U.S. Small Business Administration

Congressional Submission Fiscal Year 2008

PERFORMANCE BUDGET

U.S. Small Business Administration

SBA

Your Small Business Resource

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Executive Summary

Overview

The Small Business Administration's (SBA's) mission is to promote small business development and entrepreneurship through business financing, government contracting, and technical assistance. SBA also works with other federal agencies to reduce the regulatory and paperwork burdens to small businesses. In addition, SBA serves as the government's long term lender to homeowners, renters, and businesses damaged by disasters.

The importance of small businesses to the country is clear: there have been more than seven million new American jobs created in just over three years, more than all the other industrialized nations combined. Two-thirds were created by small business. Entrepreneurs enable an economy driven by innovation and regeneration, which keeps the country competitive and growing. Small businesses can also be a powerful enabler of community transformation, and a bridge to ownership and opportunity for Americans of all backgrounds.

Since 2001, the SBA has achieved major budget savings while virtually all of its programs have grown significantly. The Agency's leadership team will continue this commitment to fiscal responsibility while also aggressively pursuing a Reform Agenda to improve the effectiveness of its programs. This agenda is grounded in the belief that the Agency can improve the effectiveness and impact of its programs and activities markedly, by employing important management principles. These principles will seek to ensure that the Agency is driven by clear outcomes, is focused on serving its customers effectively, enables its employees, and operates an accountable organization in compliance with laws and regulations. The Agency also has a renewed focus on ensuring that its products and services are accessible to entrepreneurs in the Nation's most underserved markets — those with higher rates of unemployment and poverty and lower rates of economic progress. This budget request highlights SBA's progress to date and describes the Agency's plans for achieving the vision of the new management team in FY 2008.

In 2001, the SBA began a drive to deliver more value to the Nation's small businesses while lowering costs to the taxpayer. By restructuring key agency operations and reengineering its largest loan programs, SBA has increased the number of 7(a) and 504 loans funded by over 100 percent since FY 2001 while reducing its total budget by 31 percent since 2001 (excluding the disaster program and Congressional initiatives). The Agency's oversight responsibilities over government contracting to small businesses also increased during this period as the value of these federal contracts increased by 56 percent.

Through its restructuring, SBA has improved the effectiveness of the taxpayers' dollars supporting small business development. Because of these improvements, in FY 2008, SBA will be able to serve record numbers of small businesses with a total budget request of $464 million.

The principles of SBA's Reform Agenda have already resulted in a dramatic improvement in the Agency's Disaster loan program. The 2005 Gulf Coast hurricanes resulted in SBA's largest disaster response in its 53-year history. Over 420,000 loan applications from Hurricanes Katrina, Rita, and Wilma (almost three times the level for the second largest disaster, the Northridge earthquake of 1994) left the Agency struggling to meet its loan processing standards and frustrated many. In the summer of 2006 Agency management led a fundamental reengineering of its disaster loan processing operation that has dramatically shortened response times, improved quality, and increased borrower support. Processing backlogs were eliminated, and feedback on the new approach has been universally positive. By January 2007 over 98 percent of borrowers from the Gulf had received full or partial disbursement of loan funds.

SBA is bringing the same principles to administering its business guaranty programs as well. Reengineering the loan servicing process is underway and will result in better customer service and less operational redundancy. Building upon its success in consolidating 7(a) loan liquidation functions from almost 70 district offices to a single location, SBA is also finalizing plans to consolidate 7(a) loan origination, 504 loan liquidation, and Disaster loan liquidation. These changes ensure that loans are managed more consistently and efficiently. Furthermore, in the case of 7(a) loan liquidation, considerable budgetary savings were also realized through centralization.

Modernizing Agency operations and downsizing is challenging, but it is essential. The Nation's taxpayers expect SBA to operate using the techniques and practices of sound operational management, including the smart use of technology. Through its proactive efforts to reduce costs and improve productivity and performance, the SBA has demonstrated its commitment to deliver ever better products while improving efficiencies.

With a guaranteed and direct loan portfolio of over $78 billion, SBA has a critical role as a steward of taxpayer dollars. While the portfolio has grown at a record pace in recent years, during that time SBA implemented a rigorous, state-of-the art risk management program. By using industry data and technology, the Agency has replaced the old, primarily manual processes for reviewing lender and loan performance with automated, quantitative risk-based methods to more effectively identify problems. This approach has improved oversight during a period of strong growth in the loan portfolio.

Highlights of the Budget Request

The SBA's total budget request for FY 2008 is $464 million in new Budget Authority. This represents an increase above the Agency's enacted level in FY 2006 of five percent, excluding the Disaster program and Congressional initiatives. The Agency requests that the Disaster program be funded out of carryover balances from the $1.7 billion in supplemental funding received in FY 2006. This funding is projected to be sufficient to provide both loan subsidy and administrative expenses through FY 2008, barring any extraordinary disasters.

The resources requested will support a total of $28 billion in small business financing, which represents a 40 percent increase over business lending for FY 2006, through the 7(a), 504, and SBIC debentures programs. For its flagship 7(a) program, SBA requests $17.5 billion — a 27 percent increase over the FY 2006 lending. SBA also requests $7.5 billion for the 504 program, a 32 percent increase over loans made in FY 2006 — a record year for 504 lending. Finally, SBA requests an SBIC Debenture program of $3 billion.

In addition, this budget will support the following critical activities:

- A Disaster loan volume of $1.064 billion in direct lending (the Agency's ten-year average based upon FY 1996–2005 "normalized" activity, adjusted for inflation).
- Counseling and training to small business people through SBA's network of resource partners in Small Business Development Centers (SBDC), SCORE, and Women's Business Centers.
- Targeting a total of $85 billion in prime federal contracting dollars to be awarded to small businesses in FY 2008.
- Investment in the Agency's human capital through job skills training, mentoring programs, succession planning, proactive recruitment of highly qualified staff, and implementation of an automated personnel records system.
- Maintaining employee security through continued implementation of Homeland Security Protocol Directive #12 and support of major security improvements in the headquarters building.

SBA's budget request will support 2,123 FTEs from the Salaries and Expenses budget. This represents an increase of 86 positions from the staffing level at the end of FY 2006. Critical positions that will be filled by FY 2008 include: 9 additional Procurement Center Representatives (PCR); 28

positions for the centralization of 7(a) loan making and 504 liquidation; critical management positions for Capital Access (including the Director and Deputy for the Office of Financial Assistance); at least 10 field office staff; a Chief Information Security Officer; and other critical positions throughout the Agency.

New Vision for the Agency's Future

SBA's vision for the future will focus in three primary areas:

- Underserved markets
- Disaster assistance
- A Reform Agenda to improve the effectiveness of the Agency in meeting the needs of America's entrepreneurs

Underserved Markets

Many areas of the country have significantly higher unemployment and lower income levels than the Nation's averages. Federally defined economically distressed markets, which are typically based in inner-city and rural areas, include: Low/Moderate Income, Historically Underutilized Business (HUBZones), Enterprise Community/Empowerment Zones, and New Market Tax Credit Zones. Higher levels of business formation and growth in these areas can promote job creation, business ownership, and economic vitality where they are most needed. In many cases, SBA's financial, technical, and contracting assistance programs are especially well-designed to meet the needs of small businesses in these "place-based" communities, as well as in "people-based" communities, on which it also focuses (e.g., minority, female, and veteran entrepreneurs).

The Agency will sharpen its focus to address the most underserved communities in the following ways:

Lender Outreach and Product Development — For the Agency's investment and loan programs to be effective, it must ensure that it has products that meet the needs both of the borrowers that require capital and the lenders that distribute it. The Agency has begun an initiative to address these issues to increase lender interest in reaching these target markets.

Expansion of the Community Express Pilot — This pilot was designed to reach underserved markets and combines both capital and technical assistance to increase the viability of the businesses it serves. The Agency is working to broaden lender participation in the product and will seek involvement from its counseling and training partners: SBDCs, SCORE, and Women's Business Centers.

The Urban Entrepreneur Partnership — The Urban Entrepreneurial Partnership (UEP) initiative is a community-based referral program located in an urban setting. The Agency is working to expand the initiative to additional cities through a "modified" Business Model that will create a local network of small business resource providers serving urban and inner-city communities (*UEPNetwork*), as initially outlined by the President to the National Urban League in 2004.

Expansion of Alternative Work Sites — One way the Agency has made itself more accessible to small business is to locate certain district office staff away from single urban centers to locations closer to customers. Currently, there are 22 such alternative work sites in operation. SBA is seeking $100,000 to set up seven additional sites in FY 2008.

Business Process Reengineering for the Office of Government Contracting and Business Development (GCBD) — SBA's request includes $500,000 to examine how to best serve the 8(a), HUBZone, and small disadvantaged business communities, as well as women and veterans. The Agency recognizes it can improve in its management of these programs, particularly the 8(a) program, and will use these resources to determine how to best serve them – whether through staff realignment and training, or technology improvements.

New Markets Tax Credit Pilot — In October 2006, the Agency launched the New Markets Tax Credit pilot (NMTC) loan program to provide financial assistance to small businesses in economically distressed urban and rural areas, or "New Markets." The pilot program, which is only available to 7(a) lenders making new loans through advance-purchase commitments with Community Development Entities (CDEs), waives a regulation that limits an SBA lender's ability to sell any portion of an SBA guaranteed loan to anyone other than another SBA lender. The waiver allows CDEs with New Markets tax credit allocations to purchase up to 90 percent of SBAExpress or Community Express 7(a) loans of up to $150,000 made to NMTC "qualified" businesses in low-income communities. These new loans are guaranteed by the SBA. By leveraging the SBA's resources with the Treasury's NMTC program, the pilot will provide additional access to loans and technical assistance to both start-up and existing small businesses in New Markets. Under the program, Community Express lenders will assist CDEs to provide small business borrowers with a package of services including mentoring, coaching and counseling.

Zero Subsidy Microloan Program — 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. To a large extent, the regular 7(a) program and the Community Express pilot reach many members of these communities. In FY 2006, 44 percent of all 7(a) loans approved were made at the microloan funding level ($35,000 or less). However, additional businesses in target markets are reached through the Agency's targeted microlending program.

The SBA Microloan program as currently structured is costly to the taxpayer relative to the amount of capital it lends. In FY 2006 it cost 85 cents to the government for each dollar loaned to a Microloan intermediary. Therefore, the Agency proposes a zero subsidy Microloan program. By raising the very preferential rate at which intermediaries borrow from as low as two percent below the five-year Treasury rate to 1.06 percent above the FY 2008 five-year Treasury rate, the Agency can eliminate the subsidy cost of this program and greatly expand funding for Microloan intermediaries. Intermediaries will continue to receive a better than market rate of interest on loans, and SBA will be able to offer loans to virtually any eligible intermediary.

Furthermore, SBA proposes eliminating Microloan technical assistance funding. SBA would seek assistance for training and counseling from its technical assistance resource partners, including the Small Business Development Centers, SCORE, and Women's Business Centers located throughout the country, its district offices, and other local providers. This will save almost $13 million in Microloan technical assistance in FY 2008.

Expanding the Veterans' Outreach Program — The SBA requests an additional $500,000 for the Office of Veterans' Business Development (OVBD) in FY 2008. With the Nation's current engagement in Iraq and its presence in Afghanistan, the number of veterans returning from active duty continues to grow. SBA's Office of Veterans Business Development plans to increase its efforts to educate and provide programs and services to veterans and active duty personnel in three major areas: access to capital, management and technical assistance, and procurement assistance programs through SBA, other government agencies, and the private sector. The Agency will accomplish this through a veterans' initiative through existing loan programs, the disabled-veteran-owned business government contracting program, a redesigned website populated with a broad range of programs and services available to veterans, the development of training and mentoring programs for veterans by veterans, and funding district offices to grow veteran-owned business capacity.

Disaster Program

Certainly the area in which SBA has made the most significant changes in the shortest time has been in the Disaster program. While the SBA has typically responded quickly to disaster victims' needs, the unprecedented 2005 hurricanes provided insight into operational challenges. SBA's disaster response was significantly slower than Agency goals as a result of the catastrophic nature of Hurricanes Katrina, Wilma, and Rita. This problem was compounded by the Agency's new computer system for the Disaster program, and the immediate need for a substantial increase in staff and facilities during FY 2006. Rather than the FY 2006 goal of 14-day loan approval for home loans (18 days for business loans), applicants were forced to wait an average of 71 days for loan decisions. Following the approval, loan closings and disbursements have also been slow due to the large volume of applications, Agency efficiency challenges, and in large measure due to permits, insurance, and other requirements outside of the Agency's control.

In the summer of 2006, Agency management initiated the Accelerated Disaster Response Initiative to identify and implement process improvements to help the Agency respond more rapidly in assisting small businesses and homeowners seeking financial assistance after a disaster. As a result, the Agency fundamentally reengineered its disaster loan processing operation to shorten response times, improve quality, and provide greater borrower support. Based on customer feedback, the Agency rolled out an "integrated team" model. Each team is comprised of 15-18 employees with legal, financial, and other required competencies to ensure timely, coordinated loan processing. Customers are assigned to a case manager on the integrated team so they have a single point of contact that is accountable to guide them through the loan process and ensure that the SBA is responsive to their timing and other requirements.

Case managers proactively contact applicants to determine what impediments exist to closing loans and making disbursements. For example, SBA will assist borrowers in identifying local companies that provide title and recording services necessary for loan disbursements. Better customer interaction reduces errors, expedites the customers' ability to complete their requirements, and improves the borrower experience.

In order to assess SBA's ongoing performance, the Agency has implemented numerous productivity and other metrics to track applications' status and performance of employees. All applications are categorized by processing status and type of outstanding issue. This provides management with necessary information to identify problem areas and implement corrective actions. Further, productivity is monitored to identify areas that require management intervention. These strategies are the foundation for improved responsiveness to borrower needs. For example, the loan modification backlog that averaged 2.5 months in July 2006, averages 10 days as of January 2007, and continues to decline. In addition, the loan backlog of modification requests over 21 days old has been almost completely eliminated since July.

Additional organizational planning measures to improve SBA's disaster response include the development of models to rapidly forecast loan volume and resource requirements (financial, human capital, and logistics) to better position the Agency to respond to large-scale disasters when they strike. Moreover, SBA is nearing completion of a protocol to leverage its field network to improve local coordination and communication with citizens and other local authorities.

By 2008, SBA expects to implement an Internet-based electronic loan application process to ensure that borrowers' required information is provided to assess loan eligibility. This complements SBA's investment in the disaster computer system that has been tested to support a four-fold increase in concurrent user capacity to 8,000 users. The Agency is also evaluating options to access the private sector's skills and resources when dealing with catastrophic disaster events.

SBA's Reform Agenda

Through the Agency's Reform Agenda, SBA will operate better by focusing on becoming an organization that is:

1. Becoming more customer focused.
2. Enabling employees and improving SBA's work environment.
3. Ensuring stewardship of the government's resources through accountability, efficiency, and transparency.
4. Outcomes driven.

Becoming More Customer-Focused

The SBA has made significant progress towards being more customer-focused and simplifying how the public and partners interface with the Agency. The public includes America's small businesses, as well as natural disaster victims. Partners include a wide range of financial institutions, which extend capital to small businesses, technical assistance partners, that provide counseling and training to nascent and existing entrepreneurs, and federal agencies, which contract with small businesses.

SBA recognizes the need to provide additional assistance to small businesses seeking government contracts. With total federal contracts dollars projected to increase 56 percent over FY 2001 to $85 billion, SBA's responsibility is to ensure small business retains access to these opportunities. The Agency's budget request includes nine new Procurement Center Representatives to improve SBA's support to contracting officers seeking opportunities for small businesses.

SBA is working on a number of initiatives which simplify the work for both small businesses and federal contracting offices to improve small business access to procurements. During FY 2006, SBA began working on an Electronic Procurement Center Representative (EPCR) system to allow PCRs more timely information about contracting opportunities for small business. It also worked with the Department of Defense to integrate EPCR functional requirements with the DOD's capture of additional pre-solicitation information, and explored possible expansion of existing shared systems in the Integrated Acquisition Environment (IAE). The Agency will prepare a business case and will pursue systems design and development in FY 2008.

In addition, SBA has already implemented the eTran system, which provides a web-based portal for loans guaranteed through the flagship 7(a) loan program. Seventy percent of 7(a) loans come in through this portal. Expanding the functionality of eTran will further automate lender interactions. In addition, SBA is working with lenders to identify and address other cumbersome processes, which can deter lenders from marketing certain of SBA's products. The Agency is currently implementing a web-based system to be used by both surety bonding companies and the small businesses seeking bonding.

SBA has also enhanced its Entrepreneurial Development Management Information System (EDMIS), used by its technical assistance partners, to simplify the system's use and capture better information.

SBA is the Business Gateway e-Gov initiative's managing partner. The Business Gateway will provide the Nation's businesses with a single, Internet-based access point to government services. It will simplify and improve businesses' ability to locate and submit government forms and reduce the time and effort needed to comply with government regulations. Each year the Gateway will increase the time saved by businesses accessing information and forms by 50,000 hours over FY 2006. SBA is requesting $4.8 million in reimbursable budget authority for the program in FY 2008 and $425,000 for the project management office – part of SBA's contribution as managing partner.

Enabling Employees and Improving SBA's Work Environment

Employees are essential to the success of any service organization. Employee surveys in both 2004 and 2006 have indicated low morale at SBA. This issue must be addressed. In support of the President's Management Agenda for human capital, SBA is developing its workforce's skills, hiring the best talent available, improving job satisfaction, and ensuring the safety and security of its workers. SBA's human capital initiatives are particularly critical over the next few years because by 2009, 34 percent of SBA's workforce will be eligible to retire. As a service and oversight agency, SBA's people are its most critical resource. Steps must be taken now to ensure the Agency's effectiveness can be sustained.

In surveys and self assessments, SBA staff members have indicated a need for training, especially in the area of technology. To meet this need and ensure the Agency has employees with the right skills, SBA is requesting over $500,000 for its centralized training efforts (a similar level to FY 2006). This initiative will include: funding for a skills gap assessment for mission critical occupations; an electronic learning tool; learning management systems; management and leadership development training; a mentoring program; succession planning; and a program to help staff balance the demands of their professional and personal lives. In the past year the Agency has struggled to attract the skilled personnel it needs to meet the demands of its programs and administration. Therefore, SBA is requesting over $100,000 in additional funding for more proactive recruitment efforts.

During FY 2006 the Agency engaged in a number of essential training events. Many of them will be repeated FY 2008. The events focus primarily on training district office staff, who are performing required programmatic or administrative functions. Topics covered include a refresher of basic operations, rules, and processes, plus any recent changes in processes and/or new initiatives. Such basic training is essential to ensure that adequate internal controls are in place and that staff members understand and follow the required procedures. Staff feedback indicates this type of training has had a positive impact in improving understanding of core processes, enhancing communication across offices doing related work, and improving overall morale. The major training events include:

A business development training event hosted by the Office of Government Contracting and Business Development for district office staff — This event helps ensure procurement employees are up to date on changes in this very complex and high risk area and facilitates sharing of best practices. (FY 2008 cost: $140,000)

Regional and district administrative officers' training — FY 2006 was the first time in six years that this training, jointly sponsored by Field Operations and the Office of the Chief Financial Officer (OCFO), was conducted. Most field administrative employees operate with little face-to-face contact with their peers or the OCFO, with whom they frequently interact through voice and e mail. Administrative staff members are responsible for committing funds on behalf of the Agency and must know and follow the budget execution process carefully. As the keepers of the credit cards for field offices, it is essential these personnel fully understand their responsibilities. This training received excellent evaluations. (FY 2008 cost: $235,000)

District office Project Officer staff training — The Office of Entrepreneurial Development is again planning training for district office staff to ensure continued monitoring and oversight of SBDC grant and policy issues, adherence to procedures and knowledge of the program announcement. This training is critical as the SBDC is SBA's largest grant program, implemented by grantees throughout the Nation. (FY 2008 cost: $100,000)

Training for the acquisition workforce — This includes not only contracts and grants management personnel, but also Agency-wide staff involved in the acquisition process: management, project managers, and contracting/grants officers' technical representatives. Acquisition activities are inherently high risk, and certain acquisition personnel must have periodic training to perform these roles. This training is mandated by Klinger-Cohen as well as by relevant OMB policy bulletins. (FY 2008 cost: $90,000)

One of the e-Gov initiatives is the Enterprise Human Resources Integration Initiative, which includes a government-wide record keeping system covering the entire life cycle of federal employees to replace the current Official Personnel Folder. SBA requests $800,000 to implement this system in FY 2008, which will increase the efficiency of the human capital management team and improve access to information to their clients — the Agency's employees.

In today's environment, agencies must be able to ensure the safety and security of their staffs, and be able to maintain continuity of operations in emergency situations. For these reasons and to meet federal mandates, SBA's budget includes:

- $1.1 million to support professional guard services, operation of a magnetometer for the building, and training for the guards. The Federal Protective Services has deemed SBA headquarters to be a very high risk building.

- $600,000 in regular Salaries and Expenses funding (complemented by about $600,000 in Disaster funding) for the full implementation of Homeland Security Policy Directive #12. By the end of FY 2008, SBA plans for all staff to have government wide security cards with biometric information. Disaster funding will allow for expedited issuance of cards in the field for temporary employees hired for specific disasters.

SBA has supported the President's Management Agenda item on competitive sourcing. By the end of FY 2006, the SBA had initiated six standard and six streamlined competitions. Four new competitions are planned for FY 2008.

Ensuring Stewardship of the Government's Resources through Accountability, Efficiency, and Transparency

SBA recognizes that government agencies need to become more efficient even while shouldering increased responsibility. Through careful analysis of its programs and operations, the Agency has demonstrated its ability to expand its services to America's small businesses while reducing total expenditures.

Nevertheless, SBA must maintain its sound stewardship of government resources and cannot reduce its staffing or spending further without jeopardizing the operations, oversight, and risk management functions essential to managing its expanding loan portfolio. During the period since FY 2001 when SBA's budget declined by more than 31 percent, the Agency's portfolio of direct and guaranteed loans increased by more than 50 percent.

In FY 2006, total outstanding principal on SBA loans totaled $78 billion. The Agency has taken important steps to improve its portfolio management practices and identified additional steps necessary to ensure prudent management.

Two primary principles govern SBA's loan portfolio management practices: operational excellence and risk management. The size of SBA's loan portfolio mandates it be prudently managed to ensure that small businesses are served and that the taxpayer is protected from losses. Actions SBA has already initiated in the area of operational excellence include the following:

Centralizing operations — The Office of Capital Access is in the final process of centralizing all loan making, servicing, liquidation, and guaranty purchase functions for both 7(a) and 504 from district offices into existing loan centers under the central office's direct management. SBA is doing the same for Disaster servicing and liquidation, also managed by Capital Access. Performance and production metrics were not maintained consistently by district offices but are being established, maintained, and monitored as the Agency has incrementally centralized operations. With centralized loan making and backroom functions, SBA has better internal controls over the process; can ensure consistent application of policies and procedures; can monitor, maintain, and manage performance and turnaround times; and can eliminate duplication and redundancy. It can also make more objective lending determinations without the potential conflict of interest inherent in balancing loan program marketing/promotion against credit decisions.

More timely liquidations — SBA has actively addressed backlogs in liquidations of 7(a) loans by charging-off loans with no potential for recovery and pursuing those loans with potentials for recovery. SBIC liquidations, also an area of Agency focus, are discussed in the next section on risk management initiatives.

Operational assessments and Business Process Re-Engineering — SBA is initiating operational reviews and, to the extent appropriate, business process re-engineering activities of its loan operations centers to identify opportunities for streamlining and process improvements.

Accelerating the liquidation process — Regulations nearing completion, governing 7(a) and 504 liquidations, will streamline SBA's liquidation process. The regulations will require lenders to liquidate loans before submitting them to SBA to honor the guarantee. The new regulations will also position SBA to resume an asset sale program for defaulted assets. The Agency plans to utilize the Federal Deposit Insurance Corporation as its asset sales program's marketing and sales arm.

SBA also places increased importance on risk management as part of the Agency's operational focus.

Loan and lender monitoring system and lender reviews — SBA's Office of Lender Oversight (OLO) has a state of the art loan and lender monitoring system that incorporates credit scoring metrics for portfolio management. The credit scores, combined with SBA lenders' current and historical performance, allows the Agency to assign risk ratings to lenders. Such ratings provide both an assessment and a monitoring tool for the most active SBA lenders, and are the primary basis by which lower volume lenders are evaluated. These lenders are under direct oversight of OLO rather than the program office. In addition, OLO is responsible for conducting on-site lender reviews and examinations. Through FY 2006, the Agency has not had resources to conduct as many reviews as demanded. However, because the Agency recently received authority to collect fees for these reviews, SBA plans to fund an additional $5.9 million of reviews in FY 2008.

Portfolio Analysis Committee — Senior Capital Access and OCFO managers meet monthly to review and assess portfolio trends and identify opportunities for program improvements. This committee is an important component of SBA's risk management program. The committee assesses the risk of the 7(a) and 504 loan program and performance trends. Based on analysis and management direction resulting from these meetings, program changes, operational initiatives, and other actions are generated. For example, in addition to providing support for the elimination of the LowDoc program, the committee's review efforts resulted in the initiative to reduce the backlog in liquidations and charge-offs in the 7(a) portfolio.

Lender Oversight Committee — Senior managers meet bi-monthly to review lender trends and review corrective actions for poor performing lenders. As mentioned, Lender Oversight has introduced risk ratings to monitor and evaluate SBA lenders. The committee is also provided with results and performance metrics on lender oversight activities such as examination reports and corrective action plans for lenders under OLO's direct oversight. SBA has placed several lenders under corrective action plans and continues close monitoring to improve performance.

Lender Portal — Lenders now have access to their risk ratings and performance metrics through the lender portal, making it transparent to lenders what they are rated on and how they compare with their peers. Using the information in the portal, lenders can address portfolio performance and data quality issues to improve their risk ratings, which the Agency believes will ultimately result in significant improvements in loan program performance as well as data quality. The information is also available to SBA's district offices to help identify training opportunities for lenders.

SBIC liquidations — SBA currently oversees approximately $1.5 billion in SBIC leverage in its Office of Liquidation and $10.4 billion in leverage and commitment guarantees in its Office of Operations. Collecting on the large amount of leverage outstanding in the Office of Liquidation continues to be of great concern. The staff has developed a comprehensive strategy for liquidating this portfolio of investments. As part of this strategy, several pilot initiatives for liquidating SBIC assets are being pursued to ascertain the most cost efficient means of disposing of this significant portfolio. With $2.4 billion in estimated losses in the participating securities (PS) program, oversight on the $10.4 billion in outstanding leverage and commitments for those SBICs (of which almost $7.3 billion pertains to the PS program) remains of high importance. To continue its oversight efforts, SBA requests in its FY 2008 budget $1.5 million to continue its valuation contract, develop a liquidation plan, and implement an examination contract. This investment will help maximize recoveries on the $1.5 billion in the Office of Liquidation, and minimize losses on the $10.4 billion in outstanding leverage and commitments in the Office of Operations.

The Agency's entire business loan operation runs on a Cobol-based system developed in-house. Parts of this system are over 50 years old. The system is operated on an expensive mainframe that is dependent on obsolete technology and cannot take advantage of technological advances or meet security requirements. The modernization of this system is a major Agency-wide undertaking that began in FY 2006, to be completed by 2012. The Agency has identified a certified project manager, appointed a project champion, commissioned a senior level steering council, and established a change control board. Activities in process and/or planned for the near future include finalizing the business vision, developing the project management plan, and finalizing technical and functional requirements. For FY 2008 SBA is requesting $4.1 million in regular Salaries and Expenses funding for this initiative (to be complemented by about $4.2 million in Disaster funding) for project management support, and to acquire and begin implementation of a new system.

SBA's request also includes a legislative proposal to strengthen and ensure stability in the Agency's Secondary Market program that enhances liquidity and financing terms by facilitating a secondary market for SBA guaranteed loans. An ongoing fee of less than six basis points would be charged on new secondary market securities, in line with rates charged by similar federal programs, and will enable the program to operate without cost to the taxpayer or structural changes.

Outcomes Driven

To fulfill its mission, it is critical that the SBA understand how to drive outcomes aligned with that mission. SBA is proud of its work on budget and performance integration which has allowed the Agency to maintain a Green rating in both status and progress since FY 2004.

The Agency recognizes it still has work to do, particularly in defining its programs' outcomes. As such, SBA contracted with the Urban Institute to analyze its business loan programs with results due in FY 2007. In addition, the Agency is analyzing penetration of its lending products into various place-based and people-based groups to understand their impact more fully.

The Office of Entrepreneurial Development (OED) has been examining its programs outcomes as well, particularly the SBDC (Small Business Development Centers) program. SBDCs provide small businesses technical assistance in a number of ways: training, conducted in large groups; one-on-one business counseling, often limited to an hour; and counseling to clients who return for numerous sessions. In discussions with SBDCs and impact data analysis, OED recognized the best correlation between business success and job creation was with "long-term" counseling clients – those who receive a minimum of five hours counseling. However, due to the program's emphasis on outputs, SBDCs were incentivized to focus large proportions of their resources on training (which generates large numbers) and short-term counseling. Starting in FY 2007, OED will work with SBA's district offices, which negotiate SBDC grant agreements, to place more emphasis on long-term counseling to ensure a greater impact on outcomes. Grant agreements will be written with goals related to long-term counseling.

At the same time, the Office of Entrepreneurial Development (OED) recognized the importance of external measurement and client validation of its services. To that end, OED has implemented an ongoing longitudinal analysis of both the value and impact of its services.

In 2006, SBA produced the second year report of its first three-year longitudinal study of small businesses that have received SBA's management assistance from OED's programs. This study was initiatied in response to a recommendation by OMB in using its Program Assessment Rating Tool (PART) and is an external, independent evaluation of OED programs' impact. The study indicates that businesses which received management assistance from SBA's resource partners (SBDCs, SCORE, and WBCs):

- Gave high ratings to the usefulness of that assistance.
- Appear to have a higher survival rate than those analyzed in other national studies (e.g., the PSED Kauffman Study).
- Had revenue growth of and an average increase in number of employees in the 10 – 20 percent range.

By spring FY 2007, the Agency will complete a major review of its Strategic Plan. The review will incorporate information from SBA's financial assistance programs' evaluation, as well as the new SBA leadership team's vision. As a first step, the Agency has already worked with all program offices to simplify its performance indicators by limiting reporting to key indicators, particularly those which are outcomes or drive outcomes.

Understanding the Budget Tables

Table 1 – Summary of New Budget Authority

This table shows the Gross and Net amounts of *new* funding appropriated by Congress for FY 2006, the requested amount for FY 2007, the Continuing Resolution for FY 2007, and the request for FY 2008. *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.

- *Gross New Budget Authority* is the amount appropriated by Congress prior to rescissions.
- *Rescissions and Fee Offsets* refers to sums appropriated that have been reduced by Congressional action or offset by fee collections.
- *Rescission of Unobligated Balances* refers to sums appropriated in prior years that are still available for obligation, but are being reduced.
- *Disaster Hurricane Supplementals* are sums appropriated specifically to respond to certain major hurricane disasters.
- *Net New Budget Authority* is the sum of the four categories discussed above.
- 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 2006, the request for FY 2007, the Continuing Resolution for FY 2007, and the request for FY 2008, to cover program and administrative costs. The data is grouped by the source of funds. An explanation of these sources follows:

- *Gross New Budget Authority* refers to the annual appropriations authorized by Congress. (This amount equals *the Subtotal, Gross New Budget Authority* amounts shown in Table 1.)
- *Supplemental/ Other Appropriation* refers to funds provided by Congress in addition to the annual appropriation.
- *Carryover from Prior Year* refers to multiyear funds that were appropriated in a prior fiscal year, but were not spent and became available in the following fiscal year.
- *Carryover into Next Year* refers to multiyear funds that will not be fully spent in the current fiscal year and can be carried forward to the following fiscal year.
- *Business Loan Fee Income* refers to the anticipated revenue generated from loan fees proposed to be used to offset administrative operating costs.
- *Reduction in Appropriation for Fee Income* accounts for the reduction in appropriation as business loan fees are collected.
- *Transfer from* FEMA refers to the additional resources to support Disaster Assistance activities.
- *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 for services performed by SBA for other federal agencies.
- *Recoveries* are the results of loan cancellations through which unexpired subsidy budget authority is made available in the current year. These are recoveries of prior year obligations.
- *Unobligated Balances at Year End* are end of year balances for one-year funds.
- *Rescinded Appropriation* contains the amounts that were taken back by Congress from current year appropriations.
- *Rescissions on Unobligated Balances* reflects any unexpired funds that had been appropriated in former years and have been taken back by Congress through the appropriations process.

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 name of the appropriation account. Second, it is also a summary of the detail presented in Tables 10 and 11.

Third, as already discussed, it can be also be cross-referenced to Table 1 through the amounts for Gross New Budget Authority.

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 on this table tie to Table 2.

T***ables 4 to 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 six major categories on the top of Table 4:

- *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.
- *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 to 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 6). This is a separate group of non-credit programs that the Congress has added to the Agency's annual appropriation.
- *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 & Revolving Fund

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

Table 8 – Total Cost by Program and Activity

This table displays the full administrative cost of each of SBA's major programs and activities. In order to derive the full cost of these programs, SBA allocates its entire administrative budget to all its programs. Therefore, the cost of programs represented in this table includes basic operating budget, compensation and benefits for staff reporting any amount of time worked on a program, an allocation of Agency-wide costs (such as rent and telecommunications), the costs of any direct grant programs (such as SBDC), and general Agency management (e.g., an allocation of financial management costs to all programs.) This information will always vary significantly from Table 4, which only shows the direct operating budget costs for major offices' program and administrative activities. It also differs from Table 6, which shows the total direct program dollars devoted to grants but excludes many administrative direct, indirect, and overhead costs.

The information presented in Table 8 is the basis for the costs shown in SBA's Performance Tables that are included in the Performance Budget itself. Subsidy Budget Authority and resources for business and disaster loan programs are not included in the full administrative costing of the programs that appear in Table 8, nor is the appropriation for surety bond guarantees.

Note that the full cost of overhead activities has already been allocated to the programs and activities reported in Table 8. These costs are provided at the end of Table 8 for information only and do not add into the grand total of estimated obligations because they are already included in the grand total.

Table 9 – Full Time Equivalent (FTE) Employees

This table shows the number of Full Time Equivalent employees by fiscal year and by major program activity. FTE is different from positions or headcount in that it reflects the average number of employees on board 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 Loans programs accounts have been further divided to show their 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.

