograms/foia/FOIA_HANDBOOK.html)

- D. ***A list of your agency's public websites disseminating research and development (R&D) information to the public, and whether or not each website provides the public information about federally funded R&D activities and/or provides the results of Federal research;***<sup>5</sup>

The SBA does not receive funding for, and does not participate in, R&D activities. Therefore, the SBA does not have a website dedicated to disseminate or describe such activities or results. However, SBA's Office of Economic Research website, <http://www.sba.gov/advo/research/>, provides economic research and statistics associated with small businesses.

In addition, SBA's Office of Technology administers the Small Business Innovation Research program and the Small Business Technology Transfer program. The Office of Technology's website, <http://www.sba.gov/aboutsba/sbaprograms/sbir/index.html>, provides relevant research regarding information technology for small businesses.

- E. ***An inventory of formal agency agreements (e.g., contracts, memoranda of understanding, partnerships) with external entities (e.g., state and local governments, public libraries); and***

The SBA's Office of advocacy Small Business Law Library website, [http://www.sba.gov/advo/laws/law\\_lib.html](http://www.sba.gov/advo/laws/law_lib.html), provides the memorandums of understanding and formal agreements available to the public. Not all of the agreements are available for public view.

- F. ***An inventory that describes your agency's NARA-approved records schedule(s) or the link to the publicly-posted records schedules(s) and a brief explanation of your agency's progress to implement NARA Bulletin 2006-02. For the brief explanation, please report the number of systems for which a records schedule was submitted to NARA in FY 2008 and the number of systems still requiring records scheduled.***

There are 59 electronic records schedules listed in the SBA Electronic Records Management System; of these the "Loan Accounting System" comprises 33 subsystems.

SBA has not submitted e-records schedules in 2008. The Agency is currently working on preparing two new schedules, one electronic, the other paper based. The Agency is continually striving to comply with NARA's guidelines and to capture all new electronic applications as they are created.

All of SBA's NARA-approved electronic records schedules can be accessed on the SBA Intranet page known as the "YES" page. To access from the YES page, an employee would click on "Program Offices," from there to "Administration;" then to "SBA Electronic Records Management System." Select the office where the records schedules are located, click on that and choose between "paper" and "electronic." This will display the records schedules of that particular office. At present this application is available only to SBA employees; however, the plan is to arrange a link to the public SBA website at [www.sba.gov](http://www.sba.gov).

<sup>5</sup>The report need not address this area if the agency does not fund federal R&D activities.

## Appendix 3 — Glossary of Acronyms and Abbreviations

504	<b>504 Loan Program</b> — Provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings and long-life capital equipment	CFO	<b>Chief Financial Officer</b> — The CFO is responsible for the financial leadership of the Agency. This includes responsibility for all Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes.
7(a)	<b>7(a) Loan Guaranty Program</b> — SBA's primary loan program. It provides general loan financing for a wide variety of purposes.	CFR	<b>Code of Federal Regulations</b> — The codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the federal government.
8(a)	<b>8(a) Business Development Program</b> Assists firms owned and controlled by socially and economically disadvantaged individuals to enter and succeed in the economic mainstream.	CIO	<b>Chief Information Officer</b> — The CIO is responsible for the management of information technology for the Agency, including the design, implementation and continuing successful operation(s) of information programs and initiatives.
A-123	Designation for OMB Circular on "Internal Control Systems." It prescribes policies and procedures to be followed by executive departments and agencies in establishing, maintaining, evaluating, improving, and reporting on internal controls in their program and administrative activities.	CLA	<b>Office of Congressional and Legislative Affairs</b> — The CLA assists in the development and enactment of SBA legislative proposals and serves as the liaison for SBA's communications on all legislative and congressional activities.
AA	<b>Associate Administrator</b>	COO	<b>Chief Operating Officer</b>
AFMAC	<b>Audit and Financial Management Advisory Committee</b> — Assists the Administrator in overseeing SBA's financial operations	COOP	<b>Continuity of Operations Plan</b> — A predetermined set of instructions or procedures that describe how an organization's essential functions will be sustained for up to 30 days following a disaster and then return to normal operations.
AFR	<b>Agency Financial Report</b> — The name of one of the alternative reports to a PAR that an agency participating in OMB's financial reporting pilot program must issue.	CR	<b>Citizens' Report</b> — One of the reports of the pilot Performance and Accountability Report.
APR	<b>Annual Performance Report</b> — A report required by the GPR that presents a federal agency's progress in achieving the goals in its strategic plan and performance budget.	CRC	<b>Civil Rights Center</b> — The CRC administers and enforces various federal statutes, regulations and Executive Orders that relate to nondiscrimination and equal opportunity.
BATF	<b>Business Assistance Trust Fund</b> — A trust fund in the U.S. Treasury maintained to receive and account for donations made by private entities for activities to assist small business.	DAP	<b>Disaster Assistance Plan</b> — Executive Order 13411 mandates that federal agencies create a single application that fulfills the information requirements of all applicable federal disaster assistance programs.
BD	<b>Business Development</b> — The Office of Business Development uses SBA's statutory authority to provide business development and federal contract support to small disadvantaged firms.	DCMS	<b>Disaster Credit Management System</b> The electronic system used by the SBA to process loan applications for all new disaster declarations.
BDMIS	<b>Business Development Management Information System</b> — The system that automates the certification and annual review process for the 8(a) program.	DCIA	<b>Debt Collection Improvement Act</b> — A federal law to maximize collections of delinquent debts owed to the government.
BLIF	<b>Business Loan and Investment Fund</b> Fund operated by the Treasury Department to maintain the accounting records of loans approved prior to 1992.	DLF	<b>Disaster Loan Fund</b> — Assists eligible small businesses impacted by disasters.
CA	<b>Capital Access</b> (See OCA)		
CDC	<b>Certified Development Company</b> — Refers to the Section 504 Certified Development Company debenture program.		

