

U.S. Small Business Administration



*Your Small Business Resource*

# RESPONDING TO SMALL BUSINESS IN AMERICA

## THE RECORD OF REFORM AT SBA

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HELPING SMALL BUSINESS START, GROW & SUCCEED

**RESPONDING TO SMALL BUSINESS IN AMERICA:  
THE RECORD OF REFORM AT SBA**

I am pleased to release this report outlining how the Bush Administration's key reforms will enable the U.S. Small Business Administration (SBA) to better serve American small businesses and help them adapt to the 21<sup>st</sup> century's competitive global economy.

Congress established SBA in 1953 to help small businesses start, grow, and succeed by providing greater access to capital, counseling, technical assistance, and federal contracts. Congress also made SBA the federal government's primary source of post-disaster economic recovery aid.

President George W. Bush made support for the American entrepreneur a centerpiece of his Administration. From easing tax burdens for small business owners, to fostering innovation and competitiveness by developing and launching the American Competitiveness Initiative, to easing the burdens of excessive regulations focused on small businesses, the Bush Administration understood that America's economic engine is driven by the determination, innovation, and effort of America's entrepreneurs.

Prior to my nomination, two distinguished public servants served as SBA Administrator during President Bush's two terms in office, Hector Barreto (2001–06) and Steve Preston (2006–08).

Barreto laid the groundwork for a more modern and efficient loan program by centralizing loan processing from 68 disaggregated district offices to six high-speed processing centers. This change—decades overdue and long requested by borrowers—enables the Agency to continue to upgrade technology, streamline operations, and improve service. Barreto also moved the 7(a) loan program to a self-funded model, an idea first proposed by the Clinton Administration. This change freed the program from volume limitations, enabling SBA lending to hit record levels.

Yet, like many federal agencies, significant challenges remained. The Agency was not always responsive to the needs of entrepreneurs in a manner equal to the dedication of our employees—or to the degree that small businesses deserve. For years, the Agency experienced internal problems that raised questions about its overall effectiveness. Some felt the Agency’s certification programs were bureaucratic and opaque. Following Hurricane Katrina, the Agency was overwhelmed; processing for basic loan and guarantee transactions were not always within the standards of a professional organization. Additionally, when the Agency was successful, it struggled to communicate its story. All of this, and more, highlighted the need for fundamental reform.

Steven Preston, who would go on to become Secretary of Housing and Urban Development, successfully tackled basic management and operational issues and executed one of the most impressive improvements of a government agency in recent history.

President Bush tapped Preston from the private sector to develop and initiate this reform effort. Under his leadership, every SBA program has been improved, with special focus on the offices of disaster assistance, lending, and government contracting. While the Agency is proud of the improvements we have accomplished together, more work remains to be done. These reforms have put the Agency on a more solid footing so the SBA can deliver tangible results for the country, for the economy, and for small business.

My brief tenure leading SBA consisted of four primary elements: ensuring the reform agenda is fully implemented and ingrained into the Agency’s operations and culture; preparing the Agency for the transition to the new Administration; managing the response to the 2008 Gulf Coast Hurricanes; and, unexpectedly, leading the Agency through the credit crisis of 2008.

A major source of confusion has been, during the Bush Administration, budget and staff levels. Excluding disaster assistance funds and congressional earmarks, the agency budget did in fact decline about 9 percent from \$591 million in 2000 to \$537 million in 2008. However, most of the decline is due to the move of the 7(a) lending program to a self-funding model—saving taxpayers \$120 million annually since 2005. Adjusted for this one expenditure, SBA’s 2008 budget would be \$657 million, or 11 percent more than 2000. This level, essentially flat when adjusted for inflation, may be modest, but it is a far cry from the drastic cuts described by some critics.

Yet as this report documents, SBA vastly expanded access to loans despite fewer dollars and employees. From 2001 to 2008, the total small business loan portfolio of SBA increased from \$49 billion to \$88.1 billion—an 81 percent increase. From 2002 to 2007, SBA backed more loans for small businesses than in each previous year. Even with the credit crunch and economic headwinds, 2008 was SBA’s fifth best year for number of loans and the fourth largest for dollar volume, surpassing the previous Administration’s best year by 30 percent in loan numbers and 42 percent in dollars.