Budget Tables

Table 1
FY 2008 Congressional Submission
SUMMARY OF NEW BUDGET AUTHORITY
(Dollars in Thousands)

	FY 2006	FY 2007		FY 2008	FY 2008
					vs FY 2007
	Actual	Request	Cont. Res.	Request	Request
Gross New Budget Authority					
Salaries and Expenses	$ 404,029	$ 303,550	$ 311,050	$ 310,103	$ 6,553
Business Loan Program					
Administration	125,307	126,136	123,706	135,414	9,278
Loan Subsidy	1,300	0	1,283	0	0
Disaster Loan Program					
Administration	0	113,850	0	0	(113,850)
Loan Subsidy	0	85,140	0	0	(85,140)
Inspector General	13,900	14,355	13,722	15,000	645
Surety Bond Guarantee	2,861	2,970	2,824	3,000	30
Subtotal, Gross New Budget Authority	$ 547,397	$ 646,001	$ 452,585	$ 463,517	$ (182,484)
Rescissions and Fee Offsets					
Business Loan Fee Offset	$ 0	$ (7,000)	$ 0	$ 0	$ 7,000
Rescissions on Appropriations	(6,992)	0	0	0	0
Subtotal, Net of Rescissions	$ 540,405	$ 639,001	$ 452,585	$ 463,517	$ (175,484)
Rescission of Unobligated Balances	(7,000)	(14,800)	(14,800)	0	14,800
Subtotal, Net New Budget Authority	$ 533,405	$ 624,201	$ 437,785	$ 463,517	$ (160,684)
Disaster - Hurricane Supplementals					
Administration	$ 276,500	$ 0	$ 0	$ 0	$ 0
Loan Subsidy	706,500	0	0	0	0
Transfer from FEMA	712,000	0	0	0	0
Inspector General	5,000	0	0	0	0
Subtotal, Disaster Supplementals	$ 1,700,000	$ 0	$ 0	$ 0	$ 0
Total, Net New Budget Authority	$ 2,233,405	$ 624,201	$ 437,785	$ 463,517	$ (160,684)

Table 2
FY 2008 Congressional Submission
SOURCES OF FUNDS: SUMMARY BY SOURCE
(Dollars in Thousands)

	FY 2006	FY 2007		FY 2008	FY 2008 vs FY 2007
	Actual	Request	Cont. Res.	Request	Request
Summary, Total SBA					
Gross New Budget Authority	$ 547,397	$ 646,001	$ 452,585	$ 463,517	$ (182,484)
Supplemental/Other Appropriation	988,000	0	0	0	0
Carryover from Prior Year	745,341	578,417	722,814	523,007	(55,410)
Carryover into Next Year	(722,814)	(562,617)	(523,007)	(207,127)	355,490
Business Loan Fee Income	0	7,000	0	0	(7,000)
Reduction in Approp. for Fee Income	0	(7,000)	0	0	7,000
Transfer from FEMA	712,000	0	0	0	0
Other Fee Income	3,717	6,830	6,830	11,381	4,551
Reimbursable Income	11,668	9,692	9,692	6,388	(3,304)
Recoveries	37,461	33,480	457,000	17,000	(16,480)
Unobligated Balances at Year End	(749)	0	0	0	0
Rescinded Appropriation	(6,992)	0	0	0	0
Rescission on Unobligated Balances	(7,000)	(14,800)	(14,800)	0	14,800
Total	$ 2,308,029	$ 697,003	$ 1,111,114	$ 814,166	$ 117,163

Table 3
FY 2008 Congressional Submission
SOURCES OF FUNDS SUMMARY BY APPROPRIATION ACCOUNT
(Dollars in Thousands)

	FY 2006	FY 2007		FY 2008	FY 2008 vs FY 2007
	Actual	Request	Cont. Res.	Request	Request
Summary, By Appropriation Account					
Salaries and Expenses	$ 548,603	$ 455,118	$ 460,278	$ 473,438	$ 18,320
Business Loan Program	1,338	0	2,040	0	0
Disaster Assistance Administration	454,228	104,445	156,621	146,500	42,055
Disaster Loan Program	1,286,083	118,620	472,989	173,110	54,490
Inspector General	14,953	15,850	16,362	18,118	2,268
Surety Bond Guarantee Program	2,824	2,970	2,824	3,000	30
Total	$ 2,308,029	$ 697,003	$ 1,111,114	$ 814,166	$ 117,163

Table 4
FY 2008 Congressional Submission
USES OF FUNDS
SALARIES & EXPENSES
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request
Salaries & Expenses Budget					
Office Operating Budgets	$ 62,036	$ 66,066	$ 37,317	$ 70,943	$ 4,877
Agencywide Costs	45,644	47,279	47,624	47,870	591
Compensation & Benefits	211,125	225,655	225,655	241,811	16,156
Subtotal, Agency Operating Budget	318,805	339,000	310,596	360,624	21,624
Non-Credit Programs	127,101	106,426	119,990	106,426	0
Congressional Initiatives	89,838	0	20,000	0	0
Reimbursable Expenses	12,859	9,692	9,692	6,388	(3,304)
Total	$ 548,603	$ 455,118	$ 460,278	$ 473,438	$ 18,320
Office Operating Budget Detail					
Executive Direction	$ 8,428	$ 6,800	$ 3,841	$ 12,043	$ 5,243
Capital Access	13,088	10,865	6,137	17,991	7,126
Gov Contr/Business Development	1,559	4,865	2,748	4,253	(612)
Entrepreneurial Development	1,304	1,992	1,125	772	(1,220)
Management and Administration	10,745	10,412	5,881	9,317	(1,095)
Chief Information Officer	22,478	26,089	14,736	21,905	(4,184)
Regional and District Offices	4,434	5,043	2,849	4,662	(381)
Total	$ 62,036	$ 66,066	$ 37,317	$ 70,943	$ 4,877

Table 5
FY 2008 Congressional Submission
USES OF FUNDS
AGENCYWIDE COSTS
(Dollars in Thousands)

	FY 2006	FY 2007		FY 2008	FY 2008 vs FY 2007
	Actual	Request	Cont. Res.	Request	Request
Express Mail	$ 440	$ 425	$ 425	$ 450	$ 25
Judgment Fund	722	750	750	730	(20)
Office Security	1,616	1,686	1,945	2,116	430
Performance Awards	1,678	1,854	1,854	1,849	(5)
Postage	481	951	951	494	(457)
Reasonable Accommodations	38	52	52	50	(2)
Relocation	843	750	750	802	52
Rent	33,326	32,890	32,890	33,984	1,094
Telecommunications	4,052	3,301	3,301	4,081	780
Transit Subsidy	797	1,061	1,147	1,204	143
Unemployment Compensation	361	1,819	1,819	380	(1,439)
Workers Compensation	1,290	1,740	1,740	1,730	(10)
Total	$ 45,644	$ 47,279	$ 47,624	$ 47,870	$ 591
Compensation & Benefits	$ 211,125	$ 225,655	$ 225,655	$ 241,811	$ 16,156

Table 6
FY 2008 Congressional Submission
USES OF FUNDS
NON-CREDIT PROGRAMS and REIMBURSABLE EXPENSES
(Dollars in Thousands)

		FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request
Non-Credit Programs						
7(j) Technical Assistance Program	1/	$ 1,481	$ 0	$ 0	$ 0	$ 0
Drug-Free Workplace		980	990	990	990	0
HUBZones Program	2/	1,974	0	0	0	0
Microloan Technical Assistance	3/	12,792	0	10,000	0	0
National Women's Business Council		675	743	750	743	0
Native American Outreach	4/	978	0	0	0	0
New Markets Venture Capital		6	0	0	0	0
PRIME Technical Assistance	5/	1,920	0	0	0	0
SBDC Grants		88,424	87,120	90,000	87,120	0
SCORE		4,936	4,950	5,000	4,950	0
Veterans Business Development		738	743	750	743	0
Women's Business Centers Grants		12,197	11,880	12,500	11,880	0
Subtotal		$ 127,101	$ 106,426	$ 119,990	$ 106,426	$ 0
Congressional Initiatives		$ 89,838	$ 0	$ 20,000	$ 0	$ 0
Total, Non-Credit Programs		$ 216,939	$ 106,426	$ 139,990	$ 106,426	$ 0
Reimbursable Expenses						
Small Disadvantaged Businesses		$ 1,321	$ 1,500	$ 1,500	$ 1,488	$ (12)
Business Gateway		11,498	7,892	7,892	4,800	(3,092)
Rural Business Investment Program		40	100	100	100	0
Other		0	200	200	0	(200)
Total, Reimbursable Expenses		$ 12,859	$ 9,692	$ 9,692	$ 6,388	$ (3,304)

Notes:

1/ Included in the GCBD operating budget (Table 4): FY 2007 = $2 M; FY 2008 = $1.5M.

2/ Included in the GCBD operating budget (Table 4): FY 2007 = $1,144K; FY 2008 = $888K plus staff costs of $1.1M each year.

3/ In FY 2008 technical assistance to be provided by Entrepreneurial Development resource partners: SBDC, SCORE, and WBC.

4/ Included in the Executive Direction operating budget (Table 4) in FY 2008 for $531K plus staff costs at $241K (Total = $772K).

5/ Requested termination of program in FY 2007 and FY 2008.

Table 7
FY 2008 Congressional Submission
SUMMARY OF CREDIT PROGRAMS & REVOLVING FUND
(Dollars in Millions)

Credit Program	Program Level					Subsidy Amount					Subsidy Rate				
	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request
Guaranteed Loans															
Section 7(a) Guaranty	$ 13,758.2	$ 17,500.0	$ 17,500.0	$ 17,500.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	0.00%	0.00%	0.00%	0.00%	0.00%
Section 504 CDC Guaranty	$ 5,700.5	$ 7,500.0	$ 7,500.0	$ 7,500.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	0.00%	0.00%	0.00%	0.00%	0.00%
SBIC - Debentures	$ 477.3	$ 3,000.0	$ 3,000.0	$ 3,000.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	0.00%	0.00%	0.00%	0.00%	0.00%
Total	$ 19,936.0	$ 28,000.0	$ 28,000.0	$ 28,000.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0					
Direct Loans															
Microloan Direct Program	$ 18.7	$ 0.0	$ 20.0	$ 25.0	$ 25.0	$ 1.3	$ 0.0	$ 2.0	$ 0.0	$ 0.0	7.17%	N/A	10.21%	0.00%	N/A
Total Business Loans	$ 19,954.7	$ 28,000.0	$ 28,020.0	$ 28,025.0	$ 25.0	$ 1.3	$ 0.0	$ 2.0	$ 0.0	$ 0.0					
Secondary Market Guarantees	$ 3,633.0	$ 12,000.0	$ 12,000.0	$ 12,000.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	0.00%	0.00%	0.00%	0.00%	0.00%
Disaster Assistance	$ 8,784.7	$ 900.0	$ 900.0	$ 1,064.0	$ 164.0	$ 1,286.1	$ 118.6	$ 118.6	$ 173.1	$ 54.5	14.64%	13.18%	17.73%	16.27%	3.09%
Surety Bond Program 1/	$ 508.0	$ 1,672.0	$ 800.0	$ 800.0	$ (872.0)	$ 2.8	$ 3.0	$ 2.8	$ 3.0	$ 0.0					

1/ The funds requested for Surety Bonds are for Contingent Liability funding, which is not a subsidy amount. The Surety Bond Guarantee Program is a revolving fund. The Program level shown is the SBA share.

Table 8
FY 2008 Congressional Submission
TOTAL COST BY PROGRAM AND ACTIVITY
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2008 Request
Capital Access Programs			
International Trade Program	$ 4,304	$ 5,808	$ 5,231
New Market Venture Capital	26	361	23
PRIME Technical Assistance	1,926	0	0
Surety Bond Program	7,006	6,008	8,124
Subtotal	$ 13,261	$ 12,177	$ 13,378
7(a) Loans			
Loan Making - 7(a) Loans	$ 41,741	$ 53,845	$ 46,173
Loan Servicing - 7(a) Loans	9,188	11,201	10,535
Loan Liquidation - 7(a) Loans	13,554	7,885	15,649
Lender Oversight - 7(a) Loans	8,002	7,032	13,897
Subtotal	$ 72,484	$ 79,963	$ 86,254
504 Loans			
Loan Making - 504 Loans	$ 16,046	$ 14,971	$ 18,369
Loan Servicing - 504 Loans	2,596	3,048	2,997
Loan Liquidation - 504 Loans	1,742	2,405	3,452
Lender Oversight - 504 Loans	1,040	3,097	1,809
Subtotal	$ 21,425	$ 23,521	$ 26,627
Microloans			
Loan Making - Microloans	$ 1,702	$ 0	$ 1,955
Loan Servicing - Microloans	20	460	263
Loan Liquidation - Microloans	0	132	122
Microloans Technical Assistance	18	0	0
Microloan Technical Assistance Grants	12,792	0	0
Subtotal	$ 14,532	$ 592	$ 2,340
SBIC Loans			
Loan Making - SBIC Loans	$ 3,648	1/	$ 4,960
Loan Servicing - SBIC Loans	8,385	1/	11,402
Loan Liquidation - SBIC Loans	3,136	1/	4,264
Subtotal	$ 15,168	$ 16,587	$ 20,626
GCBD Programs			
7(j) Program	$ 2,289	$ 4,077	$ 2,472
8(a) Program	29,582	33,471	35,952
HUBZone Program	7,496	9,077	8,790
Prime Contract Program	18,853	16,077	24,022
Business Matchmaking	5,526	5,995	6,637
Small Disadvantaged Business	1,772	2,346	2,130
Subcontracting Program	3,712	3,235	4,955
Subtotal	$ 69,229	$ 74,278	$ 84,958

1/ Not calculated separately for FY 2007 budget.

Table 8 Continued
FY 2008 Congressional Submission
TOTAL COST BY PROGRAM AND ACTIVITY
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2008 Request
Entrepreneurial Development Programs			
Drug Free Workplace	$ 1,165	$ 1,046	$ 1,217
SCORE	16,932	18,996	19,430
Small Business Development Centers	103,007	105,319	104,726
Small Business Training Network	268	337	309
Women's Business Ownership	22,033	23,959	23,193
Subtotal	$ 143,405	$ 149,657	$ 148,875
Executive Direction			
Advocacy	$ 9,364	$ 9,937	$ 11,269
Native American Outreach	3,740	4,233	3,505
National Women's Business Council	831	986	997
Ombudsman	1,111	1,375	1,375
Veteran's Business Development	3,590	3,346	4,727
Subtotal	$ 18,635	$ 19,877	$ 21,873
Regional & District Office Programs			
Small Business Counseling	$ 7,351	1/	$ 9,014
Small Business Training	$ 8,858	1/	$ 10,804
Subtotal	$ 16,209	$ 34,072	$ 19,818
Total - Regular Funds	$ 384,348	$ 410,724	$ 424,749
Disaster Assistance			
Loan Making - Disaster	$ 482,594	$ 91,435	$ 138,435
Loan Servicing - Disaster	26,811	40,275	41,721
Subtotal	$ 509,405	$ 131,710	$ 180,156
Other			
Inspector General	$ 17,957	$ 20,741	$ 23,344
Congressional Initiatives	89,838	0	0
Rural Business Investment Program	57	210	140
Business Gateway	16,180	11,780	9,667
Other Reimbursable Programs	0	248	0
Subtotal	$ 124,031	$ 32,979	$ 33,151
Total Obligations	$ 1,017,784	$ 575,413	$ 638,056
Overhead *(already included in the above cost estimates)*			
General Planning and Management	$ 30,005	$ 32,537	$ 32,847
Information Technology Management	23,761	30,234	24,994
Procurement and Contracting Services	13,870	11,982	14,190
Improved Financial Performance	10,765	8,741	14,451
Budget and Performance Integration	2,873	2,605	3,374
Competitive Sourcing	524	89	536
E-Government	4,047	3,086	3,210
Human Capital Management	2,806	1,970	3,313
Improper Payments	20	14	24
Total	$ 88,671	$ 91,258	$ 96,939

1/ Not calculated separately for FY 2007 budget.

Table 9
FY 2008 Congressional Submission
FULL TIME EQUIVALENT (FTE) EMPLOYEES

	FY 2006	FY 2007		FY 2008	FY 2008 vs FY 2007
	Actual	Request	Cont. Res.	Request	Request
Regular Funds	2,032	2,063	2,054	2,110	47
Disaster Loan Making	3,807	644	850	749	105
Disaster Loan Servicing	105	150	150	179	29
Line Item Initiatives	12	3	14	5	2
Reimbursable Funds	8	8	8	8	0
Inspector General	95	107	103	110	3
Total	6,059	2,975	3,179	3,161	186

Table 10
FY 2008 Congressional Submission
SOURCES OF FUNDS: APPROPRIATION DETAIL
(Dollars in Thousands)

	FY 2006	FY 2007		FY 2008	FY 2008 vs FY 2007
	Actual	Request	Cont. Res.	Request	Request
Salaries and Expenses					
New Budget Authority	$ 404,029	$ 303,550	$ 323,550	$ 310,103	$ 6,553
Amendment	0	0	(10,000)	0	0
Veterans Corporation	0	0	(1,500)	0	0
Microloan Program	0	0	(1,000)	0	0
Net New Budget Authority	$ 404,029	$ 303,550	$ 311,050	$ 310,103	$ 6,553
Supplemental Appropriation	0	0	0	0	0
Carryover from prior year	8,310	5,310	5,326	5,326	16
Carryover into next fiscal year	(5,326)	(5,310)	(5,326)	(4,174)	1,136
Business Loan Fee Income	0	7,000	0	0	(7,000)
Transfer from Business Loans	124,556	126,136	123,706	135,414	9,278
Transfer from Disaster Loans	9,000	8,910	9,000	9,000	90
Reimbursable Expenses	11,668	9,692	9,692	6,388	(3,304)
Estimated Fee Income	3,717	6,830	6,830	11,381	4,551
Recoveries from prior years	1,539	0	0	0	0
Unobligated Balances at Year End	(730)	0	0	0	0
Reduction in Appropriation/Fee Income	0	(7,000)	0	0	7,000
Rescinded Appropriation	(5,160)	0	0	0	0
Rescission on Unobligated Balances	(3,000)	0	0	0	0
Total Budget Authority	$ 548,603	$ 455,118	$ 460,278	$ 473,438	$ 18,320
Business Loans					
Administrative Expenses					
New Budget Authority	$ 125,307	$ 126,136	$ 123,706	$ 135,414	$ 9,278
Carryover from prior fiscal year	0	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Transfer from Other Accounts	0	0	0	0	0
Transfer to Other Accounts	(123,707)	(126,136)	(123,706)	(135,414)	(9,278)
Recoveries from prior years	0	0	0	0	0
Rescinded Appropriation	(1,600)	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Loan Subsidies					
New Budget Authority	$ 1,300	$ 0	$ 1,283	$ 0	$ 0
Carryover from prior fiscal year	10,243	5,033	5,816	59	(4,974)
Carryover into next fiscal year	(5,816)	(33)	(59)	(59)	(26)
Transfer to Other Accounts	(849)	0	0	0	0
Estimated Fee Income	0	0	0	0	0
Recoveries from prior years	477	0	0	0	0
Rescinded Appropriation	(17)	0	0	0	0
Rescission on Unobligated Balances	(4,000)	(5,000)	(5,000)	0	5,000
Total Budget Authority	$ 1,338	$ 0	$ 2,040	$ 0	$ 0

Table 10 Continued
FY 2008 Congressional Submission
SOURCES OF FUNDS: APPROPRIATION DETAIL
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request
Disaster Assistance					
Administrative Expenses					
New Budget Authority	$ 0	$ 113,850	$ 0	$ 0	$ (113,850)
Supplemental Appropriation	0	0	0	0	0
Carryover from prior fiscal year	340,347	81,100	72,813	92	(81,008)
Carryover into next fiscal year	(72,813)	(75,000)	(92)	(92)	74,908
Transfer from Disaster Loans	276,500	0	90,000	156,000	156,000
Transfer to Disaster Loans	(100,000)	0	0	0	0
Transfer to Inspector General	0	(495)	0	(500)	(5)
Transfer to Regular Salaries & Expenses	0	(8,910)	0	(9,000)	(90)
Recoveries from prior years	10,194	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission on Unobligated Balances	0	(6,100)	(6,100)	0	6,100
Total Budget Authority	$ 454,228	$ 104,445	$ 156,621	$ 146,500	$ 42,055
Direct Loans Program					
New Budget Authority	$ 0	$ 85,140	$ 0	$ 0	$ (85,140)
Supplemental Appropriation	983,000	0	0	0	0
Carryover from prior fiscal year	386,291	482,974	633,294	514,110	31,136
Carryover into next fiscal year	(633,294)	(479,274)	(514,110)	(202,000)	277,274
Transfer from FEMA	712,000	0	0	0	0
Transfer to Inspector General	(1,500)	0	(495)	0	0
Transfer to Regular Salaries & Expenses	(9,000)	0	(9,000)	0	0
Transfer to Disaster Administration	(276,500)	0	(90,000)	(156,000)	(156,000)
Transfer from Disaster Administration	100,000	0	0	0	0
Recoveries from prior years	25,086	33,480	457,000	17,000	(16,480)
Rescinded Appropriation	0	0	0	0	0
Rescission on Unobligated Balances	0	(3,700)	(3,700)	0	3,700
Total Budget Authority	$ 1,286,083	$ 118,620	$ 472,989	$ 173,110	$ 54,490
Inspector General					
New Budget Authority	$ 13,900	$ 14,355	$ 13,722	$ 15,000	$ 645
Supplemental Appropriation	5,000	0	0	0	0
Carryover from prior fiscal year	150	4,000	5,565	3,420	(580)
Carryover into next fiscal year	(5,565)	(3,000)	(3,420)	(802)	2,198
Transfer from Disaster	1,500	495	495	500	5
Recoveries from prior years	165	0	0	0	0
Unobligated Balances at Year End	(19)	0	0	0	0
Rescinded Appropriation	(178)	0	0	0	0
Total Budget Authority	$ 14,953	$ 15,850	$ 16,362	$ 18,118	$ 2,268
Surety Bond Guarantee Program					
New Budget Authority	$ 2,861	$ 2,970	$ 2,824	$ 3,000	$ 30
Carryover from prior fiscal year	0	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Rescinded Appropriation	(37)	0	0	0	0
Total Budget Authority	$ 2,824	$ 2,970	$ 2,824	$ 3,000	$ 30
Total Financing Available	$ 2,308,029	$ 697,003	$ 1,111,114	$ 814,166	$ 117,163

Table 11
FY 2008 Congressional Submission
SOURCES OF FUNDS: DETAIL
BUSINESS LOAN PROGRAMS
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request
BUSINESS LOANS SUMMARY					
New Budget Authority	$ 126,607	$ 126,136	$ 124,989	$ 135,414	$ 9,278
Carryover from prior fiscal year	10,243	5,862	5,816	59	(5,803)
Carryover into next fiscal year	(5,816)	(862)	(59)	(59)	803
Transfer to/from Other Accounts	(124,556)	(126,136)	(123,706)	(135,414)	(9,278)
Recoveries	477	0	0	0	0
Estimated Fee/Other Income	0	0	0	0	0
Rescinded Appropriation	(1,617)	0	0	0	0
Rescission of Unobligated Balances	(4,000)	(5,000)	(5,000)	0	5,000
Total Budget Authority	$ 1,338	$ 0	$ 2,040	$ 0	$ 0
Administrative Expenses					
New Budget Authority	$ 125,307	$ 126,136	$ 123,706	$ 135,414	$ 9,278
Carryover from prior fiscal year	0	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Transfer to/from Other Accounts	(123,707)	(126,136)	(123,706)	(135,414)	(9,278)
Recoveries	0	0	0	0	0
Estimated Fee/Other Income	0	0	0	0	0
Rescinded Appropriation	(1,600)	0	0	0	0
Rescission of Unobligated Balances	0	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
7(a) General Business-STAR Program					
New Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	6,538	5,048	5,059	59	(4,989)
Carryover into next fiscal year	(5,059)	(48)	(59)	(59)	(11)
Transfer to/from Other Accounts	0	0	0	0	0
Recoveries	26	0	0	0	0
Estimated Fee/Other Income	0	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission of Unobligated Balances	(1,505)	(5,000)	(5,000)	0	5,000
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
7(a) DELTA					
New Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	111	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission of Unobligated Balances	(111)	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0

Table 11 Continued
FY 2008 Congressional Submission
SOURCES OF FUNDS: DETAIL
BUSINESS LOAN PROGRAMS
(Dollars in Thousands)

	FY 2006 Actual	FY 2007 Request	FY 2007 Cont. Res.	FY 2008 Request	FY 2008 vs FY 2007 Request
504 CDC DELTA					
New Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	540	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Transfer to/from Other Accounts	(500)	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission of Unobligated Balances	(40)	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
New Market Venture Capital Program					
New Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	506	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission of Unobligated Balances	(506)	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
SBIC Debentures					
New Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	901	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission of Unobligated Balances	(901)	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Microloans - Guarantees					
New Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	937	0	0	0	0
Carryover into next fiscal year	0	0	0	0	0
Rescinded Appropriation	0	0	0	0	0
Rescission of Unobligated Balances	(937)	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0	$ 0
Microloans - Direct					
New Budget Authority	$ 1,300	$ 0	$ 1,283	$ 0	$ 0
Carryover from prior fiscal year	710	814	757	0	(814)
Carryover into next fiscal year	(757)	(814)	0	0	814
Transfer to/from Other Accounts	(349)	0	0	0	0
Recoveries	451	0	0	0	0
Estimated Fee/Other Income	0	0	0	0	0
Rescinded Appropriation	(17)	0	0	0	0
Rescission of Unobligated Balances	0	0	0	0	0
Total Budget Authority	$ 1,338	$ 0	$ 2,040	$ 0	$ 0

FY 2008 Performance Plan

Strategic Goal One — Improve the Economic Environment for Small Businesses

America's small businesses — some 25.8 million strong — are a major sector of the Nation's economy. They account for half of the country's gross domestic product, create two out of every three new jobs, and produce 13 to 14 times more patents per employee than do large firms. Small businesses represent an essential mechanism by which millions enter the economic and social mainstream of American society. They tend to be dynamic in their processes and in their response to opportunities in the marketplace, and arrive faster at management decision-making. They create new opportunities for employment, and play a crucial role in experimentation and innovation, which leads to technological change and productivity growth.

Despite the importance of small businesses to the economy, the cost of government regulation and excessive paperwork heavily burdens many small businesses. Strategic Goal One is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. The SBA helps to improve the economic environment for small businesses by:

- Reducing excessive federal regulatory burdens.
- Protecting small business 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.

The SBA fulfills these functions through the offices of Advocacy, the National Ombudsman, Government Contracting and Business Development, the Office of International Trade within Capital Access, and the Business Gateway E-Gov initiative. Strategic Goal One has three Long-Term Objectives (LTO):

LTO 1.1 — Minimize the regulatory burden on small businesses

LTO 1.2 — Simplify the interaction between small businesses and the Federal Government through the use of the Internet and information technology

LTO 1.3 — Increase the effectiveness of federal agencies to provide opportunities for small businesses

Each Long-Term Objective supports one or more of the following functional areas:

- Regulatory Assistance
- E-Gov Assistance
- Procurement Assistance
- Trade Assistance

Performance Statement
Agency-Level Performance Measures
Strategic Goal 1. Improve the economic environment for small businesses

LTO	SBA Outcome Measures	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
1.1	1.1.1. Increase regulatory cost savings to small businesses ($000)	Outcome	$6,350,000	$17,050,000	$6,600,000	$7,250,000	$6,100,000	$6,100,000
1.2	1.2.1 Small business federal compliance hours saved (number)	Outcome	N/A	N/A	N/A	4,652,376	4,374,979	4,799,059
	SBA Budgetary Resources (1)		**FY 2003 Actual**	**FY 2004 Actual**	**FY 2005 Actual**	**FY 2006 Actual**	**FY 2007 Estimate**	**FY 2008 Request**
	Total Regulatory Assistance ($000)		$9,880	$10,829	$10,787	$10,475	$11,312	$12,644
	Total Management Assistance ($000)		$0 (2)	$2,603	$10,780	$16,180	$11,780	$9,667
	Total Procurement Assistance ($000)		$27,361	$31,674	$20,146	$24,336	$28,060	$33,237
	Total Strategic Goal ($000)		$37,241	$45,105	$41,713	$50,991	$51,152	$55,548

(1) Budgetary resources were recalculated from those reported in the FY 2006 PAR and no longer reflect resources associated with the Business Matchmaking program.

(2) Cost data was not collected for this activity.

Regulatory Assistance

The SBA, through its Office of Advocacy and the Office of the National Ombudsman, works to reduce the burdens that federal policies impose on small firms. The Agency provides vital small business research that informs policymakers and encourages policies that support the development and growth of American small businesses by: 1) minimizing the regulatory burden on small entities through government-wide training and early intervention in the federal regulatory process and through promotion of regulatory flexibility at the state level; and 2) producing research to inform policymakers and academics of the impact of regulatory burdens on small entities and of the importance of small business in the Nation's economy.

The SBA ensures equity and fairness in the federal regulatory enforcement process by raising awareness of the regulatory assistance available and by providing the means to register comments about unfair regulatory enforcement actions by federal agencies. The Agency also acts as a neutral liaison between the parties and helps to move the relationship between government and industry to one of mutual collaboration and benefit.

Regulatory Advocacy

The Office of Advocacy, although part of the SBA, is an independent voice for small business within the Federal Government. It represents the interests of all small entities, including small businesses, small organizations and small governmental jurisdictions. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Economic research, policy analyses, and small business outreach help identify issues of concern. Regional Advocates and an office in Washington, D.C. support the Chief Counsel's efforts. The Office of Advocacy's economic research, regulatory interventions, and model state legislation initiative reduce regulatory barriers that impede small business growth and development.

The mission of SBA's Office of Advocacy is to encourage policies that support the development and growth of American small business by: 1) early intervention in the regulatory process on issues that affect small business; and 2) producing research to inform policymakers and academics on the impact of the regulatory burden on small business and the importance of small business in the economy.

Performance Statement
Program Level Assistance
Strategic Goal 1. Improve the economic environment for small business

LTO	Advocacy Key Performance Indicators	Type of Measure	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY 2006 Actual	FY2007 Goal	FY 2008 Goal
1.1	Increase regulatory cost savings to small businesses	Intermediate Outcome	$6.35	$17.05	$6.60	$7.25	$6.10	$6.10
1.1	Research publications	Output	30	21	34	28	25	25
1.1	Number of regulatory agencies with in-house RFA expertise	Intermediate Outcome	N/A	25	19	1	21	66
1.1	Number of states formally considering legislative or executive action	Intermediate Outcome	N/A	17	19	11	5	10
1.1	Research publications and data reports in curricula	Output	N/A	27	18	16	16	15

Advocay Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Estimate
Total Program Cost ($000)	$8,680	$9,360	$9,439	$9,364	$9,937	$11,269

Advocacy Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Estimate
Cost per $1 Million Savings ($)	$1,367	$549	$1,430	$1,292	$1,629	$1,847

FY 2006 Accomplishments

In FY 2006, the SBA achieved $7.25 billion in first-year cost savings and $117.3 million in annual recurring savings. These figures are generally underestimates, taking into account the fact that early intervention during the interagency (i.e., non-public) stage sometimes results in non-reportable cost savings. Advocacy is attempting to develop a measure of its overall effectiveness that can capture the results of all its interventions and successes. In the meantime, the SBA continues to train agencies on how to comply with the Regulatory Flexibility Act (RFA), the law that requires agencies to consider less burdensome alternatives in their regulatory proposals. The training and early intervention may cause more agencies to comply with the RFA at the outset, and cost savings may be lower in the future as a result of better, less burdensome regulations that take small businesses into account.

In FY 2006, the SBA had a goal of ensuring that 22 federal agencies gain in-house RFA expertise through the training Advocacy was required to provide those agencies under Executive Order 13272. By the end of FY 2006, one agency had received training on how to comply with the RFA. This represents less than five percent goal achievement for the year, caused by shifting resources to finalizing the online training module, and away from in-classroom training. Now that the online training is up and running, the SBA will reestablish the classroom training until all agencies have been trained at least once in the classroom. The SBA anticipates that the remainder of the 66 agencies initially selected will receive training by FY 2007.

The SBA projected that 10 states would formally consider legislative or executive action to increase regulatory flexibility for small businesses in FY 2006. At the end of FY 2006, 11 states considered legislative action,[1] and of those 11, 2 states passed legislation into law.[2] Also, the governors of Georgia and Tennessee signed Executive Orders. The SBA attributes this success to the Office of Advocacy having a full complement of Regional Advocates on board for a number of years. The Regional Advocates work directly with state governments and state stakeholders to educate them about the benefits of regulatory flexibility.

The SBA projected that a total of 16 of the top 100 universities and colleges with major entrepreneurship programs would insert Advocacy's data into their curricula. The rationale behind this goal is to generate interest in entrepreneurship research among academics and to broaden awareness of existing research. In FY 2006, a total of 16 colleges and universities inserted Advocacy's data into their curricula. In addition to the 16 colleges, 27 colleges and universities that were not identified as having top entrepreneurship programs also included Advocacy's data in their curricula.

The SBA had a goal of releasing 25 small business research reports by Advocacy in FY 2006. 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. In FY 2006, Advocacy released 28 reports.

FY 2007-FY 2008 Planned Performance

The SBA intends to achieve regulatory cost savings and reduced regulatory burden through its regulatory interventions. The Office of Advocacy relies on various types of interventions to achieve regulatory cost savings such as: 1) participating in the Small Business Regulatory Enforcement Fairness Act (SBREFA) panel process for Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA) regulations; 2) writing official comments to federal regulatory agencies on their compliance with the RFA and other rulemaking procedures; 3) testifying before Congress on small business issues; 4) responding to OMB referrals on proposed legislation; 5) working with OMB on paperwork burden issues; and 6) working with OMB during the Executive Order 12866 review process and during implementation of Executive Order 13272. In FY 2007 and FY 2008, Advocacy projects it will achieve $6.1 billion in regulatory cost savings. The goal is the same for both years because Advocacy believes that the RFA training that has been provided has helped agencies propose better, less costly, regulations. Advocacy is in the process of developing measures for more accurate results of its training efforts but, based on anecdotal feedback, it seems that a leveling off of cost savings is warranted at this time.

Advocacy's Office of Interagency Affairs continues training federal agencies on how to comply with the RFA. Classroom training sessions were conducted by Advocacy staff beginning in FY 2004 and will continue through FY 2007. Agencies have been responsive to the classroom training, and several agencies have begun to implement better regulatory flexibility practices as a result. In FY 2006, an online version of the training was officially launched. The SBA anticipates the online training will reinforce what agencies have learned in the classroom and serve as basic training for new employees.

To ensure that the maximum number of employees who need the training actually take it, the SBA will work to obtain written commitments from all regulatory agencies stating that their regulatory and legal staff will take the training. At least one agency has made training a requirement, resulting in 14 scheduled training sessions at that agency during FY 2007. In FY 2007, the SBA expects to train the balance of the original 66 agencies that have not already received classroom training. In FY 2008, repeat training, or training of sub agencies will likely take place.

[1] Alabama (HB 320), Colorado (HB 1041), Illinois (HB 5388), Kansas (HB 2821), Michigan (HB 5849/HB 5850, HB 5812), Mississippi (HB 113/SB 2881), Nebraska (LB 1170), New Jersey (A 2327/SB 1335), Pennsylvania (HB 236/SB 842), South Dakota (SB 74, SB 75) and, Washington (HB 1445).
[2] South Dakota and Colorado.

The SBA, 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 RFA, Advocacy continues to push this state regulatory flexibility initiative. The initiative has received broad support from governors and state legislatures since its inception in FY 2003. Advocacy projected that 10 states a year over a period of 5 years would formally consider regulatory flexibility legislation or executive orders. Since the majority of states will have considered legislation (and passed legislation, in some cases) or executive orders by FY 2007, Advocacy anticipates broadening its goal in FY 2008 to actual implementation efforts by the states once legislation and/or executive orders are on the books. In FY 2007, Advocacy intends to continue its education of stakeholders in those states that have signed executive orders in the hope that legislation can be passed instead, and target any remaining states that have not already considered regulatory flexibility legislation or executive action. In FY 2008, Advocacy will work to achieve at least 10 examples of successful regulatory flexibility implementation and/or further improved regulatory flexibility laws.