<b>ECCB</b>	<b>Enterprise Change Control Board</b> — The ECCB is in charge of the administration of the centralized network accounts for the SBA.	<b>FICA</b>	<b>Federal Insurance Contribution Act</b> — The law establishing a social security tax, a largely self-supporting program for employees.
<b>EEO</b>	<b>Equal Employment Opportunity</b>	<b>FMFIA</b>	<b>Federal Managers Financial Integrity Act</b> A law Act that primarily requires ongoing evaluations and reports on the adequacy of the internal accounting and administrative control systems of executive agencies.
<b>ELA</b>	<b>Electronic Loan Application</b> — Simplifies the application process by providing electronic loan applications.	<b>FPDS</b>	<b>Federal Procurement Data System</b>
<b>FASAB</b>	<b>Federal Accounting Standards Advisory Board</b> — Promulgates accounting principles for federal government reporting entities.	<b>FT</b>	<b>Fiscal Transfer Agent</b>
<b>FBCI</b>	<b>Faith-Based and Community Initiatives</b> The office promotes SBA partnerships with faith-based and neighborhood organizations to help people receive training and credit assistance. In accordance with an Executive Order issued in February 2009, the name will change to the Center for Faith-Based and Neighborhood Partnerships	<b>FY</b>	<b>Fiscal Year</b> — The SBA fiscal year begins October 1 and ends the following September 31.
<b>FCRA</b>	<b>Federal Credit Reform Act</b> — A law enacted to provide a more realistic picture of the cost of U.S. government direct loans and loan guaranties.	<b>GAO</b>	<b>U.S. Government Accountability Office</b> The audit, evaluation and investigative arm of Congress.
<b>FECA</b>	<b>Federal Employees Compensation Act</b> Provides compensation benefits to federal civilian employees for work-related injuries or illnesses and to their surviving dependents.	<b>GCBD</b>	<b>Office of Government Contracting and Business Development</b> — GBCD works to create an environment for maximum participation by small, disadvantaged and woman-owned business in federal government contract awards and large prime subcontract awards.
<b>FEMA</b>	<b>Federal Emergency Management Agency</b> — The agency that is tasked with responding to, planning for, recovering from and mitigating against disasters.	<b>GWAC</b>	<b>Government-wide Acquisition Contract</b>
<b>FERS</b>	<b>Federal Employees' Retirement System</b> A three-tiered retirement plan for federal employees hired after 1984, composed of Social Security benefits, a basic benefit plan, and contributions to a TSP.	<b>HUBZone</b>	<b>Historically Underutilized Business-Zone</b> Encourages economic development by the establishment of federal contract award preferences for small businesses located in historically underutilized business zones.
<b>FFMIA</b>	<b>Federal Financial Management Improvement Act</b> — A law that requires each agency to implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the USSGL.	<b>IP</b>	<b>Improper Payments</b> (See IPIA)
<b>FMFIA</b>	<b>Federal Managers Financial Integrity Act</b> Requires ongoing evaluations and reports on the adequacy of the internal accounting and administrative control systems of executive agencies.	<b>IPA</b>	<b>Independent Public Accountant</b> — A firm or person, other than the agency's IG, who meets the independence standards specified in GSA, and is engaged to perform the audit of a federal agency or for other purposes.
<b>FHCS</b>	<b>Federal Human Capital Survey</b> — A survey administered by OPM to measure federal employees' perceptions about how effectively agencies have managed their workforces.	<b>IPIA</b>	<b>Improper Payment Infraction Act</b> — A federal law, enacted in 2002 to identify and reduce erroneous payments in the government's programs and activities.
		<b>IT</b>	<b>Information Technology</b> — Refers to matters concerned with the design, development, installation and implementation of information systems and applications.
		<b>L/LMS</b>	<b>Loan and Lender Monitoring System</b>
		<b>LMS</b>	<b>Loan Monitoring System</b> — Aids the SBA in managing its core loan guaranty programs and serves as one of the building blocks in the overall systems modernization project.
		<b>MAS</b>	<b>Multiple Awards Schedule</b>

<b>MAX</b>	<b>Budget Information System</b> — OMB uses the MAX Budget Information System to collect, validate, analyze, model and publish budget information.	<b>OFA</b>	<b>Office of Financial Assistance</b> — SBA office that administers various loan programs to assist small businesses.
<b>MD&amp;A</b>	<b>Management's Discussion and Analysis</b> The MD&A is considered required supplementary information for federal financial statements and is designed to provide a high level overview of the Agency.	<b>OFO</b>	<b>Office of Field Operations</b> — SBA office that represents field offices, including regional and district offices, at headquarters.
<b>MRF</b>	<b>Master Reserve Fund</b> — SBA's fiscal and transfer agent maintains this reserve fund to facilitate the operation of the 7(a) secondary market program.	<b>OGC</b>	<b>Office of General Counsel</b> — Provides legal advice for senior management, as well as legal support for all Agency programs, initiatives and administrative responsibilities.
<b>NAICS</b>	<b>North American Industry Classification System</b> — NAICS is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.	<b>OHCM</b>	<b>Office of Human Capital Management</b> Supports the strategic management of human capital in the accomplishment of the Agency's mission.
<b>NGPC</b>	<b>National Guaranty Purchase Center</b> SBA's centralized loan guaranty purchase processing center.	<b>OIG</b>	<b>Office of Inspector General</b> — Conducts and supervises audits, inspections and investigations relating to SBA programs and operations.
<b>NWBC</b>	<b>National Women's Business Council</b> The NWBC is a bi-partisan federal advisory council created to serve as an independent source of advice and policy recommendations to the President, Congress, and the SBA on economic issues of importance to women business owners.	<b>OMB</b>	<b>U.S. Office of Management and Budget</b> Presidential office that oversees preparation of the federal budget and supervises its administration in Executive Branch agencies.
<b>OCA</b>	<b>Office of Capital Access</b> — The office responsible for small business program loans, lender oversight, the investment company program, the surety bond program and the international trade program.	<b>OPM</b>	<b>U.S. Office of Personnel Management</b> The federal government's human resources agency.
<b>OCFO</b>	<b>Office of the Chief Financial Officer</b> The office responsible for the financial activity of the Agency, including Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes.	<b>ORACLE</b>	The Accounting program used by SBA's Administrative Accounting Division
<b>OCIO</b>	<b>Office of the Chief Information Officer</b> Supports and provides guidance for SBA's nationwide computer automation and information technology efforts.	<b>ORCA</b>	<b>Online Representation and Certification Application</b> — an e-Government initiative that was designed to replace the paper based Representations and Certifications process.
<b>OCRM</b>	<b>Office of Credit Risk Management</b> — SBA office that manages program credit risk, monitors lender performance, and enforces lending program requirements.	<b>OSA</b>	<b>Office of Strategic Alliances</b>
<b>ODA</b>	<b>Office of Disaster Assistance</b> — SBA office that promotes economic recovery in disaster ravaged areas. SBA loans are the primary form of federal assistance for non-farm, private sector disaster losses for individuals and businesses.	<b>OVBD</b>	<b>Office of Veterans Business Development</b> The SBA office that works to enhance and increase successful small business ownership by veterans.
		<b>PAR</b>	<b>Performance and Accountability Report</b> Reporting that presents financial, budgetary and performance information to OMB, Congress and the public.
		<b>PART</b>	<b>Program Assessment Rating Tool</b> An OMB methodology developed to assess and improve program performance
		<b>PCECGF</b>	<b>Pollution Control Equipment Contract Guaranty Fund</b> — Supports costs associated with the credit portfolio of pre-October 1991 pollution control equipment loans and guaranties being liquidated by the SBA.
		<b>PCIE</b>	<b>President's Council on Integrity and Efficiency</b>

