

## STRATEGIC GOAL ONE

### Improve the economic environment for small businesses.

This Strategic Goal is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. In FY 2005, the SBA saved small businesses money by:

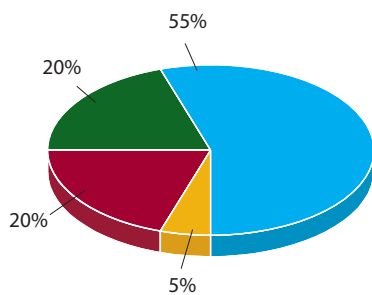
- Reducing excessive Federal regulatory burden
- Protecting them from excessive Federal regulatory enforcement
- Providing automated tools and information on how to comply with laws and regulations
- Working to promote the interests of small business in the international marketplace
- Playing a key role in ensuring full and open competition for government contracts

As an advocate, the SBA improved the economic environment in which small businesses compete.

The SBA fulfills these functions through the offices of Advocacy, the National Ombudsman, Government Contracting and Business Development and the Office of International Trade within Capital Access.

The chart below is a summary of how successful the SBA was in achieving its goals under the various Long-Term Objectives and functional areas that compose Strategic Goal 1. In FY 2005, the SBA exceeded 55%, met 20% and did not meet 20% of its goals under Strategic Goal 1. Support of this Strategic Goal cost \$47,299,000.

**Strategic Goal One  
Summary of FY 2005 Performance Results<sup>a</sup>**



	Number of Indicators			
	Blue	Green	Yellow	Red
LTO 1.1	4	0	1	4
LTO 1.6	7	4	0	0
<b>Total</b>	<b>11</b>	<b>4</b>	<b>1</b>	<b>4</b>

Blue: Exceeding goal by 10% or more.  
Green: Meeting or exceeding goal by less than 10%.

Yellow: Missing goal by less than 10%.  
Red: Missing goal by 10% or more.

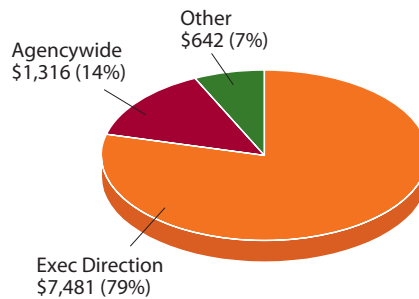
a. Chart does not include those indicators that were baselined in FY 2005

**Regulatory Assistance**

The SBA, through the Office of Advocacy, brought the voice of small business to policy makers inside the government, both in Washington, DC and in State capitals around the country. Economic research, policy analyses and small business outreach helped identify issues of concern. The SBA worked to reduce the regulatory burdens that Federal policies imposed on small firms and to maximize the benefits small businesses received from the government.<sup>2</sup> This savings allowed many small businesses to remain open, and allowed many others to invest in new jobs, equipment or other resources. The following chart illustrates the major components of the budgetary resources used by this program during FY 2005.

**Office of Advocacy**

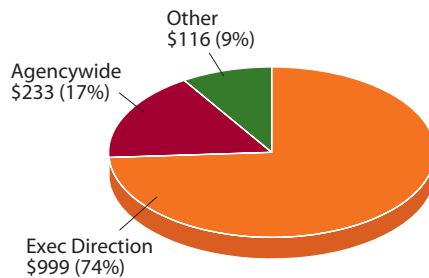
**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



Additionally, the SBA through the Office of the National Ombudsman provided a means for small businesses to contest government actions without fear of retaliation. During FY 2005, the SBA assisted small businesses when they experienced excessive Federal regulatory enforcement actions, such as repetitive audits or investigations, excessive fines, penalties, threats, retaliation or other unfair enforcement action by a Federal agency. Additionally, Federal agencies made great strides in improving the Federal enforcement environment: response time improved and there was a dramatic increase in the compliance assistance offered to small business. The following chart illustrates the major components of the budgetary resources used by this program in FY 2005.

**National Ombudsman**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



2. This number is not final until the release of the Office of Advocacy's annual report to Congress during the winter of 2006.