SBA leadership also understands that, while the 2002–05 loan process centralization was essential to the program’s long-term health, resultant staff cuts of about 30 percent diminished field office capabilities as some loan officers had other functions. For this reason, in 2007 and 2008 SBA realigned and simplified field employee roles and launched SBA University, the largest staff training in agency history. To further “right size” SBA, both Administrator Preston and I increased field staff levels in 2007, 2008, and 2009. These actions and others significantly improved SBA’s employee satisfaction levels—one of the most impressive rises in recent government history.

The U.S. Small Business Administration serves an important function because the health of the American economy is directly linked to the state of American entrepreneurship. A robust economy requires more people who take risks, work hard, and start new enterprises. As these reforms lead to more Americans successfully starting and growing new businesses, the country will enjoy a stronger economy and higher levels of prosperity. That’s a promising legacy of which everyone at SBA can be proud.

It has been my honor to lead this Agency on behalf of the American people and the President of the United States. I wish our successors the best.

Sandy K. Baruah  
Administrator (A)  
U.S. Small Business Administration  
January 2009

## HIGHLIGHTS OF REFORM

SBA has recently concluded the second year of a comprehensive reform effort that has touched every agency program. Much has been accomplished—including substantial savings to the taxpayers, improved service to customers, and *record levels of loans to America's small businesses*. While changes are still in the works, today SBA is a significantly more accountable, transparent, and effective Agency than it was just two years ago. Among those improvements:

### **Delivered Swift Disaster Assistance**

- Dramatically reduced disaster loan processing times. Today, the average loan processing time is 6 days for home loans (11 days for business loans); compared to 74 days for home loans (and 66 days for businesses) at the height of loan demand following Hurricane Katrina in 2006.
- Cut processing times for disaster loan applications by up to 90 percent. Also cut backlog of 102,000 approved loans that were waiting to be disbursed in July 2006 to 22,000 by February 2007 and to less than 10,000 by October 2007.
- Expanded the reserve corps that supports SBA's disaster efforts to more than 4,000—a near 13-fold increase in corps numbers before Hurricane Katrina.
- Launched an electronic application—allowing disaster survivors to apply for SBA disaster loan assistance via the Internet.
- Restructured the Office of Disaster Assistance, established a new Executive Office of Disaster Strategic Planning and Operations, and developed a new Disaster Recovery Plan—to enable SBA to more effectively respond to catastrophic natural disasters and serve survivors quickly.

### **Increased Access to Capital**

- Achieved record loan volume—the top five SBA loan volume years occurred from 2003 to 2007. Even with the credit crunch, SBA backed more than 78,000 small business loans worth almost \$18 billion in 2008. This was SBA's fifth best year for number of loans and the fourth largest for dollar volume,

surpassing the previous Administration's best year by 30 percent in loan numbers and 42 percent in dollars.

- Launched new products to increase loan availability for veterans and rural businesses (Patriot Express and the Small/Rural Lender Advantage) and improved the Community Express program for underserved markets.
- Implemented a self-financing loan model through a modest user fee that has freed the 7(a) program from volume limitations that caused program shutdowns in 2002 and 2004, saved \$120 million annually, and resulted in the highest loan volume in agency history.
- Revised and streamlined SBA's Standard Operating Procedure (50 10) to provide lenders a user-friendly guide to SBA's loan processes—reducing the number of pages by 60 percent.
- Improved the turnaround time for paying lenders the portion of the loan that is guaranteed when a borrower defaults—from 279 days in 2007 to less than 25 days in 2008. The backlog was cut from 18 months in 2006 to zero in 2008.
- Instituted a comprehensive credit risk management program that tightened oversight regulations, enhanced oversight and review of lenders, and directed oversight efforts to the riskiest lenders.
- Launched an online program to allow small businesses and surety companies to submit applications and information to the Surety Bond Guarantee Program electronically. Also upgraded the existing E-Tran Internet system to allow lending partners to service loans electronically.

### **Reformed Government Contracting**

- Held all federal agencies accountable for their respective small business procurement goals through an annual scorecard initiated in 2006.
- In conjunction with the Office of Federal Procurement Policy, ordered agencies to eliminate inaccuracies in the federal small business contracting database and institute better practices to ensure greater integrity in the future. This corrected \$4.6 billion of erroneous data in the database.
- Enacted a Recertification Rule to tighten the definition of small business in the federal database. Consequently, an estimated \$5 billion to \$10 billion of small business contracts—out of \$80 billion—no longer qualified in the category, opening new opportunities for small businesses.
- In conjunction with the General Services Administration, raised awareness of small business contracting, through *www.usaspending.gov*.