<b>PIA</b>	<b>Privacy Impact Assessment</b> — Part of the Privacy Impact Statement from the Privacy Act.	<b>SBLC</b>	<b>Small Business Lending Company</b> Non-depository small business lending companies listed by the SBA Office of Capital Access.
<b>PLP</b>	<b>Preferred Lender Program</b> — Covers certified or preferred lenders that receive full delegation of lending authority.	<b>SBPRA</b>	<b>Small Business Paperwork Relief Act of 1992</b>
<b>PMA</b>	<b>President’s Management Agenda</b> — A Bush Administration program to improve management of the federal government.	<b>SBREFA</b>	<b>Small Business Regulatory Enforcement Fairness Act</b>
<b>QA</b>	<b>Quality Assurance</b>	<b>SCORE</b>	A volunteer organization, sponsored by the SBA that offers counseling and training for small business owners who are starting, building or growing their businesses.
<b>QAR</b>	<b>Quality Assurance Review</b>	<b>SDB</b>	<b>Small Disadvantaged Business</b> Small business owned and controlled by individual(s) who are socially and economically disadvantaged.
<b>RFA</b>	<b>Regulatory Flexibility Act</b>	<b>SMG</b>	<b>Secondary Market Guaranty</b>
<b>SAS</b>	<b>Statement on Auditing Standards</b> Establishes standards and provides guidance on the design and selection of an audit sample and the evaluation of the sample results.	<b>SOP</b>	<b>Standard Operating Procedure</b> SOPs are the primary source of the Agency’s internal control.
<b>SBA</b>	<b>Small Business Administration</b> A federal agency of the Executive Branch whose mission is to aid, counsel and protect the interests of small businesses and help families and businesses recover from disasters.	<b>SOX</b>	<b>Sarbanes-Oxley Act 2002</b> — The law introduced major changes to the regulations of financial practice and corporate governance.
<b>SBA Express</b>	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.	<b>SSBIC</b>	<b>Specialized Small Business Investment Company</b> Provides equity capital, long-term loans, debt-equity investments and management assistance to socially or economically disadvantaged small businesses.
<b>SBDC</b>	<b>Small Business Development Center Program</b> — SBDCs deliver management and technical assistance, economic development and management training to existing and prospective small businesses through cooperative agreements with universities and colleges and government organizations.	<b>TOP</b>	<b>Treasury Offset Program</b> — A centralized debt collection program developed by the Treasury Department’s FMS to assist agencies in the collection of delinquent debts owed to the Federal Government.
<b>SBG</b>	<b>Surety Bond Guaranty Program</b> Provides guaranties, bid, performance and payment bonds for contracts up to \$2 million for eligible small businesses that cannot obtain surety bonds through regular commercial channels.	<b>WBC</b>	<b>Women’s Business Center Program</b> WBCs provide long-term training and counseling to women owning or managing a business, including financial, management, marketing and technical assistance, and procurement.
<b>SBGRF</b>	<b>Surety Bond Guaranty Revolving Fund</b> Provides assistance to small business contractors in obtaining bid, performance and payment bonds for construction, service and supply contracts.		
<b>SBIC</b>	<b>Small Business Investment Company</b> Provides equity capital, long-term loans, debt-equity investments and management assistance to small businesses, particularly during their growth stages.		

## **Office of Inspector General Budget Request**

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U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL

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FISCAL YEAR 2010  
CONGRESSIONAL BUDGET JUSTIFICATION



MAY 2009

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# U.S. SMALL BUSINESS ADMINISTRATION OFFICE OF INSPECTOR GENERAL FISCAL YEAR 2010 BUDGET REQUEST

## OIG Mission

Under the authority and in fulfillment of the Inspector General Act of 1978, as amended (IG Act), the Small Business Administration (SBA) Office Inspector General (OIG) adds value to Agency programs and operations by providing auditing, investigative, and other services to support and assist SBA in achieving its statutory mission. SBA was established to maintain and strengthen the Nation's economy by protecting the interests of, and assisting, small businesses, and by helping families and businesses recover from disasters.

In addition to responsibilities under the IG Act, the OIG carries out other significant statutory responsibilities and Government-wide mandates, including responsibilities under the Small Business Act and the Small Business Investment Act.

## Highlights of Budget Request

For Fiscal Year (FY) 2010, the OIG requests a total of **\$17.3 million**, including **\$16.3 million** in direct appropriations and **\$1.0 million** to be transferred from SBA's Disaster Loan program account for work on disaster program issues. The amount requested will enable the OIG to maintain a current level of services after taking into consideration pay raises and other mandatory and inflationary increases. It compares with total monetary recoveries and savings during FY 2008 of more than \$171 million from disallowed costs agreed to by management, recommendations that funds be put to better use agreed to by management, court ordered and other investigative recoveries and fines, and loans/contracts not made as a result of investigations and name checks – a sizable return on investment.