### **Tax Burden Assistance**

The SBA contributed to this achievement by sponsoring a series of educational roundtables throughout the country on the importance of reducing taxes on small businesses to improve the economic environment. The SBA also improved the economic environment by acting as effective "eyes and ears" and advocates for small business, bringing their issues to the policy makers, making information more accessible, affordable and user-friendly, and educating the public.

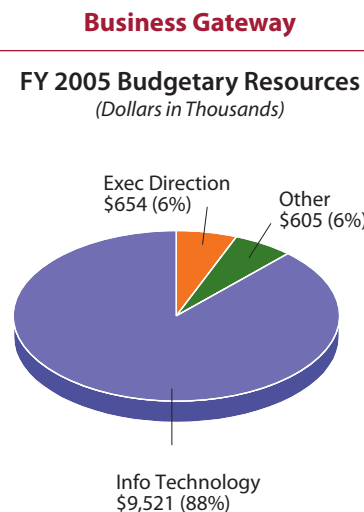
### **Health Care Cost Burden Assistance**

The SBA supports and advocates for legislation that results in health care savings to small businesses. Through advocacy, the Agency makes continuing efforts to support health care plans, strengthen medical savings accounts, and provide tax benefits for health care purposes.

### **E-Government Assistance**

Business Gateway represents one of the 25 Presidential E-Government Initiatives aimed at reducing the burden on the nation's businesses by simplifying and improving electronic access to Federal Government information, forms, programs, and services. During FY 2005 the SBA partnered with 22 core partner agencies to ensure that Business Gateway delivers a means: to provide the nation's business owners with a single access point to government services and information designed to assist them in compliance with Federal requirements; to centrally provide Federal forms to businesses; and to reduce regulatory burdens by harmonizing and streamlining data along vertical lines of business, as well as providing Web-based compliance assistance tools.

The following chart identifies the budgetary resources used in the Business Gateway program during FY 2005.



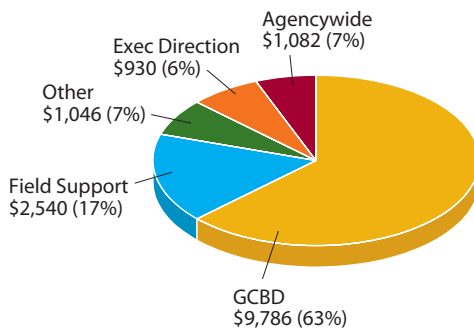
**Procurement Assistance**

By statute, the goal of the Federal Government is to award 23% or more of total prime contracting dollars to small businesses. The SBA administers a small business goal-setting program across all other Federal agencies to assist in the achievement of this government-wide goal.

The following charts illustrate the major components of the budgetary resources used by the Prime Contracting and Subcontracting programs in FY 2005.

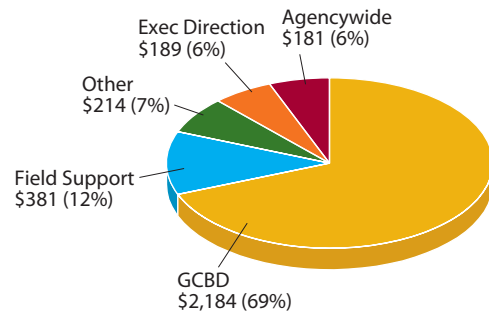
**Prime Contracting Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



**Subcontracting Program**

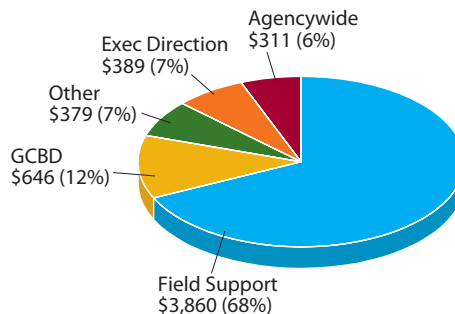
**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



Business Matchmaking facilitates the responsibility of Federal agencies to meet their mandates for providing procurement opportunities to small businesses. Similar assistance is provided to State, county and city governments, as well as major corporations. The following chart illustrates the major components of the budgetary resources used by the Business Matchmaking program in FY 2005.