Policymakers and other stakeholders need to be aware of how important small business is to the Nation's economy. Pursuant to its statutory mandate, Advocacy will continue to study/research issues that impact small business and shed light on small business demographics. One of the long-standing barriers to researching certain issues is the lack of data and the fact that the universe of entities/individuals studying small business and entrepreneurship issues is relatively small. To help grow the body of available research and convince the Federal Government to collect additional raw data, Advocacy has an aggressive outreach strategy. One way to broaden interest in small business research is through outreach to academia. Working closely with academia, Advocacy hopes to interest future generations of economists in the study of entrepreneurship and small business. Through academia, Advocacy also strives to learn more about data gaps that exist and ways to achieve a broader audience for small business research.

In FY 2007, Advocacy will continue its efforts to insert its research into university curricula as part of its five-year strategic plan. However, since the five-year goal will likely be met by FY 2007, Advocacy will broaden its goal for FY 2008. Advocacy's original list of 100 universities with top entrepreneurship programs was based on a ranking published by *Entrepreneur* magazine. That list provided a useful benchmark, but had its shortcomings. For instance, east coast schools comprised 60-70 percent of the list. Moreover, experience has shown that other universities and colleges that were not listed have an interest in the research and use it as a resource. Therefore, for FY 2008, Advocacy anticipates that at least 15 colleges or universities with business programs will use and benefit from Advocacy's research.

Regulatory Enforcement Assistance

The Office of the National Ombudsman (ONO) contributes to the SBA's long-term objective to minimize the regulatory burden on small business by receiving comments from small businesses that believe they have experienced unfair or excessive regulatory enforcement actions by federal agencies. Annually, the SBA prepares and submits a report to Congress on the responsiveness of federal agencies to the comments filed by small businesses.

Performance Statement
Program Level Assistance
Strategic Goal 1. Improve the economic environment for small business

LTO	Ombudsman Key Performance Indicators	Type of Measure	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY 2006 Actual	FY2007 Goal	FY2008 Goal
1.1	Number of comments referred to federal agencies for response	Output	N/A	241	128	152	134	141
1.1	Interaction with federal agencies	Output	N/A	231	227	236	237	249
1.1	Increase the % of comments addressed in 90 business days	Intermediate Outcome	N/A	17%	12%	26%	49%	51%

ONO Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$1,200	$1,469	$1,348	$1,111	$1,375	$1,375

ONO Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Comment ($)	N/A	$6,096	$10,530	$7,309	$10,261	$9,752

FY 2006 Accomplishments

The Agency increased use of its field offices to assist in publicizing events, and also communicated through quarterly emails to SBA listserve subscribers. It continued to establish and maintain relationships with other federal agencies through periodic one-on-one meetings with key agency contacts and through semi-annual interagency meetings. Awareness of the program was increased with marketing and outreach during public events.

The SBA continued to measure the number of public events and the number of comments filed with ONO by small businesses to monitor and assess the impact these efforts have had on mitigating these issues. While the 152 comments referred to federal agencies for response related to regulatory enforcement matters, the ONO assisted a total of 372 commenters with issues of concern to their small business throughout the SBA and other federal agencies. One of the challenges for the SBA was that many small businesses were reluctant to comment on federal regulatory actions for fear of retaliation by federal agencies. The Agency therefore encouraged other federal agencies to adopt small business non-retaliation policies and began rating agencies on their efforts to adopt these policies in its annual report to Congress.

FY 2007-FY 2008 Planned Performance

The Office of the National Ombudsman will continue to promote awareness through public events, customer service assistance, quarterly E-News Updates and its 50-member RegFair Board. In FY 2007 and 2008, ONO plans to: 1) participate in 18 public events; 2) perform 250 customer service assistance actions; 3) disseminate 4 E-News Blast Updates to SBA listserve subscribers; and 4) keep its Regulatory Fairness Board filled to capacity by recruiting 6 board candidates in FY 2007 and 5 board candidates in FY 2008 to replace members whose terms will expire.

SBA faces an ongoing issue with recruiting and maintaining a full 50-member Regulatory Fairness Board, due to fixed terms of service. To address this issue the SBA will solicit board member nominations from various resources including, but not limited to, SBA headquarters, regional and district staff, Congressional officials, and business associations.

Business Gateway—An E-Gov Initiative

The Business Gateway Initiative, managed by the SBA, is one of the PMA's e-government initiatives to improve the Federal Government's ability to serve businesses through the use of technology. Complying with federal requirements is the single biggest issue with which businesses need help. The Business Gateway Initiative provides a single, Internet-based access point to government services and information to help businesses comply with the federal regulatory and paperwork burden. Using a portal, Business.gov, which features strong search capabilities, Business Gateway simplifies and improves businesses' ability to locate and use compliance resources they deal with on a regular basis, thereby reducing the time and effort needed to comply with federal regulations and paperwork.

Performance Statement
Program Level Assistance
Strategic Goal 1. Improve the economic environment for small businesses

LTO	Business Gateway Key Performance Indicators	Type of Measure	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
1.2	Broken links per month (percent)	Output	N/A	N/A	N/A	5%	3%	3%
1.2	Unique visitors (average number per month)	Output	N/A	N/A	N/A	232,910	200,000	282,910
1.2	Hours saved (number) (1)	Intermediate Outcome	N/A	N/A	N/A	4,652,376	4,373,979	4,799,059
1.2	Customer satisfaction (percent)	Intermediate Outcome	N/A	N/A	N/A	76%	75%	75%
1.2	% of referrals to partner sites (per month) (2)	Intermediate Outcome	N/A	N/A	N/A	9%	9%	12%

(1) FY 2007 goal updated to reflect the correction of typographical error.
(2) New indicator established in the FY2008 Performance Budget; FY 2006 is the baseline year.

Business Gateway Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$0 (3)	$2,603	$10,780	$16,180	$11,780	$9,667

(3) Cost data was not collected for this activity.

Business Gateway Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per User ($)	N/A	N/A	N/A	$69.47	$58.90	$34.17
Per hour saved ($)	N/A	N/A	N/A	$3.48	$2.69	$2.01

FY 2006 Accomplishments

At the close of FY 2006, the Business Gateway Initiative successfully re-launched Business.gov with a major focus on compliance assistance resources, and made major strides in addressing businesses' key concerns in simplifying interaction with the Federal Government. As a result of the re-launch, Business Gateway significantly increased the number of visitors to its site to a monthly average of nearly 233,000 in FY 2006. In addition, Business Gateway provided benefits to its partner agencies by consolidating compliance points of contact in conjunction with the Small Business Paperwork Relief Act (SBPRA) requirements.

The Business Gateway Initiative facilitated a substantial change in the reporting burden and process within the coal mining community during FY 2006. The Single Source Coal Reporting system reduced the government's time spent processing related forms by 69 percent. Industry time spent submitting information declined by 50 percent. Participating government organizations avoided systems development costs by creating one system that supports multiple agencies and eliminates redundant forms processing efforts across agencies. Currently, the federal partners are the Department of Labor, the Department of the Interior, and the Internal Revenue Service. The state partners are Pennsylvania and Virginia.

FY 2007-FY 2008 Planned Performance

During FY 2007 and FY 2008, the SBA will continue to expand the functionality of the Business.gov site to provide businesses with easy and accurate access to business compliance information. Additionally, the initiative will use feedback from focus groups and usability tests to plan and launch additional content and features that assist businesses in complying with federal regulations and paperwork requirements.

Top priorities in FY 2007 include: a Business.gov refresh to update the look and feel of the web site; targeted updates to increase the compliance resources content of Business.gov; and a release that integrates state and local compliance data with the federal resources already available. With each of these tasks comes increased focus and user adoption for Business.gov. These changes to the site will likely increase performance against some key indicators, but all require the use of some revised or new metrics.

In FY 2007 and FY 2008, small businesses that use the portal will continue to save time by finding all of their compliance resources in one spot. Initially in FY 2007, the Business Gateway team expects to see a six percent decline in total hours saved (from 4,652,376 to 4,374,979) annually due to the more narrowed scope of the site. Other factors, such as the new look and feel of the site, may also contribute to a slight change in hours saved. Finally, the decrease in time saved in FY 2007 is also affected by the initial success of the Single Source Coal Reporting system launched in FY 2006, which goes into a steady operational mode. In FY 2008, based upon the current plan, Business Gateway expects to see a 10 percent increase in total hours saved (4,799,059).

The SBA expects that by FY 2008 the portal will be receiving at least 283,000 unique visitors monthly. This increase in traffic will result in no more than 3 percent of broken links and a customer satisfaction of at least 75 percent.

Business.gov's mission is to provide more effective compliance information to the business users and becoming a "destination" site for users looking for that information. To judge performance of that goal, the Business Gateway team has added a new performance metric in FY 2007 and FY 2008. The new metric will incorporate the percentage of referrals from Business.gov to partner sites. This new metric will measure how successful Business.gov is at providing useful information to businesses. In FY 2007 the target goal for Business.gov is a 9 percent referral rate to partner agency web sites. In FY 2008 the target is 12 percent. Ongoing, this metric may experience fluctuations as more content is added and users navigate to Business.gov and remain there, finding more of their information at this site instead of needing to link to partner agency web sites.

Business Gateway's efforts to respond to the needs of the business community require strong collaboration and partnership with its federal agency partners. The program currently works with 22 agencies to develop a Business.gov product that is effective, beneficial to the end-user, and supports partner agency compliance efforts. Business Gateway has developed an approach to partner agency outreach with collaboration at the forefront.

The Business Gateway budgets have been clearly focused and aligned with the goals for FY 2007 and FY 2008. The budgets mirror the shift in Business Gateway's lifecycle from the development stage to an operations and maintenance stage. However, in order to continually serve and adapt to a rapidly changing business environment, Business Gateway will continually update the site with new releases planned at least every six months.

Procurement 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 businesses, at the same time that small businesses grow stronger by benefiting from federal contracting opportunities.

The SBA provides procurement assistance to the small business community through two principal programs — Prime Contracting Assistance and Subcontracting Assistance.

Prime Contracting Assistance Program

Through Prime Contracting Assistance, the Agency establishes government-wide goals for socio-economic procurement preference programs. It also monitors performance, coordinates with acquisition agencies at the buying activity level, and conducts surveillance reviews to assess the effectiveness of agencies in providing small business opportunities.

Performance Statement
Program Level Assistance

Strategic Goal 1. Improve the economic environment for small business

LTO	Prime Contracting Key Performance Indicators	Type of Measure	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Goal (1)	FY2007 Goal	FY2008 Goal
1.3	Increase the number of federal contract dollars awarded to small businesses ($000)	Output	$65,500,000	$69,200,000	$79,600,000	$73,004,786	$ 79,000,000	$ 84,530,000
1.3	Jobs created/retained (number)	Intermediate Outcome	N/A	523,000	562,000	612,000	573,711	601,209

Prime Contracting Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$16,507	$23,158	$15,384	$18,853	$16,077	$24,022

Prime Contracting Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Job ($)	N/A	$44	$27	UNAVAIL	$28	$40

(1) FY2006 Actuals will not be available from FPDS-NG until the second quarter of FY 2007.

<u>FY 2006 Accomplishments</u>

During FY 2006, the Agency developed a scorecard process to monitor and measure acquisition agencies' success in achieving procurement preference program goals and to measure progress in improving performance. It is expected that the system will be implemented government-wide during FY 2007. By increasing the visibility of evaluation with a broadly recognized and easily understood management tool, and by giving effect to performance direction and initiatives, the SBA builds incentives for agencies to increase awards to small businesses.

The SBA published proposed regulations during FY 2006 that addressed the award of contracts to women-owned small businesses. It also commissioned a rigorous disparity study by an external organization to identify industries in which women-owned small businesses are under-represented. This will serve as a basis for set-aside of requirements in specific industries for competition among such firms. These actions will increase opportunities for women-owned firms to participate in federal contracting.

FY 2007-FY 2008 Planned Performance

During FY 2007 and FY 2008, the SBA will work with acquisition agencies at the national level to increase the effectiveness of the procurement preference program goaling process so that it yields increased contracting opportunities for small businesses. During FY 2007, the Agency will implement government-wide the prototype scorecard process to monitor and measure acquisition agencies' success and progress in achieving procurement preference program goals, and in improving future performance. During FY 2008, the Agency will continue improvement of the scorecard mechanism and collection and dissemination of best practices and lessons learned.

Also during this period the SBA will identify and mitigate statutory and regulatory barriers to small business participation in federal contracting. In FY 2007, the Agency will review relevant regulations and legislation to small business procurement programs. In FY 2007 and FY 2008, there will be a similar review of the Small Business Innovative Research (SBIR) and Small Business Technology Transfer (STTR) programs. Based on these reviews, SBA will recommend legislative, and propose regulatory, changes.

The SBA will work with acquisition agencies at the headquarters level and on a buying-activity-by–buying-activity basis to ensure that the value of contract awards to small businesses increases by approximately seven percent from FY 2007 to FY 2008. This will generate close to $85 billion in prime contract revenue, which will support approximately 600,000 jobs in the small business sector.

Each year the Agency will provide training to targeted buying activities that have historically underachieved against procurement preference program goals. During FY 2008, the Agency will look at Internet-based training tools that can be used by buying activity program managers and contracting officers on an ad hoc basis and that would leverage the technology of the Electronic Procurement Center Representative (EPCR) system.

During FY 2006, the Agency developed functional requirements for the EPCR system. It also worked with the Department of Defense to integrate EPCR functional requirements with the Department's capture of additional pre-solicitation information, and explored the expansion of existing shared systems in the Integrated Acquisition Environment (IAE), such as the FPDS-NG and CCR to meet both agencies' needs. During FY 2007, the Agency will prepare a business case, and will pursue systems design and development in FY 2008. During FY 2007, the Agency will pilot test models of subcomponents of the system, for subsequent full deployment.

In FY 2007 and FY 2008, in partnership with the targeted high-impact federal buying activities, the SBA will conduct 24 surveillance reviews. In FY 2007, a mechanism to share best practices and lessons learned from findings and recommendations of reviews conducted in FY 2006 and FY 2007 will be provided.

The SBA will continue to improve oversight and evaluation of SBIR and STTR Programs. During FY 2006, the Agency re-designed and re-deployed the Technology-Network (TECH-Net) Internet database to provide for more timely data capture, stronger search capabilities, and richer commercialization information on funded projects. Beginning in FY 2007, the Agency will begin to assess program impact and commercialization rates more comprehensively and identify changes necessary for program improvement.

The Agency will continue to increase participation of small disadvantaged businesses, women-owned small businesses, HUBZone, veteran and service-disabled veteran-owned small business in federal contracting. In FY 2007, SBA plans to publish proposed regulations identifying any industries for which there can be set-aside for competition for women-owned small business. The Agency is working on implementing the statutory requirement to establish a women-owned small business set-aside program. GCBD is evaluating the best way to handle the certification process. Depending upon the final decision, SBA may need to shift staffing resources to this program. During both years, the Agency will forge alliances with contracting activities, prime contractors and small businesses. It will also forge alliances with women's and veterans' organizations and other stakeholders to encourage further participation in the federal marketplace.

Subcontracting Assistance Program

Through Subcontracting Assistance, the Agency works with large prime contractors to increase substantive small businesses participation in the federal marketplace as subcontractors. To do this, the SBA monitors the subcontracting plans on larger prime contracts and provides training and technical assistance to prime contractors in developing small business sources

Program Level Assistance
Strategic Goal 1. Improve the economic environment for small business

Subcontracting Budgetary Resouces (a)	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)		$6,104	$3,408	$3,149	$3,712	$3,235	$4,955

(a) Only cost data is shown for sub-contracting. Indicators are included in the Prime Contracting Statement.

FY 2006 Accomplishments

During FY 2006, the SBA used technology to improve the reach and effectiveness of its prime contracting and subcontracting programs. Under the aegis of the Integrated Acquisition Environment, pursuant to the President's Management Agenda for Electronic Government, the SBA deployed the Electronic Subcontracting System (ESRS). This system replaced submission of paper reports on subcontracting activity by prime contractors with electronic Internet-based reporting.

FY 2007-FY 2008 Planned Performance

During FY 2007 and FY 2008, the SBA will continue to encourage acquisition agencies, large prime contractors, and state and local governments to participate in networking activities to match their requirements with the capabilities of small businesses.

The Agency will increase subcontracting assistance program oversight. In light of deployment of the Electronic Subcontracting System (ESRS), which automated reporting and analysis of subcontracting activities by large prime contractors to the Federal Government during FY 2006, in FY 2007 the Agency will conduct a performance and organizational assessment of the subcontracting assistance program and develop a plan for leveraging resources. Based on this assessment, the Agency will make any necessary revisions to its standard operating procedures and guidance for prime contractors.

The SBA is currently waiting for the Department of Defense (DoD) to begin using the ESRS, which will allow the Agency to capture subcontracting accomplishments Government-wide. A DoD/SBA implementation team is meeting weekly and expects to complete the task this fiscal year. At that point, with few exceptions, all DoD and civilian agency contractors will be required to use the ESRS to report their subcontracting achievements. This in turn will allow the SBA to more effectively monitor the performance of prime contractors throughout the United States and to quickly identify contractors that are not meeting their subcontracting goals. The Agency expects to have available by the fourth quarter of FY 2007 the subcontracting results for FY 2005. Once this information is available, the Agency will proceed to establish indicators and targets to measure the SBA's performance.

In FY 2008, under the auspices of the Integrated Acquisition Environment (IAE), the SBA will expand functionality of ESRS to incorporate submission and approval of subcontracting plans with subcontracting reporting. This action will complete automation of all subcontracting business processes for prime contractors, acquisition agencies, and the SBA.

Small Disadvantaged Business Program

The Small Disadvantaged Business certification program (SDB) is funded through an Economy Act agreement with federal procuring agencies whereby the SBA bills the agencies for its certification services. In FY 2006, the volume of incoming applications decreased from previous years because the Price Evaluation Credit for civilian agencies expired. The Price Evaluation Credit gave small disadvantaged businesses an advantage over other small businesses vying for the same prime contracts. Without it, small disadvantaged businesses only receive value from this certification when seeking subcontracts from large prime contractors that get credit for including small disadvantaged businesses in their subcontracting plans.

Performance Statement
Program Level Assistance
Strategic Goal 1. Improve the economic environment for small business

LTO	SDB Key Performance Indicator	Type of Measure	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY 2006 Actual	FY2007 Goal	FY2008 Goal
1.3	Small Businesses Certified	Output	N/A	856	968	734	1,050	500

SDB Budgetary Resouces	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$4,750	$5,108	$1,614	$1,772	$2,346	$2,130

SDB Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Small Business Certified ($)	N/A	$5,967	$1,667	$2,414	$2,234	$4,260

FY 2006 Accomplishments

In FY 2006, 734 small disadvantaged businesses were certified in the SDB program. Fewer companies applied for SDB certification since they see little value in the certification without the Price Evaluation Credit. In addition to those businesses that applied for SDB certification in FY 2006, all 9,854 8(a) certified firms were automatically certified as SDB firms.

FY 2007-FY 2008 Planned Performance

It is difficult to project how many small disadvantaged businesses will apply for SDB certification in FY 2007 and FY 2008 as more firms realize the only advantage to the certification is in seeking subcontracts. Only after FY 2007 year-end numbers are calculated will SBA have a clearer idea of what SDB performance may be in FY 2008. The FY 2007 goal above will be re-evaluated as SBA finalizes its FY 2007 Performance Budget.

Trade Assistance

The SBA, through its Office of International Trade (OIT), sustains Presidential and Agency priorities and helps improve the international economic and commercial environment for small business participation in trade. The SBA strives to make small business concerns part of the Administration's international trade priorities.

The SBA plays an important role in supporting the Department of Commerce (DOC) by helping to prepare small businesses to effectively utilize their services, whether through training to make them export ready, or by providing access to capital to participate in DOC trade missions or to finance export transactions. Additionally, the SBA, with the Export-Import Bank (EX-IM Bank), will co-guarantee export working capital loans up to $2 million. This co-guarantee enables SBA to provide more funding at a higher guarantee limit to small business exporters (up to $1.8 million) and helps EX-IM Bank to more effectively participate in small business export financing.

Performance Statement
Program Level Assistance
Strategic Goal 1. Increase the effectiveness of Federal Agencies to provide opportunities for small business

LTO	International Trade Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual (1)	FY 2007 Goal	FY 2008 Goal
1.3	Participation in interagency working groups (Number)	Output	N/A	6	16	11	16	11
1.3	Favorable policies inclusion in International Trade (Number)	Intermediate Outcome	N/A	5	5	6	5	6

(1) These results were originally reported as estimates in the FY 2006 PAR.

Trade assistance resources used for this LTO are included in the resources reported under International Trade in Strategic Goal 2.

FY 2006 Accomplishments

The SBA participated in 11 interagency working groups including two Cabinet-level trade groups: the interagency Trade Promotion Coordinating Committee and the President's Export Council. The SBA contributed to the 2006 National Export Strategy, and succeeded in having small business issues included in the action plan of the Summit of the Americas. The Agency provided an analysis of U.S.-China trade and economic relations to the President's Export Council. In addition, the SBA contributed to the planning for the Africa Growth and Opportunity Act trade ministers' forum. The Commerce Department relied on the SBA to support the U.S. Government with two inter-governmental multilateral trade organizations, devising and advancing the U.S. position on international trade and small business, and the State Department frequently turned to SBA for support.

FY 2007-FY 2008 Planned Performance

The SBA Office of International Trade works in cooperation with other federal agencies, as well as public and private sector groups, to encourage small business exports and to assist small businesses seeking to export. Through 16 U.S. Export Assistance Centers (USEAC), SBA district offices and a variety of service provider partners, the Office of International Trade directs and coordinates SBA's ongoing export initiatives.

In FY 2007 and 2008, the SBA will implement a joint marketing strategy with EX-IM Bank to increase the volume of SBA-EX-IM Bank co-guaranteed loans.

Additionally, SBA will continue to work with the President's Export Council, the National Export Strategy, the Trade Promotion Coordinating Committee (TPCC), and the international affairs and economic development agencies including the Commerce and State Departments, Trade and Development Agency, Agency for International Development, and the U.S. Trade Representative's Office. Through this active collaboration, SBA ensures that small businesses are well-represented in trade negotiations and at the highest levels of government where decisions are being made that affect the success of small business exporters.

SBA will continue to serve on interagency trade capacity building working groups led by the Office of the U.S. Trade Representative to support negotiations for trade agreements. Trade liberalization can especially benefit small businesses by helping them reduce the adverse impact of trade barriers.

The Agency will continue to actively support Presidential Initiatives such as those mentioned above. Through OIT, SBA and small businesses will continue to be represented on important multilateral forums such as the Asia-Pacific Economic Cooperation and the Organization for Economic Cooperation and Development as long as State Department, the Department of Commerce and/or the Office of the President continue to ask SBA to help them reach broader foreign commercial policy objectives. This level of participation helps SBA to ensure that small business issues are heard and considered. In the long run, efforts that the Agency supports to liberalize trade and further U.S. Government foreign economic policy objectives, including promoting international development, will ultimately result in increased opportunities for U.S. small business exports.

More collaboration with TPCC agencies, including DOC, EX-IM Bank harmonization and marketing strategies, collaboration with the Overseas Private Investment Corporation, and overall integration with national and community banks will enable increased contribution from OIT field representatives towards the SBA's strategic goals.

Strategic Goal Two — Increase Small Business Success by Bridging Competitive Opportunity Gaps Facing Entrepreneurs

The SBA is committed to helping small businesses overcome the competitive opportunity gaps often faced by entrepreneurs. Through its programs, products and services, the Agency 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 procurement opportunities either directly or through its partners. While SBA programs benefit all entrepreneurs seeking assistance, the Agency places particular emphasis on groups that own and control little productive capital and have limited access to markets.

Strategic Goal Two has three Long-Term Objectives:

LTO 2.1 — Increase the positive impact of SBA assistance upon the number and success of small business start-ups

LTO 2.2 — Maximize the sustainability and growth of existing small businesses assisted by the SBA

LTO 2.3 — Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps

Each Long-Term Objective supports one or more of the following functional areas:

- Financial Assistance
- Management Assistance
- Procurement Assistance

Performance Statement
Agency-Level Performance Measures
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps

LTO	SBA Outcome Measures	Type of Measure	FY 2003 Actual (1)	FY 2004 Actual (1)	FY 2005 Actual (1)	FY 2006 Actual (1)	FY 2007 Goal (2)	FY 2008 Goal (2)
2.1	2.1.1 Prospective and start-up small businesses assisted	Outcome	914,941	948,140	911,222	874,485	349,146	361,042
2.1	2.1.2 Percentage of prospective and start-ups from among those small businesses assisted	Outcome	68%	67%	67%	66%	46%	47%
2.2	2.2.1 Increase the number of existing small businesses receiving SBA assistance.	Outcome	429,503	464,813	454,264	447,099	403,697	408,816
2.3	2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance (3)	Outcome	334,794	583,618	563,811	366,161	84,889	89,225

(1) Actuals adjusted from those reported in the FY 2006 PAR due to the correction of a reporting error.
(2) Due to the Small Business Development Center's (SBDC) adoption of a new methodology for tracking their activites, the FY 07 data will be the new baseline and the FY 08 goals will be determined by those numbers. Therefore, while FYs 2003 through 2006 reflects SBDC activity, FYs 2007 and 2008 does not.
(3) In OED's data collection system, demographic information is voluntary and offered by only a portion of the OED client base. Therefore, in FY 2006, OED chose not to goal SCOG until a new policy is developed regarding the reporting of SCOG data. This issue will be addressed in FY 2007.

SBA Budgetary Resources (4)	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2008 Budget
Total Financial Assistance Cost ($000)	$314,617	$271,191	$140,044	$136,284	$132,840	$149,225
Total Management Assistance Cost ($000)	$125,441	$148,071	$181,367	$160,933	$184,154	$171,102
Total Procurement Assistance Cost ($000)	$39,023	$41,769	$39,156	$37,078	$42,548	$44,742
Total Strategic Goal ($000)	$479,082	$461,031	$360,566	$334,295	$359,542	$365,069

(4) Budgetary resources were recalculated from those reported in the FY 2006 PAR and no longer reflect resources associated with the targeted assistance programs: Prime Technical Assistance, Nat'l Women's Bus. Center, Native American Outreach, Veterans' Business Corporation, and Small Business Training Network.

Financial Assistance

Having access to capital when needed, and under the right conditions, is vital to the success of small businesses. This need changes as a business goes through the various stages of its lifecycle — from a possibility to a vibrant, successful business. The financial vulnerability of these small businesses may make SBA financial assistance a vital component at any given time. The SBA has structured its programs to be able to fill the financial gap as determined by differing financial markets and the various stages of a small business's lifecycle.

The process by which SBA provides small businesses with opportunities for securing credit can be summarized into three major areas — processing, servicing, and liquidation. Processing represents reviewing and approving, screening out for incompleteness, or declining loan applications from lenders. Servicing activities include reviewing and either approving or declining loan modifications from lenders such as collateral releases or substitutions and ensuring that lenders are reporting the status of their loans correctly. Liquidation activities include seeking recoveries on purchased assets and charging-off nonperforming loans. Operations for SBIC finance investments involve similar activities — licensing, operations, and liquidations. Licensing involves processing applications and performing appropriate due diligence of SBIC applicants. Operation activities include tracking operations and financial performance to ensure compliance with required capital levels and other regulatory requirements, portfolio analysis, and processing applications for leverage commitments and draws from licensed SBICs. Liquidation activities in the SBIC program include receivership activities, seeking recoveries, and writing down investments to reflect current market values.

The SBA has placed its focus on providing financing assistance that is effective and at the lowest possible cost to the taxpayer. In addition to establishing credit policy and risk management practices for their various financing programs, SBA manages a portfolio of various financial investments totaling in excess of $71.2 billion.[3]

The Agency provides this assistance through its 7(a) loan, 504 loan, International Trade and Microloan programs, as well as the New Markets Venture Capital and Small Business Investment Companies programs. The SBA focuses on providing financing assistance that is effective and at the lowest possible cost to the taxpayer.

7(a) Loan Program

The 7(a) loan program serves as the Agency's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. It is also the Agency's most flexible business loan program, because financing under this program can be guaranteed for a variety of general business purposes, can be revolving or non-revolving, and can have a maturity as short as a couple of months or as long as 25 years.

[3] Outstanding principal balance of business loan programs as of 9/39006.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps

LTO	7(a) Loans Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.1	New Loans Approved: Startup SB (number)	Output	15,588	18,134	29,587	32,983	33,818	37,229
2.1	New Loans Funded (number)	Output	13,559	15,945	27,522	30,753	30,100	33,507
2.1	Startup Small Businesses Assisted (number)	Intermediate Outcome	13,122	15,351	25,806	27,368	28,896	31,645
2.2	New Loans Approved: Existing SB (number)	Output	51,793	62,999	66,313	64,307	75,301	72,586
2.2	New Loans Funded (number)	Output	45,981	56,234	61,323	59,730	67,470	65,328
2.2	Existing Small Business Assisted (number)	Intermediate Outcome	43,023	53,544	57,296	52,935	63,624	60,973
2.3	New Loans Approved: SCOG (number)	Output	41,605	60,787	74,307	71,326	77,000	80,509
2.3	New Loans Funded (number)	Output	36,705	54,250	68,540	66,300	68,838	72,458
2.3	SCOG Assisted (number)	Intermediate Outcome	35,203	52,075	64,390	60,691	65,878	68,433
	Small Businesses Assisted		56,145	68,895	83,102	80,303	92,520	92,618
	New Loans Funded		59,540	72,179	88,845	90,483	97,570	98,835

7(a) Loans Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$216,516	$188,995	$73,238	$72,485	$79,963	$86,254
Loan Approving ($000)	$165,405	$162,812	$49,672	$41,741	$53,845	$46,173
Loan Servicing ($000)	$19,013	$13,436	$16,362	$17,190	$18,233	$24,432
Loan Liquidation ($000)	$32,098	$12,747	$7,205	$13,554	$7,885	$15,649

7(a) Loans Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Loan Funded ($)	$2,778	$2,256	$559	$461	$552	$467
Per Loan Liquidated ($)	$5,081	$2,012	$1,175	$1,614	N/A	N/A
Per Business Assisted ($)	$3,856	$2,743	$881	$903	$864	$931

FY 2006 Accomplishments

In FY 2006, the 7(a) loan guaranty program funded 90,483 small business loan guarantees, more than ever before. Of these, 66,300 loans went to groups facing special opportunity gaps.

The Agency continued to move from direct loan management to lender management, a process that has resulted in delegating more responsibility to participating lenders. SBA is also centralizing those lending activities that continue to be performed by SBA, including loan processing, servicing, purchasing and liquidation. Through the continued use of technologies that enable prudent risk management and more efficient use of SBA resources, the Agency continues to streamline its lending and oversight processes. During FY 2006, the SBA strengthened its portfolio management practices through the following activities/programs:

> *Centralized Operations* — The SBA has moved most of the loan processing, servicing, liquidation and guaranty purchase functions from district offices to service centers for both 7(a) and 504 loans. Centralizing the loan liquidation processes has improved the efficiency and effectiveness of the oversight of lender liquidation activity, thereby freeing up resources to assist small businesses. Centralizing the remaining operating activities allows SBA to provide more efficient and consistent direction, guidance and service to lender partners in all operational areas. Additionally, as processes are centralized, they are assessed for possible streamlining to reduce paperwork requirements and shorten turnaround times.

National Preferred Lender Program Status — National status for preferred lenders has been implemented, allowing any preferred lender to make loans anywhere in the Nation. Streamlining has given more authority to participant lenders to further simplify the loan-making and servicing process and encourage more loan activity.

Liquidation Backlog Reduction — At the beginning of FY 2006, the Agency had a backlog of 6,700 loans that were purchased two or more years ago and totaled in excess of $800 million. The SBA addressed this backlog in liquidations of 7(a) loans by reviewing and charging off over 6,000 loans for which the SBA determined it had exhausted all pre-charge off recovery efforts, allowing the Agency to pursue potential post-charge off recoveries of $50 million.

Proposed Regulations – In FY 2006, SBA issued proposed regulations for liquidations in the 7(a) and 504 loan programs. These proposed regulations are the first step in the process to further streamline and improve liquidation activities within the Agency to ensure cost efficient, timely and orderly disposition of defaulted loans.

E-Tran – The Agency's electronic application, E-Tran, is increasingly used by SBA lenders. Over $4.8 billion in loans were processed in FY 2006 via E-Tran, of which 70 percent were processed electronically using this system. E-Tran decreases costs and increases efficiency on the part of the lender and SBA.

Customer Service – A strong focus on customer service was initiated in FY 2006. Changing processes and approaches to providing services that incorporate good controls and risk management while providing excellent customer service is at the heart of operational changes within the Agency.

FY 2007-FY 2008 Planned Performance

For FY 2007 and FY 2008, as with FY 2006, the focus in the Office of Capital Access, is on continuing to reach and support more small businesses through increased loan volume, making it easier to do business with the SBA through process improvements, operational excellence including strong customer service, and integrated risk management.

In delivering 7(a) loans, there will be a joint marketing effort involving both the Office of Capital Access and the Agency's district offices. An integrated marketing and training plan that supports the Agency's loan goals will be implemented. Marketing the 7(a) loan program to Agency lending partners will emphasize start-up business loans, existing businesses, and identified underserved markets. Marketing efforts will differentiate between large national and regional lenders, and smaller regional and community lenders.

SBA will complete the centralization of its loan processing and servicing functions in FY 2007. The major focus will be a streamlining of the 15 percent of 7(a) loans that continue to be processed by SBA. This enhanced process will include credit scoring and other computerized processes, including increased Internet loan applications and communications. Also, the SBA expects to complete the implementation of a "More Efficient Organization" and additional centralization of its disaster loan servicing functions. This process is being implemented under the guidance of OMB Circular A-76.

Additionally, SBA will continue to streamline, automate, and reengineer all its centralized processes in a continuing endeavor to address increasingly restricted resource constraints by improving efficiency and productivity. The Agency is conducting a Sigma study of its centralized loan processing, servicing and liquidation functions in a major initiative to improve efficiency, effectiveness, and throughput.

At the same time SBA is restructuring and streamlining its internal procedures, the Agency is also evaluating how to make the program more accessible and attractive to lender partners while ensuring that there are adequate controls in place to manage the loan program. In FY 2007 and FY 2008, SBA plans to continue to streamline lending. The Agency plans to undertake an initiative to further simplify 7(a) program requirements for lending partners, allowing increased reliance on their own established procedures. By doing so, making loans will be more attractive from both an administrative and cost perspective, making lenders more inclined to utilize SBA's loan programs.

SBA will continue to promote and market its highly successful E-Tran process to lenders. It provides an extremely efficient and effective method for transmitting loan applications to the Agency. Additionally, it facilitates lender communications with the Agency and significantly reduces lenders' costs for generating SBA loans, which makes the Agency's loan product more attractive and economical for lenders, thereby increasing access to SBA financing for small businesses. The Agency plans to continue to aggressively market E-Tran in FY 2007 and FY 2008 through district office lender marketing representatives and through a series of regularly scheduled lender conference calls and training sessions. As a result, the SBA expects the proportion of loans to be processed via the Internet to continue to increase. The Agency is also continuing efforts to implement electronic loan applications and documentation, including digitized signatures.

