

SBA

U.S. Small Business Administration

2007

The Year in Review



SBA'S 2007 YEAR-IN-REVIEW

Following the 2005 Gulf Coast hurricanes, the U.S. Small Business Administration, like government at every level, was overwhelmed and strained to provide disaster recovery loans to survivors. In addition, its core program areas – government contracting and business loans – were criticized as bureaucratic, complicated and non-transparent. And agency reorganization and downsizing had created stress and frustration among many SBA employees as workers felt under-trained, over-taxed, and unclear on agency direction.

Upon confirmation in summer 2006, Administrator Steve Preston initiated systemic agency reform.

In fall 2006, he led restructuring of SBA's disaster loan process to focus on a fast response, customer service, employee accountability and efficiency. The Gulf Coast hurricane loan backlog quickly began to drop, from 94,026 in August to 28,687 by the end of December. Response times were cut to a fraction of what they were before the reforms.

With the disaster program rapidly improving, Administrator Preston ended 2006 laying plans for a broader reform agenda, a two-year plan to overhaul agency operations.

Looking back on the year, it is clear the agency has made substantial progress. Internal and external operations are more effective and efficient, with every SBA department taking on new challenges, goals and initiatives.

Disaster victims today receive better customer service and more timely assistance. Lenders and borrowers find the loan process simpler and quicker due to streamlined processes and improved support. Urban and rural area entrepreneurs have greater access to SBA resources, and military community members have a new loan product to help them start or expand businesses. Today, federal agencies work harder to reach their small business procurement goals because there is an SBA scorecard tracking their progress. And agency employees have better tools and training to do their jobs.

The SBA's accomplishments in 2007 enable the agency to more effectively foster small business ownership and help people quickly get back on their feet after disasters. Looking forward, the agency has much more to do in 2008 to achieve Administrator Preston's reforms, but 2007 was a turning point, indicating positive results to come.

JANUARY

- Due to disaster program reforms, the year begins with more than **\$4.7 billion** in loans disbursed to Gulf Coast hurricane victims, with loan backlogs falling quickly. Turnaround times in key processes have been cut by 90 percent.
- The agency introduces the **Small Business Primer: Strategies for Success**, a free, online training course to assist individuals who are considering entrepreneurship or are in the early stages of small business ownership. With more than 6,800 participants each month, it becomes the agency's most popular online course.
- Administrator Preston creates the Performance Management Office to focus on internal operations and establishes an agencywide Performance Management Framework to better align agency mission, funding and priorities.

FEBRUARY

- Administrator Preston delivers his **first State of the Agency speech** at the National Press Club, outlining SBA's 2007 Reform Agenda.
- President Bush proposes a fiscally responsible Fiscal 2008 SBA budget which reduces loan fees, bolsters field staff, increases lender oversight, and supports ongoing operational reforms.
- SBA's Office of International Trade reports a record-breaking 3,300 loans to small business exporters in Fiscal 2006, in excess of **\$1 billion** for the first time in program history, generating more than \$2 billion in export sales.



SBA ADMINISTRATOR STEVE PRESTON AND FEDERAL AND LOCAL OFFICIALS WORK TO ENSURE THAT TIMELY ASSISTANCE IS PROVIDED TO RENTERS, HOMEOWNERS AND BUSINESS OWNERS IMPACTED BY FLORIDA TORNADOES.

MARCH

- The agency disburses its **100,000th full disaster loan in the Gulf Coast region** since the 2005 hurricanes, bringing the total disbursement amount for recovery efforts to \$5.3 billion.
- SBA's Office of the National Ombudsman hosts initial national regulatory fairness hearing in Washington, D.C. Leaders from business organizations and trade associations comment on unfair or excessive federal regulatory enforcement.
- Agency completes overhaul of its Web site (www.sba.gov) with full content migration and redesign after extensive customer testing. One of the best resources for small business owners and entrepreneurs, the site offers more than 20,000 pages of information on starting, financing, developing and managing a business.
- Emergency response staff from the Denver finance center and field staff participate in a simulated earthquake exercise to improve their knowledge and understanding of continuity of operations processes and infrastructure requirements. The exercise focused on the need for an efficient preparedness governance and decision-making structure.
- After meeting with Administrator Preston to discuss his reforms, **Inc.com asks, "SBA: Staging a Turnaround?"**

DEPUTY CARRANZA
HONORS SMALL BUSINESS
AWARD WINNERS DURING
AN EVENING RECEPTION AT
THE STATE DEPARTMENT.