- Eliminated the 8(a) certification process backlog and reduced the average 8(a) processing time from 145 days in 2006 to 77 days in 2008.

### **Invested in the Most Important Resource—People**

- Launched the largest staff training in agency history, SBA University. Between 2007 and 2008, all permanent employees received a week of comprehensive training. Consequently, a survey found that satisfaction levels measuring whether employees have the right skills, can use their skills, and improve their skills increased between 11 and 13 percent.
- Improved employee morale. In the 2008 Federal Human Capital Survey, the Agency earned the highest improvement rating among agencies in “leadership and knowledge management” and “talent management” as well as the second largest gain in job satisfaction, a jump from 2006 when the Agency ranked last among federal agencies for employee morale.
- Improved internal agency communications. Satisfaction levels with how well leadership communicates goals, priorities, and other information to staff improved between 11 and 16 percent; and respect employees expressed for senior leadership increased more than 21 percent.

### **Imposed Management Discipline**

- Held the growth of the Agency’s core budget to a modest 11 percent between 2000 and 2008. Excluding disaster assistance funds and congressional earmarks, the Agency’s budget actually declined about 9 percent from \$591 million in 2000 to \$537 million in 2008, largely due to the elimination of the 7(a) lending program’s annual \$120 million subsidy since 2005.
- Consolidated the Agency’s loan processing centers from 68 sites in 2003 to 6 processing centers today. Despite a staff reduction of about 30 percent, processing times for new applications in the 7(a) program have fallen more than 50 percent, even as loan volume has increased.
- Implemented dozens of management and process reforms. Out of 21 reports issued by the Government Accounting Office, SBA not only addressed all of the recommendations but also closed out 18 by the end of 2008. The Agency experienced similar results with audits of the Office of Inspector General, as it reduced the number of overdue recommendations from 128 in March 2008 to 78 by December 2008.
- Attained unqualified audit opinions in 2007 and 2008 finding no material weaknesses in SBA financial statements, reviews not earned since 2000.

## THE REFORM STORY

In April 2006, the three main hubs of the Agency— headquarters, field offices, and processing centers—were not working together effectively. Part of this was due to the fact that the Agency was still in transition from a critical restructuring the year before, a transition that contributed to growing backlogs, service delays, and frustration among partners, employees, and customers. Like other agencies, SBA remained overwhelmed by the needs of those affected by Hurricanes Rita, Wilma, and Katrina.

The SBA leadership team moved to aggressively address the troubles facing the Agency. Their first step was to listen to agency partners and stakeholders, employees, and most importantly, small business owners. They then launched a comprehensive review of agency operations and analyzed data on agency markets and customers. In due time, the team instituted a robust system of performance measures and began to monitor agency progress.

Second, Administrator Steven Preston developed a vision—the Reform Agenda—to guide management decisions, inform communications, motivate employees, and unify the organization. Two principles shaped that vision:

- That effective delivery of service is at the heart of compassion and is absolutely necessary for programs to be successful. As a result, SBA undertook significant efforts to improve customer responsiveness and support, employee effectiveness and operational efficiency.
- SBA needed to reach the communities most in need of its services, including distressed geographic areas, veterans, and historically underserved markets.

Finally, the SBA leadership team worked to make this vision a reality. They drove reforms that would raise the level of operational excellence in all programs to serve more customers.



## **Disaster Assistance Improvements**

The overhaul of SBA's disaster loan operations illustrates how the Reform Agenda addressed a pressing need to ensure the Agency would be more effective the next time the country faced a national catastrophic event.

In the summer of 2006, the Agency faced a backlog of disaster recovery loan applications at the Processing and Disbursement Center in Fort Worth, Texas. More than 100,000 loans had not been disbursed to families and small businesses affected by Hurricane Katrina.

The Agency committed thousands of man-hours to accelerate assistance to families and streamline the process for future disasters. Among the reforms: each borrower received a dedicated case manager to assist him in the process and to ensure that paperwork is accurate and is expedited through the system.