In the area of liquidations, SBA expects to finalize guidance to lenders, making that process more efficient and effective. The Agency is also developing an asset sales strategy to support the liquidation effort and further comply with the provisions of the Debt Collection Improvement Act.

To emphasize the Agency's focus on customer service, SBA plans to establish call and help centers to support the centralized operations and to improve communications between SBA, its lending partners and small businesses. The SBA plans to conduct a survey to measure customer satisfaction as well as establish a lender advisory council to get direct feedback on its programs, processes and operations, and the effectiveness of process improvements implemented.

Finally, in order to insure the availability of the Loan Pooling program in the secondary market, SBA is proposing an on-going fee on all secondary market pools. The secondary market enables 7(a) lenders to sell the guaranteed portions of 7(a) loans to institutional investors. This helps lenders maintain the liquidity required to continue providing financing to small business. SBA is statutorily mandated to guarantee the prompt payment on loans sold into pools, a guarantee separate from the overall loan guarantee. The proposed fee, chargeable solely to the institutional investor, will maintain the zero subsidy cost of this guaranty. This will allow the uninterrupted formation of loan pools and ensure a steady unhindered market for SBA's lending partners.

504 Loan Program

The 504 Loan program serves small businesses that require "brick and mortar" financing. A typical 504 loan project includes a loan secured from a private-sector lender with a senior lien, and a loan secured from a Certified Development Company (CDC). Thanks to particular features of this program, such as a statutorily-mandated job creation component, a community development goal, or a public policy goal achievements component, the program helps 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 the field, which promotes the program and trains lenders and small businesses on the program's features.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps

LTO	504 Loan Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.2	New Loans Approved: Existing SB (number)	Output	5,542	6,897	7,904	8,343	11,716	9,417
2.2	New Loans Funded (number)	Output	4,956	6,383	7,712	8,162	10,824	8,664
2.2	Existing Small Business Assisted (number)	Intermediate Outcome	4,956	6,329	7,629	7,569	10,738	8,570
2.3	New Loans Approved (number)	Output	3,962	6,207	6,853	6,989	10,280	7,889
2.3	New Loans Funded (number)	Output	3,513	5,742	6,679	6,812	9,371	7,258
2.3	SCOG Assisted (number)	Intermediate Outcome	3,486	5,637	6,611	6,673	6,023	7,179
	Small Businesses Assisted		4,956	6,329	7,629	7,569	10,738	8,570
	New Loans Funded		4,956	6,383	7,712	8,162	10,824	8,664

SBA Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$38,003	$34,139	$21,812	$21,424	$23,521	$26,627
Loan Approving ($000)	$26,947	$28,668	$14,190	$16,046	$14,971	$18,369
Loan Servicing ($000)	$5,329	$3,764	$5,452	$3,636	$6,145	$4,806
Loan Liquidation ($000)	$5,726	$1,706	$2,170	$1,742	$2,405	$3,452

SBA Efficiency Measures (1)	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Loan Funded (Existing Businesses) ($)	$5,437	$4,491	$1,840	$1,966	$1,383	$2,120
Per Business Assisted ($)	$7,668	$5,394	$2,859	$2,830	$2,190	$3,107

(1) Each year a certain number of loans are are funded for start-up businesses, those loans are not reported in this table. Therefore, the efficiency measure for loans funded is somewhat overstated.

FY 2006 Accomplishments

In FY 2006, the Agency funded 8,162 new loans (net of cancellations) to small businesses under the 504 program, slightly exceeding its goal for this fiscal year and 5.8 percent over FY 2005.

As part of the 504 centralized processing, the SBA has streamlined the process to approve 504 loans, which include the Agency's first use of electronic signatures. 504 loan approvals are now transmitted utilizing an electronic signature.

FY 2007-FY 2008 Planned Performance

The 504 liquidation process will be fully centralized and streamlined during FY 2007 to further support this program and ensure that recoveries on defaulted loans are maximized. By maximizing recoveries, the cost of the program is reduced making the program more attractive to CDCs and the small business community. Additionally, SBA expects to finalize Agency liquidation guidance, allowing CDCs to liquidate loans for SBA.

The SBA will continue to work with the 504 industry to better promote and market the 504 program, including enhanced marketing through the Agency's marketing representatives located in its 68 district offices.

The activities described in the 7(a) program relating to business process re-engineering and customer service are also applicable to the 504 loan program.

International Trade Program

According to Commerce Department data, 97 percent of all U.S. exporters are small businesses. The SBA estimates that in 2005 these businesses accounted for over $300 billion of U.S. exports, equivalent to nearly 30 percent of total exports. Time constraints related to planning the exporting logistics and shortage of capital are two of the barriers to exporting that small business owners must overcome. Lenders are often hesitant to provide loans to start-ups in international trade because of the inherent high degree of uncertainty related to start-ups and the complicated industry characteristics of international trade. The SBA attempts to reduce these barriers by providing small businesses with: trade assistance loans; technical assistance dealing with trade policy, regulatory and legislative issues; and management assistance.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps.

LTO	International Trade Key Performance Indicators (1)	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.1	New Loans Approved: Startup SB (number)	Output	N/A	N/A	479	801	520	913
2.1	New Loans Funded (number)	Output	127	198	444	747	482	530
2.1	Startup Small Businesses Assisted (number)	Intermediate Outcome	125	192	420	686	468	514
2.2	New Loans Approved: Existing SB (number)	Output	1,553	2,113	2,335	2,503	2,569	2,893
2.2	New Loans Funded (number)	Output	1,395	1,938	2,194	2,335	2,250	2,022
2.2	Existing Small Business Assisted (number)	Intermediate Outcome	1,313	1,872	2,064	2,165	2,138	1,921
2.2	Existing Small Businesses Counseled (number)	Intermediate Outcome	N/A	3,250	3,788	3,568	3,850	3,850
2.3	New Loans Approved: SCOG (number)	Output	N/A	N/A	2,288	2,584	2,447	2,400
2.3	New Loans Funded (number)	Output	N/A	N/A	2,145	2,404	2,400	2,280
2.3	SCOGs Assisted (number)	Intermediate Outcome	933	1,624	2,026	2,227	2,200	2,120
	Small Businesses Assisted		1,438	2,064	2,484	2,851	2,606	2,435
	New Loans Funded		1,522	2,136	2,638	3,082	2,732	2,552

(1) International Trade activity is a sub-set of 7(a) and 504 activity. Therefore the loans reported is these totals are also included in the totals presented in the 7(a) and 504 Performance Statements.

International Trade Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$5,811	$5,447	$5,400	$4,304	$5,808	$5,231

International Trade Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Loan Funded ($)	$3,818	$2,550	$2,047	$1,396	$2,126	$2,049
Per Business Assisted ($)	$4,041	$2,639	$2,174	$1,510	$2,229	$2,148

FY 2006 Accomplishments

In FY 2006, the SBA, through its Office of International Trade (OIT), met or exceeded all of its loan production targets for the year. Specifically, the SBA exceeded its international trade loan goals to start-up small businesses by 60 percent, while meeting all its targets for existing small businesses. This loan production may be due in part to a combination of successful work done by SBA's U.S. Export Assistance Center (USEAC) representatives, increased small business counseling, and the recently implemented centralized loan booking process. Joint marketing with Export-Import (EX-IM) Bank and closer relationships with Trade Promotion Coordinating Committee (TPCC) agencies have also generated more clients for SBA for technical assistance on international trade matters.

Export trade loan dollars are important to existing small businesses because these loans have a direct correlation to export transactions with foreign buyers and the dollars of export sales that support a small business's growth and sustainability. During FY 2006, international trade financing totaled $2.1 billion in export sales for U.S. small business exporters. The corresponding increase in revenues and taxes helps local and state governments, while the revenues from exports also help to offset the U.S. trade deficit.

FY 2007-FY 2008 Planned Performance

The successful realignment of USEAC staff throughout the country, implementation of the centralized loan processing system, and collaboration with the EX-IM Bank have significantly contributed to the success for outreach and export finance for U.S. small businesses.

In FY 2007–FY 2008, OIT will increase trade promotion activities to increase the number of small business exporters and to increase loans in support of export transactions. OIT will increase its collaboration with TPCC agencies, including the Department of Commerce; EX-IM Bank harmonization and marketing strategies; the overseas Private Investment Corporation; and national and community banks. A vacancy in the San Francisco USEAC, where there is a high concentration of small business exporters, will also be filled.

In addition, centralized processing with Sacramento will facilitate more effective and efficient turnaround time in loan closings. Continued training of field staff in district offices will heighten awareness of OIT programs and services.

OIT already works closely with the SBA's Office of Financial Assistance in support of standard operating procedures and loan wizards to become more efficient in these processes for loan making. Trade promotion activities will be heightened when further integration is achieved with other SBA program offices and resource partners, i.e. SBDCs, SCORE, WBO, Veterans Outreach and GCBD.

In FY 2007-FY 2008, seamless delivery, realignment of USEAC territories, additional international trade specialists in vacant slots, and continued increased production in international training, counseling and lending will make the international trade program more effective and efficient. Realignment, innovative metrics to track production, outputs and outcomes, centralized booking, and additional training for SBA staff will also be implemented. OIT will continue to make implementation of new and enhanced methods to support small business exporters, from both headquarters and the USEAC field network.

Microloan Program

In 1994 the Microloan Program was introduced to fill a gap that existed at the time within the financial assistance market. Through its Microloan program, the SBA provides funds directly to nonprofit community based lenders, which are called financing intermediaries, at a discounted rate. Intermediaries then make loans to eligible borrowers in amounts up to $35,000. These are typically very small loans to start-up and newly-established small businesses that need small-scale financing and technical assistance. Microloans are often sought by businesses that have fewer than five employees, very small capital needs, and frequently are located in underserved communities. Unlike other SBA programs, microloans to small business borrowers are not guaranteed by the Agency.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps.

LTO	Microloan Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal (1)	FY 2008 Goal
2.1	New Loans Funded for Start-up Small Businesses (number)	Output	1,118	1,022	948	895	N/A	934
2.1	Startup Small Businesses Assisted	Outcome	1,118	1,022	948	895	N/A	934
2.2	New Loans Funded for Existing Small Businesses (number)	Output	1,324	1,377	1,488	1,500	N/A	1,566
2.2	Existing Small Business Assisted	Intermediate Outcome	1,324	1,377	1,488	1,500	N/A	1,566
2.3	New Loans Funded (number)	Output	2,073	1,936	1,833	2,099	N/A	2,191
2.3	SCOGs Assisted	Outcome	2,073	1,936	1,833	2,099	N/A	2,191
	Small Businesses Assisted		2,442	2,399	2,436	2,395	N/A	2,500
	New Loans Funded		2,442	2,399	2,436	2,395	N/A	2,500

(1) As funding was not requested for FY 2007, no goals were established.

Microloan Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$25,008	$24,831	$18,489	$15,870	$592	$2,340
Loan Approving ($000)	$6,122	$8,399	$3,859	$3,040	$0	$1,955
Approving Admin Cost ($000)	$2,243	$6,216	$1,855	$1,702	$0	$1,955
Loan Subsidy ($000)	$3,879	$2,183	$2,004	$1,338	$0	$0
Loan Servicing ($000)	$3,708	$366	$387	$20	$460	$263
Loan Liquidation ($000)	$51	$125	$115	$0	$132	$122
Tech Asst ($000)	$15,127	$15,940	$14,129	$12,810	$0	$0

Microloan Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Loan Approving Cost Per Loan Funded ($)	$2,507	$3,501	$1,584	$1,269	N/A	$782
Program Cost Per Business Assisted ($)	$10,241	$10,350	$7,590	$6,626	N/A	$936

FY 2006 Accomplishments

In FY 2006, microloans to existing small businesses represented 63 percent of total microloans approved. The average loan to an existing business was $12,773, and the average loan to a start-up was $13,714. A significant number of microloans are accessed by small businesses that face special opportunity gaps, with nearly 45 percent, or 1,066 loans, going to women-owned firms, 662 loans to African American- and 463 loans to Hispanic-owned companies in FY 2006.

FY 2007-FY 2008 Planned Performance

The SBA will continue to work with its participating microloan intermediaries to promote the program and to improve processes and procedures, thereby facilitating continued interest in and support of a program that continues to face resource limitations. SBA is also continuing work with intermediary lenders to improve their reporting systems and reporting processes and to improve their understanding of and adherence to the program's policies and procedures. The Agency anticipates publishing enhanced procedural guidance for the Microloan program in FY 2007.

In FY 2006 SBA's Microloan program cost the taxpayers 85 cents per dollar lent to intermediaries. This may be compared to the 0.3 cent cost of lending a dollar through the 7(a) program. The Microloan program has been so expensive because the government deeply subsidizes the program through a very favorable interest rate charged to intermediaries and because of the relatively costly technical assistance component of the program. This interest rate charge to intermediaries is actually as low as 2 percent below the five-year Treasury bill rate.

In an effort to expand support for micro-borrowers, in tandem with the Microloan program, the SBA has piloted the Community Express program. This 7(a) pilot was designed specifically to reach underserved markets and provides both financial assistance and technical assistance. The latter is provided through leveraging the skills of the Agency's counseling and training partners — SBDCs, SCORE, and Women's Business Centers. Furthermore, many micro-borrowers are supported through the general 7(a) program. Forty-four percent all 7(a) loans are for amounts under $35,000, the microloan limit. Through Community Express SBA has managed to provide more micro borrowing opportunities for underserved markets than have been provided in the microloan program.

However, SBA recognizes the role of traditional microloan intermediaries and believes that it can improve the Microloan program and make it more effective.   The Agency is proposing the following changes to the program in FY 2008:

- Bring the Microloan program to a zero subsidy rate for FY 2008 by increasing the rate SBA charges to a microlender for an SBA loan from 2 percent below the five-year Treasury rate to 1.06 percent above the five-year Treasury rate (to 5.99 percent in FY 2008). On the average, microlenders charge microborrowers about 10.5 percent for the loans they make.
- Discontinue funding technical assistance for SBA micro-borrowers through intermediaries and provide that assistance through the Agency's Entrepreneurial Development management assistance partners.

SBA understands that the proposed new interest rate may negatively affect some intermediaries. However, the ability to lend to intermediaries at higher levels will enable SBA to reach far more potential intermediaries and correspondingly far more micro-borrowers. The Agency plans to use this proposal to increase the reach of SBA assistance without incurring further cost. The SBA also believes that many intermediaries are not taking advantage of the potential advantages of the more than 2,000 SBA technical assistance outlets available nationwide.

Small Business Investment Company Program

Licensed and regulated by the SBA, SBICs are privately owned and managed companies that make funds available to small businesses. SBICs use funds raised from private investors plus funds obtained at favorable rates with SBA guarantees to invest in small businesses. In addition to providing funds, SBICs also provide technical assistance.

The SBIC Program consists of both debentures and participating securities programs. Since the mid-1990s, the debentures program has been smaller than the participating securities program, both in terms of licenses issued and leverage committed each year. No new participating securities licenses or leverage commitments have been issued since FY 2004 when new financing for the program was terminated. Because the PS program was the larger program within the SBIC program, the discontinuation of the PS program after FY 2004 has been misunderstood by many in the general public and the private equity press as the discontinuation of the entire SBIC program. The debenture security is appropriate for a smaller group of funds than those that used the PS security. The Investment Division began an effort in FY 2006 to market its debentures program in private equity venues. The Investment Division also began looking at ways to improve the debentures program to make it more attractive to SBICs and potential applicants, while maintaining the program's financial integrity. Although applications have not significantly increased to date, there is an improved awareness that the debentures program remains strong.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps.

LTO	SBIC Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.2	Existing Small Business Assisted (Number) (1)	Intermediate Outcome	1,675	1,675	1,559	1,488	1,333	1,199
2.3	SCOGs Assisted (Number)	Intermediate Outcome	580	405	351	285	674	555
	Existing Small Businesses Assisted		1,675	1,675	1,559	1,488	1,333	1,199

(1) The SCOG indicator definition has been revised for FY 07 and subsequent years to include Low and Moderate Income groups.

SBIC Budgetary Resources		FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	(2)	$12,987	$13,490	$15,874	$15,169	$16,587	$20,626
Approving Admin Cost ($000)		N/A	N/A	N/A	$3,648	$0	$4,960
Servicing Admin Cost ($000)		N/A	N/A	N/A	$8,385	$0	$11,402
Liquidation Admin Cost ($000)		N/A	N/A	N/A	$3,136	$0	$4,264

SBIC Efficiency Measures		FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Business Assisted ($)	(2) (3)	$7,753	$8,053	$10,182	$2,452	$0	$4,137

(2) Cost data was not collected at the component level for the FY 2007 Estimate.
(3) The formula for calculating the "per Business Assisted" cost was revised in FY 2006 to include only the cost for approving a loan. Previously, this measure was calculated using Total Program Costs.

FY 2006 Accomplishments

In FY 2006, the SBA slightly exceeded its SBIC goal of 1,442 and assisted 1,488 existing small businesses.

In order to help minimize the losses in the PS program, terminated after FY 2004, and to ensure the debentures program remains financially sound, the Investment Division continued to increase its financial monitoring efforts in operations. As a result, the SBA achieved the lowest percentage of capitally impaired PS SBICs since FY 2000.

One action taken towards making this program more attractive to SBICs and potential applicants was the removal of the prepayment penalty on debenture securities (leverage). In addition, the SBA re-evaluated certain SBIC program regulations that were in conflict with industry norms. The Agency also updated its website to be more reflective of the debentures program and to make it easier to find information regarding the program and its application process.

In FY 2006, the SBA undertook a major initiative to address the portfolio of investments in liquidation. A strategy and implementation plan to manage the liquidation portfolio in a manner that maximizes recoveries while reducing costs to the taxpayer was established. As a result of some of these efforts over $300 million was recovered in liquidation in FY 2006, over twice the amount recovered in FY 2005.

FY 2007-FY 2008 Planned Performance

The SBA projects that the goals for assisting existing small businesses for FY 2007 and FY 2008 will continue to decline as a result of the termination of the PS program. The PS program was the most active and growing part of the SBIC program, and the reduced goals recognize the reduced number of SBICs that will be actively investing over the coming years.

With respect to small businesses facing special competitive opportunity gaps, the Agency has adjusted its goals for FY 2007 and FY 2008 and this reflects a revision of the definition of businesses facing special competitive opportunity gaps to include the low-and-moderate income areas, which were previously tracked separately.

Current estimates of losses in the SBIC program amount to $2.4 billion. This figure is projected to grow due to the remaining commitments that have not yet been disbursed. The existing portfolio in liquidation amounts to $1.5 billion despite significant recoveries in FY 2006. Liquidation of the portfolio of defaulted participating security investments will continue to be a major focus for the Agency in FY 2007 and FY 2008. To continue its oversight efforts, SBA requests in its FY 2008 budget $1.5 million to continue its valuation contract, develop a liquidation plan, and implement an examination contract. This investment will help maximize recoveries on the $1.5 billion in the Office of Liquidation, and minimize losses on the $10.4 billion in outstanding leverage and commitments in the Office of Operations.

New Markets Venture Capital Program

The New Markets Venture Capital (NMVC) 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 NMVC program is helping to address this need. Through its unique combination of equity capital and no-cost technical assistance, NMVC companies offer entrepreneurs in low-income areas an enhanced opportunity to succeed.

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

The NMVC program is a small, pilot program and investments made within it can fluctuate substantially on a year-to-year basis as seen by performance trends presented in the following table.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps.

LTO	NMVC Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.2	Existing Small Business Assisted (number)	Intermediate Outcome	N/A	22	14	22	11	10
2.3	SCOGs Assisted (number)	Intermediate Outcome	N/A	22	20	34	15	10
	Existing Small Businesses Assisted		N/A	22	14	22	11	10

NMVC Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$12,626	$472	$349	$26	$361	$23

NMVC Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Business Assisted ($)	N/A	$21,474	$24,927	$1,182	$32,818	$2,300

FY 2006 Accomplishments

During FY 2006, the SBA used its NMVC program to address the unmet equity needs of targeted low-income areas across 17 states and the District of Columbia. The Agency addressed these needs by providing access to NMVC equity investing and no cost technical assistance, through NMVC companies, to 34 actual portfolio concerns.

FY 2007-FY 2008 Planned Performance

The SBA does not expect that the number of low-income enterprises receiving financings to continue increasing as the amount of funding remaining for the program continues to decline. This will impact the ability of the NMVC companies to make investments. The funds typically have a five-year investing period and most of the funds are nearing the five-year anniversary from when they began investing. As such, many of the new investments going forward will be follow-on investments necessary to maintain the viability of the portfolio.

Management and Technical Assistance

One of the roles of the SBA is to help small businesses avoid negative consequences, including business failure and bankruptcy. Businesses fail for many reasons and, although it is the reason most often cited, inadequate financing 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. The SBA, through its management and technical assistance programs designed to address these potential pitfalls, helps small businesses get off to a good start, and increases their chance of becoming established, employment-generating businesses. These programs help existing businesses prosper and grow.

The Agency also strives to continue improving 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. This way the SBA 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 the SBA's assistance.

The SBA delivers management and technical assistance through: the Office of Entrepreneurial Development (Small Business Development Centers, Women's Business Centers, SCORE and the Drug Free Work Place program); District Offices Counseling and Training; the Office of Native American Affairs; the 7(j) program; the Microloan program; District Offices Marketing and Outreach; the Veterans Business Development program; and the Faith-Based Initiatives program.

Office of Entrepreneurial Development

Each year over 1.2 million small businesses and entrepreneurs utilize the expertise of the SBA's resource partners — the Small Business Development Centers (SBDCs), the Women's Business Centers (WBCs) and SCORE — to establish or grow a small business. This 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.

The Office of Entrepreneurial Development (OED), home to these resource partners, has recognized the importance of external measurement and client validation of its services. To that end, OED has implemented an ongoing longitudinal analysis of both the value and impact of its services. In FY 2006, the SBA produced the second-year report of its first three-year longitudinal study of small businesses that have received SBA's management and technical assistance from OED's programs (SBDC, SCORE, WBC). This study is an external, independent evaluation of the value and impact of OED programs. The respondents gave high ratings to the usefulness of assistance they received and have a higher survival rate than those analyzed in the PSED Kauffman Study[4]. A copy of the full report can be viewed at www.sba.gov/ed/2004_Final_ED_Report.pdf.

FY 2006 began a transition period for a new OED metric strategy that focused on program outcome measures as well as outputs. By utilizing both types of metrics, OED programs can better evaluate production and efficiency capabilities while also measuring the resulting economic outcomes of these capabilities. These changes were implemented in FY 2007 and are reflected in the tables that outline the program goals for FY 2008.

Finally, FY 2006 marked the completion of the first year of full EDMIS[5] implementation by all OED programs. EDMIS standardizes the method by which data is collected from each resource partner and provides the platform on which data can be consistently measured and evaluated. Moving forward into FY 2007 and FY 2008, OED will continue to evaluate and improve the EDMIS system with the goal of making it a more dynamic and comprehensive reporting tool.

In FY 2007 and 2008, OED continued its customer-focused approach to improving the effectiveness and efficiency of its management and technical assistance at all stages of the small business lifecycle.

In addition, OED will partner with the Office of Capital Access to better leverage the management and technical assistance being provided by OED resource partners. In both the expansion of the Community Express pilot and the Microloan Program, OED resource partners are able to provide the required management and technical assistance component.

In OED's data collection system, demographic information is voluntary, offered by only a portion of the OED client base, and is not verified. This type of information cannot be mandated from recipients of OED services. It is therefore necessary to reevaluate in 2007 how representative that data is of the entire client population, and develop a new policy on how to report Special Competitive Opportunity Gaps (SCOG) data. SCOG data is not currently a goaled metric for the SBDC, WBC or SCORE programs.

Small Business Development Center Program

SBDCs exist from a unique collaboration of SBA funding combined with state and private sector resources. By providing grant funding across the country for the SBDC program, SBA contributes to the Nation's economic welfare through job creation and retention, and growing business revenues. Small Business Development Centers provide to small businesses and aspiring entrepreneurs a wide array of management and technical assistance support, which helps strengthen business performance and sustainability and adds to the creation of new business entities. These small businesses in turn foster local and regional economic development through job creation and retention as a result of the extensive one-on-one long-term counseling, training and specialized services they receive from the SBDCs.

As the SBA's largest management assistance program, SBDCs meet the counseling and training needs of roughly 650,000 business clients annually. They do this by helping small businesses: develop business plans; acquire manufacturing information; and obtain financial, procurement and international trade assistance. Special emphasis areas include: e-commerce; technology transfer; IRS, EPA and

[4] PSED – The Panel Study of Entrepreneurial Dynamics (PSED) is a nationally representative database that offers systematic, reliable and generalizable data on the process of business formation. It includes information on the proportion and characteristics of the adult population attempting to start new businesses, the kinds of activities nascent entrepreneurs undertake during the business start-up process, and the proportion and characteristics of the start-up efforts that become infant firms.

[5] EDMIS is the SBA's standardized data collection and reporting system for all OED resource partner programs and Field Operations.

OSHA regulatory compliance; research and development; defense economic transition assistance; disaster recovery assistance; and market research.

OED requires that the SBDCs employ their best efforts to ensure that their economic development and technical assistance services are available to all small business populations, including special emphasis groups such as minorities, women, Native Americans, 8(a) firms in all stages, veterans and service-connected disabled veterans, reservists called to or who may be called to active duty, people with disabilities, individuals currently and formerly receiving public assistance, individuals in low and moderate income urban and rural areas, and individuals located in HUB Zones.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

SBDC's Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Total Program ($000)	$92,760	$103,541	$105,593	$103,007	$105,319	$104,726

FY 2006 Accomplishments

The SBA recognizes the importance of small business creation and sustainability. With the development of new metrics, the SBDC program will ensure that economic impact is the primary criterion for its programs. Ultimately, this contributes to the greater economic climate as reflected in the number of jobs created, revenue generated, and state and federal tax dollars contributed to the overall economy.

New Performance Metrics — In FY 2006, performance measurements for the SBDC program were revised from counting the numbers of clients counseled and trained to three new measurements, intended to expand the program's economic impact. These new measurements are the stated and mandatory deliverables for the 63 SBDC grant recipients for ensuing years. The measurements are:

- Number of long-term contact clients (5 hours or more).
- Number of new businesses created.
- Dollar amount of capital infusion (to include SBA loans, non-SBA loans and equity investment).

By developing and implementing goals with local SBDCs that recognize the importance of small business creation and sustainability, and the performance measures that contribute to this end (long-term, quality counseling, capital infusion and new business starts), the SBDC program will focus on economic impact as the final criterion for the program.

Improved Organizational Management and Efficiency — During FY 2006, OSBDC committed extensive resources to making functional organizational improvements to its programs and office structures. It examined management and oversight processes aimed at reviewing, revising, and cross referencing program and financial reviews and report follow-ups.

OSBDC assesses the level of oversight needed and establishes a comprehensive oversight plan for each SBDC network based on each program's level of risk, its performance and funding. Reviewers place less emphasis on conducting full examinations of proven centers with good track records and concentrate more heavily on the functioning of new centers and those centers facing operational challenges.

FY 2007-FY 2008 Planned Performance

For FY 2007**,** the emphasis will be on the expanded use of online training to deliver business management information and services. The SBA will be looking for its network of SBDC providers to utilize online capability to increase access and availability for clients through, among other avenues, creation of innovative economies of scale between and among the various 63 grant recipients. In order to increase access to a full array of federal programs for small businesses, the SBDC program will place increased emphasis on cooperative relationships with programs such as the National Institute of Standards and Technology's Manufacturing Extension Partnership program, SBA's 8(a) clients, Community Express clients, and microloan borrowers, and with the Department of Labor and its Growing America Through Entrepreneurship and Workforce Innovation in Regional Economic Development programs. With access to the first baseline year of client data from EDMIS, SBA will be able to verify and analyze the effectiveness of the performance measurements developed in FY 2006 in redirecting the program toward outcomes. This will allow for early detection of trends and problem areas, as well as best practices of SBDCs, and will affect the type of review an SBDC receives.

Work will continue on the development of an electronic model that collects information on various aspects of individual SBDC activity, providing information on the quality of each lead center and the overall network. Once fully deployed in FY 2007, the model will serve as the Agency's main source of integrated reference documentation for each center, identifying common challenges in the areas of compliance and statistically tracking changes in the SBDC network over periods of time.

For FY 2008, the SBA will place continued emphasis on increasing the use of online training as a method of increasing client access by requiring SBDC grant recipients to have an online training component as part of their menu of service options. In response to the need for small businesses to be technology proficient and competitive in the global economy, SBA will also be emphasizing an expansion of the number of SBDCs that have a technology designation, since technology-designated SBDCs provide a higher level of technology services to their clients. In FY 2008, SBA will have available a full year of data which uses the new program performance measurements, particularly the data on the number of long-term counseling clients (5 hours or more). The SBA will utilize this data to do an assessment of its value as an indicator.

Women's Business Center Program

The Women's Business Center (WBC) program targets, by virtue of its enabling legislation, its business counseling and training services to underserved markets, specifically socially and economically disadvantaged women. WBCs are community-based, conducting business in the neighborhoods and locations closest to the customers they serve. The Office of Women's Business Ownership's (OWBO) strategy to maximize services to this population is to continue to add new service centers as much as possible, while retaining the most experienced and productive WBCs for the fullest extent possible (ten years) in order to reach and assist as many women entrepreneurs in as many communities as possible to start and grow their businesses.

Under the Women's Business Center program, centers are eligible for SBA assistance for a maximum of 10 years. Grants are renewed annually, and grant amounts are performance-based. The mature centers that are the most successful, efficient, and popular eventually graduate out of the program.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	Women's Business Centers Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.1	Start-ups - total clients served	Intermediate Outcome	85,290	98,170	115,453	103,498	104,647	107,786
2.1	Businesses created	Intermediate Outcome	N/A	N/A	N/A	Base-Line	TBD	TBD
2.1	Jobs created/retained (#)	Intermediate Outcome	6,538	7,921	9,442	6,879	6,879	6,879
2.1	Start-ups - total counseling hours	Output	N/A	N/A	N/A	Base-Line	TBD	TBD
2.2	Existing SB - total clients served	Intermediate Outcome	21,322	24,542	28,863	25,875	26,162	26,947
	Total Small Businesses Assisted (Number)		**106,612**	**122,712**	**144,316**	**129,373**	**130,809**	**134,733**

Women's Business Centers Budgetary Resources		FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Total Program ($000)		$16,653	$21,670	$23,555	$22,033	$23,959	$23,193

Women's Business Centers Efficiency Measures		FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Per Client Served ($)		$156	$177	$163	$170	$183	$172

FY 2006 Accomplishments

In FY 2006, the SBA awarded grants to 19 nonprofit organizations to start new Women's Business Centers, thereby reaching numerous new communities. To ensure continued service to their communities, 13 sustainability grants were awarded to existing WBCs that had completed the initial 5-year grant period. With the newly-funded centers, the SBA will have 99 WBCs nationwide.

New Performance Metrics — In FY 2006, performance metrics for the WBCs were modified to add "businesses created" as an outcome measure for the program, and an additional output measure, counseling hours. By adding these measures, OWBO can better evaluate WBC production and efficiency capabilities while also measuring the resulting economic outcomes of these capabilities. These changes were implemented in FY 2007.

Improved Organizational Management and Efficiency — In FY 2006, OWBO implemented new grantee procedures and expects these new procedures to enhance the effectiveness and efficiency of the program in the years to come.

FY 2007-FY 2008 Planned Performance

In both FY 2007 and FY 2008, OWBO will rely on personnel in the district offices to provide local oversight and support to the WBCs in their areas. The district offices are integral to the success of the program. They inform the public of the local resources available to women, steer clients to the WBCs, and conduct joint mentoring and other events with the WBCs.

In FY 2007, the portfolio of Women's Business Centers will be comprised of 48 centers in the regular program and 51 sustainability centers, for a total of 99 centers in the network. At the end of FY 2007 nine sustainability centers will graduate from the program, and one center will go from regular to sustainability.

It is anticipated that the centers will train and counsel over 130,000 clients and that approximately 6,800 jobs will be created as a result of the counseling and training provided.

In 2008, the portfolio of Women's Business Centers is projected to be comprised of 47 centers in the regular program and 43 sustainability centers, for a total of 90 centers in the network. At the end of FY 2008 one center will graduate and 10 centers will go from regular to sustainability status, with a total network comprised of 89 centers.

It should be noted that the WBC program is a performance-based funding program. Therefore, only those centers whose productivity and performance complies with program guidelines and Agency standards are funded after the first award year.

SCORE

For over 40 years, SCORE's cadre of volunteer business professionals has provided business advice, mentoring, workshops, and seminars for nascent and early start-up businesses. Nearly 11,000 business coaches in over 390 chapters and 800 physical locations provide face-to-face counseling and training to start, grow and sustain businesses. Additionally, SCORE's award winning online counseling provides 24/7 access to more than 1,500 online business advisors with 800 business industry and functionality skills sets. SCORE's website, www.SCORE.org, which features competitive gap entrepreneurial communities, a business center and two newsletters on business trends and assistance, has been nationally honored by *Entrepreneur, Money* and AOL.

SCORE extends business counseling to underserved entrepreneurs, and recruits volunteer business counselors from the demographic and geographic communities they serve. SCORE has and will continue to cultivate alliances with national organizations like the National Black Chamber of Commerce, the White House Initiative on Asian Americans and Pacific Islanders), Kappa Alpha Phi Fraternity, the Urban Entrepreneurship Initiative and Women Influencing Public Policy, to further its underserved market outreach.

SCORE's website has business publications in Spanish and also provides online counselors with Spanish language expertise. SCORE's most popular publication on how to start and grow a business is also available in Spanish. Additionally, there are unique websites for both women and minority entrepreneurs, which include resources, statistics, and data as well as counseling. The SCORE National Board is diverse, with 50 percent of its directors comprised and women and minorities.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	SCORE Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.1	Start-ups - total clients served	Intermediate Outcome	310,426	298,160	257,327	200,090	210,703	217,024
2.1	Start-ups - number of online counseled clients	Output	83,251	90,406	77,764	56,139	59,370	61,151
2.1	Businesses created	Intermediate Outcome	N/A	N/A	N/A	N/A	Base-Line	TBD
2.2	Existing SB - total clients served	Intermediate Outcome	63,581	61,069	52,706	40,983	43,156	44,451
2.2	Existing SB - number of online counseled clients	Output	17,052	18,517	15,927	11,498	12,160	12,525
	Total Business Assisted (Number)		**474,310**	**468,152**	**403,724**	**308,710**	**325,389**	**335,151**

SCORE Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Total Program ($000)	$11,284	$17,209	$18,507	$16,932	$ 18,996	$ 19,430

SCORE Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Per Client Served ($)	$24	$37	$46	$55	$58	$58

FY 2006 Accomplishments

New Performance Metrics — In FY 2006, performance metrics for SCORE were modified to add, “businesses created” as an outcome measure. By adding this measure to the existing outcome measures, SCORE can better evaluate production and efficiency capabilities while also measuring the resulting economic outcomes of these capabilities. This change was implemented in FY 2007.

Improved Organizational Management and Efficiency — In response to the request for improved oversight of the SCORE program, a site visitation protocol was implemented. In 2006 six SCORE locations were visited and evaluated for best practices, efficiency and effectiveness, and adherence to the national SCORE organization’s operating guidelines. The sites selected were diverse in size, location, market, and production.