**Business Matchmaking**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



### **Trade Assistance**

In addition to national economic issues, small businesses are also greatly affected by international commerce and trade. Trade liberalization can especially benefit small business by helping reduce the impact of trade barriers. Since the signing of the North American Free Trade Agreement in 1993, U.S. small businesses have increased export sales from \$25.0 million in 1992 to \$60.2 billion in 2001. The SBA's supporting financial assistance spans both the national and international trade arenas. In FY 2005, through the Office of International Trade, the SBA served on interagency trade working groups led by the Office of the U.S. Trade Representative to support negotiations for the U.S.-Southern Africa Free Trade Agreement, Central America Free Trade Agreement and negotiations with the Andean Pact countries of South America. Costs for International Trade Assistance are reported under Strategic Goal 2.



### **SBA HELPS BUILD HIGH-TECH DOWN HOME**

When Bonnie and Nelson Ludlow moved to Port Townsend (WA) to open Mobilisa, Inc. in 2001, they found a community that offered low rents, access to high-speed communications networks, proximity to some major contacts and contracts with the U.S. military, and a location free from long commutes. They also recognized a pool of potential employees—young men and women who did not want to have to move away to get a good job. Locating in

Port Townsend enabled the firm get **HUBZone certification**.

Mobilisa's niche is in software development and wireless communications. The firm is currently working with the U.S. Naval Criminal Investigations Service to develop an ID card reader for the guards at the gates of military compounds. The project has wide-reaching potential for law enforcement and investigatory agencies.

The company's first help from SBA came with a small commercial loan in 2002. Its **HUBZone designation** allowed Mobilisa to compete for a contract with the Space and Naval Warfare Systems Command in San Diego. Another Navy contract for a ship-to-ship wireless communications system was awarded to Mobilisa as a result of successful competition for a **Small Business Innovation and Research grant**.

In 2004, to accommodate their growing business, Mobilisa moved their offices to a new building in Port Townsend, helped by an **SBA 504 Economic Development loan** from the **SBA-licensed CDC**, Evergreen Community Development in Seattle. The company now has 22 employees and about \$10 million in contracts.

## LONG-TERM OBJECTIVE 1.1

### Minimize the regulatory burden on small business.

#### Key Results and Cost-Related Performance

Performance Statement Agency Level Regulatory Assistance						
<i>Strategic Goal 1. Improve the economic environment for small businesses. Long-Term Objective 1.1: Minimize the regulatory burden on small business.</i>						
SBA Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
1.1.1 Achieve a yearly regulatory cost savings that increases at a rate of 10 percent annually over a base amount of \$3.8 billion set in 2002, due to Advocacy intervention, by FY 2008. (\$ billion).	\$21.1 <sup>a</sup>	\$6.4	\$17.1	\$5.1	\$4.0	-22.5% R
1.1.2 Ensure 66 Federal agencies have in-house expertise on how to comply with the Regulatory Flexibility Act (RFA) as amended by the Small Business Regulatory Enforcement Fairness Act of 1996, by FY 2008. <sup>b</sup>	N/A	N/A	25.0	25.0	19.0	-24.0% R
1.1.3 Achieve a total of 50 states that have formally considered legislative or executive action to increase regulatory flexibility for small businesses, by FY 2008.	N/A	N/A	17.0	10.0	19.0	90.0% B
1.1.4 Insert Advocacy data and reports into the curricula at 80 of the top 100 universities with major entrepreneurship programs, by FY 2008.	N/A	N/A	27.0	16.0	18.0	12.5% B
1.1.5 Achieve a 10 percent decrease in the annual number of Federal regulatory enforcement actions taken against small businesses. <sup>c</sup>	N/A	N/A	Base Year	1,540,205 <sup>d</sup>	120,665	-92.2% R
1.1.6 Achieve a 5 percent increase in the number of enforcement actions in which the civil penalty is reduced or waived, by FY 2008. <sup>c</sup>	N/A	N/A	Base Year	90,217 <sup>e</sup>	-11748	-113.0% R
SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
<b>Total Regulatory Assistance Provided</b>	18	30	61	55	66	16.7% B
SBA Costs	SBA Annual Cost					
	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2005 % Cost Variance
<b>Total Regulatory Assistance Cost (\$000)</b>	\$10,725	\$9,880	\$10,829	\$10,720	\$10,787	-10.4%

a. Total is an anomaly. In FY2002 the Office of Advocacy saved businesses an unprecedented \$21.1B in potential costs of regulation; most cost savings was due to revisions made to the Cross Media Electronic Reporting and Record Keeping Rule (CROMERRR) by the Environmental Protection Agency.