APRIL

- SBA hosts **National Small Business Week** at the Ronald Reagan Building and International Trade Center in Washington, D.C. The celebration honored small business accomplishments at four major award events.
- The agency launches **INSIGHT: Guide to the 8(a) Business Development Program**, an online training module.
- Administrator Preston announces goals for outreach to underserved markets and veterans. As a result, the agency develops a series of initiatives to foster small business success in these groups.
- SBA holds senior management conference in Atlanta, Ga., to further define operational reforms and agency goals.

MAY

- SBA kicks off hurricane season preparedness campaign. Administrator Preston participates in more than a dozen press interviews from New Orleans to New York.
- Administrator Preston outlines agency reforms in *The New York Times*, “A Voice for Small Business.”

JUNE

- The agency submits its **Disaster Recovery Plan** to Congress. It outlines agency strategy for rapid expansion of operational capacity in large scale disasters. Also covered is nationwide staff training, private- and public-sector coordination, and enhanced customer service.
- *The Times-Picayune* of New Orleans notes disaster program improvements in “SBA Erases Loan Backlog; Agency Now Has a Disaster Plan.”
- The **Patriot Express Loan Initiative** is launched. The streamlined loan product with enhanced guaranty and interest rates is designed to help veterans, Reservists, National Guard members and their families start or expand a small business. The program represents SBA’s largest military community outreach in decades.
- New federal regulations take effect to ensure companies receiving small business contracts meet appropriate size standards. Recertification was necessary because agencies previously had been allowed to classify small business contracts for up to 20 years, even if companies had been acquired by larger companies. The tighter rules require companies with federal contracts to recertify their size status: A) if acquired by another company and B) after five years of a long term contract.

THE AGENCY ROLLS OUT PATRIOT EXPRESS, ITS MOST SIGNIFICANT LOAN INITIATIVE FOR THE MILITARY COMMUNITY IN DECADES.



- Lenders are given access to eight quarters of historical/trend data and net cash recoveries/loss through SBA's **lender portal**, making clear how lenders are rated and how their rating compares with their peers. The portal also enables lenders to monitor their own portfolio performance and proactively address negative performance trends, reducing the need for SBA action and potentially reducing loan program costs.

JULY

- Administrator Preston participates in a **small business health care roundtable** with President Bush and Health and Human Services Secretary Mike Leavitt in Landover, Md. Administrator Preston stresses broadly accessible, market-based solutions as keys to expanding coverage to small business employees.
- New rules increase surety bond access for small and emerging businesses, particularly contractors who bid on public construction projects.
- A new and transparent staffing model and draft board are established for field offices, enabling managers to better understand and anticipate hiring decisions.
- Enhanced **monthly performance management reports** are instituted to closely track agency operations and priorities.
- Representatives from SBA Disaster Centers and Capital Access participate in a one-day exercise designed to simulate the shut down of the Ft. Worth, Texas, disaster operating center due to a disaster. The center directors focused on risk mitigation strategies and the need for redundant response capabilities at the alternate operating sites.