FY 2007-FY 2008 Planned Performance

For FY 2007, the new SBA strategy will be the research and development of online training workshops. Most developing and beta testing for the online training workshops will be occurring in FY 2007 with a full complement of online training workshops in FY 2008.

In FY 2008, the SBA will have full use of newly created online training workshops and expand web-based information and resources, specifically business trends and life cycle, to attract clients and serve as a 24/7 portal to counseling and training services. In addition, SCORE counselors will include 25 percent women and minority volunteers. With anticipated level funding, FY 2008 performance goals are expected to stay at the FY 2007 levels.

Drug Free Work Place Program

The Drug Free Workplace (DFWP) program 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. The program also requires the SBA to award contracts to Small Business Development Centers to provide information and assistance to small businesses with respect to establishing drug free workplace programs.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	DFWP Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.2	SB educated (Number)	Output	11,873	19,400	5,150	531	1,400	1,450
2.2	Programs implemented (Number)	Output	1,500	1,075	1,029	62	160	165

DFWP Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Total Program ($000)	$1,941	$1,025	$1,033	$1,165	$1,046	$1,217

DFWP Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
Per Small Business Educated ($)	$164	$53	$201	$2,194	$747	$839

<u>FY 2006 Accomplishments</u>

In FY 2006, there were five grantees that carried out the requirements of the program. During the year, another program announcement for the DFWP program was issued.

<u>FY 2007-FY 2008 Planned Performance</u>

For FY 2007 the SBA expects to add approximately five more grantees. With the one program that is expected to drop out, there will be nine grantees in the program.

For FY 2008, the nine DFWP grantees will continue to provide technical and financial assistance to small businesses that are interested in implementing drug free workplace programs and continue to provide training to those small businesses that are maintaining a DFWP program.

In FY 2008 DFWP grantees are expected to educate 1,450 small businesses on maintaining their programs. It is anticipated that 165 programs will be implemented in 2008.

District Offices Counseling and Training

SBA district offices provide counseling and training services to individuals and/or businesses that aid in the formation, management, financing, and/or operation of a small business enterprise. Counseling, as opposed to training, is one-on-one and is specific to the client's individual needs. Training is delivered via a structured program on a business-related subject to one or more attendees at events lasting at least one hour.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrpreneurs

LTO	District Offices - Counseling and Training Performance Indicator	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.1, 2.2	Small Business Assisted (Number)	Output	N/A	329,270	409,276	315,665	300,000	300,000

Counseling and Training Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program Cost ($000)	$0	$0	$29,563	$15,509	$30,757	$18,703

Counseling and Training Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Business Assisted ($)	N/A	$0	$72	$49	$103	$62

FY 2006 Accomplishments

In FY 2006, SBA field office employees counseled and trained 315,665 small businesses or would be entrepreneurs. The topics of the counseling and training were as diverse as the clients, ranging from developing business plans to complying with tax and regulatory requirements, navigating the federal procurement process, and accessing capital.

FY 2007-FY 2008 Planned Performance

The goal for FY 2007 and FY 2008 is 300,000 counseling and training sessions. These goals are less than the FY 2006 actual, but were thoughtfully established after full consideration of the resources in the field and after management reallocated existing staff to perform statutorily mandated activities and other Agency priorities. The goal is still aggressive, and district offices will strive to reach clients facing competitive opportunity gaps.

District offices staff will continue to monitor trends in the small business community in order to be prepared to respond to the varied needs of their communities. District office employees will continue to leverage other state and local economic development organizations to have a comprehensive and vast network of resources to share with their clients. New and innovative strategies to reach different segments of the population will be used. Collaborative efforts will continue with faith-based and community organizations as well as with the Urban Entrepreneur Partnership (UEP), a public-private initiative to foster entrepreneurship and business development to spur wealth and job creation in historically neglected and economically underserved urban areas nationwide.

District Offices Marketing and Outreach

The SBA district offices provide information on and promote SBA products to lending partners, the small business community, and many groups such as chambers of commerce and trade associations. District office staffs foster solid, long-term relationships with lenders in their communities. Through these relationships, the SBA ensures that lenders understand the mission and vision of the Agency and Administration priorities. The training conducted by district staffs for SBA lenders reaps significant benefits in pre- and post-loan making which results in better financial controls. The small business community that participates in SBA-sponsored marketing and outreach events often learns of programs or services which meet current or anticipated organizational needs. Availing themselves of these services is often critical to their business' continued success and growth.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	District Office Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.1, 2.2, 2.3	Lender Training (number of lenders)	Output	N/A	N/A	18,926	15,448	N/A (1)	N/A (1)
2.1, 2.2, 2.3	Marketing and Outreach (number of activities)	Output	N/A	N/A	479,098	460,869	N/A (1)	N/A (1)

District Office Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Lender Training Total Program Cost ($000)	$0	$0	$10,126	$6,088	$10,616	$7,320
Marketing and Outreach Total Program Cost ($000)	$41,500	$59,602	$51,684	$54,111	$55,095	$64,961

District Office Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Lender Training Per Lender ($)	N/A	N/A	$535	$394	N/A (1)	N/A (1)
Marketing and Outreach Per Activity ($)	N/A	N/A	$108	$117	N/A (1)	N/A (1)

(1) The District Offices do not set targets for Lender Training or Marketing and Outreach.

FY 2006 Accomplishments

The SBA, in conjunction with the America East Lenders' Conference, trained 91 field staff in *Basic Commercial Credit* and *How to Train Lenders*. In addition to providing information about SBA loans, district office employees conducted marketing, outreach, and training programs on contracting with the Federal Government and other business development opportunities to the Nation's socially and economically disadvantaged small businesses. Nationwide, 15,448 lenders were trained by the SBA field network, and 460,869 marketing and outreach events were conducted by staff in SBA's field offices.

FY 2007-FY 2008 Planned Performance

In FY 2007 and FY 2008, the SBA will continue to conduct marketing and outreach events to assist groups facing special competitive opportunity gaps. Lack of access to capital is one of the main gaps faced by firms whose ownership is African American, American Indian or Alaska Native, Hispanic, female, low income, or rural. District office marketing and outreach events are effective vehicles to educate these groups on the availability of SBA programs and services.

In FY 2007 and FY 2008, SBA will again emphasize the training of Agency lending partners on SBA's policies and procedures. Well-trained lenders result in more complete and accurate loan packages, which reduce processing time and ultimately get money in the hands of deserving small businesses sooner. An anticipated benefit of training lenders on SBA lending policies would be strict adherence to the established requirements in making and servicing the loan, reducing the likelihood of a loan defaulting. If a loan does default, it benefits all parties if the lenders are well-versed in the guarantee purchase process, another aspect of district office lender training. These efforts are part of the Agency's improved financial management goal.

Office of Native American Affairs

The SBA Office of Native American Affairs (ONAA) is charged with providing assistance to American Indians, Alaska Natives, Native Hawaiians, and the indigenous people of Guam and American Samoa. SBA loan guarantees and technical assistance services are available to members of these constituencies living in urban areas and certain rural communities. For Native American members living in much of Indian Country, actual reservation communities where the land is held in trust by the United States Federal Government, SBA loan guarantees and technical assistance services are not available and so the SBA provides marginal value at best to these populations, leaving these areas underserved.

FY 2006 Accomplishments

Creation of the Tribal Self Assessment Tool — ONAA convened an Initiative Oversight Committee made up of approximately 30 people, mostly of Native descent and coming from a wide geographic area. Comprised of economists, lawyers, entrepreneurs, tribal leaders, corporate executives and leaders of not-for-profit organizations engaged in Indian Country, this group convened for the purpose of providing oversight assistance to the ONAA's contractor responsible for managing the development of the Tribal Self Assessment Tool.

FY 2007-FY 2008 Planned Performance

SBA is targeting marketing, outreach and training to Native Americans to enhance their business opportunities. During 2007 the ONAA, tribal leaders and decision makers will continue to embark upon existing initiatives to complete the web based "Self Assessment Tool". This web based tool will be available to all members of the Tribal community, directing tribes into areas of likely success and away from pursuit of initiatives ill-suited to the tribal Nation. Outreach will continue to promote tribal and entrepreneurial 8(a) certification, government contracting, and continued development of the Self Assessment Tool

7(j) Program

Business Development 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. Assistance may include accounting and marketing services, feasibility studies, loan packaging, proposal/bid preparation, and other specialized management training.

Performance Statement
Program Level Assistance

Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	7(j) Keys Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY2007 Goal	FY2008 Goal
2.2,2.3	Existing SB Assisted	Intermediate Outcome	N/A	5,776	2,107	2,200	2,317	2,200	2,310

7(j) Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY2006 Budget	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$2,803	$4,626	$3,116	$2,905	$2,289	$4,077	$2,472

7(j) Efficiency Measures	FY 2003 Actual	FY 2003 Actual	FY 2004 Actual	FY2006 Budget	FY 2006 Actual	FY 2006 Actual	FY 2008 Request
Per Business Assisted ($)	N/A	$801	$1,479	$1,320	$988	$1,853	$1,070

FY 2006 Accomplishments

In FY 2006 the SBA provided basic and advanced CEO training and cost and price analysis to 7(j) eligible firms nationwide. The assistance was provided through face-to-face trainings. Web-based seminars and DVDs were provided to those firms that could not attend the in-person trainings.

FY 2007-FY 2008 Planned Performance

In 2007, the contract currently in place for providing 7(j) management and technical assistance to eligible firms will be enhanced to include: 1) development of additional training DVDs; 2) increased class size for the CEO training module; 3) expanded geographical focus to include more district offices; 4) expansion of the 7(j) targeted population to include more Native Americans, and 7(j) eligible firms located in rural areas and areas affected by the Gulf Coast hurricanes; and 5) veterans whose businesses qualify as 7(j) eligible.

Providing that 7(j) funding levels remain the same or are increased, expansion and diversification efforts in FY 2008 will continue. Face-to-face training, DVDs and web-based training will continue to be the hallmark vehicles for delivering services to 7(j) eligible customers. In addition, a DVD to be used by procuring agencies on 8(a) contracting will be developed.

7(j) management and technical assistance training will be of greater importance in FY 2007 as the OIG recommendation to make business development the focus of the 8(a) program is adopted by the program office. By FY 2008 a tracking system will be developed and deployed in the Business Development Management Information System (BD-MIS) that will be used as a tool to assess the development needs of 8(a) firms and the assistance each firm receives from entrance in the program to exit from the program.

Veterans Business Development

The mission of the SBA Office of Veterans Business Development (OVBD) is to conduct comprehensive outreach to veterans, service-disabled veterans and Reserve and National Guard small business owners; formulate, execute and promote policies and programs of the Administration; act as an ombudsman for full consideration of veterans in all programs of the Administration; and be responsible for implementing the Presidents Executive Order #13360 (providing opportunities for service-disabled veteran businesses to increase their federal contracting and sub-contracting).

To accomplish its mission, the SBA offers programs and services designed to assist small business owners and entrepreneurs in starting, managing and growing successful small business concerns that are a source of competitive American strength in the global economy. OVBD operates its National Outreach Initiative — reaching veterans interested in starting, managing and growing successful small business concerns — through direct service delivery, utilization of funding agreements with resource partners, coordination of outreach and service delivery with other federal agency partners, and through development of Agency program initiatives.

FY 2006 Accomplishments

The SBA, through OVBD programs, enhanced and significantly increased successful small business ownership and success by bridging competitive opportunity gaps facing entrepreneurs. Through OVBD's coordination, marketing and support of Agency counseling and training programs, counseling and training assistance was provided to more than 80,825 veterans, Guard and Reserve and 1,325 entrepreneurs on active duty. Thirty-two local outreach, counseling and training events coordinated by district offices reached 14,906 veteran small business owners, and Veteran Business Outreach Centers counseled and trained more than 11,000 veteran business owners and created more than 2,500 jobs as a result of their outreach. In total, more than 107,000 veterans and reservists received counseling and training, and more than 7,700 received financial assistance.

The SBA completed distribution of more than 17,500 veterans business development resource materials directly to Guard and Reserve units. In addition, resource material in electronic format was provided to state and local entities, to the 50 ESGR (Employer Support for Guard and Reserve) state offices for distribution to Reserve component members who are small business owners or self employed, and to the 165 identified veteran service organizations nationwide. Through these resources, the SBA reached more than 1.5 million veterans, service-disabled veterans and Reserve component members.

The Office of Veterans Business Development continued to produce and distribute the *VET Gazette* newsletter and the VET News/Business Update and Alerts, to its database of more than 44,000 veterans, agency employees and veteran's organizations. This outreach effort provided information on federal procurement opportunities for veteran and service-disabled veteran business owners, and contributed to a 15 percent increase in service-disabled veteran registration in CCR (Central Contractor Registration) for FY 2006.

FY 2007-2008 Planned Performance

For FY 2007-FY 2008, OVBD plans to continue making significant efforts to reach and educate veterans, service-disabled veterans, Reserve and National Guard members, and active duty personnel entrepreneurs regarding the availability of management and technical assistance, lending and procurement programs from SBA, other government agencies, and the private sector. OVBD will continue to develop and maintain information and educational packages such as the Veteran's Resource Guides, pre and post Mobilization Guides, fact sheets, PowerPoint presentations, and the *VET Gazette* electronic newsletter.

OVBD is designated as the government-wide point office for implementing the Presidents Executive Order #13360 which requires increasing procurement opportunities for service-disabled veteran-owned small businesses. Accordingly, plans are being developed and additional funding and staffing resources are being requested to implement this important mission. New initiatives will include:1) developing training and mentoring programs for service disabled veteran-owned small businesses (DVOSBs) and veteran-owned businesses; 2) enhancing program delivery from SBA's primary technical assistance and lending programs; 3) investigating and implementing best practices for outreach, training, e-based registration, teaming, matchmaking, and web-based assistance; and 4) investigating the performance capability of the SDVOSB community to determine needs for enhancing other SBA programs to achieve the three percent federal goal. Achievement of this aggressive plan envisions short-term contract assistance and the requisite funding.

An increased operating budget will allow OVBD to expand funding support to SBA district offices with significant populations of veterans, service-disabled veterans, Reserve and National Guard members, and active duty personnel to conduct direct and tailored outreach. In addition, an alliance with established veteran-focused counseling and training organizations would leverage an additional 35 to 40 events nationwide. Each event typically reaches 600 to 1,000 participants.

OVBD is also exploring potential strategic alliances with private partners. Among the potential alliances is a contractual relationship with a major university to develop special planning and business training templates. These templates would provide three- and five-day classroom training and assistance for SDVOSBs, VOSBs, National Guard and Reserve members, including those deployed to active duty and already successful veteran businessmen and women.

Faith-Based and Community Initiatives

Faith-based and other community organizations have long been performing a critical service by helping people in need. Unfortunately, though the Federal Government spends billions of dollars yearly for social service programs, faith-based and community groups have found it difficult to provide federally-funded services. To facilitate the involvement of such organizations in federal programs within constitutional parameters, the President launched the Faith-Based and Community Initiative (FBCI) in 2001. In 2004, he issued an Executive Order creating a Center for Faith-Based and Community Initiatives (CFBCI) at the SBA.

The CFBCI's main goal is to reach out to faith-based and community organizations and assist them in identifying SBA programs that will expand their capacity to serve their communities. In recent years, these groups have increasingly emphasized economic and community development. SBA and its resource partners offer a wide range of financial and technical assistance programs that may help faith-based and community organizations better serve their communities.

FY 2006 Accomplishments

As part of its outreach effort to faith-based and community organizations, in FY 2006 SBA district offices held over 3,400 workshops and meetings attended by more than 260,000 people. The CFBCI participated in regional conferences organized by the White House Office for Faith-Based and Community Initiatives in major cities across the Nation, and in other FBCI-related events.

FY 2007-FY 2008 Planned Performance

In FY 2007 and FY 2008, the CFBCI intends to intensify and accelerate its outreach efforts, and work more closely with SBA's resource partners. The Center is particularly pleased with SCORE's growing involvement in the Initiative. In FY 2006, SCORE representatives began conducting workshops at White House-organized regional conferences, and their local chapters began to offer training seminars to non-profit organizations. In FY 2007 and FY 2008, the CFBCI will continue working with SCORE to provide business planning tools for to-profit organizations. The Center will also engage SBA's largest resource partner, the Small Business Development Centers, to increase their collaboration with non-profit organizations.

Procurement Assistance

The SBA offers already-established businesses opportunities to sell products and services to the Federal Government. Purchases by military and civilian installations amount to nearly $300 billion a year and include everything from complex space vehicles to janitorial services to cancer research. In sum, the Federal Government buys just about every category of commodity and service available.

The SBA provides procurement assistance through the 8(a), HUBZone, and Surety Bond Guarantee programs. Each of these programs has a very different objective, yet their missions complement one another. The 8(a) program is a business development program that offers a broad scope of assistance to socially and economically disadvantaged firms. The HUBZone program is a procurement assistance program whose primary objective is job creation and increasing capital investment in distressed communities. Through the Surety Bond Guarantee program the SBA guarantees bid and final bonds that enable small businesses to bid on and perform on projects for which they would not otherwise qualify.

8(a) Program

The SBA's 8(a) program is a business development program created to help businesses compete in the American economy and have access to the federal procurement market.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	8(a) Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY2007 Goal	FY2008 Goal
2.2, 2.3	Existing SB Assisted	Intermediate Outcome	8,431	8,900	9,458	9,500	9,600	9,600	9,700

8(a) Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY2006 Budget	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$33,374	$34,945	$31,387	$29,053	$29,582	$33,471	$35,952

8(a) Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY2006 Budget	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Small Business Assisted ($)	$3,959	$3,926	$3,319	$3,058	$3,081	$3,487	$3,706

FY 2006 Accomplishments

In FY 2006 SBA continued to fine tune the 8(a)/SDB e-application, the first phase of the new Business Development Management Information System (BD-MIS). It is intended that the BD-MIS will eventually replace the current system which uses outdated technology and does not efficiently meet the 8(a) program needs.

Also in FY 2006, the SBA held a very successful four-day training conference for the lead business development specialists (BDS) from each district office and branch office. Management recognized that the 8(a) business development program could not be the customer focused program it was intended to be. Many BDSs had collateral duties. The conference provided an opportunity for training and also provided a dialogue between headquarters staff and the field on 8(a) issues.

FY 2007-FY 2008 Planned Performance

The 8(a) business development program will continue to be improved and refined through FY 2007 and FY 2008. Improvements to the e-application, the first phase of the BD-MIS, will be on-going as the e-annual review is deployed in FY 2007. The third and final phase of the BD-MIS, the business process phase, is under construction for development deployment by the end of FY 2008.

This third phase of the BD-MIS system will include an automated assessment module for participants to determine the requirements needed for business success, such as training, mentor-protégé programs, joint ventures and financing. This upgrade will replace the mainframe-based SACS/MEDCOR system.

In FY 2007 and FY 2008, through the enhanced e-application, a greater volume of 8(a) BD firms will be certified more quickly and efficiently than ever before. Recommendations from the Office of the Inspector General will be adopted to improve the program and ensure it complies with 8(a) regulations and the SOP. The 8(a) Standard Operating Procedure will be reviewed and updated to be consistent with the 8(a) regulations.

The initiative that began in FY 2006, to train business development specialists in district offices that deliver the 8(a) program to certified firms, will continue through FY 2007 and FY 2008. In FY 2008 the program office will host a training conference for the BDSs in the field, as it did in FY 2006. The BDSs will be brought to Washington, D.C. to receive training on annual reviews, financial analysis, contract assistance, and other subjects to help them better serve their 8(a) firms. The 2006 conference proved to be very successful, and the BDSs asked that the conference be held as often as possible.

Mentor Protégé Agreements (MPA) will also be a focus of the 8(a) program for FY 2007 and FY 2008. The SBA will increase the percentage of the 8(a) portfolio currently participating in the MPA initiative. In FY 2007, the restructuring of the MPA will be completed so that mentors provide SBA with information that details precisely how they are providing management and technical assistance to their 8(a) protégés. This information will become available on the Internet.

8(a) Program District Offices Support

The 8(a) Business Development program is designed to help small disadvantaged businesses compete in the American economy and access the federal procurement market. The Small Business Act requires participants in the 8(a) program to participate in an annual review to determine whether each participant continues to meet the eligibility requirements for participation in the program. District office staff is responsible for conducting these statutorily mandated annual reviews. The process includes a review of the firm's current and approved business plan and any modifications, its written verification that it continues to meet all eligibility requirements of the 8(a) program, and a subsequent evaluation of the program participant's continued eligibility.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

LTO	District Offices 8(a) Program Performance Indicators	Type of Measure	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY 2006 Actual	FY 2007 Goal	FY2008 Goal
2.2, 2.3	Annual 8(a) Reviews %	Output	55%	60%	77%	82% (1)	100%	100%

(1) FY 2006 Actual has been updated from the FY 2006 PAR (correction of a reporting error).

District Offices 8(a) Program Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Field - 8(a) Reviews ($000)	$26,636	$18,339	$11,422	$9,715	$12,151	$11,647

District Offices 8(a) Program Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Review ($)	$694	$415	$182	$131	$130	$125

FY 2006 Accomplishments

During FY 2006, 7,435 (82 percent) 8(a) annual reviews were completed. Although, the FY 2006 actual performance numbers do not meet the goal of 100 percent, it is a marked improvement over the 77 percent in FY 2005. The underperformance in this area began in FY 2003. A significant contributing factor was the decreased staffing in the field offices and the multiple collateral duties required of the business development specialists who perform this function.

FY 2007-FY 2008 Planned Performance

SBA's goal will be to perform 100 percent of the section 8(a) program participant annual reviews in FY 2007 and again in FY 2008. The goal, although statutorily mandated, is not the only reason for SBA to complete these reviews. Rather, it is through these reviews that the SBA is able to determine and ensure that participants who meet the criteria stay in the program and benefit from their participation. The annual review process also provides an opportunity for SBA to be in contact with the program participant, review an updated business plan, and to suggest additional SBA services which might be of benefit to the 8(a) firm. To this end, the Agency, as part of its transformation, is currently re-allocating resources from in the district offices to comply with the statutory mandate of reviewing 100 percent of the 8(a) portfolio annually. The SBA takes compliance issues seriously and is committed to fulfilling all of its legal requirements.

HUBZone Program

The HUBZone contracting program is a community based program that encourages economic development in historically underutilized business zones, "HUBZones." Its mission is to increase employment, promote capital investment, and foster economic development in distressed urban and rural communities throughout the Nation.

The SBA measures the economic impact it is having in eligible HUBZone communities with two individual evaluations, one that is done by the Agency and one that is done by a Congressionally mandated independent review of the HUBZone program. The report on the latter evaluation is due in FY 2008.

Performance Statement
Program Level Assistance

Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.

LTO	HubZone Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY2007 Goal	FY 2008 Goal
2.2, 2.3	Small Businesses Assisted	Intermediate Outcome	2,338	2,294	2,960	4,900	5,044	4,900	4,400
2.2, 2.3	Annual Value of FederalContracts ($ Billion)	Intermediate Outcome	$3.4	$4.8	$6.1	$7.0	UNAVAIL	$8	$9

HubZone Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY2006 Budget	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program ($000)	$5,648	$6,825	$7,769	$7,304	$7,496	$9,077	$8,790

HubZone Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY2006 Budget	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Business Assisted	$2,416	$2,975	$2,624	$1,491	$1,486	$1,852	$1,998
Per Contract Dollar	$0.0017	$0.0014	$0.0013	$0.0010	UNAVAIL	$0.0011	$0.0010

FY 2006 Accomplishments

Securing HUBZone Contracts — The SBA continued implementation of the HUBZone Procurement Query and Reporting System. The system assists acquisition agencies in identifying opportunities to set-aside for award to HUBZone firms.

Mapping More Geographic HUBZone Areas — Congress identified additional areas (outside the continental U.S.) which were considered difficult development areas in need of economic development. In FY 2006, the HUBZone program provided outreach to these communities

FY 2007-FY 2008 Planned Performance

There is a declining interest in the HUBZone program among certified small business concerns which note that contracting officers are failing to use the program in accordance with Public Law 105-135, especially with regard to HUBZone set-asides. Not once in seven years has the Federal Government met the statutory goals. Many of the firms are opting out of the program by being non-responsive to requests for information required as a matter of continuing eligibility.

A probable cause of declining interest with the HUBZone program among certified firms is that procuring agency contract officials are not following either the statutory provision of PL 105-135 or the Federal Acquisition Regulation as applies to HUBZone set-asides. To counter the decline, the SBA has proceeded with activation of the HUB Zone Procurement Query Reporting System and will follow with the Set-Aside Search letter initiative. The program office will also continue on-going cooperative education programs for contract officials, especially within the Departments of the Air Force and Army. A major challenge will be obtaining federal contract officials buy-in to comply with PL 105-135. Nevertheless, the SBA considers achieving the government-wide HUBZone prime contract goal of three percent to be a major program objective to be accomplished before the conclusion of FY 2009.

The HUBZone office is in the process of acquiring a major system upgrade (and maintenance) of the HUBZone Certification and Tracking System (HCTS). The goal of this requirement is to procure the necessary software, systems, and services to upgrade and maintain, and in limited instances create, the electronic systems of the existing HUBZone certification administration system, to ensure efficient, effective, and customer focused administration and operation of the HUBZone contracting program. This system will continue to support the business processes of the program office and provide for upgrades in the application, program examination, recertification, data collection, marketing, and other aspects of the office's mission deliverables.

In FY 2007 and FY 2008 the HUBZone office plans more outreach activity for states, counties, and cities. The Agency will work with state and local governments to expand the HUBZone program concept to these jurisdictions. Specifically, the office will continue to fine tune and further develop marketing materials and approaches to encourage states and municipalities to support and extend local procurement preferences, tax incentives, and training support to firms meeting HUBZone program eligibility requirements. The objective of this effort is to expand program participation and broaden economic development opportunities arising out of government contracting activities, to benefit the Nation's most distressed urban and rural communities.

During FY 2007and FY 2008, the HUBZone program plans to continue formal evaluation of its economic development impact through the data collection survey initiative. It will survey the portfolio of approximately 12,600 firms to assess the effect of certification as "qualified HUBZone small business concerns" on firms' employment, employment of HUBZone residents, and capital investment.

HUBZone Program District Offices Support

The SBA district offices are responsible for annually reviewing five percent of the HUBZone portfolio.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrpreneurs

LTO	District Offices HUBZone Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.2, 2.3	Program Examinations	Output	N/A	510	593	703	680	680

District Offices HubZone Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Field - HUBZone Program Examinations ($000)	$3,070	$447	$1,462	$1,515	$1,543	$1,810

District Offices HUBZone Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Review ($)	N/A	$876	$2,465	$2,155	$2,269	$2,662

FY 2006 Accomplishments

During FY 2006, 703 reviews were completed, a slight increase over the established goal for FY 2006 of 668.

FY 2007-FY 2008 Planned Performance

In FY 2007 and FY 2008 SBA field staff will complete 680 HUBZone reviews. This review of the HUBZone program portfolio is important to maintain strict internal controls on the program and its participants. The HUBZone program gives federal contracting preferences to small businesses certified in that program. To uphold the intent of this program it is important to ensure that participants continue to meet the eligibility criteria.

The staff in the district offices is charged with many responsibilities. Recognizing the need to balance its resources and responsibilities, the Agency is committed to making the performance and accountability process a meaningful one by setting realistic yet challenging goals.

Surety Bond Guarantee Program

The SBA through the Office of Surety Guarantees (OSG) provides surety bond guarantees for small contractors, which allows them to bid on and perform public and private contracts. By providing bonding accessibility and contracting opportunities, this program helps contractors to sustain and grow their businesses. This results in increased contract revenue and job creation.

Performance Statement
Program Level Assistance
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps

LTO	SBG Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
2.2	Bid Bonds: Existing SB (number)	Output	N/A	N/A	3,998	3,508	3,536	4,200
2.2	Final Bonds: Existing SB (number)	Output	N/A	N/A	1,680	1,706	1,664	2,000
2.3	Bid Bonds: SCOG (number)	Output	N/A	N/A	931	953	1,061	1,260
2.3	Final Bonds: SCOG (number)	Output	N/A	N/A	530	638	499	600
	Small Businesses Assisted (1)		N/A	N/A	1,680	782	840	930

(1) The methodology for calculating Small Businesses Assisted was revised for FY 2008. Previously Small Businesses Assisted was equated to the number of Final Bonds issued; however, a small business may receive more than one Final Bond in a year. In addition to the FY 2008 goal, FY 2006 actual results and the FY 2007goal have been restated using this new methodology.

SBG Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program($000)	$3,666	$3,818	$4,882	$7,006	$6,008	$8,124

SBG Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Bid Bond ($)	N/A	N/A	$1,221	$1,997	$1,699	$1,934
Per Final Bond ($)	N/A	N/A	$2,906	$4,107	$3,611	$4,062

FY 2006 Accomplishments

During FY 2006, the SBA issued 5,214 bonds and began the development or implementation of the following program improvements: an electronic application processing system; a reorganization of the surety bond area offices; a regulatory change that removes a 1987 rate cap on Preferred Surety Bond sureties and increases the guarantee percentage for veteran-owned and service-disabled veteran-owned businesses; and, a re-engineering of claims processes and more intensive marketing and outreach efforts.

FY 2007-FY 2008 Planned Performance

The goal for FY 2007 is a total of 5,200 bid and final bond guarantees. The final bond guarantees will result in $566 million in contract revenue and the creation of 4,880 jobs of which $226 million in contract revenue and 1,950 new jobs will benefit contractors facing special competitive opportunity gaps. The goal for FY 2008 is a total of 6,200 bid and final bond guarantees. The final bond guarantees will result in $622 million in contract revenue and the creation of 5,368 jobs of which $248 million in contact revenue and 2,144 new jobs will benefit contractors facing special

The SBA will focus on expanding bonding opportunities for more small businesses, especially minority-owned businesses and businesses located in underserved communities. The Office of Surety Guarantees (OSG) will continue to modify its marketing plan, which is designed to increase program visibility nationwide to sureties, agents, associations, and contractors. Objectives of the marketing plan are to increase program participation by using direct marketing and outreach and strategic partnerships to reach more small businesses and sureties.

In FY 2007, SBA will continue implementation of the approved Area Office Restructuring Plan. SBA will market the program more intensely to sureties, surety agents, associations, and contractors. Headquarters, district office, and area office personnel will attend industry meetings, conduct seminars, and participate in promotional events. Increased program visibility over a wider geographical area would result, and surety agents and contractors in all areas would have more direct contact with SBA.

Achievement of SBG program goals requires productive and customer service-oriented employees who are trained in suretyship and related areas. Individual course training will be provided to expand the knowledge and skills of existing headquarters, district office, and area office staffs, and a training conference will be held for all program personnel.

SBA will also support small businesses facing special competitive opportunity gaps by expanding bonding opportunities for contractors in underserved markets. OSG's Marketing Plan includes strategies specifically designed to help more of these small businesses. OSG will work closely with other SBA offices and programs, such as the Office of Government Contracting, 8(a) program, HUBZone program, and the Office of Women's Business Ownership to target specific groups.

Strategic Goal Three — Restore Homes and Businesses Affected by Disaster

By nature, disasters inflict widespread destruction and distress — on families, businesses and communities. Disasters are unpredictable, but they are not unexpected. 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 fund rebuilding and recovery efforts.

The SBA offers two types of disaster loans to respond to victims of disasters: 1) physical disaster loans, which provide funds to repair or replace uninsured or underinsured real and personal property belonging to homeowners, renters, businesses of all sizes, and nonprofit organizations; and 2) economic injury disaster loans (EIDL), which provide necessary working capital to small businesses adversely impacted by the declared disaster until normal operations can be resumed. On average, the Agency makes disaster loans totaling approximately $1 billion each year and has an active portfolio of about $4 billion.

In a Presidential disaster declaration, individuals who are homeowners and renters register first with the Federal Emergency Management Agency (FEMA), which may refer them to the SBA. Businesses may apply directly to the SBA for disaster assistance. SBA disaster loans have low interest rates and longer terms than conventional lending offers. Disaster loans are a critical source of economic stimulation in disaster-ravaged communities and help generate employment and stabilize tax bases by protecting jobs.

Disaster assistance is delivered through the SBA Office of Disaster Assistance. Strategic Goal Three has one Long-term Objective:

LTO 3.1 — Help Restore Homes and Business Affected by Disasters

Performance Statement
Agency-Level Performance Measures
Strategic Goal 3. Restore Homes and Businesses Affected by Disaster

LTO	Disaster Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
3.1	3.1.1 Percentage of businesses sustaining economic injury that remain operational 6 months after final disbursement	Outcome	N/A	95%	93%	86%	95%	95%
3.1	3.1.2 Percentage of businesses sustaining physical damage restored within 6 months after final disbursement	Outcome	N/A	74%	72%	74%	65%	70%
3.1	3.1.3 Percentage of homeowners restoring their homes within 6 months of final disbursement	Outcome	N/A	77%	75%	61%	81%	85%
3.1	3.1.4 Percentage of renters restored within 6 months after final disbursement	Outcome	N/A	85%	70%	65%	86%	90%
3.1	3.1.5 Customer satisfaction rate	Outcome	N/A	67%	66%	57%	72%	72%

SBA Budgetary Resources		FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Financial Assistance Cost ($000)		$270,377	$208,401	$424,748	$1,795,488	$250,330	$353,266
Total Strategic Goal ($000)		$270,377	$208,401	$424,748	$1,795,488	$250,330	$353,266

FY 2006 Accomplishments

In the summer and fall of 2005, Hurricanes Katrina, Rita, and Wilma destroyed portions of Alabama, Florida, Louisiana, Mississippi, and Texas. These storms wreaked devastation on home and business owners and collectively represent the worst natural disaster in American history. The magnitude of the Gulf Coast hurricanes caused over 420,000 people to apply for assistance in, and the SBA responded by approving a total of $10.6 billion in loans to those affected. These approvals were made during FY 2005 and mostly in FY 2006. For all of FY 2006, the Agency approved a total of $11.2 billion in loans. By comparison, in all of FY 2005, a total of 153,072 applications were processed and $2.3 billion in loans were approved. Put into context, more than 20 percent of all disaster loan dollars approved in the 53-year history of the SBA were approved in FY 2006.

SBA's disaster response was significantly slower than Agency goals. Reasons for the slower response include the catastrophic nature of the disaster, constraints caused by the Agency's new computer system, and the immediate need for a substantial increase in staff and facilities. Rather than the 14 to 18 day loan processing goal (18 days for businesses and 14 days for homes), applicants were forced to wait an average of 71 days for loan decisions. Specifically, the wait time was, on average, 29 days for economic injury disaster loans to businesses, 66 days for businesses sustaining physical damage, and 74 days for home application loan decisions. Loan disbursements were also slow due to the large volume of approved loans, efficiency challenges in the Agency and, in large measure, due to permitting, insurance, and other requirements outside of the Agency's control. While the SBA has typically responded quickly to disaster victims' needs, the unprecedented Gulf Coast hurricanes provided insight to operational challenges.

Specific factors affecting the timeliness of loan processing and disbursement included the following:

- On August 1, 2005, the Disaster program had 880 employees on board; by December, the number of active personnel had grown to almost 4,000. The new personnel had to be trained, and more than 400,000 square feet of work space had to be acquired.

- The Disaster Credit Management System (DCMS), which is used to process loan applications, did not have sufficient capacity to handle the unprecedented number of concurrent users, resulting in down time and slow response times. Over the year, the SBA took steps to address this issue. DCMS was upgraded, tested, and verified to support at least 8,000 concurrent users. This is a fourfold increase in capacity over peak usage during the response to the 2005 hurricanes.