The OIG seeks to improve SBA programs and operations by (1) identifying key issues facing the Agency, (2) following up to ensure that corrective actions are taken, and (3) promoting a high level of integrity, with a focus on serving the needs of the OIG's customers and stakeholders and safeguarding SBA resources from waste, fraud, and abuse. The OIG will use the funding requested for FY 2010 to maintain an auditing and investigative focus on critical areas by:

- Conducting audits and reviews of high-risk SBA activities, continuing to focus on systemic programmatic and operational vulnerabilities;
- Identifying – and working with SBA to improve – internal control weaknesses through review of proposed revisions to regulations, policies and procedures, and other issuances, with a emphasis on limiting wasteful, confusing, or poorly-planned initiatives;
- Working an active caseload of approximately 200 investigations of potential loan and contracting fraud and other wrongdoing, continuing the OIG's successes in prosecuting complex, multimillion dollar fraudulent financial schemes;
- Contracting with a certified public accounting (CPA) firm to perform the audit of SBA's financial statements;

- Performing required background investigations for SBA employees in order to achieve a high level of integrity in the Agency's workforce and adjudicating SBA employees/contractors for issuance of Personal Identity Verification (PIV) cards pursuant to Homeland Security Presidential Directive 12 (HSPD-12) background investigation requirements;
- Promoting the prosecution of civil fraud cases, debarment, and administrative enforcement actions to foster integrity in Agency programs; and
- Conducting name checks and, where appropriate, fingerprint checks on program applicants to prevent known criminals and wrongdoers from participating in SBA programs.

## Summary of OIG Appropriations

<i>Dollars in Thousands</i>	<b>FY 2008 Actual</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Request</b>	<b>FY 2010 Increase/ (Decrease)</b>
New Budget Authority	\$15,000	16,750	\$16,300	(\$450)
Transfer from Disaster	1,000	0	1,000	1,000
<b>Subtotal – Regular Appropriations</b>	<b>\$16,000</b>	<b>\$16,750</b>	<b>\$17,300</b>	<b>\$550</b>
Supplemental Appropriation for 2008 Hurricanes & Other Disasters	3,000	0	0	0
Recovery Act	0	10,000	0	(10,000)
<b>Total – All Appropriations</b>	<b>\$19,000</b>	<b>26,750</b>	<b>\$17,300</b>	<b>(\$9,450)</b>

These funding levels support OIG activities that are required by various statutes and directives, as well as projects and activities that will further achievement of the OIG's strategic goals. The majority of the funds requested for FY 2010 are for salary and benefits (83 percent), including Law Enforcement Availability Pay for the OIG's criminal investigators; the annual audit of the Agency's financial statements by a CPA firm (12 percent); and background investigations for SBA employees in public trust and national security positions (2 percent). The remainder of the funds is for required travel, training, equipment, and services for the OIG's auditors, investigators, and other staff.

The OIG's budget request for FY 2010 includes \$80 thousand for training, which the OIG certifies is sufficient to satisfy all OIG training needs for the fiscal year, and \$42 thousand for support of the Council of Inspectors General on Integrity and Efficiency (this information is provided in accordance with the Inspector General Reform Act of 2008, P.L. 110-409).

## Critical Risks Facing the SBA

With limited resources, the OIG must necessarily focus on the most significant risks to SBA and the taxpayer, as well as on improving program and operational processes. Some of the key risks and challenges are summarized below. In addition, each year, as required by the Reports Consolidation Act of 2000, the OIG issues a report on the most serious management and performance challenges facing the Agency.

### Risks of Financial Losses Due to Limited Oversight and Controls

Currently, about 4,500 lenders participate in the Section 7(a) Loan Guaranty program – SBA's largest lending program and the principal vehicle for providing small businesses with access to

credit that cannot be obtained elsewhere. The risk of financial losses due to limited oversight of and controls over these lenders is a major area of concern because SBA has shifted from being an organization that closely reviewed all lender underwriting decisions at the time of loan approval to one that now relies primarily on lenders and other program participants to originate and handle the loans with limited SBA review. Current events affecting the Nation's credit markets further highlight the need to provide effective oversight of lenders to ensure that they are exercising due diligence to reduce losses. However, OIG reports continue to identify weaknesses in SBA's lender oversight efforts, and OIG recommendations for program improvement through audits and internal control reviews play a critical role in identifying and correcting lender oversight and other loan program deficiencies. Additionally, OIG investigations continue to identify unacceptable fraudulent activity in the Agency's lending programs, and the OIG's ongoing success in obtaining convictions of multi-million dollar fraud schemes provides significant deterrence.

### **Risks to SBA's Performance of Its Statutory Mission to Promote Small Business Development and Government Contracting**

The Small Business Act establishes a Government wide goal that 23 percent of the total value of all prime contract awards for each fiscal year be awarded to small businesses and firms owned by socially and economically disadvantaged groups (such as minorities, service-disabled veterans, women, firms from areas of low economic activity, and others). However, OIG criminal investigations and audits, and investigations by other agencies, have identified numerous contracts where companies were awarded small and disadvantaged set-aside contracts even though the contractor did not meet established eligibility criteria. Fraud in obtaining these contracts continues to present a risk to the integrity of these SBA programs. In addition, various studies by the Government Accountability Office (GAO), the OIG, and others have also highlighted government-wide flaws in procurement processes and regulations that can result in large businesses performing contracts intended for small businesses though not as a result of fraud. While the Agency has made progress in improving transparency and accountability in small business procurement, more needs to be done to address errors in reported contracting data and the potential for businesses to be inaccurately considered small businesses, and other efforts to ensure that SBA benefits flow to only those eligible. The OIG has identified Management Challenges that address deficiencies in SBA's program management relating to the oversight of small business awards and promotion of business development and procurement opportunities for minority-owned firms.