Consequently, disaster loan application process times were cut by up to 90 percent. Moreover, the backlog of 102,000 approved loans that were waiting to be disbursed in July 2006 was cut to 22,000 by February 2007 and to less than 10,000 by October 2007. This enabled SBA to disburse 99 percent of the net loan approvals totaling more than \$6.5 billion in disaster loans to the victims of 2006 Gulf Coast hurricanes.

Incorporating the lessons learned from Katrina, the SBA developed a comprehensive Disaster Recovery Plan and presented it to Congress in June 2007. The plan details how the Agency prepares for, responds to, and helps victims recover from natural disasters—regardless of their size and scope. The plan ensures not only a quick response time but also a much higher degree of coordination with agency field offices, local and state governments, and other service providers.

Hurricane Katrina also prompted improvements to the Agency's Disaster Credit Management System. When Katrina struck, the online system could only accommodate 2,000 simultaneous users. The system now accommodates 12,000 simultaneous users. Today, disaster loan processing times are 6 days for homes, 11 days for businesses, and 12 days for economic injury loans. That compares to 74 days for home loans and 66 days for business loans at the height of demand for loans following Hurricane Katrina in 2006.

The Electronic Loan Application that permits disaster victims to apply for loans online debuted in the summer of 2008. After the Midwest floods, SBA processed applications on average in six days and approved more than \$392 million in disaster loans. Following Hurricanes Ike and Gustav, the average processing time was five days; nearly \$564 million in loans were approved.

The Disaster Recovery Plan also resulted in an expansion of the reserve corps of experienced individuals that SBA draws upon during a disaster from 310 in 2005 to more than 4,000 today, a 13-fold increase. Among that pool, 1,500 have been trained and can report to SBA disaster offices within 48 hours.

Other improvements include an automated Emergency Alert System and the establishment of an Executive Office of Disaster Strategic Planning and Operations that reports directly to the Administrator. The new Executive Office works to institutionalize and continue the process improvements in disaster lending. It also coordinates all SBA resources in responding to ongoing disasters and supporting long term community disaster recovery, including working with other federal agencies, community organizations, and the private sector.

The new Emergency Alert System provides for local, regional, and national emergency notification for more than 3,000 SBA employees and contractors nationwide. It also serves as a means for employees to account for themselves in emergencies through a toll-free telephone number. The system is used in conjunction with all emergency drills at SBA facilities and in national continuity-of-operations exercises. It proved to be a valuable tool during the 2008 hurricane season.

### **Business Loan Processes**

A key part of the Reform Agenda was to make working with the Agency easier for participating lenders and other partners, a critical means to expand usage of SBA products by more small businesses. To that end, SBA launched an initiative to modernize and update its procedures. The Office of Capital Access rewrote the largest of these, its Standard Operating Procedure 50 10 (SOP), which outlines the Agency's loan program and processing policy procedures for lenders and development company lenders.

The existing SOP was complicated, difficult to use, and outdated. It was also written primarily for SBA staff, leaving lenders to interpret the SOP on their

own, hindering their ability to structure loans correctly, get clear answers, and obtain SBA guarantees. But the new and updated SOP—for the first time written specifically for participating lenders and development companies—is:

- A comprehensive document that covers the Agency's lending programs and centralized processing functions;
- A significantly shorter document covering more ground in fewer pages (shortened from 1,000 to 400 pages);
- Easier to read in terms of language and formatting; and
- Easier to search electronically, with Internet hyperlinks to important SBA regulations.

The streamlined SOP reflects significant input by program participants including lenders, certified development companies, and SBA employees. SBA actively sought public input on the rewrite so that all interested parties could submit comments and suggestions. SBA also consulted with the National Association of Government Guaranteed Lenders and the National Association of Development Companies, as well as several other lending partners who participated in business roundtables held around the country.

The end product is an SOP that is more user-friendly for lenders and SBA staff alike. Most importantly, by making it easier for lenders to participate in SBA loan programs, the benefits of a new SOP have been passed onto small business owners—enhancing access to the capital they need to start or expand a business.

These updated processes helped SBA back more loans for small businesses every year between 2002 and 2007. Even with the credit crunch and economic headwinds, SBA backed more than 78,000 small business loans worth almost \$18 billion in fiscal year 2008. This was SBA's fifth best year for number of loans and the fourth largest for dollar volume, surpassing the previous Administration's best year by 30 percent in loan numbers and 42 percent in dollars. Contributing to these achievements was implementation of a modest user fee that has freed the 7(a) program from volume limitations that caused program shutdowns in 2002 and 2004. Now banks can market the product more aggressively and not worry whether the program will be shut down late in a fiscal year due to funding shortfalls.