- The method SBA used to forecast activity expected from declared disasters did not anticipate a disaster of the magnitude that the Nation experienced in 2005. The prior benchmark for natural disasters was the Northridge, California, earthquake of 1994, which accounted for $4.0 billion in loans. The 2005 hurricanes resulted in $10.6 billion in approved loans, nearly three times higher.

To better forecast disaster loan demand, the Agency developed a new model that enhances its capability to immediately forecast loan volume. This new model predicts loan volume based on assets at risk and disaster characteristics. It will be tested for accuracy during FY 2007 and will enable the SBA to better predict its resource needs.

SBA has also developed a model to forecast the staffing requirements, related logistics, and administrative costs based on loan application volume. These two tools put SBA in a much better position to respond to future catastrophic natural disasters.

Performance Statement
Program Level Assistance
Strategic Goal 3. Restore Homes and Businesses Affected by Disaster

LTO	Disaster Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2008 Goal
3.1	Applications processed (number)	Output	102,278	104,518	153,072	441,631	N/A	N/A
3.1	Original loans approved (number)	Output	25,856	28,510	62,075	169,992	N/A	N/A
3.1	Loans Funded (number)	Output	21,170	22,264	41,651	137,803	N/A	N/A
3.1	Value of loans approved ($ millions)	Output	$885	$884	$2,279	$11,627	N/A	N/A
3.1	Percentage of disasters having field presence within 3 days (%)	Output	100%	100%	100%	100%	N/A	N/A
3.1	Percentage of loans with initial disbursements within 5 days of loan closing (%)	Output	99%	99%	97%	55%	95.0%	95.0%
3.1	Time to process 85% of home applications (days)	Output	N/A	11	25	74	12	10
3.1	Time to process 85% of business physical applications (days)	Output	N/A	14	35	66	17	16
3.1	Time to process 85% of EIDL applications (days)	Output	N/A	13	24	29	17	16
3.1	Percent of ODA staff trained related to hazard mitigation (%)	Output	N/A	100%	100%	100%	100%	N/A
3.1	Loans containing disaster prevention measures (mitigation) (number)	Output	N/A	230	545	337	312	328

Disaster Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Total Program Cost ($000)	$270,377	$208,401	$424,748	$1,795,488	$250,330	$353,266
Disaster Loan Approving ($000)	$236,640	$182,917	$393,956	$1,768,677	$210,055	$311,545
Administrative Cost ($000)	$118,345	$104,330	$230,456	$482,594	$91,435	$138,435
Subsidy Cost ($000)	$118,295	$78,587	$163,500	$1,286,083	$118,620	$173,110
Disaster Loan Servicing ($000)	$33,737	$25,484	$30,792	$26,811	$40,275	$41,721

Disaster Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Request
Per Application Processed ($)	$2,644	$1,994	$2,775	$4,005	N/A	N/A
Per Loan Funded ($)	$11,178	$8,216	$9,459	$12,835	N/A	N/A

FY 2007-FY 2008 Planned Performance

In mid-September 2006, there was still a backlog of more than 90,000 loans with pending disbursements totaling more than $6.5 billion. Out of a commitment to reduce the backlog of loans, the SBA embarked on a number of special efforts to improve disbursement processes to ensure funds reach the hands of disaster victims as quickly as possible.

Administrator Preston initiated the Accelerated Disaster Response Initiative to identify and implement process improvements that would enable the Agency to respond more rapidly to small businesses and homeowners seeking financial assistance after a disaster. As a result, the Agency fundamentally reengineered its disaster loan disbursement process to shorten response times, improve quality, and provide greater borrower support. Based on customer feedback, the Agency rolled out an “integrated team” model. Each team is comprised of 15-18 employees with legal, financial, and other required competencies to ensure timely processing of all requests. Customers are assigned a case manager on the integrated team so they have a single point of contact that is accountable to help them through the disbursement process and handle all issues. Within a 45-day period, the 90,000 loans with pending disbursements had been reduced to 45,000. Further, of 160,000 applicants with approved loans in the Gulf states, 98 percent have now either received all their loan money or some of their money, or have chosen not to proceed with their loans, generally because they secured funds elsewhere.

In the past, it was the responsibility of the applicant to contact the SBA with questions on expediting loan modifications and disbursements. Under this new model, case managers now proactively contact applicants to determine what impediments may exist to closing loans and making disbursements.

In order to complement the SBA's reengineered process, the Agency has implemented numerous productivity metrics to track the status of approved loans and performance of employees. All approved loans are categorized by processing status and type of outstanding issue. This provides management with necessary information to identify problem areas and implement corrective actions. Further, productivity is monitored to identify areas that require management intervention. These strategies are the foundation for improved responsiveness to borrower needs by the SBA. For example, loan modifications that averaged 2.5 months for completion in FY 2006 now average just 10 days for completion, and continue to decline. In addition, the loan modification backlog has been almost completely eliminated.

Additional organizational planning measures to improve the SBA's disaster response include the development and utilization of models that can rapidly forecast loan volume and resource requirements — financial, human capital, and logistics — to better position the Agency to respond to large scale disasters when they strike. Moreover, the SBA is nearing completion of a protocol to leverage its field network to improve local coordination and communication with citizens and other local authorities.

The SBA will complete the full implementation of its transformation during FY 2007. Transformation allows disaster assistance centers to retain sufficient fully-trained staff to meet outcome and performance goals. The transformation will result in reduced costs as staff will be in place to address the center functions and in normal conditions will have sufficient trained staff to meet and exceed its goals. Additionally, to ensure there is always sufficient trained staff available for immediate hiring, the Agency has established a Disaster Reserve. The Disaster Reserve will consist of workers in all disciplines and be fully trained to immediately be productive when the volume of applications requires additional staffing. The SBA has also piloted the use of district office employees to process applications at district offices. The Agency has awarded three contracts for application processing and loan closing assistance when additional assistance is needed.

By FY 2008, the SBA expects to implement an Internet-based electronic loan application process that will assist borrowers in ensuring that required information is provided to assess loan eligibility. This complements the investment SBA made in the infrastructure of the DCMS loan processing system that has been tested to support a four-fold increase in concurrent user capacity. The Agency is also looking at various options to access the skills and resources of the private sector when dealing with catastrophic disaster events. The SBA plans to host roundtables and other events with potential private sector parties to identify options for an integrated disaster response in the event of a major disaster.

Strategic Goal Four — Ensure that all the SBA Programs Operate at Maximum Efficiency and Effectiveness by Providing them with High Quality Executive Leadership and Support Services

To excel, the SBA's program offices need strong executive leadership and efficient and effective support services. It is the SBA's objective to:

- Maintain and execute a comprehensive performance management system
- Deploy a skilled, knowledgeable, diverse workforce
- Execute financial management systems that provide relevant, timely and accurate information
- Manage information and related technology effectively and securely

The Long-Term Objectives under Strategic Goal Four are:

LTO 4.1 — SBA's general planning and management will result in clearly defined goals and effective strategies, and the coordination of operational support systems so as to maximize the Agency's mission performance through a comprehensive performance management system.

LTO 4.2 — The SBA will recruit, sustain and effectively deploy a skilled, knowledgeable, diverse workforce and executive cadre capable of executing high quality programs and activities that meet the current and emerging needs of its customers.

LTO 4.3 — Financial management systems will support both SBA strategic management and financial accountability by providing financial information that is useful, relevant, timely and accurate and which assists the SBA in maximizing program performance and accountability.

LTO 4.4 — Information and related technology will be managed effectively and securely through SBA leveraging data and systems to support program execution and promote cost efficiency.

LTO 4.5 — Procurement and contracting services will be planned and managed to support SBA program management and the achievement of the Agency's goals.

Each Long-Term Objective supports one or more of the following functional areas:

- Administrative Management
- Human Capital Management
- Financial Management

Administrative Management

Effective administration is critical to using taxpayers' funds responsibly. Any resources that can be preserved, any penny not spent, are resources that can be spent to assist small businesses. Sound administrative management is the foundation that supports the SBA and its programs.

Office of Business Operations

The Office of Business Operations (OBO), formerly known as the Office of Administration (OA), works closely with the Agency's program and support offices to fulfill the objectives of the President's Management Agenda. The support and services provided by the Office of Business Operations directly impacts workforce and planning efforts, competitive sourcing, expanded e-government, and improved financial performance. Additionally, this support is in concert with the President's Small Business Agenda as the Agency's contracts are managed through the Office of Business Operations to provide maximum small business participation through full and open procurement competition and without contract bundling.

FY 2006 Accomplishments

In FY 2006, the SBA met or exceeded 53 of its 69 annual performance goals, or 77 percent. The rent initiative to reduce space resulted in over 73,000 square feet of space returned to GSA for an annual savings of almost $2 million. The Agency developed a design of the headquarters lobby which incorporates all the security upgrades that were recommended by Homeland Security, and it met the implementation date of Homeland Security Presidential Directive 12 (HSPD-12).

The Office of Procurement and Grants Management (OPGM) within OBO processed more than 487 awards, including modifications, purchase orders, and contracts. Of these awards, approximately 66 percent of the dollars went to small businesses.

FY 2007-FY 2008 Planned Performance

Procurement and Grants Management — OBO manages contracting activities and strengthens controls on Agency purchase cards to optimize Agency resources and the utilization of small business vendors. The primary objective of OBO's Office of Procurement and Grants Management (OPGM) is to raise the level of quality customer service to SBA offices, external contractors and grant applicants. Acquisition personnel are being trained in conjunction with career development programs to elevate the efficiency and effectiveness of contract award activities.

OBO provides guidance, establishes and monitors goals for the participation of small businesses in all departmental acquisitions. Through the processing and awarding of contracts and other purchasing vehicles for supplies, equipment and non-personal services, OBO ensures that small businesses are afforded the opportunity to compete. OBO directs its emphasis towards procurement competition and meeting and exceeding the Agency small business goals. In an effort to increase the opportunities for small businesses in federal awards, and to fully achieve Agency socio-economic goals, OBO will conduct procurement training programs for program and district offices.

Through better management and a decreased quantity of purchase cards, OBO will increase open and fair access to federal contracts for small businesses. To ensure maximum utilization of small businesses, accomplishment of Agency small business goals, and the realization of economies of scale, appropriate training will be developed and provided to purchase card holders. Ultimately, utilization of small businesses will increase, utilization of Agency resources will be maximized, and overall financial management will be improved.

Paperwork Reduction Act (PRA) — To ensure that SBA meets PRA requirements, eliminates any PRA violations, and prevents future violations, OBO has implemented the following procedures. It will: 1) provide written notification to program officials of information collections scheduled to expire within a five month period; 2) send electronic reminders to program officials at least twice a month providing notification of expired information collections; 3) conduct training sessions with program representatives to provide guidance on the Paperwork Submission Package process; and 4) announce all information collections that are scheduled to expire within a 90-day period, as well as those that have already expired, in the Management and Administration's weekly report

OBO will continue to enhance its electronic records management to further reduce the paperwork burden on small businesses. The cost associated with this initiative will impact the Office of the Chief Information Officer (OCIO) budget.

Office of Hearings and Appeals

The SBA Office of Hearings and Appeals provides an independent, quasi-judicial appeal of certain SBA program decisions. It formally adjudicates disputes arising in numerous jurisdictional areas. These include appeals from formal size determinations; appeals from contracting officer designations of NAICS codes for procurements government-wide; 8(a) business development program eligibility, suspension, and termination appeals; and FOIA appeals.

FY 2006 Accomplishments

In FY 2006, the SBA developed and published a sample 8(a) eligibility appeal format to simplify the process and assist those who choose to file an appeal without the assistance of an attorney.

The SBA also developed and submitted to OMB an Agency-specific plan to improve FOIA operations for FY 2006 and FY 2007. The Agency developed a survey instrument and conducted a review of FOIA operations. The FOIA Improvement Plan was developed based on the results of the review.

FY 2007-FY 2008 Planned Performance

FOIA Training for Managers — This training will be designed for program managers and FOIA contacts. It will provide instruction on selected substantive and procedural topics under the FOIA, including day-to-day policy guidance. It will also serve as a forum to exchange ideas and strategies useful in dealing with problems that commonly arise in administering the Act. The seminar will include such topics as selected procedural issues, current policy issues, the Privacy Act System of Records, and Impact Assessment Statements.

Develop and Publish FOIA Annual Report — In accordance with the Freedom of Information Act, each agency must submit an annual FOIA report to the Attorney General. This report will cover the preceding fiscal year and include Agency-wide statistics of FOIA and Privacy Act request and appeal activities such as: 1) the number of determinations made by the Agency not to comply with requests for records and the reasons for each determination; 2) the number of appeals, the result of such appeals, and the reason for the denial of withheld information; 3) the number of requests pending as of September 30 of the preceding year and the median number of days that each request has been pending; 4) the total amount of fees collected; and 5) the total amount expended by the Agency for FOIA processing.

Revise SBA/FOIA Website — The SBA/FOIA website represents an increasingly important service that the Agency provides to the public. The website will continue to evolve in years ahead as technology advances and as government continues to develop its online services capabilities and personnel. During FY 2007 – FY 2008, the SBA will revise the website, making incremental changes while planning for periodic major revisions. Through this process existing features will be fine tuned, selected new features will be incorporated, and existing features will be revised in a scheduled redesign as appropriate.

Revise and Maintain the Online FOIA Training Guide — The Training Guide is posted on SBA's Yes Page at http://yes.sba.gov/ and can be accessed from the Training Room. It is designed to provide employees with a basic understanding of FOIA and the specific procedures for processing routine FOIA requests. The course consists of four modules with several self-paced lessons. It uses a step-by-step format to present information about FOIA in a clear, simple manner and to reinforce the appropriate process for responding to FOIA request. The entire course does not have to be completed in one session. Access will be unlimited to all employees.

Due to the Agency's statutory obligation and because of the often sensitive and complex nature of FOIA requests, completion of the course will be mandatory for all employees on an annual basis. Managers will be asked to allow adequate time for employees to complete the course. The training can be used as a reference guide by allowing employees to access information needed to respond to a specific question or to simply refresh one's memory. SBA/FOIA staff maintains and revises the system as appropriate and will also provide one-on-one assistance to employees on an as needed basis.

Training for OHA Staff — Training is critical to the maintenance of a highly qualified, diverse workforce in the face of a complex business environment and the anticipated retirement of experienced staff in the next few years. OHA staff requires legal and procurement training to stay current to meet the demands of FOIA/Privacy Act issues, procurement/business issues, and to continue to develop and refine their knowledge and skills in drafting quality case decisions. This initiative links directly to Strategic Goal Four and is one of the most critical human resource management goals in support of the Agency's mission.

Audit Disclosure Determinations — The FOIA requires government records to be made accessible to the public unless they fall within an exemption specified by FOIA. Individuals seeking records are not required to show a need for the information; instead the government has to justify its decision to withhold the information. SBA's policy is to provide the maximum allowable disclosure of Agency records upon request by any individual.

OHA will conduct an audit of offices with high volumes of FOIA requests to determine whether the SBA properly applied FOIA exemptions to deny a written request for information. The goal is to determine whether the Agency improperly withheld information when the information should have been completely or partially provided to the requester under FOIA and to ensure that the Agency provides maximum allowable disclosure of Agency records as appropriate.

Affirmative FOIA Disclosure — The FOIA, as amended in 1996, requires agencies to post on their websites frequently requested records, policy statements, staff manuals and instructions to staff and final Agency opinions. It is a continuing obligation to ensure that frequently requested records are current and available from the FOIA Homepage. OHA will review the FOIA webpage to update and/or delete dated materials to ensure that the information posted is current and available to the public.

Develop and Publish Sample 8(a) Termination Appeal Format — The SBA will develop and publish a sample 8(a) termination appeal format with plain English instructions that can be posted on the SBA web page and be provided to firms that have been terminated from the 8(a) program by the Office of Business Development. This will provide immeasurable assistance to the socially and economically disadvantaged business community. Also, it will facilitate the appeal decision-making process by eliminating procedural errors which could require dismissal of an appeal on a technicality, rather than deciding an appeal on the merits. It will expedite 8(a) appeals.

Outcomes/Measures — The outcomes from the aforementioned initiatives should result in improved accuracy and availability of information to internal staff and the public and streamlined case management processes and procedures. It will enhance customer service, and customers will experience significant administrative efficiencies.

Office of Communications and Public Liaison

FY 2006 Accomplishments

In FY 2006 the Office of Communications and Public Liaison (OCPL) developed new information materials to better communicate, in a variety of formats, the SBA's products and services, including the aggressive use of print and electronic publications to communicate disaster assistance-related information. The look and feel of the Agency's web site was enhanced, and an interactive feature to attract visitors was added.

OCPL provided marketing training to headquarters and field staff, including online instruction on topics related to marketing and press functions. It conducted two employee town hall meetings and produced video-on-demand products for employees.

FY 2007-FY 2008 Planned Performance

In FY 2007 and FY 2008, OCPL will continue to enhance electronic delivery of SBA information and services. Enhancements will include a web site overhaul, expanded use of Podcasts, and initiation of Vodcasts. The office will continue to ensure Agency-wide consistency of the SBA brand, universalize the SBA logo and expand use of the Headquarters Resource Guide.

Strategic partnerships to advance the Agency's offerings to small businesses will be leveraged, and the Agency's image with stakeholders will be enhanced through better external and internal communications

Office of Policy and Planning

The Office of Policy and Planning (OPP) works to ensure that all SBA programs operate at maximum efficiency and effectiveness, to help create clearly defined goals and effective strategies, and to help SBA leadership minimize the regulatory, taxation, and health care burdens on small business. Following are some examples of the duties of OPP:

- The Office provides written and oral policy briefings when necessary to the Administrator and other senior SBA staff. OPP also provides timely policy advice and guidance to the program offices.
- The Office procures and publishes custom small business policy research on topics that reflect the current Administration's priorities.
- OPP provides SBA analysis and input on small business matters as they affect other Executive Branch agencies. OPP personnel also write a weekly Cabinet report on SBA external affairs to the Office of Cabinet Affairs.
- OPP accomplishes its mission through providing policy advice to the Administrator, integrating Administration initiatives, evaluating Agency policies, procuring small business research, and acting as a clearing party when conducting routine and strategic document review including policy notices, directives, standard operating procedure revisions, and program changes.
- OPP has also developed the Policy Binder and issue-specific briefing books that enable SBA leadership to have access to up-to-date information and recommendations concerning strategic issues facing the Agency.
- The Office reviews and provides comments on all requested strategic-level documents as well as legislative proposals and hearing testimony.

FY 2006 Accomplishments

In FY 2006 the Office of Policy and Planning provided briefings for the Administrator and senior staff on significant policy and regulatory issues and assisted with Congressional hearing preparation. It implemented the development and integration of the Urban Entrepreneur Partnership, including the development of the official web site for the initiative that was launched in July of 2006 (www.uep.gov). OPP also provided leadership, strategic guidance and advice on the Agency's proper policies concerning venture capital investment in firms that participate in the Small Business Innovation Research (SBIR) program.

FY 2007-FY 2008 Planned Performance

The Office of Policy and Planning is responsible for helping the SBA Administrator align Agency's programs and activities with the President's goals and objectives. Its primary goal for FY 2007-FY 2008 is the integration of Administration priorities in SBA programs and services. Towards that end, OPP will work towards the following specific output measurement goals:

- Review 95 to 98 percent of all Agency strategic documents and testimony submitted to OPP for comment within the following deadlines:
  - Two business days — comments on minor-scale documents such as informational notices, hearing testimony and opinion editorials
  - Two weeks — comments on major issues or decisions such as 606 decisions and procedural notices
- Complete 95 to 98 percent of all written and oral analyses within negotiated timeframe. Such items could include policy briefings and meetings, opinion editorial submissions and research memoranda.

Office of General Counsel

The primary objective of the Office of General Counsel (OGC) is to provide cost effective, quality legal products and services in support of SBA's strategic goals. OGC represents the Agency in litigation matters and provides legal opinions, interpretations of laws, regulations and other sources of authority, and other legal assistance in relation to the Agency's programs and activities. OGC is also the principal liaison with OMB during review of regulations proposed by the Agency and provides guidance to program offices on the legal requirements and procedures involved in the rulemaking process, including Federal Register publication procedures. In addition, OGC administers the ethics program for the entire Agency and in this capacity is responsible for: reviewing public and confidential financial disclosure statements of certain Agency employees; advising employees on post-employment restrictions and other employee-related issues and transactions that create potential conflicts of interest; and providing training on government ethics requirements.

FY 2006 Accomplishments

As SBIC enforcement counsel, OGC collected $292 million and resolved more than 800 separate assets in the SBIC program. OGC approved the transfer of 16 SBIC licenses to liquidation status with outstanding leverage at the time of transfer of over $315 million, as well as the funding of approximately $1.5 billion in SBIC debentures and participating securities. OGC also reviewed and cleared 13 SBIC license applications, including the related limited partnership agreements, representing over $346 million in new private capital entering the SBIC program.

Other OGC accomplishments in FY 2006 also reduced the Agency's costs or improved performance of critical programs. For example, OGC: 1) successfully defended the Agency in 26 EEOC cases and 5 MSPB cases; 2) negotiated a $9 million settlement in favor of the Agency in a False Claims Act case; 3) worked closely with the Office of Capital Access to eliminate a backlog of over 6,100 loans ready for charge-off; 4) assisted in the creation, development and implementation of the Gulf Opportunity Pilot Loan (GO Loan) program, which provides expedited financing under the 7(a) program to small businesses impacted by the hurricanes in the Gulf coast region; and 5) researched, developed and finalized the documentation SBA required to enter into computer matching arrangements for the sharing of disaster loan applicant data with Louisiana and Mississippi. This data matching program helps to ensure that applicants for disaster financial assistance do not receive duplicate benefits in violation of federal statutory guidelines.

OGC also developed and conducted an employment law training session, "Top Ten Tips for Managers," which was designed to help managers minimize the risk of labor and employment claims, as well as costly and burdensome litigation. The Office also completed the vertical integration of field legal services to create a more efficient organizational and supervisory structure and improve the overall quality, consistency and oversight of field legal services.

FY 2007-FY 2008 Planned Performance

In FY 2007-FY 2008 OGC will focus on the following goals and objectives to ensure continued delivery of quality legal products and services to the Agency.

Protect the Rights and Interests of the Agency — OGC will: 1) represent SBA in judicial and administrative proceedings involving the Agency's financial assistance programs, procurement and contracting programs, and labor and employment disputes; and 2) provide litigation support to the Department of Justice to facilitate the defense of SBA in cases arising out of its programs and activities.

Support Implementation of the President's Management Agenda — The office will: 1) provide legal guidance on SBA's implementation of the E-rulemaking Federal Document Management System (FDMS); 2) develop procedural guidance for SBA program offices regarding the operations of FDMS; 3) assist SBA program offices with competitive sourcing efforts to ensure compliance with applicable laws, regulations, and executive orders; and 4) provide the skills and competencies training necessary for OGC staff to provide the Agency with sound legal advice.

Enhance Client Services — OGC will: 1) complete review of matters referred to the Office for a legal interpretation, determination of legal sufficiency or recommendation within scheduled time frames; and 2) evaluate current performance indicators to assess the integrity and efficiency of OGC operational processes and, where necessary, reformulate such measures.

Human Capital Management

The SBA recognizes that human capital is applied talent: the sum of talent, energy, knowledge and enthusiasm that people invest in their work. Management of human capital is the key to having a well-trained, skilled, motivated, diverse, accountable and satisfied workforce that delivers results. The SBA is committed to continuous improvement of human capital programs and processes to ensure that SBA has an effective workforce to carry out its mission. The foundation of the SBA and the key to the Agency's future success rests with its workforce.

Office of Human Capital Management

FY 2006 Accomplishments

The following outcome measures, numbered to correspond with the LTOs, describe performance in the area of human capital management.

Outcome Measure 4.2.1 — In FY 2004, and maintained each year thereafter, SBA will achieve a rating of Green for having met all of the Core Criteria of the Human Capital initiative on the PMA.

In FY 2006, the SBA met all of its “Proud to Be III” and FY 2006 PMA milestones and deliverables for this initiative. Specifically, the Agency: 1) updated and published Agency-wide SBA’s Strategic Human Capital Plan; 2) strengthened and issued the HC Accountability System; 3) developed an electronic performance management system to ensure consistency in performance elements; and 4) revised the Organizational Structure Policy. This policy clearly links the need for organizational change to SBA’s Strategic Human Capital Plan.

In addition the Office of Human Capital Management (OHCM) revamped the SES Personal Business Commitment Plans and obtained certification of the SES Performance Appraisal System. The SBA SES Certification Package has been highlighted as an example of a best practice for other agencies.

Outcome Measure 4.2.2 — As a result of a revised management and performance culture, SBA employees’ rating of overall satisfaction with their jobs will increase each year and by FY 2008 will exceed the government-wide average by at least 10 percent.

In FY 2006, as a result of feedback from the FY 2004 Federal Human Capital Survey, the SBA implemented a communication strategy including: 1) publication of the Administrator’s internal communications newsletter, *SBA Times*, and a quarterly OHCM newsletter, *Frontline;* 2) a series of Town Hall meetings for SBA employees focused on communication, training, and leadership; 3) surveys to assess employees’ need for training, tools and resources to improve performance; and, 4) a management satisfaction survey. Significant improvements have been made in SBA management’s satisfaction with the recruiting process. OPM has determined that SBA is one of the top federal agencies, and it continues to lead the government in meeting or exceeding time to hire standards with high degrees of customer satisfaction. The Agency’s average time to hire GS employees is 44 days, and 53 days for SES employees. Some agencies average between 160 to 180 days for GS employees.

Outcome Measure 4.2.3 — The percentage of SBA employees possessing core competencies identified for their positions is identified in FY 2004 and the resulting gaps in current and future skills and competencies in mission-critical occupations is reduced by 20 percent each year.

In FY 2006, OHCM developed and implemented a leadership succession strategy. Specifically, the Agency: 1) developed and implemented a skills gap assessment for mission critical occupations; 2) implemented a leadership competency assessment for SES and GS-15; 3) implemented a management and supervisory training program (LEAD); 4) established a district managers training program; and 5) expanded the mentoring program nationwide. This program offers a structured approach to further develop employee talents for the future workforce. The formal mentoring process capitalizes on the experiences of successful individuals (mentors) in the organization.

OHCM has established a viable recruitment strategy to ensure that SBA hires the right people. The recruitment strategy was implemented to build a diverse workforce that exceeds the federal average in all areas.

FY 2007-FY 2008 Planned Performance

Outcome Measure 4.2.1

In FY 2007 and FY 2008 the Office of Human Capital Management plans to develop and implement a plan to correct under-representation and update the workforce planning system to incorporate career patterns and continuity planning. In addition, OHCM will develop improvement plans for any identified leadership competency gaps and set targets for closure, and establish targets and create improvement plans for hiring processes based on Management and Applicant Satisfaction surveys.

Additional planned implementations include: 1) a workforce and human capital plan; 2) a second PAAT; and 3) an improvement plan on gap analysis, and 4) continue implementing accountability activity to include transactional audit coverage (e.g., DEU audit).

Outcome Measure 4.2.2

In FY 2007 and FY 2008, OHCM will improve its performance culture by making use of the SBA Accountability Plan for FY 2006-FY 2008 and capitalizing on a wide range of measures, choosing the ones most representational to the activity under review. These will include surveys, focus groups, data and narrative reports, reviews by external parties, and independent on-site reviews conducted by internal teams. In addition OHCM will implement measures to achieve a results-oriented performance culture which includes an improved Performance Appraisal System that clearly defines outcomes and measures to determine the achievement of results and identifies developmental needs

OHCM will continue to monitor the performance management culture, and administer changes to the goal owner system based upon feedback from OPM and from the SBA executive management.

Outcome Measure 4.2.3

OHCM is responsible for the administration of the mission critical occupation skills gaps analysis. Baseline and staff surveys have been administered to the identified mission critical employees. Upon completion of the survey activities, an aggregate skills gap analysis will be conducted. This will determine 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 will be established. The curriculum map will illustrate and track the targeted competencies for each role and the recommendations made by OHCM to narrow the identified gaps. In FY 2008, OHCM will conduct follow-up to measure the progress of gap narrowing and to identify whether additional remedial training is warranted.

In conjunction with this, the overall strategy will be to ensure the right people are hired, in the right place at the right time. The main components of this strategy will be:

- Implementation of a leadership competency assessment for all managers and supervisors
- Roll out of the management and supervisory program (LEAD) and the District Director's training
- Complete development and implementation of the recruitment and orientation video, and
- Roll out of the orientation program for newly hired District Directors

Office of Equal Employment Opportunity and Civil Rights Compliance

The Office of Equal Employment Opportunity and Civil Rights Compliance (EEO and CRC) supports the goal to advance Agency-wide diversity at all levels and provide equal access to programs and activities receiving SBA financial assistance.

FY 2006 Accomplishments

EEO Training for Managers and EEO Counselors — EEO training provides comprehensive information to Agency supervisors and managers regarding all aspects of the federal EEO process and the applicable regulations and laws. To accomplish this, EEO and CRC developed and conducted training for new district directors, the Puerto Rico and U.S. Virgin Islands District Office, and Little Rock loan servicing employees. Basic EEO counseling training was also provided to newly-selected collateral duty counselors.

Implement MD-715 — Implementation of the MD-715 provides guidance and standards for establishing and maintaining effective affirmative programs of equal employment opportunity. In preparing the MD-715 report, EEO and CRC conducted an Agency self-assessment, and a report was submitted to the Equal Employment Opportunity Commission (EEOC) on January 31, 2006.

Streamline EEO Process — In FY 2006, an assessment of the formal and informal complaint process was completed; the streamlined process for formal and informal EEO complaints was developed and documented; and the implementation of the new streamlined process was completed by the end of the fiscal year.

No FEAR Act Report to Congress — To monitor and improve oversight over Agency compliance with the No Fear Act, an annual report was submitted to Congress on March 30, 2006. This annual report informs Congress and the public of SBA's compliance with the statute.

FY 2007-FY 2008 Planned Performance

Develop and Publish MD-715 — MD-715 is the policy guidance which the Equal Employment Opportunity Commission (EEOC) provides federal agencies for their use in establishing and maintaining effective programs of equal employment opportunity under Section 717 of Title VII of the Civil Rights Act of 1964 (Title VII), as amended, 42 U.S.C. Section 2000e *et seq.,* and Section 501 of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended, 29 U.S.C. Section 791 *et seq.* The directive ensures that all SBA employment decisions are free from discrimination by reviewing sufficiency of Agency Title VII and Rehabilitation Act programs, which include periodic Agency self-assessments and the removal of barriers to free and open workplace competition. SBA must submit the MD-715 report to EEOC on an annual basis.

EEO Training for Supervisors and Employees — This training will provide comprehensive information and interactive instruction to Agency managers and supervisors regarding all aspects of the federal EEO process and the regulations and laws that are applicable. In cases of budget restraints, training will be conducted via telephone, which will provide a cost effective manner to reach all employees. EEO and CRC is committed to: 1) providing the highest quality service; 2) resolving disputes quickly and fairly; and 3) ensuring that all Agency employees and EEO staff are adequately trained in all aspects of the EEO complaint process, and moving the Agency closer to the goal of creating a model federal workplace.

Revise/Redesign the EEO and CRC Webpage — EEO and CRC will review and update the office's web content on SBA.gov. The web page will serve as a source of communication to provide all employees and applicants for employment with information of the Agency's EEO process.

Promote/Expand Mediation — EEO and CRC will increase the use of mediation in an effort to achieve prompt resolutions; increase economic savings; and enhance customer service and workplace improvements in areas such as morale, productivity and motivation.

Workplace and employment disputes are disruptive to working relationships and efficient operations at the SBA. Therefore, the EEO and CRC is committed to its mediation program of providing methods to maximize the opportunity for early resolution in the least adversarial manner possible. EEO and CRC will increase the use of mediation in an effort to open lines of communication, resolve conflicts informally and quickly, and reduce work related stress. Mediation provides the parties with an employment dispute the opportunity to resolve their differences before the dispute escalates into a formal EEO complaint, hearing and/or litigation. This avoids unnecessary expenditures of time, energy and money. The parties have the opportunity to discuss their issues with an experienced and independent mediator, whose role is to help the parties create their own mutually acceptable resolution. The outcomes from EEO and CRC's activities should result in the following: 1) reduced complaint investigation backlog; 2) increased participation in mediation in the EEO complaint process; and 3) improved organizational performance and efficiency.

Competitive Sourcing

FY 2006 Accomplishments

Outcome Measure 4.5.1 — By FY 2006, SBA will achieve a rating of Green for having met all of the core criteria of the Competitive Sourcing initiative of the President's Management Agenda.

In FY 2006 the SBA fully succeeded by achieving a rating of Green in both status and progress for having met all of the core criteria of the initiative. All milestones and deliverables were met.

Through September 30, 2006 the Agency initiated six standard competitions and six streamlined competitions and improved the alignment of competitive sourcing efforts with the Agency's human capital transformation initiative. Where practical, competitions streamline business processes in accordance with the Human Capital Plan.

Further, the Agency: 1) developed plans for functions identified for FY 2007-FY 2008 competitions; 2) established an informational website for Agency efforts and accomplishments on competitive sourcing; 3) completed the FY 2006 Report to Congress on Competitive Sourcing; 4) completed and submitted the FY 2006 FAIR Act Inventory to OMB for review and approval; and 5) met all OMB established deliverables for the President's Management Agenda Competitive Sourcing Scorecard for FY 2006.

Outcome Measure 4.5.2 — By 2006 and maintained each year thereafter, the average time for competitive sourcing competitions will decrease to 12 months, from the FY 2003 baseline of 36 months.

The time for competitive sourcing competitions averaged 12 to 16 months in FY 2006. While this was an improvement over the baseline of 36 months, the shortfall in reaching the 12-month target was due to the unforeseen heavy workload.

FY 2007-FY 2008 Planned Performance

Outcome Measures 4.5.1 and 4.5.2

In FY 2007, the SBA will: 1) develop a competitive sourcing guide; 2) announce performance decisions for the Office of Field Operations standard competition; 3) conduct an evaluation of competitions to determine cost savings; 4) develop funding strategies for proposed FY 2008 competitions; 5) develop best practices guidance on post-award accountability; 6) initiate four new competitions (OMB identified); 7) complete the FY 2007 Report to Congress on Competitive Sourcing and post on SBA website; 8) submit the FY 2007 FAIR Act Inventory to OMB for review and approval; and 9) meet all OBM-established deliverables for the President's Management Agenda Competitive sourcing Scorecard for FY 2007.

In FY 2008, the Agency will: 1) initiate four new standard competitions (OMB identified); 2) conduct an evaluation of competitions to determine cost savings; 3) develop best practices guidance on post-award accountability; 4) develop funding strategies for proposed FY 2009 competitions; 5) complete the FY

2007 Report to Congress on Competitive Sourcing and post on SBA website; 6) submit the FY 2008 FAIR Act Inventory to OMB for review and approval; and 7) meet all OBM-established deliverables for the President's Management Agenda Competitive sourcing Scorecard for FY 2008.

Financial Management

The SBA is committed to strong financial management and proper stewardship of taxpayer dollars. Timely, accurate and relevant financial information is also critical to ensuring that SBA's programs are as effective and efficient as possible for the Nation's small businesses. The Agency has made great improvements over the last few years to improve the quality and timeliness of its financial information.