b. Proper consideration of Small Entities in Agency Rulemaking, requires agencies to establish policies and procedures for complying with Regulatory Flexibility Act, and requires the Office of Advocacy to issue periodic guidance on how to comply and provide Agency training.

c. No preliminary data is available until the second quarter of FY 2005. Because reporting for this indicator is a new requirement, there is great difficulty establishing a baseline. For goaling purposes, the base year was changed to FY 2004.

d. FY 2005 Goal represents a 10% decrease in the number of Federal regulatory enforcement actions, as compared to base year FY 2004.

e. FY 2005 Goal represents a 5% increase in the number of Federal regulatory enforcement actions in which the civil penalty is reduced or waived, as compared to base year FY 2004.



## ARKANSAS REQUIRES REGULATORY FLEXIBILITY!

Small Business Applauds Governor's Signing of Executive Order and Work of the Office of Advocacy!

*Arkansas Governor Mike Huckabee (seated) signs the Regulatory Flexibility Executive Order as (left to right) U.S. SBA Region VI Advocate Eric Munson, NFIB/Arkansas Leadership Council Chairman Curt Green, Arkansas Small and Minority Business Unit Director Sylvester Smith and U.S. SBA Chief Counsel for Advocacy Tom Sullivan look on.*

For FY 2005, the SBA projected \$5.1 billion in regulatory cost savings. As of the end of FY 2005, regulatory cost savings to small businesses totaled \$3.8 billion through intervention in the Federal regulatory process. This total savings represented \$114.5 million in savings during the first year after the publication of final rules that reflect the SBA's intervention and \$52.5 million in annual recurring savings.

The SBA was unable to meet its goal of reducing by 10% the FY 2004 number of Federal regulatory enforcement actions taken against small businesses. Nevertheless, the SBA's approach resulted in an increased quality and rate of response by the agencies. In addition, Federal agencies<sup>3</sup> reported<sup>4</sup> to the SBA nearly \$2 billion in civil penalty abatements, reductions or waivers for small entities corresponding to FY 2004 activities, with 120,665 fewer civil penalties assessed in FY 2004 compared to FY 2003.<sup>5</sup>

### Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant related issues.

### Management Issues

OMB PART Evaluation: Programs under this objective have not been evaluated by OMB using the Program Assessment Rating Tool.

Inspector General Reports: No significant related issues.

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: No significant related issues.

3. 24 Agencies (Treasury, HUD, DOT, DOL, HLS, DOA, Education, HHS, DOC, DOI, DOJ, PBGC, SEC, EPA, NRC, RRB, FRB, EEOC, CFTC, FTC, FDIC, ITC, FMC, FCC) self-reported to the SBA the number and corresponding dollar amount of civil penalties reduced or waived for small businesses—as defined by them.

4. Under the Small Business Paperwork Relief Act of 1992 (SBPRA)

5. Agencies report their activities the following fiscal year.

## LONG-TERM OBJECTIVE 1.2

### ***Ensure equity and fairness in the Federal regulatory enforcement process.***

(LTO 1.2 was combined into LTO 1.1 in FY 2005)

The LTO 1.2 indicators were consolidated into LTO 1.1 and named Regulatory assistance meetings. For FY 2005 management agreed that the differences between the two LTOs were not such that a separation was required.

## LONG-TERM OBJECTIVE 1.3

### ***Minimize the taxation burden on small business through effective advocacy.***

#### **Key Results and Cost-Related Performance**

(Cost accounted for as overhead; therefore there is no Performance Statement table.)

#### **Related Financial Reporting**

-Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant related issues.

#### **Management Issues**

OMB PART Evaluation: Programs under this objective have not been evaluated by OMB using the Program Assessment Rating Tool.