AUGUST

- SBA releases first-ever **Small Business Procurement Scorecard** to measure federal agency small business contracting. Its color-coded rating system substantially increases transparency and accountability.
- After working with agencies to identify federal contracting database miscoding and anomalies, SBA releases the Fiscal 2006 Small Business Goaling Report and revised Fiscal 2005 report. The reports provide a clear picture of government's small business contracting achievements. The revisions reduce small business contracts awarded in 2005 from the previously-reported 25.4 percent to 23.4 percent. However, real gains were made in 2006: contracts to service-disabled veterans increased by 50 percent, from \$2 billion to \$3 billion; contracts to women-owned businesses increased by \$1 billion; contracts to 8(a) companies rose by \$700 million; contracts to HUBZone companies were up \$1 billion.
- Administrator Preston makes his **11th visit to the Gulf Coast** region to assess disaster recovery efforts and communicate directly with area residents.
- SBA and the U.S. Chamber of Commerce announce an agreement to share their resources to more effectively respond to major disasters, paving the way for faster recovery in affected communities.



THE FIRST-EVER “SBA UNIVERSITY” IS HELD, MARKING THE LARGEST TRAINING EFFORT IN THE AGENCY’S HISTORY.

- SBA University, the largest staff training in agency history, is completed, with overwhelmingly positive feedback. More than **half the agency’s 2,500 permanent employees** receive a week of comprehensive training on topics including contracting, loan processing, customer service, administration, marketing and public affairs.
- The agency introduces an online, interactive Small Business Readiness Assessment tool to help individuals prepare for entrepreneurship. More than 90,000 users have benefited since its inception.
- During the two-year anniversary of the Gulf Coast hurricanes, *The Times-Picayune* of New Orleans lauds SBA’s improved disaster operations in an article headlined, “SBA Process Gets Higher Marks; Loans are Aiding Local Business.”

SEPTEMBER

- SBA announces **Rural Lender Advantage**, a new loan service designed to spur heartland economic growth by encouraging community banks and credit unions to finance small businesses and entrepreneurs.
- Senior management participates in a week-long training session on change management, improving efficiency and leading with results. Lean Six Sigma practices were the training’s primary focus.
- SBA reaches **\$6.1 billion** in disbursed loans to renters, homeowners and business owners affected by the 2005 Gulf Coast hurricanes.
- The Office of Marketing creates fresh materials on agency programs and services. Products include exhibits, success story displays, publications, and a presentation DVD that features PowerPoint slide presentations, a simulation of the SBA.gov Web site, and the ***Delivering Success*** video series (co-sponsored with the U.S. Postal Service). A full array of lender marketing materials is developed.

- The agency sets records for both the combined number and dollar volume of loans in Fiscal 2007: 110,275 loans totaling more than \$20.6 billion under its two primary small business loan programs were approved during the 12 months ending Sept. 30th.

OCTOBER

- SBA resource partner SCORE served nearly 334,000 clients throughout the year, a program record, and exceeds all performance goals. SCORE also introduced 29 online training workshops in Fiscal 2007.
- Small Business Development Centers served more than **600,000 entrepreneurs nationwide** in Fiscal 2007, with a shift in emphasis to long-term client engagement in order to better drive job creation and business growth.
- Women's Business Centers counseled or trained more than 145,000 clients in Fiscal 2007, primarily enterprising women in underserved markets.
- The **Loan Program Reform Initiative** is announced, including a simplified operating procedures for lenders, a streamlined purchase guaranty process, and a plan to rapidly eliminate backlogs at SBA's Herndon processing facility.
- As part of the Underserved Markets Initiative, Administrator Preston addresses the Inner City Economic Forum in Philadelphia and announces it will partner with the Initiative for a Competitive Inner City to launch the **SBA Emerging 200**, a program to provide extensive financial and developmental support to high-potential, emerging companies in 10 American inner cities.
- SBA and its resource partners, the New York Small Business Development Center and New York City SCORE chapter, partner with Operation HOPE, Inc., in helping open the Harlem HOPE Center, and establish a counseling site for budding entrepreneurs in New York City's Harlem neighborhood.
- As the government's leading post-disaster economic recovery agency, SBA responds swiftly to California wildfires. It is the agency's largest disaster recovery effort since the 2005 Gulf Coast hurricanes.