Financial Performance Improvement

FY 2006 Accomplishments

The Agency's new independent auditor issued an "unqualified" opinion on the SBA's FY 2006 financial statements audit, which is the second year in a row for this achievement, and it confirms the FY 2005 result by the prior auditor. KPMG, the new auditor, noted substantial improvement from the prior year in the area of internal control over financial reporting, but as the result of the restatement of a prior year amount in a footnote to SBA's FY 2006 financials on the size of SBA's guaranty program, KPMG found a continuing material weakness in SBA's internal control over financial reporting. The SBA is committed to removing this weakness in FY 2007, through additional improvements to quality assurance activities used in the financial reporting process. During FY 2006, the SBA implemented more extensive internal controls over its financial reporting as required by OMB Circular A-123, including financial activities in its business loans, disaster loans, grants and contracting, administrative activities, and budget and financial reporting processes.

FY 2007-FY 2008 Planned Performance

The Agency is focused on "getting to Green" on this PMA item, including obtaining an "unqualified" opinion with no repeat material internal control weaknesses reported on its FY 2007 financial statement audit. A remediation plan is in place to address the FY 2006 material weakness. In addition, in FY 2007 the Agency will continue to improve the usage of financial management data in SBA's management, including prompt pay, obligation management, and credit portfolio management. Internal controls over financial reporting will be enhanced through additional quality assurance activities and a comprehensive and thorough documentation of internal control activities over financial systems and financial reporting. Contractor assistance will still be required, but at a reduced level in FY 2007, on the A-123 internal control project. The SBA will continue to meet its schedule for FY 2007 financial reporting and audit activities.

FY 2007 reporting and audit activities will be 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 prior to the fourth quarter. Internal control activities over financial reporting will be enhanced based on previous year experience. Financial system improvements to better manage loan approval increases will be monitored and adjusted as necessary. Additional support will be provided to the development of the Loan Management and Accounting System during the year.

Improper Payments

FY 2006 Accomplishments

As of December 2006, the Agency's status on the Disaster Improper Payments program was downgraded to Yellow, while the progress on the issued remained Green. This resulted because the Agency missed its 0.5 percent goal for improper payments to disaster borrowers with a 0.8 percent result in FY 2006. The exceptional volume of disaster loans processed for victims of the Florida and Gulf Coast hurricanes caused this over target result. Also during FY 2006, the Agency reported a 1.56 percent Improper Payment rate on the purchase of defaulted 7(a) guaranteed loans. This was a slight increase from the previous year's result of 1.44 percent, but is still an acceptable rate for 7(a) Improper Payments. Finally, the SBA achieved a zero percent Improper Payment rate for its Small Business Investment Company program in FY 2006. This was an exceptional result that will be very difficult to maintain, but the SBA expects to meet its objective of less than .75 percent Improper Payments in FY 2007.

FY 2007-FY 2008 Planned Performance

The SBA plans to meet its year-end and quarterly deadlines in FY 2007 for Improper Payments reporting. The determination of Improper Payments in FY 2007 will utilize statistical sampling procedures consistent with OMB guidance. The Agency implemented a reporting process in the first quarter of FY 2007 for its 7(a) guarantees made improperly in addition to the ongoing reporting of 7(a) purchases made improperly. The Agency is also working to develop its Improper Payment program for Section 504 Development Company program guaranteed loans. The addition of guarantees to the 7(a) and 504 programs is to meet expanded OMB requirements for Improper Payments reporting. Procedures on SBA's Improper Payments program will be published as part of an SOP on the Agency's Internal Control program. Finally, the SBA will monitor its internal controls over Improper Payments and implement improvements to its payment processing in order to minimize Improper Payments.

The Agency will continue to comply with Improper Payment reporting requirements in the future. This includes an annual review of programs for Improper Payment risk, the statistical sampling of payment items and the reporting of Improper Payment activities quarterly and for year-end. Improvements to SBA's payment processes and the systems used for payment processing will be made as necessary to minimize Improper Payments. Recoveries of improperly made payments will be maximized. Improper Payment program efficiency will be promoted through adherence to the Agency's SOP and coordination with program offices.

Lender Oversight

Because the SBA guarantees up to 85 percent of each 7(a) loan made by its lending partners, there is risk to the Agency if the loans are not repaid. The outstanding balance of the guaranteed share of the 7(a) loan portfolio was $33 billion by the end of FY 2006. Over the past decade, a combination of increased loan volume and limited SBA resources has put a strain on the SBA's operations and its ability to efficiently perform loan making, servicing and liquidation activities. In addition, the outstanding 504 portfolio, 100 percent guaranteed by SBA, was almost $17 billion by the end of FY 2006. Portfolios of these sizes are significant by any measure and constitute potential risk to the taxpayer.

As the largest gap lender for small businesses, SBA necessarily takes more risk than a conventional lender. While the Agency must determine the level of credit risk it will tolerate, it must do so within the context of its mission and its programs' structures. To do so requires an effective participant oversight program to mitigate the increased risk of financial loss to SBA. The SBA's implementation of lender oversight monitoring and analyses is typical of "best practices" among major lenders and attested to in the Government Accountability Office reports.

FY 2006 Accomplishments

The Loan and Lender Monitoring System (L/LMS) is a state-of-the-art portfolio monitoring system that incorporates credit scoring metrics for portfolio management purposes. In February 2006, this system was recognized as a promising practice in federal credit management. During FY 2006, SBA introduced risk ratings as a major evaluation factor in assessing SBA lenders. Risk ratings are empirically derived and consider credit scores and the current and historical performance of lenders to assess the level of risk a lender's SBA loan portfolio presents to the Agency. Risk ratings are the primary basis by which lower-volume lenders were evaluated, while at the same time providing an assessment and a monitoring tool for the most active SBA lenders. In addition, lenders were given access to their risk ratings and performance metrics through the Lender Portal, allowing them to take the initiative to address data quality and performance issues in order to improve their risk ratings.

In addition, the SBA's Office of Lender Oversight (OLO) is increasing its on-site lender reviews and examinations, which will be enhanced with its newly added authority to collect fees from 7(a) lenders for these reviews. A proposed rule implementing this authority was published in FY 2006. Further, the Lender Review Standard Operating Procedure was issued providing guidance to SBA employees and lender partners alike on the review process.

The Lender Oversight Committee, composed of senior SBA officials, reviews lender oversight activities, discusses lender trends and proposes corrective actions for poor performing lenders. This committee meets bi-monthly and provides a key internal control in SBA's oversight process.

In delegating increased authority to SBA lenders, the Agency continues to develop and implement improved management control and oversight for portfolio management purposes. The Portfolio Analysis Committee, comprised of senior Agency officials, meets monthly to review and assess portfolio trends and identify opportunities for program improvements.

FY 2007-FY 2008 Planned Performance

The OLO will continue to integrate its oversight processes into lender management decisions. For example, OLO will further leverage risk ratings to allow for more efficient operations and to eliminate duplicative activities. As part of this effort, planned guidance on lender oversight supervision and enforcement will be provided.

As L/LMS continues to be leveraged for oversight and portfolio management purposes more involved data analysis for performance trends will be conducted. The results of these analyses will be used for more effective management of SBA's loan portfolios as well as to assist in identifying irregularities that may be an indication of inappropriate lending activities.

Budget and Performance Integration

Long-term Objective 4.1. states that SBA's general planning and management will result in clearly defined goals and effective strategies, and the coordination of operational support systems so as to maximize the Agency's mission performance through a comprehensive performance management system. The cornerstone of this effort is the Agency's five-year strategic plan. The plan was designed so that all Agency programs and operations support the SBA's four goals. Each goal has Long-Term Objectives with measurable outcomes and outputs. Through use of the SBA's Activity Based Costing model, the resources that the Agency devotes to its programs and outputs are clearly identified. These resources are reported on in the annual report and in all budget submissions to OMB and to the Congress. The information is used during all internal planning and budget exercises.

FY 2006 Accomplishments

SBA retained its rating of Green for both status and progress in budget and performance integration. All SBA budget activities incorporate performance goals and achievements and performance information is a basis for budgetary decisions. The Agency conducts an annual cost allocation survey, through which the full cost of programs is determined. Using the results of the Activity Based Costing model, SBA has developed efficiency measures for its program indicators, reported on in the PAR and all budget documents. These efficiency measures have helped the Agency drive down costs. One program, which could not demonstrate results, was terminated. One 7(a) delivery system, which cost approximately 20 times the per loan cost of the SBAExpress program, was terminated as a result of such analysis.

The basis for all SBA planning is the Agency's five-year strategic plan. That plan was updated by the end of FY 2006. The Agency maintains an Executive Scorecard, which tracks managers' progress on their performance goals throughout the year. The Chief Operating Officer reviewed progress against these metrics at least quarterly. All managers' performance appraisals are tied to their performance goals. The Agency participates in OMB's PART process, and has taken action based upon those findings.

FY 2007-FY 2008 Planned Performance

SBA is committed to continue improving its integration of budget and performance in the coming years. Key aspects of the plans include:

Strategic Plan — In FY 2007 the Agency is planning to review the current strategic plan in great detail to ensure consistency with goals of SBA's new management team.

Executive Scorecard — OCFO plans to ensure that the Scorecard maintains the goals established annually in the Performance Plan. Oversight of the Scorecard is now in the Office of Performance Management, which has responsibility for other performance monitoring and analysis, to ensure consistency. The Agency will continue to use the Scorecard as the management tool by which senior managers track how well they are meeting SBA and program goals on a routine basis, in order to make any corrective action (budget or otherwise) to ensure that goals can be met.

Activity Based Costing, Efficiency Measures, and Marginal Cost — This system has been continually improved over the years in which it has been in use. SBA plans each year to engage program offices in the methodology used in the model in order to improve it wherever possible, as well as in designing the cost allocation survey so that staff can best report their level of effort working on Agency programs.

Training — SBA will conduct training for managers on performance measurement for both program and administrative managers. The Agency will continue to actively participate in the PART process. OCFO will also review and update existing guidance for performance internal controls.

Performance Outputs, Intermediate Outcomes and Outcomes — OCFO will continue to improve the measurement of its outputs, intermediate outcomes 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. This is required because of the very quick turnaround time for the PAR after the end of the fiscal year.

Program Evaluations — During FY 2007, the Urban Institute study of the SBA programs responsible for providing financial assistance to small businesses will be concluded. Results of that study will be incorporated into the revision of the Strategic Plan.

Information Technology Management

The core of the SBA information technology (IT) strategy is a concerted effort to provide IT services to citizens, small firms, SBA partners and employees. The goal is to deliver services when needed and in a way that is user-friendly, comprehensive and cost-effective. SBA IT focuses on maximizing service delivery while minimizing the operating costs associated with both government-wide and Agency-specific systems. Internally, the Agency continues to provide the capacity to deliver web services directly and in collaboration with the federal community. This includes efforts to deliver the SBA's internal core business processes online (e.g., procurement, travel, training, human resources). Externally, the SBA collaborates with the private sector to sensitize and educate small businesses on the importance of the Internet to their survival and growth; on methods of utilizing e-commerce through distance learning tools to create training and education programs with resource partners; and to advocate for infrastructure improvements and legislation that help small businesses get online. The SBA also works to deliver all of its goods and services online, expanding its outreach to more small businesses and providing more user-friendly assistance to help them succeed.

The following outcome measures, numbered to correspond with the LTOs, describe performance in the area of Information Technology Management.

Outcome Measure 4.4.1 — Continue the Agency's progress toward "Enterprise Architecture" by aligning the Agency's programs and systems.

An "Enterprise Architecture" (EA) is a blueprint for organizational change that describes how the entity operates today and how it intends to operate in the future. Aligning proposed IT investments with the Enterprise Architecture should ensure that SBA's business needs are matched with IT systems and projects that will deliver measurable results, contributing to improved program delivery for the public. In an evolved EA, information technology products at all levels, including basic office computing devices, conform to a well-defined plan for selecting and deploying IT products suited to the Agency's program goals and unique IT support systems.

FY 2006 Accomplishments

In FY 2006, the SBA upgraded Agency desktop computing systems and standard software to realize fuller benefit from enterprise software licensing. The Agency modernized HQ data center equipment to achieve better reliability and redundancy, and it improved selected mission-specific systems and web content management capabilities.

FY 2007-FY 2008 Planned Performance

Desktop hardware, software, and messaging (e-mail) upgrades lets the Agency employ current, standards-based office technology supported by vendor maintenance agreements. SBA's hardware refresh strategy calls for the periodic replacement of aged computer servers, PCs and portable computers, the fundamental components of networked office computing. Replacing aged IT components ensures that computing hardware can smoothly run the latest operating system and software packages. This also allows the Agency to extract more practical value from its software licensing expenses. Actual refresh rates are adjusted annually depending on prior year activity and available resources.

The Agency plans to implement wireless network technology in its headquarters conference rooms to support collaborative computing, and easier network and Internet access.

Homeland Security Presidential Directive 12 (HSPD-12) requires that personal identity verification procedures meet new, more stringent guidelines for both physical access to buildings and logical access to IT systems. The directive provides milestones all agencies must meet to be considered compliant with the government-wide implementation schedule. Hardware and software will be procured to assure the compatibility of physical and logical access methods. Computers and peripherals (e.g., keyboards) with smart card reader components were purchased in FY 2006 and will be included as needed in future purchases during the two year period.

SBA investments in information technology proposed for FY 2007 and 2008 will enable the Agency to deliver the following:

- Successor data center services for hosting the Agency's current loan accounting system and its subsidiary applications
- Internet data platform services for the Agency's small business Internet applications
- Further improvements in web content management, business "compliance assistance," better website search capabilities, and adoption of workflow–oriented products and methods
- Award of multi-year performance–based contracts for essential IT operations support, and
- Selected IT systems enhancements supporting Agency-level transformation efforts

Software costs generally can be expected to increase annually as the Agency comes to rely on web-based delivery systems for critical services. While there is no practical, low cost alternative to allocating funds for software licensing, familiarity and fluency with selected software development tools should provide positive returns to SBA in the form of modern IT applications and solutions. These costs can be controlled and value extracted from them, as SBA's Enterprise Architecture process matures, minimizing the variety of platforms and development tools that the Agency will commit to employ.

In FY 2007 and FY 2008, increases in database and data center migration costs should result in savings to the Agency in future years. The eventual migration to a successor IT platform to support a modernized Loan Accounting System integrated with financial systems will also enable the Agency to address long-standing audit findings and security issues linked to older IT systems and their inherent audit trail deficiencies.

Higher expenditures for web application support reflect the effort to standardize all SBA employee and partner systems on web-based platforms as specified in the Agency's Enterprise Architecture. These increases reflect the Agency goal of utilizing technology for improved efficiencies in supporting SBA's programs.

The Federal Enterprise Architecture (FEA) is a business-based framework for government-wide improvement. The purpose of developing an FEA is to identify opportunities to simplify processes and unify work across agencies and within the common lines of business in government. The outcome of the FEA effort should be a more citizen-centered, customer-focused government that maximizes technology investments to better achieve mission outcomes.

In contrast to earlier, ineffective "architecture" efforts, the FEA is entirely business-driven. Its foundation is the Business Reference Model, which outlines in detail the government's Lines of Business and their associated services. This business-based foundation provides an understandable and unified framework for making improvements in a variety of key areas, including:

- Budget Allocation
- Information Sharing
- Performance Measurement
- Budget and Performance Integration
- Cross-Agency Collaboration
- E-Government
- Component-Based Architectures

Developing and implementing the FEA at SBA should improve the Agency's ability to make effective information technology investments, projects that will be manageable, effective and not duplicative of other efforts. Aligning proposed IT investments with the Agency's EA should ensure that SBA's business needs are matched with IT projects that will deliver measurable results, contributing to improved program delivery for the public.

EA/CPIC Maturation — Enterprise Architecture is a developmental process. An agency measures its EA progress in terms of "maturity" against a set of authoritative standards measured by OMB. SBA's goal is to meet or exceed the FEA maturity level expectations as they are periodically refined.

In FY 2006, SBA made significant progress in maturing both its EA and its Capital Planning and Investment Control (CPIC) processes. Led by the Office of the Chief Information Officer and in close coordination with the Office of the CFO, SBA was able to stay in compliance with key requirements and was recognized by OMB for its IT investment management practices and progress.

The Agency's EA Project Management Office coordinated the response to OMB's annual data call — the EA Framework 2, Completion and Use Plan — and updated the Agency's EA Blueprint and Migration Plan to reflect the full scope of Agency e-Government activities and the Agency enterprise migration status. Based on scoring criteria applied by OMB to all agencies, SBA achieved a Green rating in EA progress. During FY 2006, the EA staff also updated and republished key Agency-wide EA documentation, including:

- SBA EA Blueprint v.2.03, February 2006
- SBA EA Migration and Sequencing Plan v.1.02, February 2006
- IPv6 preparation and planning, with inventories, current status and impact analysis

Additionally, the Office of the Chief Information Officer (OCIO) is leading the establishment of an Agency-level Enterprise Change Control Board (ECCB) to ensure enterprise-wide change management of the Agency's major applications and technical infrastructure to reinforce technology standardization within SBA. Configuration and change management of standard technology within an enterprise reduces maintenance costs and improves reliability of the overall IT environment. SBA's ECCB will include representatives from all major SBA program offices.

In FY 2006, OCIO further developed the Agency's Capital Planning and Investment Control guidance, developing an Agency-wide IT performance measurement framework and reporting model, consisting of two SBA IT Portfolio Dashboards. That management framework was used to monitor the performance of the Agency's IT portfolio and to report results to OMB. The Dashboards reflect IT project performance in terms of cost/schedule metrics, IT security vulnerabilities, compliance with technical standards, and conformity to Agency system development and investment control policies.

OCIO, in collaboration with the Office of the CFO, continued integrating SBA's EA policy and practices with Capital Planning and Investment Control (CPIC) processes. EA and CPIC policy guidance have been updated to reflect this integration and the Agency now includes EA status reporting in its regular capital planning review meetings. SBA's IT capital planning committees provide oversight of the selection and control of IT projects, in line with the Agency's programs and goal achievement plans.

Using the OMB Framework, 2.0 feedback from OMB and GAO's EA report as guidance, the Agency expects to realize the following outcomes for its maturing EA activities:

- Increase efficiency and reduce IT costs by better governance collaboration with SBA program offices.
- Develop demonstrable and measurable results for the EA program as it relates to Agency mission objectives by use of the SBA's business architecture.
- Develop the EA transition strategy to achieve target architecture goals.
- Create a formal data resource repository that provides data definitions, origins, locations, metadata, relationships, lifespan, accessibility and business use.

- Evolve the EA sequencing plan to clearly show project dependencies with milestones that include performance measures.
- Create a Total Data Quality Methodology (TDQM) that establishes standards, policy, standard operating procedures (SOPs) and awareness for data accuracy, believability, relevancy, and timeliness.
- Continue to deploy EDI and XML technologies that allow data sharing among systems that feature identical data.
- Adopt improved methods for projecting cost avoidance and savings attributable to reusing processes and services, and from implementation of E-Gov, LoB, and Smart BUY initiatives.
- Achieve more consistent adherence to EA/CPIC processes and policies across SBA.

Outcome Measure 4.4.2 — By FY 2008, standardized Information Technology portfolio selection, control, and evaluation processes with associated performance metrics will be developed and used to gauge the progress of investments and their contribution to program outcomes.

By applying Earned Value Management and Operations Analysis, the SBA will work to ensure that major IT projects meet cost, schedule and performance goals and that SBA IT systems are certified and accredited.

FY 2006 Accomplishments

Principal achievements in this area included the following.

Enterprise Change Control Board — Provided enterprise-wide change management of the Agency's major application systems (software) and technical infrastructure (hardware) to ensure technological standardization across the Agency.

Capital Planning and Investment Control — SBA was recognized by OMB for its IT investment management practices and progress, developing an Agency-wide IT performance measurement framework and reporting model, consisting of two "SBA IT Portfolio Dashboards."

IT Infrastructure Modernization Project — A three-phase project to deploy updated computers, servers and operating system software to all Agency staff and contractors. The first two phases were completed in FY 2006 with phase three scheduled to finish in early FY 2007.

FY 2007-FY 2008 Planned Performance

In FY 2007, SBA will begin using and maintaining the government-wide e-authentication capabilities that were introduced in FY 2006. The major initiative in FY 2007 and FY 2008 is to align and upgrade SBA applications and infrastructure to the Enterprise Architecture and bring modern technologies and efficiencies to key areas. Since IT is a significant enabler for the Agency in meeting its goals, conducting business with its partners, and bringing efficiencies to the workplace, the Agency will continue to make improvements in its IT infrastructure.

Small investments in server components will occur in FY 2007 and FY 2008 to provide secure, reliable computing capabilities for enterprise class systems serving SBA program offices. Related facility improvements will include electrical circuit upgrades and air handling improvements to boost cooling capacity within the server center.

Outcome Measure 4.4.3 — SBA will continue to achieve efficiencies of business processes and cost reductions by taking advantage of the economies of scale offered by participating in common e-government solutions and technologies.

The focus of this initiative is to ensure that the Federal Government's annual investment in information technology significantly improves the government's ability to serve citizens, and that IT systems are secure, and delivered on time and within budget.

Appendix 2 — *E-Government: Expected Benefits* — presents the funding contributions and anticipated benefits for fiscal years 2007 and 2008.

FY 2006 Accomplishments

The SBA participated in 28 e-government initiatives and is the managing partner for the Business Gateway initiative. The SBA doubled, from 15 to 31, the number of applications available to the public through its e-authentication portal.

In FY 2006, SBA made significant improvements to the Agency's IT security program, continuing to mitigate and reduce risks associated with vulnerabilities identified in Federal Information Security Management Act (FISMA) GAO and OIG reviews. SBA certified and accredited critical and non-critical IT systems, modified or implemented security and privacy policies; upgraded IT firewalls; completed vulnerability analysis and penetration testing; and made key revisions to SBA's computer incident response policy.

Other FY 2006 accomplishments include:

- Enhancements to Web-based Systems — In FY 2006, the SBA increased and improved the information and services provided to small businesses via the Internet, most notably through implementation of EDMIS II, a centralized data collection and reporting system for SBA's Office of Entrepreneurial Development programs.

- Acknowledging the Internet as a mission essential content source for all SBA programs, the Agency also implemented content management technology for district and regional office website pages, developed LAORS (Loan Accounting Online Reports System) and Redesigned SBA's web portal GLS (General Login System).

- Modernized Server Center — The SBA now has a number of enterprise level systems that operate in a web-based technical environment. To meet customer expectations, these web-based systems must be available 24/7 and operate efficiently, so that information requests are processed quickly and reliably. To ensure that SBA can meet those expectations, the Agency replaced eight servers in its headquarters center with newer models offering better performance and more capacity.

FY 2007-FY 2008 Planned Performance

The FY 2007 and FY 2008 the information security budget will be used to ensure the Agency continues to have a robust IT security program with controls to safeguard the Agency's information and systems. It will be used for IT security projects that support the Agency's mission, objectives and priorities as expressed in SBA's overall strategic plan and in the SBA information technology strategic plan. The FY 2007 budget projected a modest increase over the FY 2006 level to continue to fund 24X7 network monitoring and to fund independent verification and validation (IV and V) services.

Key goals in FY 2007 include the following:

- Review and update Agency policies related to protecting personally identifiable information;
- Stand up the Agency's chief privacy officer function and define its role within the Agency as part of the larger IT security mission;

- Implement the common solutions identified by the Information Systems Security Line of Business (ISS LOB);
- Continue to improve the Agency's FISMA Plan of Actions and Milestones (POA and M) process;
- Complete all IT security remediation activities consistent with the SBA POA and M;
- Test Disaster Recovery and Continuity of Operations Plans (COOP);
- Implement the mandatory, government-wide standard for secure and reliable forms of identification for federal employees and contractors, in accordance with HSPD-12;
- Install network intrusion detection software and devices at strategic locations across the network for auditing, monitoring, alert and notification of possible unauthorized or illegal activities; and
- Implement SBA's Computer Incident Response Team to include appropriate components within the Agency and develop and implement enterprise incident response procedures.

Due to HSPD-12 requirements, Information Security is tasked with developing and implementing mandatory and reliable forms of identification for government and contractor employees. In light of recent government incidents (e.g., theft of laptops that contained private data) that pointed to the potential compromise of private information, some additional spending may occur for tools such as computer drive encryption solutions for mobile devices.

Challenges expected in FY 2007 include managing the continued proliferation of information security threats and technologies, initial efforts to strengthen privacy protections and associated policies, and human capital planning for the eventual successions to those highly specialized staff entering their retirement window.

Key goals in FY 2007–FY 2008 include the following:

- Examine alternatives to achieve better reporting of logging and correlation data on critical devices and systems.
- Continue to support the Agency's COOP program to ensure the Agency is able to resume normal activities and able to provide assistance to its customers and the small business community from alternate work sites in the event of a disaster, and provide quarterly training for the Incident Management Team (IMT) and Damage Assessment Team (DAT);
- Further refine and institutionalize the Chief Privacy Office function within the Office of the Chief Information Officer;
- Continue to provide 24X7 network monitoring service for the Agency's network and key devices to minimize attempted network intrusions and other network security vulnerabilities;
- Continue to fund background investigations for OCIO contractors and to perform other duties associated with the mandatory implementation of HSPD-12;
- Continue to enhance a remediation tool with the capability to assess the Agency's information systems and programs, manage and generate OMB compliant Plans of Action and Milestones (POA and M) and analyze the rate of results; and
- Continue contract support for the following mandatory activities: certification and accreditation activities (to include continuous monitoring), FISMA activities, disaster assistance requirements, computer security awareness testing and E-Authentication as it relates to HSPD-12 activities.

Appendices

Appendix 1 — 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, $310,103,000: 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 $87,120,000 shall be available to fund grants for performance in fiscal year 2008 or fiscal year 2009 as authorized.

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, $15,000,000.

Disaster Loans Program Account (including transfers of funds)

For administrative expenses to carry out the direct loan program authorized by section 7(b), of the Small Business Act, up to $156,000,000, to be derived by transfer from the "Disaster Loan Program" account, of which up to $500,000 is for the Office of Inspector General of the Small Business Administration for audits and reviews of disaster loans and the Disaster loan program and shall be paid to appropriations for the Office of Inspector General; of which up to $146,500,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, to remain available until expended, which may be paid to appropriations for Salaries and Expenses; and of which up to $9,000,000 is for indirect administrative expenses, which may be paid to appropriations for Salaries and Expenses: Provided, That of the unobligated balances under this heading, up to $200,000,000 may be paid to the Federal Emergency Management Agency, "Disaster Relief" account.

Business Loans Program Account (including transfers of funds)

Subject to section 502 of the Congressional Budget Act of 1974, during fiscal year 2008 commitments to guarantee loans under section 503 of the Small Business Investment Act of 1958, shall not exceed $7,500,000,000: Provided, That during fiscal year 2008 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 2008 commitments for direct loans authorized under section 7(m) of the Small Business Act shall not exceed $25,000,000; Provided further, That during fiscal year 2008 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 2008 guarantees of trust certificates authorized by section 5(g) of the Small Business Act shall not exceed a principal amount of $12,000,000,000. In addition, for administrative expenses to carry out the direct and guaranteed loan programs, $135,414,000, which may be paid to the appropriations for Salaries and Expenses.

Surety Bond Guarantees Revolving Fund

For additional capital for the Surety Bond Guarantees Revolving Fund, authorized by the Small Business Investment Act of 1958, as amended, $3,000,000, to remain available until expended.

Administrative Provision – Small Business Administration

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 605 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in that section.

Appendix 2 — E-Gov Quantifiable Benefits Report

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
E-Travel	GSA		$181,000	Based on the analysis conducted by the Managing Partner and SBA the eTravel CW initiative at a cost of $1.4 M compared to the status quo of $2.1M over a 10 year period (FY04 – FY13) and using the basis of the revised 1,600 vouchers (including 3% local vouchers) will results in an estimated savings of $70,684.93 per year for a total of $706,849.30 over the 10 year period. The majority of the savings are achieved during the Authorization & Approval and Post-Travel Processing. SBA began migrating its travel services to Carlson Wagonlit Government Travel (CWGT), one of the three designated E-Gov Travel Service (ETS) providers, in 4Q06, and is realizing the following benefits: As a primary result of advantageous TMC pricing, combined with OBE usage, SBA saved over $74K in travel management service fees for reservations in FY06.	DRAFT SBA FY04 - FY13 Ten Year Total Costs Cost Element / Status Quo / eTravel CW Planning & Acquisition / $0.00 / $0.00 Procurement & Implementation / $0.00 / $260,000.00 Operations & Maintenance / $584,600.00 / $346,912.70 Planning & Arrangement / $135,600.00 / $135,600.00 Authorization & Approval / $465,920.00 / $285,614.00 Post-Travel Processing / $935,360.00 / $386,504.00 Total / $2,121,480.00 / $1,414,630.70
E-Authentication	GSA	$0		Based on the analysis conducted by the Managing Partner and SBA, "Benefits of E-Authentication For Individual Agencies," the SBA's expected benefit stream over a 10-year period (FY6-FY15) is	Cost avoidance for SBA is calculated on a base of 28,300 known and fixed users requiring identity authentication (credentialing) services. In addition to the base of users, the SBA calculations assume both FTE and private salary rates at the GS 11-05 level (FY 2006 fully burdened $43.85 hourly; $91,522 annual). The managing partner estimates that 20

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				estimated to be approximately $626,600 in cost avoidance for Federal payroll, plus approximately $2,481,910 in cost avoidance for private payroll. This represents a total cost avoidance of $3,109,710 over 10 years. Cost avoidance is caused by eliminating the need for physical, face-to-face identity proofing events due to usable credentials stored and shared through this networked joint solution.	percent of the user base will require identity proofing services in any given year. For SBA this amounts to 5,660 users needing services annually. Assuming that an FTE will take 15 minutes (25% of an hour) to complete an identity proofing event, then the FTE cost for each event is approximately $11; thus generating an annual FTE cost avoidance of $62,660, or $626,600 over 10 years. Additionally, cost avoidance accrues to the private sector individual seeking authentication. In SBA's case, that is 5,660 identity proofing events avoided at an annual savings of $248,191 (5,660 events @ $43.85 – citizen travel time is included to the transaction time); or $2,481,910 over 10 years. The total cost avoided (FTE plus private citizen) would equate to $310,971 annually; or $3,109,710 over 10 years.
Grants.Gov	HHS	$130,000		Based on the analysis conducted by the Managing Partner and SBA the expected Cost Saving/Avoidance for SBA over the 7 year period (FY05-FY11) is $20M.	Cost avoidance for SBA were calculated by measuring the additional costs that the Agency would have to bear were SBA to independently develop and maintain its own Grant Management system. Development costs were based on estimated costs to: purchase, modify, install, train and support grant management functions. Development costs are estimated at $5 Million. Annual operations and maintenance costs are estimated at $2 Million. Additional savings are estimated for program announcements, distribution, printing and mailing cost of approximately $145K annually.
FMLoB	GSA	$83,333		Based on the analysis conducted by the Managing Partner and SBA the expected Cost Saving/Avoidance for SBA over the 10 year period (FY06-FY15) is $88.9M.	The FM LoB benefits OPM through the use of a Shared Service Provider (SSP), which will enable OPM to achieve cost savings. Relying on SSPs also helps keep capital investment and risk to a minimum. New SSP customers will be able to minimize risk by implementing and using financial systems that are already operating with standard operating procedures. In the short-term, key tools such as a Request for Proposal (RFP) framework and Service Level Agreement (SLA) guides will be provided to OPM helping them develop

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					agency agreements with their SSPs. Further cost savings will be recognized through the reduction of redundant costs. This is the result of using standard business processes and a common system configuration, which the FM LoB promotes. Furthermore, by using Financial System Integration Office certified financial management system software, SSPs will be able to minimize the cost of application upgrades. The common or expected cost saving/avoidance benefits are listed below. A comprehensive BCA and ROI analysis are required for a further breakdown. o A reduction in the number of redundant financial systems government-wide o Reduced licensing costs o Reduced operations and maintenance costs through combined services o Reduced integration costs o An increased focus on analytics and management instead of transactional system coordination o Better/Faster decision-making o Reduced audit costs o Reuse of hardware, software and infrastructure o Economies of scale o Economies of skill
E-Rulemaking	EPA	$155,000		Based on the analysis conducted by the Managing Partner and SBA the expected Cost Saving/Avoidance for SBA over the 5 year period is $1.365M**.**	Cost avoidance for SBA was calculated by measuring the additional costs that the Agency would have to bear were SBA to independently develop its own internal docket management system. Development costs were based on estimated costs to: purchase, modify, and train users on a Commercial-Off-the-Shelf database package and costs to purchase and install requisite hardware to support modest

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					online docket management functions. Development costs can be estimated as low as $700,000. Operations and maintenance costs include are based on a rate of 50% of the costs to develop the application and include the following items: software license renewals, telecommunication costs (e.g., bandwidth), hardware replacement, hosting facility and labor costs to maintain the application, operate helpdesk support and offer post deployment training. Annual operations and maintenance costs can be estimated as low as $350,000.
Gov Benefits	DOL		$49,462	GovBenefits.gov supports SBA's mission by promoting the awareness of benefit programs that improve the economic environment for small business and restore homes and businesses affected by disaster.	GovBenefits.gov supports SBA's mission by promoting the awareness of benefit programs that improve the economic environment for small business and restore homes and businesses affected by disaster. For the year ending September, 2006, over 301,000 citizens viewed SBA benefit program pages on GovBenefits.gov, which generated over 66,000 referrals to SBA program pages.
IAE	GSA	$122,250*			Through adoption of the tools and services provided by IAE, OPM improves its ability to make informed and efficient purchasing decisions and allows it to replace manual processes. If OPM were not allowed to use the IAE systems, they would need to build and maintain separate systems to record vendor and contract information, and to post procurement opportunities. Agency purchasing officials would not have access to databases of important information from other agencies on vendor performance and could not use systems to replace paper-based and labor-intensive efforts. For FY2006, OPM received estimated benefits of $100,304 based on the processes, personnel, roles, steps, and actions involved. In addition, the agency realized an estimated cost avoidance of $2,538 and estimated operational cost savings of $13,848.