Inspector General Reports: No significant related issues.

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: No significant related issues.

## LONG-TERM OBJECTIVE 1.4

### ***Minimize the health care cost burden on small business through effective advocacy.***

#### **Key Results and Cost-Related Performance**

(Cost accounted for as overhead; therefore there is no Performance Statements table.)

#### **Related Financial Reporting**

Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant related issues.

#### **Management Issues**

OMB PART Evaluation: Programs under this objective have not been evaluated by OMB using the Program Assessment Rating Tool.

Inspector General Reports: No significant related issues.

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: No significant related issues.



## LONG-TERM OBJECTIVE 1.5

***Simplify the interaction between small business and the Federal government through the use of the Internet and information technology.***

Key Results and Cost-Related Performance

<b>Performance Statement</b> Agency Level Performance <i>Strategic Goal 1. Improve the economic environment for small businesses.</i> <i>Long-Term Objective 1.5: Simplify the interaction between small businesses and the Federal government through the use of the Internet and information technology.</i>						
SBA Costs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2005 % Cost Variance
Total Operating Assistance Cost (\$000)	N/A	UNAVAIL.	\$2,603	\$11,855	\$10,780	-9.1%

In FY 2005 the SBA re-examined its Business Gateway performance indicators and discontinued its previously published indicators. The SBA refined its Business Gateway indicators because these did not accurately reflect the aggregate cost savings, the dollar impact on small businesses, or the overall time savings to small businesses. In effect, these indicators did not accurately gauge the success or limitations of the Business Gateway project.

Newly refined indicators will be tracked and published in FY 2006. These new proposed indicators include: Number of Hours Saved; Customer Satisfaction; Broken Links; Time to Do Research; Quality of Research; and Number of Unique Visitors.

The discontinued indicators can be found in Appendix 10 of this report. Newly refined indicators will be tracked and published in FY 2006.

### Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant related issues.

### Management Issues

OMB PART Evaluation: The program under this objective has not been evaluated by OMB using the Program Assessment Rating Tool.

Inspector General Reports: No significant related issues.

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: No significant related issues.

**LONG-TERM OBJECTIVE 1.6**

***Increase the effectiveness of Federal agencies to provide opportunities for small business***

**Key Results and Cost-Related Performance**

<b>Performance Statement</b>						
<b>Agency Level Assistance</b>						
<i>Strategic Goal 1. Improve the economic environment for small businesses.</i>						
<i>Long -Term Objective 1.6: Increase the effectiveness of federal agencies to provide opportunities for small business</i>						
<b>SBA Outcome Measures<sup>a</sup></b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Goal</b>	<b>FY 2005 Actual</b>	<b>FY 2005 % Goal Variance</b>
1.6.1 By 2008, small businesses, assisted by Federal agencies, benefiting from Federal contracts or international assistance, will exceed the national average survivability rate. <sup>a</sup>						
1.6.2 By 2008, small businesses, assisted by Federal agencies, benefiting from Federal contracts or international assistance, will exceed the national average job creation rate. <sup>a</sup>						
1.6.3 By 2008, small businesses, assisted by Federal agencies, benefiting from Federal contracts or international assistance, will exceed the national average revenue growth rate. <sup>a</sup>						
<b>SBA Output Measures</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Goal</b>	<b>FY 2005 Actual</b>	<b>FY 2005 % Goal Variance</b>
Total Receiving Technical Assistance <sup>b</sup>	N/A	N/A	38,754	26,403	56,739	114.9% <b>B</b>
Total Receiving Procurement Assistance <sup>b</sup>	9,400	11,065	20,169	15,714	15,774	<b>G</b> 0%
Total Receiving Trade Assistance <sup>c</sup>	N/A	N/A	9	9	16	77.8% <b>B</b>
<b>SBA Costs</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2005 Actual</b>	<b>FY 2005 % Cost Variance</b>
Total Procurement Assistance Cost (\$000) <sup>d</sup>	\$28,516	\$27,795	\$36,296	\$27,441	\$25,732	-6.2%

- a. SBA outcomes are currently being determined by a study from outside contractor. Evaluation study will concentrate on SBA outcomes in FY 2007.
- b. Values for this indicator represent procurement assistance provided to small businesses through: SDB businesses certified, Business Linc clients served, and small businesses assisted through Business Matchmaking programs.
- c. These values represent the number of interagency working group meetings by the Office of International Trade.
- d. Technical Assistance and Trade Assistance activities are currently not defined but will be included in FY 2006's cost allocation survey. All costs for technical assistance are included in the costs for procurement assistance.