ADMINISTRATOR PRESTON
GETS A FIRST-HAND LOOK
AT CALIFORNIA WILDFIRES
DEVASTATION AND OVERSEES
THE AGENCY'S DISASTER
RECOVERY EFFORTS.



- SBA launches the **8(a) Business Development Assessment Tool** to help potential applicants determine if an individual is qualified and prepared for the 8(a) business development program.
- During Fiscal 2007, SBA district offices, working closely with the Office for Field Operations and the Office of Faith-Based and Community Initiatives, held 3,375 meetings and workshops with both secular and faith-based community organizations, as part of the President’s Faith-Based and Community Initiative. The meetings and workshops were **attended by 239,411 individuals**.
- Reflecting a significantly improved program integrity and oversight environment, SBA program offices achieved improvements in all nine major management challenges identified by the Inspector General.
- Administrator Preston highlights the importance of supportive macroeconomic policies and market-driven solutions for small businesses when he meets with international leaders and dignitaries in Portugal, including the **President of the European Commission**.

NOVEMBER

- The agency receives an unqualified audit opinion with no material weaknesses on its financial statements – the first time since Fiscal 2000.
- SBA submits a proposed rule for public comment that would strengthen its lender oversight abilities and further establish the Office of Credit Risk Management’s roles and responsibilities. In addition, it applies more comprehensive oversight regulations to 7(a) lenders, CDCs and microloan intermediaries that currently have limited or no regulatory oversight by other federal agencies.
- SBA successfully centralizes 7(a) loan originations in Sacramento, Calif., and 504 servicing in Fresno, Calif., resulting in a **loan approval average of less than three days**. Lean Six Sigma concepts were introduced into loan processing centers, including tracking performance management indicators.
- Noting the agency’s new scorecard rating system for federal contracts, *Federal Computer Week* writes, “SBA Plans to Keep Pressure on Agencies.”
- SBA receives strong positive feedback from a survey on its new and improved Web site. The majority of respondents — potential and current small business owners — report being very satisfied with the site. In addition, SBA outperforms or equals the ForeSee company-wide and e-Gov benchmarks in several categories, including site performance, satisfaction level, and likelihood to recommend.



THE ADMINISTRATOR ADDRESSES THE SBA'S ECONOMIC RECOVERY ASSISTANCE TO THE GULF COAST REGION DURING A CONGRESSIONAL FIELD HEARING HELD IN NEW ORLEANS.

DECEMBER

- In the five months since its launch, the Patriot Express Loan Initiative produces more than **670 SBA guaranteed loans totaling more than \$68 million**, with an average loan amount of nearly \$101,000.
- SBA senior management visit more than half of SBA's 68 district offices in 2007. Preston is the first administrator in decades to have visited many offices.
- SBA's Office of Congressional and Legislative Affairs prepared senior officials for **38 hearings** and four Senate roundtables in 2007. Administrator Preston personally testified before Congress 12 times. In addition, CLA has coordinated SBA's response to 15 GAO audits. Through the year, CLA provided input on 14 House and five Senate bills.
- During 2007, more than 240,000 small businesses benefited from SBA's free, online business courses, offered through its Small Business Training Network (www.sba.gov/training).
- The SBA awards 72 percent of its contracts to small businesses and exceeds its socioeconomic goal by 12 percent. The SBA also exceeds its goals in the areas of small disadvantaged business concerns, women owned business concerns, 8(a) contractors, HUBZone small business concerns, and Service-Disabled Veteran small businesses.
- Administrator Preston and SBA senior management redouble efforts to boost small business growth and help disaster-affected communities quickly recover in 2008 by clarifying goals and accountabilities for the next 12 months.
- The **2007 Annual Employee Survey** results arrive, indicating Administrator Preston's reforms are making a strong impact on the agency. Remarkable improvements are seen in overall employee satisfaction level, satisfaction with training, level of respect for senior leaders, and communication of goals and priorities.



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