### **Risks Associated with SBA's IT and Financial Management Systems, and Other Internal Operations**

The SBA depends on a complex IT environment, which includes a number of mission critical systems running on a mix of legacy mainframe, client-server, and minicomputers. SBA has had difficulty producing reliable and timely financial and management information to support its operations, primarily because of reliance on outdated IT systems that are not integrated with other systems. While the Agency has taken steps to improve its financial management and reporting, its aging information systems, coupled with changing Federal financial reporting and security standards, increases SBA's risk in carrying out its mission and maintaining the security of its information and assets. For example, the Agency's FY 2008 financial statement audit reported a significant deficiency related to security controls to provide reasonable assurance that IT resources such as data files, application programs, and IT-related facilities/equipment are protected against unauthorized modification, disclosure, loss, or impairment.

The Loan Modernization and Accounting System (LMAS) project is one in a series of attempts by SBA during the past several years to upgrade existing financial software and application modules and to migrate them off the mainframe environment. LMAS remained in the planning phase until September 2008 when SBA awarded a blanket purchase agreement not to exceed \$25 million per year for 10 years to fund the project, if funds are appropriated. In September 2008, SBA issued

three contracts from the agreement to: (1) establish QA monitoring and oversight; (2) provide project management support; and (3) provide systems integration services. Three task orders have been issued off of the third contract to migrate the existing Joint Administrative Accounting Management System (JAAMS) application to a new hosting site, provide a proof of concept pilot, and develop a road map for the LMAS project.

SBA is also undertaking a series of automation projects under the Recovery Act to improve processes in a number of areas, including Risk Management and Lender Oversight, Customer Service, and Infrastructure upgrades. These system enhancements, coupled with the LMAS development efforts, will require the Agency to deploy strong oversight and investment controls.

### **Risks Associated with Disaster Assistance**

As a general rule, SBA's practice of processing disaster loans as quickly as possible, using significant numbers of inexperienced employees, places the Disaster Loan program at increased risk. Specific risks include:

- *Loan Decisions* – Loan approval and decline decisions are made quickly and frequently by inexperienced loan officers.
- *Loan Disbursement and Repayment* – The loan disbursement process frequently involves progress payments, and SBA may not identify misuse of proceeds or defaults until one year from the date of the note for the loan under deferred payment requirements.
- *Loan Servicing and Liquidation* – Historically, loan servicing has not been effectively staffed, thereby lessening controls over liquidation of collateral, charge-offs, and debt collection activities. Furthermore, collateral supporting loans may have other mortgages ahead of SBA's lien position.
- *Potential for Duplication of Benefits* – The scope and breath of damage may increase aid and assistance at the Federal, State and local levels, thereby exacerbating potential duplication of benefits.
- *Loan Fraud* – Individuals have claimed property damage that never occurred or for property not owned during a disaster; made false statements about criminal records; wrongfully collected payments from the Federal Emergency Management Agency (FEMA) while applying for an SBA loan; attempted to bribe SBA officials; misused SBA loan funds for gambling or other unauthorized purposes; and overstated financial losses.

### **Risks Associated with the Recovery Act**

The Recovery Act contains a number of SBA provisions intended to help unlock credit markets and begin economic recovery for the nation's small business sector. Given the severity of recent economic circumstances, there will be significant pressure on SBA to expedite and maximize financial assistance to small businesses in implementing Recovery Act programs. Past experience, such as SBA's response to the 9-11 terrorist attacks and the 2005 Gulf Coast hurricanes, has shown that this pressure can significantly increase the vulnerability of SBA's programs to fraud and unnecessary losses. In order to provide enhanced levels of transparency and accountability, the Recovery Act and related implementation guidance require increased reporting and oversight to deter and detect fraud, waste, and abuse and ensure that program goals are met.

## OIG Strategic Goals and Objectives

The OIG's Strategic Plan contains two strategic goals that are aligned with the office's central mission under the IG Act. These two goals are designed to effectively focus and manage the OIG's auditing, investigative, and other activities in the light of SBA's most significant challenges and risks.

### **Strategic Goal 1: Improve the Economy, Efficiency, and Effectiveness of SBA Programs and Operations**

Through audits, investigations and other efforts, the OIG reviews all aspects of SBA's operations to improve Agency efficiency and effectiveness. The subject areas examined are determined in response to legislative mandates or requests from sources outside the OIG, or through OIG assessments of SBA's risks and vulnerabilities. An important aspect of this work is developing and following up on the major Management Challenges facing SBA in accordance with the Reports Consolidation Act. In addition, the OIG increasingly focuses available resources on specific legislative and other mandates.

#### **Objectives**

- Identify systemic weaknesses and solutions in critical SBA programs and operations.
- Assist SBA in improving the security over, and accuracy of, SBA accounting and performance information.

#### **Implementation Strategies**

- Conduct audits and reviews of high-risk activities and conduct follow-up reviews to assess implementation.
- Periodically analyze audits and reviews, as well as investigations of complaints and program participants, to identify trends and systemic weaknesses.
- Regularly work with the Agency to identify, update, and resolve the top Management Challenges.
- Focus audits and reviews to identify improper payments, unnecessary losses, and questionable expenditures.
- Respond in a timely and effective manner to inquiries, complaints, and clearances.
- Review proposed and existing Agency legislation, regulations and directives, and provide timely and relevant recommendations to Agency decision makers.

### **Strategic Goal 2: Promote and Foster Integrity in SBA Programs and Operations**

The OIG directly supports the Agency's mission by detecting, investigating, and deterring fraud and other wrongdoing in SBA programs and operations. OIG 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's programs because it helps ensure that SBA resources are utilized by those who deserve and need them the most.

#### **Objective**

- Detect and deter fraud and other criminal activity, misconduct and abuse.

### **Implementation Strategies**

- Give priority to investigations with a potentially broad systemic impact.
- Assess trends, target areas of greatest vulnerability and gaps in controls, and recommend systemic control improvements.
- Develop proactive investigations to uncover fraud and other wrongdoing.
- Emphasize the use of debarment and other administrative actions to deter fraud and other wrongdoing.
- Expand outreach with lenders and SBA officials to educate them on how to identify and prevent potential fraud and other wrongdoing.
- Provide Agency decision makers with timely background information about program participants and Agency employees to identify potential risks.
- Respond in a timely and effective manner to complaints and referrals.

### **OIG Operational Strategies**

In addition to the implementation strategies discussed above, the OIG uses the following operational strategies to achieve its strategic goals.