Traditionally, the SBA's performance measure for prime contracting assistance has been the achievement of the statutory goal. In FY 2005, the SBA altered the approach, in the interest of developing a better understanding of the processes and procedures that both promote and deter goal accomplishment. The knowledge gained as the SBA partners with select agencies under the new goals described below would have assisted the Agency in influencing improved goal performance government-wide:

- Increase prime contract goal achievement by three percentage points at five low- performing and/or high-impact Federal procuring agencies, as defined by an agency's failure to meet the statutory small business goals.
- Increase subcontract contract goal achievement by three percentage points at five low- performing and/or high-impact Federal procuring agencies, as defined by an agency's failure to meet the negotiated small business subcontracting goals.

The SBA relies on government-wide contracting information gathered by the Federal Procurement Data System-Next Generation (FPDS-NG) as the authoritative source for determining levels of achievement in award of Federal contracts under procurement preference programs. Therefore, the SBA's ability to effectively monitor and evaluate agencies' performance against contracting goals is functionally related to the relevance, reliability, and timeliness of information contained in FPDS-NG.

Additionally, in FY 2005, the SBA aggressively implemented the Business Matchmaking initiative. Business Matchmaking helps to increase small businesses' access to Federal contracting opportunities. Federal, State and county agencies, as well as private-sector contractors, are matched with small business sellers, either in person or through facilitated telephone conversation.

#### **Related Financial Reporting**

Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant related issues.

#### **Management Issues**

OMB PART Evaluation: Programs contributing to this objective have not been evaluated by OMB using the Program Assessment Rating Tool.

Inspector General Reports: The following OIG reports cover issues that have an impact on accomplishment of this objective:

- OIG Report 5-14. The SBA Small Business Procurement Awards Are Not Always Going to Small Business (see Appendix 2).
- OIG Report 5-20. Contract Bundling (see Appendix 2).

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges:

- OIG Report 5-15. Management Challenge 1—Large Businesses Receive Small Business Awards (see Appendix 2).

## Agency Response to Management Challenges:

- OIG Report 5-15. Management Challenge 1—Large Businesses Receive Small Business Awards (see Appendix 2).

The OIG judged that the SBA is continuing to achieve some progress on three actions and substantial progress on one action. Overall, the SBA continued to address flaws in Federal procurement practices that (1) permit agencies to claim credit for small business set-asides for firms that can no longer qualify as a small business, and (2) allow a business that is no longer small to receive small business awards. In response to this work, the OIG raised its assessment of the SBA actions from “no progress” to “some progress” in two actions. With one exception, the SBA has included OIG suggested improvements in its draft Rule.



### SBA TO THE RESCUE

Anco Engineers of Boulder, CO, builds shake tables to measure the stress in materials used in the public utilities, construction, and bridge-building industries. In its more than 30 years, it has developed a worldwide client base.

In fall of 2004, the housing authority in Romania ordered a \$1.1 million shake table, to be shipped by year end. Even with a 30% down payment and a letter of credit for the remaining 70%, the firm found itself in a working capital bind.

The SBA made a preliminary commitment in early November for a \$300,000 working capital line of credit for the transaction. Given the short time frame, no bank was fast enough or eager enough to take on the loan. Dennis Chrisbaum, **SBA's USEAC** representative in Denver, called World Trade Finance, a non-bank lender in Los Angeles, to see if they would look at the deal. The firm's owner flew to Boulder and approved the deal in a matter of days. As a result, Colorado put another \$1.1 million of exports on the books. The client satisfied the contract and made money. And a new non-bank lender was introduced to a new small business export client. As Anco's Paul Ebanes, said, "We couldn't have done this transaction without SBA's help and introduction to this new lending source."