Another processing reform was the 2008 launch of an online program that allows small businesses and surety companies to submit applications and

information to the Surety Bond Guarantee Program electronically. Coupled with changes at the National Guarantee Purchase Center in Herndon, Virginia, the program has helped decrease the turnaround time for paying lenders the portion of the loan SBA guarantees when a borrower defaults. In June 2007, the average time for payment for an accurate submission of documents was 279 days; in 2008, the average decreased to less than 25 days. The backlog time for lenders waiting to be paid their guaranty was cut from 18 months in 2006 to zero in 2008. SBA also upgraded the existing E-Tran Internet system to allow lending partners to service loans electronically.

Finally, the Office of Capital Access instituted a comprehensive credit risk management program for loan programs, which involved:

- A Credit Risk Management office and an oversight committee made up of senior agency officials;
- A risk-based assessment tool that directs oversight efforts to the riskiest lenders;
- More on-site and off-site reviews of lenders;
- A portal that grants lenders access to additional portfolio data that compares peer and portfolio performance, allowing lenders to be more proactive in monitoring their own performance relative to their peers; and
- Tighter oversight regulations.

## **Veterans Business Development**

With the military build up in Afghanistan and Iraq during President Bush's first term, SBA launched the Patriot Express Loan Initiative in 2007 to expand outreach to the military community. Although helping veterans start and grow their own businesses had been an agency focus since 1973, the new initiative expanded that focus, backing loans not just for returning veterans, but also to:

- Active-duty service members eligible to participate in the military's Transition Assistance Program;
- Reservists and National Guard members;
- Current spouses of any of the above; and

- Spouses of any active-duty service member as well as widowed spouses of service members or veterans who died during service or of a service-connected disability.

The program enjoys SBA's fastest turnaround time for loan approvals. Patriot Express loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime. These loans qualify for SBA's maximum guaranty of up to 85 percent for loans up to \$150,000, and up to 75 percent for loans between \$150,000 and \$500,000.

Through this initiative, SBA has been able to assist more veterans, service-disabled veterans, Reserve component members, and military family members than in any previous time in agency history. Since the roll out, the Agency has approved more than 2,500 Patriot Express loans totaling almost \$230 million. The average loan amount has been about \$91,000.

### **Reaching Underserved Markets**

More than one-third of the guaranteed loans that SBA approved in fiscal years 2007 and 2008 were to small businesses located in "underserved markets." That achievement stems from the Administrator's decision in 2006 to encourage entrepreneurship in communities with the highest rates of unemployment and material disadvantage.

A revamp of the Community Express loan program and the accelerated roll out of Rural Lender Advantage in 2008 have kept underserved markets front and center. The Rural Lender Advantage program features a simplified and streamlined loan process tailored specifically to the needs of rural and community banks with very low loan volumes. By partnering with smaller community banks, SBA boosts entrepreneurship in communities that suffer from population losses, business decline, and high rates of unemployment.

To link private equity markets to small businesses in the inner city, SBA developed partnerships with nonprofit organizations such as John Hope Bryant's Operation Hope and Michael Porter's Initiative for a Competitive Inner City. Operation Hope brings in counselors from SBA's existing resource partners and staff from our New York District Office on a rotating basis to counsel aspiring entrepreneurs in Harlem.

The Initiative for a Competitive Inner City helped SBA launch the Emerging 200 program (E200), which trained 200 entrepreneurs from ten inner city locations in 2008 so they can, among other things, qualify for private equity capital. The intensive MBA-like curriculum included technical assistance and mentorship and focused on growth strategies and pursuing growth capital. Participants were paired with mentors, attended workshops, and developed connections with banks and the private equity community.

These efforts to help lenders reach underserved markets have paid off. In fiscal year 2007, SBA approved more than 39,000 loans, worth more than \$7.5 billion, to companies in underserved areas. As a proportion of its total loan portfolio, the number of SBA-backed loans to minority-owned businesses is about five times greater than small business loans issued without SBA backing in the conventional lending market.

### **Government Contracting Reforms**

A key purpose of the SBA is to maximize opportunities for small businesses seeking federal contracts. But public attention in recent years to contract miscoding—resulting in large corporations being counted as small businesses by federal agencies—raised questions about the actual progress being made towards achieving the goal of allocating 23 percent of all federal contracts to small businesses. In response, the SBA launched several initiatives to strengthen that federal commitment.

Working with the Office of Federal Procurement Policy, the General Services Administration, and acquisition agencies, in 2006 the SBA began the first-ever comprehensive review of small business government contracting programs. It moved to correct the miscoding and other anomalies that were causing contracts to be incorrectly counted toward the government's small business procurement goal. In reviewing more than 11 million contract actions, federal agencies found instances of nonprofits, state or local governments, and large companies being recorded erroneously as small businesses in the procurement database. By scrubbing the data, the government removed \$4.6 billion in miscoded contracting actions from the 2005 database.

Because firms often outgrow their small size status, merge with other businesses, or are acquired by larger firms during the life of a contract, SBA published regulations requiring small businesses to recertify their size status

within 30 days of a merger or acquisition, or prior to the sixth year of a contract exceeding five years, and every time a contract option is exercised thereafter. Consequently, an estimated \$5 billion to \$10 billion of small business contracts—out of \$80 billion—no longer qualified in the category, opening new opportunities for small businesses.

Another factor contributing to fewer small businesses securing federal contracts are standards used to qualify a firm as small. The last comprehensive review of size standards occurred in the early 1980s. Because of subsequent changes in the economy and industry, in 2007 SBA committed itself to begin a two-year process of reviewing size standards by industry sectors as classified by the North American Industry Classification System (NAICS).

To hold federal agencies accountable, the SBA published a scorecard, modeled after the one used to track the President's Management Agenda, to track small business contracting performance and progress of 24 federal agencies in achieving these goals. The first scorecard was released in August 2007. Two scorecards were issued in 2008. The first measured agency plans to increase small business opportunities during 2008. The second assessed actual fiscal year 2007 goal achievement and 2008 progress against the plans.

To help agencies meet contracting goals for businesses owned by women, service-disabled veterans, HUB-Zone enterprises, small disadvantaged, and 8(a) businesses, the SBA expanded the review and appeal of procurements. Before the expansion, the coordination between SBA and procuring agencies was limited to the review and appeal of unrestricted requirements for possible small business set-asides. Now, the coordination extends to the review and appeal of requirements for set-asides for 8(a), HUBZone, and service-disabled veteran owners of small business.

The Agency also improved its relationships with procuring agencies. Partnership agreements between SBA and 39 federal agencies were reviewed and rewritten to clarify roles and responsibilities as well as to increase monitoring and oversight of contractors. Moreover, SBA retained its Procurement Center Representatives. Now numbering 66, these representatives provide support to federal procurement officers to help the agencies meet contracting goals. To further support those officers, the Agency added a Quick Market Search feature to the Dynamic Small Business Search of the Central Contracting Registry. This reverse-lookup function allows procurement officials to conduct market searches

quickly and to find 8(a), HUBZone, service-disabled veteran, and other targeted businesses that can perform federal contracts.

These reforms have not only made contracting efforts by federal agencies more transparent, but also more substantive and challenging. By increasing the quality of the data and putting pressure on federal agencies to meet goals, the reforms have expanded the availability of federal contracts for small business.

Other reforms were directed to the small business side of the contracting table. The Office of Business Development created an electronic tool for tracking cycle timeframes for 8(a) application processing, small disadvantaged business certifications, mentor-protégé agreements, annual review actions, termination actions, and changes of ownership. SBA headquarters and field staff can now check the status of specific applications or generate a report on the cycle time of the application process to ensure compliance with regulations. The re-engineered processes reduced the average time for 8(a) application processing from 145 days in 2006, to 77 days in 2008. Mentor-protégé agreements were accelerated as well and now average less than 20 days for completion.

SBA also created new tools to help small businesses navigate the complicated procurement process and provide greater access to the federal market. Among those tools is an online training program for firms that want to do business with the federal government but lack procurement experience. The program includes an assessment feature that helps determine if firms are eligible for the 8(a) program even before they apply. Moreover, the 2008 launch of the Business Development Management Information System streamlined the process of applying to and maintaining eligibility in the 8(a) program. The web-based system handles Electronic 8(a) Certification (e-Application), Electronic 8(a) Annual Review (e-Annual Review), and business development processing functions.