- Attract, develop, and retain a highly skilled OIG workforce, and provide them with the tools, services, and processes necessary to continuously improve productivity.
- Develop an internal work environment that allows OIG employees to understand how their work is important in meeting OIG strategic goals.
- Ensure the integrity and reliability of work products by subjecting OIG operations to internal review, as well as to external “peer” reviews by other Federal OIG’s.
- Use the annual planning and budget processes to manage OIG operations effectively and efficiently.
- Ensure effective two-way communication with customers, stakeholders, employees, and interested parties to identify opportunities for improvement.

## Key Outcomes

Anticipated outcomes of OIG efforts under the strategic goals include:

- Reduction of risks to, and increased integrity of, Agency programs and operations.
- Resolution of OIG-identified Management Challenges.
- Improvement of efficiency and effectiveness in the delivery of SBA programs.
- Enhancement of internal controls.
- Reduction of fraud and abuse in SBA programs and operations.

## FY 2008 Accomplishments

During FY 2008, the OIG issued 20 reports with 105 recommendations for improving agency operations, reducing fraud and unnecessary losses, and recovering funds. In addition, OIG investigations led to 76 indictments and 59 convictions of subjects who defrauded the government. In all, OIG efforts resulted in over \$171 million in total monetary recoveries and savings from disallowed costs agreed to by management, recommendations that funds be put to better use agreed to by management, court ordered and other investigative recoveries and fines, and loans/contracts not made as a result of investigations and name checks. The OIG's accomplishments during FY 2008 are discussed in more detail in the *Performance Information* section of this document as well as in the *Spring and Fall 2008 Semiannual Reports to Congress* (available at <http://www.sba.gov/IG/igsemiannual.html>).

## FY 2009/2010 Planned Activities

During FY 2009 and FY 2010, in addition to conducting audits and reviews that are required by statutes and other directives, the OIG will focus on the most critical risks facing SBA, as discussed previously, and on improving SBA's program and operational processes. Several areas of emphasis are discussed below.

### ***Financial Management***

The Chief Financial Officers Act of 1990 requires each Federal agency to have annual audited financial statements. The OIG will continue to oversee the audits of SBA's financial statement, as well as the FISCAM reviews, which are conducted by KPMG. The OIG anticipates that the scope of Financial Statement Audit to continue to expand as SBA meets the requirements of the ARRA and increases the number of programs that are subject to the provisions of the Credit Reform Act.

### ***Information Technology***

As SBA and its resource partners increasingly rely on IT, the need for close scrutiny of the security of information systems and related privacy data has also increased. For example, the OIG was requested by OMB to monitor SBA's controls over Personally Identifiable Information as part of its annual review of SBA's compliance with FISMA. The OIG will conduct audits to assess the controls and security of SBA's computer operating system and network by reviewing SBA's commitment to providing sufficient resources in order to manage computer security, maintain SBA systems, provide technical support, and administer security training. The OIG will also identify ways to improve the quality of data collected through the loan accounting and loan application tracking systems. These loan tracking and financial reporting systems play a key role in SBA

oversight of its \$90 billion guaranteed and direct loan portfolio, and provide information for performance measurement. The OIG will continue periodic audits of the Agency's main information systems including the recently upgraded Disaster Credit Management System. These audits will look for IT security weaknesses and determine whether the IT systems meet users' needs and contain accurate data. As threats to disrupt cyber-based systems continue to occur throughout the world, the Agency must take steps to improve controls to prevent such disruptions and ensure the continuity of mission critical operating systems.

The OIG projects that SBA's IT environment will be subject to incremental risks resulting from the increased complexity and volume of business transactions resulting from the Recovery Act and expansion of active IT projects. To address these risks the OIG plans to adopt a continuous monitoring audit scope in the LMAS project focusing on the following areas:

- Review of project adherence to SBA and Federal Capital Planning and Investment Controls, including earned value management, risk mitigation processes, System Development Methodology, and integrated baseline review;
- Independent assessment of project baselines, schedule and cost reporting; and
- Assessment of user involvement, such as signing off on key project assumptions, participation in testing, and acceptance.

The OIG further plans to assess SBA project oversight and governance in other IT control areas including:

- Communication of cost, risks and status to senior SBA management;
- Role of OCIO in quality assurance and investment tracking; and
- Role of project steering committee and Business Technology Investment Council in providing project direction.

### ***Recovery Oversight***

To meet its oversight responsibilities, the OIG will deploy additional resources (utilizing both term appointments and contract services) to provide "real-time" monitoring, evaluation, and reporting of SBA's implementation of the Recovery Act. The OIG's oversight efforts will focus heavily on assessing controls and detecting and deterring fraud, waste and abuse in Recovery Act programs. An overview of the OIG's oversight plans is provided in the OIG's *Oversight Framework for the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)*, which is available at [www.sba.gov/ig/recovery](http://www.sba.gov/ig/recovery).

### ***Financial Assistance***

As the Agency has downsized, centralized its operations, and increasingly turned more loan processing and administration responsibilities over to lenders, often with limited guidance and oversight, the risks of lender non-compliance and negligence have increased. The OIG will continue to review internal controls over the business loan programs, specifically the 7(a) and 504 loan programs. Efforts will focus on determining whether the Agency is reducing improper payments in its purchases of guaranteed loans and properly liquidating loans prior to charge-off. Reviews will also include assessments of SBA's collateral valuations and appraisal oversight. The OIG will continue to conduct audits of business loans and disaster assistance loans that go into default quickly because past work has shown that, frequently, such loans were not properly originated and effective controls and procedures were not in place to prevent improper payments. In addition, the OIG will continue to review the Agency's oversight of the SBIC program, with emphasis on the examination, licensing, and funding processes.

The OIG will also continue its national initiative to detect 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 can 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 SBA is forced to use taxpayer funds to purchase the guaranteed portions of the loans. As an example of the scope of this issue, the OIG is working a case involving multiple loan agents that has developed into one of the most significant SBA loan fraud schemes ever investigated by this agency. This conspiracy, which is being investigated jointly with the U.S. Secret Service, involves at least 89 fraudulent loans totaling approximately \$85 million. To date, the investigation has resulted in the indictment of 37 individuals, including the former executive vice president of the participating SBA non-bank lender, as well as a bank vice president who aided in the scheme by providing false financial documents to assist in the approval of these loans. The investigation has also resulted in court-ordered restitution, SBA recoveries of loan guaranties from the lender, and potential cost savings from the withdrawal of loan guaranties totaling approximately \$56.5 million.

### ***Government Contracting and Business Development***

The SBA directs significant effort towards 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 a fair proportion of Federal contracting opportunities, and helping small, disadvantaged, and women-owned businesses build their potential to compete more successfully in a global economy. During FY 2009 and FY 2010, the OIG will focus on SBA's oversight of, and current issues affecting, Government Contracting and Business Development programs. For example:

- There has been a high level of Congressional interest in ensuring that small businesses receive a fair share of Federal contracts. The OIG will continue to assess whether SBA is taking adequate steps to ensure the integrity of small business contracting, with an emphasis on issues such as the accuracy of reporting small business contract activity, large businesses being classified as small businesses, failure to always follow regulations to protect small businesses, training of government contracting personnel, deterring fraudulent acquisition of government contracts, and contract bundling.
- The purpose of the Section 8(a) program is to "assist eligible small disadvantaged business concerns compete in the American economy through business development." Major vulnerabilities within this program include limited program oversight; inequitable distribution of contracting opportunities among participants; a lack of implemented measurable, consistent, and mandatory criteria pertaining to all aspects of economic disadvantage; a lack of implemented criteria defining business success for purposes of program graduation; inadequate emphasis on business development; and a primary database which does not contain the information needed to successfully manage the program. The OIG will continue to review these issues and SBA's management of the 8(a) program.
- The Historically Underutilized Business Zone (HUBZone) program provides federal contracting assistance to small firms located in economically distressed areas, with the intent of stimulating economic development. Recently, GAO identified significant vulnerabilities in SBA's application and monitoring process that demonstrated the HUBZone program is vulnerable to fraud and abuse. To address GAO's findings, the Agency is implementing a *Business Process Re-engineering* (BPR). The BPR goal is to improve the operations and effectiveness of the program. The OIG will review the Agency's oversight of the HUBZone program and examine the effectiveness of its BPR.

- A serious government contracting issue involves companies that misrepresent themselves as small, minority-owned or disadvantaged businesses to gain an unfair advantage in the Federal marketplace. For example, one case involved several individuals who conspired to violate SBA requirements relating to control and ownership of firms participating in the SBA 8(a) program. In order to maintain an 8(a) company's preferred status in obtaining federal contracts, they failed to disclose the fact that two non-disadvantaged individuals were providing critical bonding, insurance, financial support, and control over the company. To date, three individuals and a company have been convicted in this case. The OIG will continue to actively investigate these types of cases and make appropriate referrals for criminal prosecution and/or debarment and administrative enforcement actions.

### ***Disaster Assistance***

OIG audits will continue to focus on loan origination, disbursement, repayment, servicing, and liquidation activities related to disaster loans, including whether: loan applications were processed in accordance with SBA procedures; uses of loan proceeds were verified before loans were fully disbursed; duplicate benefits were appropriately identified and recovered; and loan servicing and liquidation activities were appropriately staffed and effectively managed. 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/counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the times of the disasters.

### ***Agency Management Challenges***

As required by the Reports Consolidation Act of 2000, the OIG annually develops a report of the most serious Management Challenges facing SBA. The OIG's report on SBA's top Management Challenges is included in the Agency's Performance and Accountability Report (PAR). 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 Government Accountability Office reports. The OIG's reports on SBA's Management Challenges have consistently been praised by the Mercatus Center at George Mason University providing the best example by far of an insightful inspector general assessment that should serve as a model for other inspectors general." In FY 2010, the OIG will continue to identify serious Management Challenges facing the Agency and will work throughout the year with SBA management to resolve identified issues as quickly and efficiently as possible.

### ***Security Operations***

The OIG's Office of Security Operations will continue processing name checks and, where appropriate, fingerprint checks to ensure that applicants meet certain character standards before participating in programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guaranties, SBICs, and certified development companies. Nearly \$300 million in loans have been declined during the last 10 years due to character eligibility issues, thereby making credit available to other applicants with no such issues. The OIG also performs required background investigations for covered SBA employees and adjudicates SBA employees/contractors for issuance of PIV cards pursuant to HSPD-12 background investigation requirements.

# U.S. SMALL BUSINESS ADMINISTRATION OFFICE OF INSPECTOR GENERAL

## PERFORMANCE INFORMATION

### Performance Measurement

Performance measurement provides information regarding the value that an organization provides to its stakeholders and customers. The two goals in the OIG's Strategic Plan encompass several key measures to assist in evaluating the OIG's success in achieving its goals and objectives. In addition, critical information regarding the OIG's accomplishments in fulfilling its mission under the IG Act is provided twice yearly in the OIG's *Semiannual Reports to Congress*. The semiannual reports are located at <http://www.sba.gov/IG/igsemiannual.html>. Information on the OIG's key performance measures and a summary of the OIG's statistical accomplishments are provided below.

### OIG Performance Measures/Indicators

<b>Measures/Indicators<sup>1/</sup></b> (In addition to the OIG's Semiannual Reports)	<b>FY 2008 Actual</b>	<b>FY 2009 Estimate</b>	<b>FY 2010 Estimate</b>
<b>Quality</b>			
Value of monetary recoveries and savings resulting from audits, other reports, investigations and security checks.	\$171.2 million	\$68.8 million <sup>2/</sup>	\$97.3 million <sup>2/</sup>
Percent of all report recommendations agreed to by management within 6 months of report issuance.	84%	78%	79%
Percent of all investigative cases opened during the fiscal year that involve fraud with potential dollar losses of \$100,000 or more committed against SBA.	60%	60%	60%
Percent of all investigative cases closed during the fiscal year that were referred for criminal or civil prosecution, or SBA administrative action.	81%	80%	80%
<b>Timeliness</b>			
Percent of audit projects completed within budgeted hours and milestones, or in established timeframe.	68%	75%	75%
Percent of all investigative cases accepted by prosecutors, referred for Agency action, or closed during the fiscal year in which the acceptance, referral or closure occurred within 18 months of case initiation.	81%	75%	75%

<sup>1/</sup> Achievement of the OIG's goals is subject to a number of external factors (see the "Performance Measurement Limitations" section of this document).