SBA also published in 2008 an Interim Final Rule in the Federal Register to eliminate the requirement for Small Business Development certification for prime contracts and private-sector subcontracts. Contractors may now self-certify as a small disadvantaged business. This enhancement, plus the automation of much of the compliance review process, allows SBA's business development staff to devote less time to technical procedures and more time to substantive matters such as finding opportunities for firms in their portfolios.



## Other Accomplishments

- Held the growth of the Agency's core budget to a modest 11 percent between 2000 and 2008, delivering significant savings to taxpayers. Excluding disaster assistance funds and congressional earmarks, the budget declined from \$591 million in 2000 to \$537 million in 2008. However, elimination of the 7(a) program's annual subsidy since 2005 is responsible for much of that savings. Had the subsidy continued, SBA's 2008 budget would have been \$657 million—or 11 percent more than 2000.
- Consolidated the Agency's loan processing centers from 68 district offices in 2003 to 6 processing centers today. Despite a staff reduction of about 30 percent, processing times for new applications in the 7(a) program have fallen more than 50 percent, allowing the Agency to respond to lenders more quickly and consistently even as loan volume has increased.
- Launched the largest staff training in agency history, SBA University. All permanent employees received a week of comprehensive training: one half in 2007; the other half in 2008. Managers participated in workshops that focused on leadership competencies and skills. Consequently, a survey conducted midway through the 2007 training found that satisfaction levels measuring whether employees have the right skills, can use their skills, and improve their skills had already increased between 11 and 13 percent. Overall job satisfaction increased 9 percent.
- Significantly improved employee morale. In the 2008 Federal Human Capital Survey, the Agency earned the highest improvement rating among agencies in "leadership and knowledge management" and "talent management" as well as the second largest gain in job satisfaction, a jump from 2006 when the Agency ranked last among federal agencies for employee morale. The results confirmed an internal 2007 employee survey showing double-digit improvements from 2006 in 10 of 37 measures.
- Improved internal agency communications. Satisfaction levels with how well leadership communicates goals, priorities, and other information to staff improved between 11 and 16 percent; and respect employees expressed for senior leadership increased more than 21 percent.
- Established an Office of Performance Management to focus on internal operations by using a Performance Management Framework to align agency

mission, funding, and priorities. Monthly performance management reports now closely track agency operations, priorities, and results.

- Implemented dozens of management and process reforms. Out of 21 reports issued by the Government Accounting Office, by the end of 2008, SBA not only addressed all of the recommendations but also closed out 18. The Agency experienced a similar track record with audits of the Office of Inspector General, as it reduced the number of overdue recommendations from 128 in March 2008 to 78 by December 2008.
- Attained unqualified audit opinions in 2007 and 2008 finding no material weaknesses in SBA financial statements, reviews not earned since 2000.

## CONCLUSION

The United States was founded and built by entrepreneurs. Throughout the centuries, the nation has grown and succeeded on the strength of those who willing to start an enterprise, work hard, and succeed. In the twenty-first century, small businesses remain just as vital to America's competitive economy.

The total small business loan portfolio of SBA has grown from \$49 billion in 2001 to \$88.1 billion in 2008. In 2007, small businesses received \$83 billion in prime federal contracts—almost \$35 billion more than they received in 2001. In disaster assistance programs, SBA has approved over \$47 billion since the program's inception. Currently, \$8.6 billion in direct loans are outstanding to renters, home owners, and small business owners nationwide. In addition, SBA and its partners provide technical assistance to nearly 1.4 million entrepreneurs every year with face to face counseling, and more than 1,000 every day through its website.

The growth and effectiveness of SBA programs is remarkable considering a 30 percent staff reduction and modest 11 percent budget increase since 2000. Given this record, the SBA has become a case study of how the federal government can deliver services in a manner that is both financially responsible and responsive to customers.

The record confirms the value of the Reform Agenda outlined in the report. This report is not a declaration of victory; it's recognition of progress and a commitment to ingraining those changes into the mission, culture, and operations of SBA. These reforms will ensure that SBA products and services are making a difference for small business owners and victims of natural disasters.

By driving the reform of a small federal agency, the SBA has become a potent force for fueling the entrepreneurial spirit, for creating jobs, for sustaining economic growth; and offering a path to a better life for millions of Americans.