<sup>2/</sup> The out-year estimates for this measure are the averages for the previous five years. This measure includes:

- Disallowed costs agreed to by management;
- Recommendations that funds be put to better use agreed to by management;
- Potential investigative recoveries and fines; and
- Loans/contracts not made as a result of investigations and name checks.

## OIG Statistical Accomplishments

During FY 2008, the OIG's efforts resulted in over \$171 million in cost avoidances and potential recoveries and fines, as shown in the following table.

### Office-wide Dollar Accomplishments October 1, 2007 – September 30, 2008

Potential Investigative Recoveries and Fines	\$40,119,854
Loans/Contracts Not Made as Result of Investigations	\$9,751,039
Loans Not Made as Result of Name Checks	\$38,121,995
Disallowed Costs Agreed to by Agency Management	\$5,424,934
Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	\$77,793,823
<b>Total</b>	<b>\$171,211,645</b>

OIG efforts can be broken down into two main categories that are generally aligned with the OIG's two strategic goals: (1) efficiency and effectiveness of SBA programs; and (2) fraud deterrence and detection in SBA programs.

### Efficiency and Effectiveness of SBA Programs

During FY 2008, the OIG issued 20 reports with significant recommendations for improving Agency operations, reducing fraud and unnecessary losses, and recovering funds.

### Efficiency and Effectiveness Activities October 1, 2007 – September 30, 2008

Reports Issued	20
Recommendations Issued	105
Dollar Value of Costs Questioned	\$5,533,003
Dollar Value of Recommendations that Funds Be Put to Better Use	\$117,000,000

### Follow-up Activities October 1, 2007 – September 30, 2008

Recommendations for which Management Decisions were made during the Reporting Period	125
Disallowed Costs Agreed to By Agency Management	\$5,424,934
Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	\$77,793,823
Recommendations without a Management Decision at the End of the Reporting Period	9

### Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews October 1, 2007 – September 30, 2008

Legislation, Regulations, Standard Operating Procedures, and Other Issuances* Reviewed	140
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\*These include policy notices, procedural notices, Administrator's action memoranda, and other Agency initiatives, which frequently involve the implementation of new programs and policies.

## Fraud Detection and Deterrence in SBA Programs

The OIG conducts a nationwide program to prevent and detect illegal and/or improper activities involving SBA programs, operations, and personnel. This function is fulfilled through the performance of criminal, civil, and administrative investigations. OIG staff utilize a full range of investigative techniques including arrest warrants, search warrants, and electronic monitoring. OIG also performs a deterrent function through educational outreach to lenders and employees.

### Fraud Detection and Deterrence Activities October 1, 2007 – September 30, 2008

Cases Opened	80
Cases Closed	58

### Indictments and Convictions October 1, 2007 – September 30, 2008

Indictments from OIG Cases	76
Convictions from OIG Cases	59

### Recoveries and Management Avoidances October 1, 2007 – September 30, 2008

Potential Recoveries and Fines as a Result of OIG Investigations	\$40,119,854
Loans/Contracts Not Approved as a Result of OIG Investigations	\$9,751,039
Loans Not Approved as a Result of the Name Check Program	\$38,121,995
<b>Total</b>	<b>\$70,188,521</b>

## Performance Measurement Limitations

The achievement of the OIG's goals is subject to a number of external factors. For example, the majority of the OIG's work is in response to referrals of suspected fraud, complaints, requests for auditing and investigative services, and an increasing number of statutory and other requirements. Further, decreases in personnel or funding resources would adversely affect achievement. In addition, implementation of OIG recommendations for program improvements rests with the Agency. The OIG also cannot control the results of judicial or administrative proceedings, or collect monetary sanctions imposed by the courts or the Agency as a result of its reviews or investigations. Due to these and other external factors, actual accomplishments may vary from year to year.

## Data Validation and Verification

Designated OIG staff is responsible for collecting, maintaining, and reporting performance data. As appropriate, quantitative data is collected and stored in Management Information Systems. Results are reported in accordance with legislative requirements. OIG management will review reported data for consistency with general performance observations. Each year, the OIG will reevaluate whether measures are effectively designed, useful, and results-oriented. Based on this evaluation, the OIG will determine whether performance measures should be revised for the next planning cycle.

# U.S. SMALL BUSINESS ADMINISTRATION OFFICE OF INSPECTOR GENERAL

## ORGANIZATIONAL INFORMATION

The OIG comprises the Immediate Office of the Inspector General and four Divisions: Auditing; Investigations; Counsel; and Management and Policy. The OIG is headquartered in Washington, DC, and also has audit and investigative staff located in the following locations: Atlanta, GA; Chicago, IL; Dallas/Ft. Worth, TX; Denver, CO; Detroit, MI; Houston, TX; Herndon, VA; Kansas City, MO; Los Angeles, CA; Miami, FL; New Orleans, LA; New York, NY; Philadelphia, PA; and Tacoma, WA.

**The Auditing Division** performs financial, information technology and other mandated audits, program performance reviews, and internal control assessments, and oversees audits by contractors to promote the economical, efficient, and effective operation of SBA programs.

**The Investigations Division** manages a program to detect and deter illegal and/or improper activities involving SBA programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff ensures that all Agency employees have the appropriate background investigations and security clearances for their duties. They also conduct the name check program, which provides SBA officials with character-eligibility information on loan applicants and other potential program participants.

**The Counsel Division** 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 civil enforcement matters, processes subpoenas, responds to Freedom of Information and Privacy Act requests, and reviews and comments on proposed Agency policies, regulations, legislation, and procedures.

**The Management and Policy Division** provides business support (e.g., budget/financial management, human resources, information technology, and procurement) for the various OIG functions, coordinates the preparation of the Semiannual Report to Congress and the Report on SBA's Management Challenges, and develops OIG strategic and performance plans.

An organization chart for the OIG is provided on the next page.

SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL