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					Central Contractor Registration (CCR): Provides OPM a single source of trading partner data. CCR Tools enable OPM access to current socio-economic and financial information as needed for their contractors and grantees without maintenance. ○ The automated collection and management of CCR-type vendor data for its intended purposes is estimated to avoid the equivalent of 0.9 man-hours per award transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 279 hours for the agency in FY2006. ○ Trading Partners: Enables trading partners to provide required information into a central data base for use across the Federal enterprise instead of submitting to each Government office. **Excluded Party Listing Service (EPLS):** Access via standard Internet browser enables OPM to search for excluded parties prior to contract award. ○ The automated collection and management of EPLS-type data for its intended purposes is estimated to avoid the equivalent of 0.2 man-hours per subject award transaction based on the processes, personnel, roles, steps, and actions involved. ○ Public/Federal Security: Enables the elimination of excluded parties from receiving contract awards, protecting the taxpayers' investment and Federal contract spending. Users include banks and mortgage companies. **Electronic Subcontract Reporting System(eSRS):** For the OPM, the eSRS automates the collection and management of Individual Subcontract Reports (ISR) (formerly SF-294) and Summary Subcontract Reports (SSR) (formerly SF-295) data. ○ The automated collection and management of eSRS-type data for its intended purposes is estimated to avoid the equivalent of 0.3 government man-hours per subject award

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					transaction that requires subcontracting plans based on the processes, personnel, roles, steps, and actions involved. ○ Small Business/Prime Contractors: Provides an automated filing and reporting capability for contractors using sub-contractors ensuring proper sub-contractor usage.· **Federal Business Opportunity (FBO):** FBO is a source for contracting opportunities. Enables the OPM to automate management of the competitive notice processes. ○ Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, postage, maintenance of interested vendor lists; mailing, correction of mailing addresses, settling disagreements over wrong mailings, investigation of returned non-deliveries of notices, etc. The automated management of the competitive notice processes is estimated to avoid the equivalent of 5.5 government man-hours per subject transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 952 hours for the agency in FY2006. ○ Small Business/Contractors: Enables contractors and small businesses to access Federal solicitations using standard Internet browser capabilities and provides an e-mail notification process for new postings. This further eliminates the need to check websites from every contracting office for bidding opportunities. **Federal Technical Documents System (FedTeDS):** FedTeDS provides OPM with a secure service for storage and distribution of secure but unclassified documents for solicitations. ○ Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, postage, maintenance of interested vendor lists;

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					mailing, correction of mailing addresses, settling disagreements over wrong mailings, investigation of returned non-deliveries of notices, etc. The automated management of the processes is estimated to avoid labor equivalent to 2.5 government man-hours per subject transaction based on the processes, personnel, roles, steps, and actions involved. ○ Public/Federal Security: Provides a secure facility to protect secure but unclassified technical documentation related to solicitations. **Federal Procurement Data System – Next Generation (FPDS-NG):** Provides OPM with an automated capability to directly report awards real time from the OPM contract writing systems and extract reports of award data on demand. ○ Discontinue the OPM feeder system; facilitate real time reporting integrated with agency contract writing systems. This resulted in a savings of approximately 503 hours for the agency in FY2006. ○ Congress/Public: Automates the dissemination of contract award data and incorporates public access.· **Online Representation and Certification (ORCA):** Online Representation and Certification replaces solicitation Section K. Automates the previous Section K paper response to solicitations to OPM. ○ ORCA efficiencies compared to the equivalent manual management of the necessary representations and certifications for subject transactions are estimated to avoid the equivalent of 1.2 government man-hours per contract based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 208 hours for the agency in FY2006. ○ Contractors: Reduces time, cost, and inaccuracies for contractors responding to Federal solicitations. ORCA provides for a single annual submission to replace the previous repetitive input in every solicitation.

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					Wage Determination Online (WDOL): Provides Service Contract Act and Davis Bacon Act labor rates. Makes available the most current labor rates to OPM. ○ Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, and postage for corresponding with contractors. The automated management of the processes is estimated to avoid labor equivalent to 1.5 government man-hours per wage determination request based on the processes, personnel, roles, steps, and actions involved. ○ Public: Ensures that appropriate labor rates are included in a contract for the labor categories specified in the Service Contract Act and Davis-Bacon Act.
Business Gateway	SBA	$68,394		Business Gateway saves federal agencies time and money through enhanced efficiencies and cost avoidance. Aggregated estimates include: ▪ Approximately 3,000,000 new customers reached at no additional cost ▪ Approximately $696,000 contact center savings through reduction of misdirected calls ▪ Approximately $5,000,000 savings over 10 years through data harmonization It also produces time and cost	These estimated savings span the 22 partner agencies that fund the Business Gateway initiative and are based on a benefit analysis conducted in the summer of 2006 that reflects the new vision and strategy for the initiative. Business Gateway delivers specific benefits across federal agencies through: ▪ Increased user/business engagement: Business Gateway gives thousands of new customers quick, one-stop access to federal agency regulatory information across the federal government. ▪ Transparency: Business Gateway enables agencies to fulfill their commitment to transparency in government, especially the Small Business Paperwork Relief Act (SBPRA), providing its

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				savings to users: ▪ Approximately 37,000,000 user burden hours saved ▪ Users seeking compliance information report that each visit to Business.gov saved them an average of 12 labor hours (at a savings of $870). ▪ Lower labor costs for regulatory research and reporting: Just a five percent increase in efficiency saves $280 per business/user employee per year. For the 12/06 report on American Customer Satisfaction Index (ACSI), Business.gov achieved a score of 75, consistent with both private and public sector benchmarks for portal websites.	customers with ready, equal access to information about their compliance requirements. As required by OMB for all e-Government initiatives, Business Gateway delivers tangible benefits to U.S. taxpayers: ▪ Business Gateway provides citizens with one-stop, equal access to cross-agency compliance information. ▪ As a single-source, cross-agency alternative to multiple paper- and web-based sources, Business Gateway encourages and simplifies regulatory compliance for the benefit of all users and businesses. Business Gateway also delivers benefits to American business and industry: ▪ Lower accountant and attorneys' fees for regulatory research and reporting. ▪ Enables federal agencies to comply with the SBPRA, resulting in significant reductions in paperwork burden not just for small businesses but businesses of all sizes. ▪ Enhanced transparency of federal regulatory requirements enables U.S. business owners to compete more effectively. ▪ American business owners can redirect their time and money toward their core business, instead of negotiating a maze of cross-agency regulatory

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					information. Specific to SBA's mission and strategic plan to minimizes the regulatory burden on small businesses • Businesses seeking compliance information specifically from SBA save 202,000 burdens hours per year using Business.gov, • Business.gov includes 391 SBA compliance links, • Improved search capabilities on Business.gov to reduce misdirected calls to SBA call centers. A reduction of 3% misdirected calls can save $32,000 per contact center per year; and • Forms.gov includes 71 SBA forms, which will save SBA paper and postage costs over time.
USA Services	GSA		$0	USA Services uses the existing infrastructure of the Federal Citizen Information Center and the USA.gov portal to develop citizen-focused solutions to improve the ease with which citizens can interact with the government and acts as a citizen customer service solution provider for other Federal agencies and E-Government Initiatives.	USA Services uses the existing infrastructure of the Federal Citizen Information Center and the USA.gov portal to develop citizen-focused solutions to improve the ease with which citizens can interact with the government and acts as a citizen customer service solution provider for other Federal agencies and E-Government Initiatives. Via the many services through USA Services, SBA is able to assist it's constituents in finding pertinent information in a timely fashion. Services offered by USA Services include: · Information from Federal agencies in both English and Spanish via the Internet, publications, telephone, and e-mail in a privacy-protected environment.

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					· Services to agencies for misdirected telephone and e-mail inquiries and provides contact center services through FirstContact. · Reduction in partner agency expenses for infrastructure, procurement, and labor within the agency or for expenses related to contact centers responding to e-mail and telephone calls.
E-Training	OPM		$11,408		The initiative benefits agency leadership and workforce by encouraging investments as part of a systematic and continuous development of Federal Government human capital, reducing redundancies in the development and purchase of training content, achieving economies of scale through consolidated purchasing, offering easy, one-stop access to a robust, high quality electronic training environments, and leveraging components of existing e-training service providers.
Recruitment One-Stop	OPM		$15,624	(ROS) initiative is a Government-wide initiative led by the Office of Personnel Management (OPM). All agencies fund their portion of this program (based on employment levels). Regulations contained in 5 CFR Parts 330, 333, and 335 implement section 4 of Public Law 1054-52 and authorizes OPM to charge fees to agencies to pay the cost of providing Federal employment information and services.	This program seeks to simplify the process of locating and applying for Federal jobs. It delivers a number of new job seeker focused features including intuitive job searching; clean, concise, understandable and attractive job announcements; on-line resume submission; applicant data-mining; and on-line feedback on status and eligibility. USAJOBS Federal Employment Information System delivers state-of-the-art on-line recruitment services to job seekers including intuitive job searching, on-line resume submission, applicant data-mining, and on-line feedback on status and eligibility.

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
GM LoB	HHS & NSF	$30,074		SBA manages 517 grant awards equaling approximately $173,478 in awards. SBA anticipates the key benefit will be having a centralized location to download all applications, make awards, and track awards to closeout. Automated business processes available through consortium service providers will decrease agency reliance on manual and paper-based processing. Consortium lead agencies will spread operations and maintenance (O&M) costs, and development, modernization, and enhancement (DME) costs across agencies, decreasing the burden that any one agency must bear.	GMLOB will lead to a reduction in the number of systems of record for grants data across SBA and the government and develop common reporting standards, improving SBA's ability to provide agency- and government-wide reports on grant activities and results. Migrating to a consortium lead agency will help SBA comply with the Federal Financial Assistance Management Improvement Act of 1999 and the Federal Funding Accountability and Transparency Act of 2006. Service to constituents will be improved through the standardization and streamlining of government-wide grants business processes. The public will receive time savings as a result of quicker notification and faster payments due to an automated system for grants processing. Furthermore, GMLOB will minimize complex and varying agency-specific requirements and increase grantee ease of use on Federal grants management systems. Constituents will benefit as they will have fewer unique agency systems and processes to learn; grantees' ability to learn how to use the system will be improved and reliance on call center technical support will be reduced. Consortium lead agencies will also provide grantees with online access to standard post-award reports, decreasing the number of unique agency-specific reporting requirements.
Geospatial	DOI	$15,000		SBA is looking forward to the returns on investments from the Geospatial LoB with regard to the efficiency and synergy across the government.	SBA is looking forward to the returns on investments from the Geospatial LoB with regard to the efficiency and synergy across the government. The LoB provides more immediate access to geospatial information that would lead to improved productivity, improved mission delivery, and increased service to citizens. Geospatially enabling traditional business data will improve business process efficiency, allow for geographically based work planning and investment

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					processes, assist in infrastructure asset tracking, improve mission delivery, and promote use of business intelligence in the Department's decision support systems. The LoB is intended to establish methods for improved processes of doing business using geospatial information.
Budget Formulation & Execution LoB	Education	$45,000		This initiative benefits OPM because the BFE LoB plans to make at least one GOTS budget formulation system available for purchase or use via a fee-for-service arrangement. OPM will be able to utilize the procurement guide that the BFE LoB plans to develop for use when an agency is beginning a budget system procurement.	This initiative benefits OPM because the BFE LoB plans to make at least one GOTS budget formulation system available for purchase or use via a fee-for-service arrangement. OPM will be able to utilize the procurement guide that the BFE LoB plans to develop for use when an agency is beginning a budget system procurement. This guide will include a listing of agencies and their current budgeting systems, information on various budgeting systems that are currently available in the market place (both GOTS and COTS), and a decisional matrix that agencies can use in assessing budgeting systems. Additionally, agencies will have the ability to share lessons learned for budget formulation, execution, planning, performance measurement, and financial management information and activities across the government. In FY 2007, the BFE LoB will provide all agencies with more information about collaboration tools and technologies that can ease communications in the Federal budget environment.

SBA/E-Gov Quantifiable Benefits Report FY 2007

E-Gov Initiative	Managing Partner/PM	SBA FY07 Contribution	SBA FY07 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
IT Infrastructure LoB	GSA	$20,000		The initiative benefits OPM through improved IT performance, greater efficiencies in IT infrastructure investments, and consistency and standardization of infrastructure platforms.	The initiative benefits OPM through improved IT performance, greater efficiencies in IT infrastructure investments, and consistency and standardization of infrastructure platforms. The Infrastructure LoB will provide OPM with best practice data and industry-wide performance metrics to validate and/or improve existing performance. Given that OPM is primarily located in the Washington, DC area, OPM stands to benefit most from the information and solutions relating to Desktop/Seat Management and Data Centers.

*In-Kind Contribution - $120,000

SBA/E-Gov Quantifiable Benefits Report FY 2008

E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
E-Travel	GSA		$23,669	Based on the analysis conducted by the Managing Partner and SBA the eTravelCW initiative at a cost of $1.4 M compared to the status quo of $2.1M over a 10 year period (FY04 – FY13) and using the basis of the revised 1,600 vouchers (including 3% local vouchers) will results in an estimated savings of $70,684.93 per year for a total of $706,849.30 over the 10 year period. The majority of the savings are achieved during the Authorization & Approval and Post-Travel Processing. SBA began migrating its travel services to Carlson Wagonlit Government Travel (CWGT), one of the three designated E-Gov Travel Service (ETS) providers, in 4Q06, and is realizing the following benefits: As a primary result of advantageous TMC	DRAFT SBA FY04 - FY13 Ten Year Total Costs Cost Element — Status Quo — eTravel CW Planning & Acquisition — $0.00 — $0.00 Procurement & Implementation — $0.00 — $260,000.00 Operations & Maintenance — $584,600.00 — $346,912.70 Planning & Arrangement — $135,600.00 — $135,600.00 Authorization & Approval — $465,920.00 — $285,614.00 Post-Travel Processing — $935,360.00 — $386,504.00 Total — $2,121,480.00 — $1,414,630.70

SBA/E-Gov Quantifiable Benefits Report FY 2008

E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				pricing, combined with OBE usage, SBA saved over $74K in travel management service fees for reservations in FY06.	
E-Authentication	GSA	$65,217		Based on the analysis conducted by the Managing Partner and SBA, "Benefits of E-Authentication For Individual Agencies," the SBA's expected benefit stream over a 10-year period (FY6-FY15) is estimated to be approximately $626,600 in cost avoidance for Federal payroll, plus approximately $2,481,910 in cost avoidance for private payroll. This represents a total cost avoidance of $3,109,710 over 10 years. Cost avoidance is caused by eliminating the need for physical, face-to-face identity proofing events due to usable credentials stored and shared through this networked joint solution.	Cost avoidance for SBA is calculated on a base of 28,300 known and fixed users requiring identity authentication (credentialing) services. In addition to the base of users, the SBA calculations assume both FTE and private salary rates at the GS 11-05 level (FY 2006 fully burdened $43.85 hourly; $91,522 annual). The managing partner estimates that 20 percent of the user base will require identity proofing services in any given year. For SBA this amounts to 5,660 users needing services annually. Assuming that an FTE will take 15 minutes (25% of an hour) to complete an identity proofing event, then the FTE cost for each event is approximately $11; thus generating an annual FTE cost avoidance of $62,660, or $626,600 over 10 years. Additionally, cost avoidance accrues to the private sector individual seeking authentication. In SBA's case, that is 5,660 identity proofing events avoided at an annual savings of $248,191 (5,660 events @ $43.85 – citizen travel time is included to the transaction time); or $2,481,910 over 10 years. The total cost avoided (FTE plus private citizen) would equate to $310,971 annually; or $3,109,710 over 10 years.
Grants.Gov	HHS	$133,900		Based on the analysis conducted by the	Cost avoidance for SBA were calculated by measuring the additional costs that the Agency would have to bear were

SBA/E-Gov Quantifiable Benefits Report FY 2008

E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				Managing Partner and SBA the expected Cost Saving/Avoidance for SBA over the 7 year period (FY05-FY11) is $20M.	SBA to independently develop and maintain its own Grant Management system. Development costs were based on estimated costs to: purchase, modify, install, train and support grant management functions. Development costs are estimated at $5 Million. Annual operations and maintenance costs are estimated at $2 Million. Additional savings are estimated for program announcements, distribution, printing and mailing cost of approximately $145K annually.
FMLoB	GSA	$44,444		Based on the analysis conducted by the Managing Partner and SBA the expected Cost Saving/Avoidance for SBA over the 10 year period (FY06-FY15) is $88.9M.	The FM LoB benefits OPM through the use of a Shared Service Provider (SSP), which will enable OPM to achieve cost savings. Relying on SSPs also helps keep capital investment and risk to a minimum. New SSP customers will be able to minimize risk by implementing and using financial systems that are already operating with standard operating procedures. In the short-term, key tools such as a Request for Proposal (RFP) framework and Service Level Agreement (SLA) guides will be provided to OPM helping them develop agency agreements with their SSPs. Further cost savings will be recognized through the reduction of redundant costs. This is the result of using standard business processes and a common system configuration, which the FM LoB promotes. Furthermore, by using Financial System Integration Office certified financial management system software, SSPs will be able to minimize the cost of application upgrades. The common or expected cost saving/avoidance benefits are listed below. A comprehensive BCA and ROI analysis are required for a further breakdown. o A reduction in the number of redundant financial systems government-wide o Reduced licensing costs o Reduced operations and maintenance costs through combined services o Reduced integration costs o An increased focus on analytics and

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					management instead of transactional system coordination o Better/Faster decision-making o Reduced audit costs o Reuse of hardware, software and infrastructure o Economies of scale o Economies of skill
E-Rulemaking	EPA	$135,000		Based on the analysis conducted by the Managing Partner and SBA the expected Cost Saving/Avoidance for SBA over the 5 year period is $1.365M**.**	Cost avoidance for SBA was calculated by measuring the additional costs that the Agency would have to bear were SBA to independently develop its own internal docket management system. Development costs were based on estimated costs to: purchase, modify, and train users on a Commercial-Off-the-Shelf database package and costs to purchase and install requisite hardware to support modest online docket management functions. Development costs can be estimated as low as $700,000. Operations and maintenance costs include are based on a rate of 50% of the costs to develop the application and include the following items: software license renewals, telecommunication costs (e.g., bandwidth), hardware replacement, hosting facility and labor costs to maintain the application, operate helpdesk support and offer post deployment training. Annual operations and maintenance costs can be estimated as low as $350,000.
Gov Benefits	DOL		$134,485	SBA contributions to the Gov Benefits initiative begins in FY07 therefore a benefits analysis has not yet been conducted.	GovBenefits.gov supports SBA's mission by promoting the awareness of benefit programs that improve the economic environment for small business and restore homes and businesses affected by disaster. For the year ending September, 2006, over 301,000 citizens viewed SBA benefit program pages on GovBenefits.gov, which generated over 66,000 referrals to SBA program pages.

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
IAE	GSA	$605,859*		Through adoption of the tools and services provided by IAE, OPM improves its ability to make informed and efficient purchasing decisions and allows it to replace manual processes. If OPM were not allowed to use the IAE systems, they would need to build and maintain separate systems to record vendor and contract information, and to post procurement opportunities. Agency purchasing officials would not have access to databases of important information from other agencies on vendor performance and could not use systems to replace paper-based and labor-intensive efforts. For FY2006, OPM received estimated benefits of $100,304 based on the processes, personnel, roles, steps, and actions involved. In addition, the agency realized an estimated cost avoidance of $2,538	Through adoption of the tools and services provided by IAE, OPM improves its ability to make informed and efficient purchasing decisions and allows it to replace manual processes. If OPM were not allowed to use the IAE systems, they would need to build and maintain separate systems to record vendor and contract information, and to post procurement opportunities. Agency purchasing officials would not have access to databases of important information from other agencies on vendor performance and could not use systems to replace paper-based and labor-intensive efforts. For FY2006, OPM received estimated benefits of $100,304 based on the processes, personnel, roles, steps, and actions involved. In addition, the agency realized an estimated cost avoidance of $2,538 and estimated operational cost savings of $13,848. **Central Contractor Registration (CCR):** Provides OPM a single source of trading partner data. CCR Tools enable OPM access to current socio-economic and financial information as needed for their contractors and grantees without maintenance. ○ The automated collection and management of CCR-type vendor data for its intended purposes is estimated to avoid the equivalent of 0.9 man-hours per award transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 279 hours for the agency in FY2006. ○ Trading Partners: Enables trading partners to provide required information into a central data base for use across the Federal enterprise instead of submitting to each Government office. **Excluded Party Listing Service (EPLS):** Access via standard internet browser enables OPM to search for excluded parties prior to contract award. ○ The automated collection and management of EPLS-type data for its intended purposes is estimated to avoid the

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				and estimated operational cost savings of $13,848.	equivalent of 0.2 man-hours per subject award transaction based on the processes, personnel, roles, steps, and actions involved. ○ Public/Federal Security: Enables the elimination of excluded parties from receiving contract awards, protecting the taxpayers' investment and Federal contract spending. Users include banks and mortgage companies. **Electronic Subcontract Reporting System(eSRS):** For the OPM, the eSRS automates the collection and management of Individual Subcontract Reports (ISR) (formerly SF-294) and Summary Subcontract Reports (SSR) (formerly SF-295) data. ○ The automated collection and management of eSRS-type data for its intended purposes is estimated to avoid the equivalent of 0.3 government man-hours per subject award transaction that requires subcontracting plans based on the processes, personnel, roles, steps, and actions involved. ○ Small Business/Prime Contractors: Provides an automated filing and reporting capability for contractors using sub-contractors ensuring proper sub-contractor usage.· **Federal Business Opportunity (FBO):** FBO is a source for contracting opportunities. Enables the OPM to automate management of the competitive notice processes. ○ Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, postage, maintenance of interested vendor lists; mailing, correction of mailing addresses, settling disagreements over wrong mailings, investigation of returned non-deliveries of notices, etc. The automated management of the competitive notice processes is estimated to avoid the equivalent of 5.5 government man-hours per subject transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 952 hours for the agency in FY2006. ○ Small Business/Contractors: Enables contractors and

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					small businesses to access Federal solicitations using standard Internet browser capabilities and provides an e-mail notification process for new postings. This further eliminates the need to check websites from every contracting office for bidding opportunities. **Federal Technical Documents System (FedTeDS):** FedTeDS provides OPM with a secure service for storage and distribution of secure but unclassified documents for solicitations. ○ Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, postage, maintenance of interested vendor lists; mailing, correction of mailing addresses, settling disagreements over wrong mailings, investigation of returned non-deliveries of notices, etc. The automated management of the processes is estimated to avoid labor equivalent to 2.5 government man-hours per subject transaction based on the processes, personnel, roles, steps, and actions involved. ○ Public/Federal Security: Provides a secure facility to protect secure but unclassified technical documentation related to solicitations. **Federal Procurement Data System – Next Generation (FPDS-NG):** Provides OPM with an automated capability to directly report awards real time from the OPM contract writing systems and extract reports of award data on demand. ○ Discontinue the OPM feeder system; facilitate real time reporting integrated with agency contract writing systems. This resulted in a savings of approximately 503 hours for the agency in FY2006. ○ Congress/Public: Automates the dissemination of contract award data and incorporates public access.· **Online Representation and Certification (ORCA):** Online Representation and Certification replaces solicitation Section K. Automates the previous Section K paper response to

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
					solicitations to OPM. ○ ORCA efficiencies compared to the equivalent manual management of the necessary representations and certifications for subject transactions are estimated to avoid the equivalent of 1.2 government man-hours per contract based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 208 hours for the agency in FY2006. ○ Contractors: Reduces time, cost, and inaccuracies for contractors responding to Federal solicitations. ORCA provides for a single annual submission to replace the previous repetitive input in every solicitation. **Wage Determination Online (WDOL):** Provides Service Contract Act and Davis Bacon Act labor rates. Makes available the most current labor rates to OPM. ○ Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, and postage for corresponding with contractors. The automated management of the processes is estimated to avoid labor equivalent to 1.5 government man-hours per wage determination request based on the processes, personnel, roles, steps, and actions involved. ○ Public: Ensures that appropriate labor rates are included in a contract for the labor categories specified in the Service Contract Act and Davis-Bacon Act.
Business Gateway	SBA	$525,600		Business Gateway saves federal agencies time and money through enhanced efficiencies and cost avoidance. Aggregated estimates	These estimated savings span the 22 partner agencies that fund the Business Gateway initiative and are based on a benefit analysis conducted in the summer of 2006 that reflects the new vision and strategy for the initiative. Business Gateway delivers specific benefits across federal

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				include: ▪ Approximately 3,000,000 new customers reached at no additional cost ▪ Approximately $696,000 contact center savings through reduction of misdirected calls ▪ Approximately $5,000,000 savings over 10 years through data harmonization It also produces time and cost savings to users: ▪ Approximately 37,000,000 user burden hours saved ▪ Users seeking compliance information report that each visit to Business.gov saved them an average of 12 labor hours (at a	agencies through: ▪ *Increased user/business engagement*: Business Gateway gives thousands of new customers quick, one-stop access to federal agency regulatory information across the federal government. ▪ *Transparency*: Business Gateway enables agencies to fulfill their commitment to transparency in government, especially the Small Business Paperwork Relief Act (SBPRA), providing its customers with ready, equal access to information about their compliance requirements. As required by OMB for all e-Government initiatives, Business Gateway delivers tangible benefits to U.S. taxpayers: ▪ Business Gateway provides citizens with one-stop, equal access to cross-agency compliance information. ▪ As a single-source, cross-agency alternative to multiple paper- and web-based sources, Business Gateway encourages and simplifies regulatory compliance for the benefit of all users and businesses. Business Gateway also delivers benefits to American business and industry: ▪ Lower accountant and attorneys' fees for regulatory research and reporting. ▪ Enables federal agencies to comply with the SBPRA, resulting in significant reductions in paperwork burden not just for small businesses but businesses of all sizes. ▪ Enhanced transparency of federal regulatory requirements enables U.S. business owners to compete more effectively.

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				savings of $870). ▪ Lower labor costs for regulatory research and reporting: Just a five percent increase in efficiency saves $280 per business/user employee per year. For the 12/06 report on American Customer Satisfaction Index (ACSI), Business.gov achieved a score of 75, consistent with both private and public sector benchmarks for portal websites.	▪ American business owners can redirect their time and money toward their core business, instead of negotiating a maze of cross-agency regulatory information. Specific to SBA's mission and strategic plan to minimizes the regulatory burden on small businesses • Businesses seeking compliance information specifically from SBA save 202,000 burdens hours per year using Business.gov, • Business.gov includes 391 SBA compliance links, • Improved search capabilities on Business.gov to reduce misdirected calls to SBA call centers. A reduction of 3% misdirected calls can save $32,000 per contact center per year; and • Forms.gov includes 71 SBA forms, which will save SBA paper and postage costs over time.
USA Services	GSA		$17,000	USA Services uses the existing infrastructure of the Federal Citizen Information Center and the USA.gov portal to develop citizen-focused solutions to improve the ease with which citizens can interact with the	USA Services uses the existing infrastructure of the Federal Citizen Information Center and the USA.gov portal to develop citizen-focused solutions to improve the ease with which citizens can interact with the government and acts as a citizen customer service solution provider for other Federal agencies and E-Government Initiatives. Via the many services through USA Services, SBA is able to assist it's constituents in finding pertinent information in a timely fashion. Services offered by USA Services include:

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				government and acts as a citizen customer service solution provider for other Federal agencies and E-Government Initiatives.	· Information from Federal agencies in both English and Spanish via the Internet, publications, telephone, and e-mail in a privacy-protected environment. · Services to agencies for misdirected telephone and e-mail inquiries and provides contact center services through FirstContact. · Reduction in partner agency expenses for infrastructure, procurement, and labor within the agency or for expenses related to contact centers responding to e-mail and telephone calls.
E-Training	OPM		$11,408		The initiative benefits agency leadership and workforce by encouraging investments as part of a systematic and continuous development of Federal Government human capital, reducing redundancies in the development and purchase of training content, achieving economies of scale through consolidated purchasing, offering easy, one-stop access to a robust, high quality electronic training environments, and leveraging components of existing e-training service providers. SBA is currently using Go Learn Service Provider.
Recruitment One-Stop	OPM		$17,555	(ROS) initiative is a Government-wide initiative led by the Office of Personnel Management (OPM). All agencies fund their portion of this program (based on employment	This program seeks to simplify the process of locating and applying for Federal jobs. It delivers a number of new job seeker focused features including intuitive job searching; clean, concise, understandable and attractive job announcements; on-line resume submission; applicant data-mining; and on-line feedback on status and eligibility. USAJOBS Federal Employment Information System delivers

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				levels). Regulations contained in 5 CFR Parts 330, 333, and 335 implement section 4 of Public Law 1054-52 and authorizes OPM to charge fees to agencies to pay the cost of providing Federal employment information and services.	state-of-the-art on-line recruitment services to job seekers including intuitive job searching, on-line resume submission, applicant data-mining, and on-line feedback on status and eligibility.
GM LoB	HHS & NSF	$28,460		SBA manages 517 grant awards equaling approximately $173,478 in awards. SBA anticipates the key benefit will be having a centralized location to download all applications, make awards, and track awards to closeout. Automated business processes available through consortium service providers will decrease agency reliance on manual and paper-based processing. Consortium lead agencies will spread operations and maintenance (O&M) costs, and development,	GMLOB will lead to a reduction in the number of systems of record for grants data across SBA and the government and develop common reporting standards, improving SBA's ability to provide agency- and government-wide reports on grant activities and results. Migrating to a consortium lead agency will help SBA comply with the Federal Financial Assistance Management Improvement Act of 1999 and the Federal Funding Accountability and Transparency Act of 2006. Service to constituents will be improved through the standardization and streamlining of government-wide grants business processes. The public will receive time savings as a result of quicker notification and faster payments due to an automated system for grants processing. Furthermore, GMLOB will minimize complex and varying agency-specific requirements and increase grantee ease of use on Federal grants management systems. Constituents will benefit as they will have fewer unique agency systems and processes to learn; grantees' ability to learn how to use the system will be improved and reliance on call center technical support will be reduced. Consortium lead agencies will also provide grantees with online access to standard post-award reports, decreasing

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				modernization, and enhancement (DME) costs across agencies, decreasing the burden that any one agency must bear.	the number of unique agency-specific reporting requirements.
Geospatial	DOI	$15,450		SBA is looking forward to the returns on investments from the Geospatial LoB with regard to the efficiency and synergy across the government.	SBA is looking forward to the returns on investments from the Geospatial LoB with regard to the efficiency and synergy across the government. The LoB provides more immediate access to geospatial information that would lead to improved productivity, improved mission delivery, and increased service to citizens. Geospatially enabling traditional business data will improve business process efficiency, allow for geographically based work planning and investment processes, assist in infrastructure asset tracking, improve mission delivery, and promote use of business intelligence in the Department's decision support systems. The LoB is intended to establish methods for improved processes of doing business using geospatial information.
Budget Formulation & Execution LoB	Education	$45,000		This initiative benefits OPM because the BFE LoB plans to make at least one GOTS budget formulation system available for purchase or use via a fee-for-service arrangement. OPM will be able to utilize the procurement guide that the BFE LoB plans to develop for use when an agency is beginning a budget system	This initiative benefits OPM because the BFE LoB plans to make at least one GOTS budget formulation system available for purchase or use via a fee-for-service arrangement. OPM will be able to utilize the procurement guide that the BFE LoB plans to develop for use when an agency is beginning a budget system procurement. This guide will include a listing of agencies and their current budgeting systems, information on various budgeting systems that are currently available in the market place (both GOTS and COTS), and a decisional matrix that agencies can use in assessing budgeting systems. Additionally, agencies will have the ability to share lessons learned for budget formulation, execution, planning, performance measurement, and financial management information and activities across the government. In FY

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E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit (cost savings/ avoidance)	Detailed
				procurement.	2007, the BFE LoB will provide all agencies with more information about collaboration tools and technologies that can ease communications in the Federal budget environment.
IT Infrastructure LoB	GSA	$20,000		The initiative benefits OPM through improved IT performance, greater efficiencies in IT infrastructure investments, and consistency and standardization of infrastructure platforms.	The initiative benefits OPM through improved IT performance, greater efficiencies in IT infrastructure investments, and consistency and standardization of infrastructure platforms. The Infrastructure LoB will provide OPM with best practice data and industry-wide performance metrics to validate and/or improve existing performance. Given that OPM is primarily located in the Washington, DC area, OPM stands to benefit most from the information and solutions relating to Desktop/Seat Management and Data Centers.

* In-Kind Contribution - $603,567

Appendix 3 — Data Validation and Verification

Managing for results and integrating performance with budget information require valid, reliable and high-quality performance measures and data. The SBA faces many challenges in acquiring high-quality data on both outputs and outcomes. In addition to using output data internally from its own systems, SBA relies on data from resource partners (such as SBDCs, SCORE, and WBC) and other federal and local agencies to assess its accomplishments and effectiveness. Limitations such as the lack of relevant data for measures, the accuracy and currency of data, and the reporting capacity of quality data remain major issues for the Agency. Improving data quality continues to be a high priority for SBA, as demonstrated by the creation of the Office of Performance Management within the CFO Office. SBA vigorously pursues the following strategies to address the shortcomings of its data quality:

- Ensuring the validity of performance measures and data. SBA does this through assessing the relevancy of performance measures and data.

- Fostering organizational commitment and capacity for data quality. Achieving data quality through: 1) training its managers to make sure they understand the need for quality data, how to develop valid performance measures and how to ensure data quality; and 2) requiring managers to attest to the quality of the data under their management.

- Assessing the quality of existing data. Audits and reviews ensure the quality of financial data systems. However, SBA must assess the quality of loan and program data provided by its resource partners and will include data verification in its lender and resource partner oversight.

- Responding to data limitations. Data limitations occur when the metrics used are suspect. Usually this means that the data has one or more problems – not reproducible; the metrics are not consistent between periods; or data cannot be verified. Of course, the results produced might not be applicable to what is being measured. All the above constitutes data limitations. When a data limitation has been identified, OPM will assist an office in determining the best way to collect appropriate data that will be consistent, valid and reproducible.

- Building quality into the development of performance data. The design process for new IT systems includes the requirements for developing and maintaining performance data. The new systems and upgrades are being designed to make sure that only correct data is entered into the systems and that data is stored with stringent verification and change rules. This is exemplified by the Lender/Loan Monitoring System project.

- Reconciling Finances and Performance Costs. This year, for the first time, SBA was able to better ensure the accuracy of this cost-related performance data by reconciling that information with its financial statements. Achieving this important reconciliation means that the Agency has strengthened the integration of its financial and performance information.

Appendix 4 — The SBA Programs and Offices

Office of Capital Access

The Office of Capital Access (OCA) assists small businesses in obtaining the loans necessary for growth by being a gap lender, providing assistance to small businesses that would otherwise would not qualify for un-guaranteed financing, obtaining equity, or taking advantage of procurement opportunities. Programs include the following:

- The 7(a) loan program requires SBA's lending partners to certify that the applicant was unable to qualify for loans elsewhere on reasonable terms.
- The 504 program, which has a statutorily mandated job creation component, fills another lending gap by providing long term, fixed rate financing for major assets such as real estate and heavy equipment.
- The Surety Bond Guarantee is a program that serves as a gap surety bond credit provider, expanding the bond credit and capacity of small contractors that would not otherwise be able to compete for public and private work.
- Small Business Investment Center (SBIC) financings generally support smaller transactions that may not otherwise receive funding from private venture firms or financial institutions.
- The Office of International Trade (OIT) develops, oversees, and delivers SBA's technical assistance and export finance programs to small business exporters.
- The Office of Lender Oversight (OLO) provides risk management based on monitoring, reviewing, and oversight of the 7(a) and 504 lenders; and monitoring and analysis of the 7(a) and 504 portfolios.

Office of Government Contracting and Business Development

The Office of Government Contracting and Business Development (GCBD) promotes increased small business participation in the federal procurement market for goods and services. The office fulfills SBA's statutory mission to ensure that a fair share of federal procurement goes to small businesses.

Working with federal agencies, SBA negotiates procurement goals, monitors performance, encourages the use of small business sources, provides procurement training and technical assistance to small firms, and provides policy direction and guidance to federal agencies. Several of the government-wide goals are statutory, including small businesses, small disadvantaged businesses, women-owned small businesses, HUBZone small businesses, and service disabled veterans-owned small businesses.

Office of Entrepreneurial Development

The Office of Entrepreneurial Development (OED) serves the small business community through outreach and public/private sector collaborative ventures and other creative mechanisms, with the purpose of providing counseling and training to America's small businesses that otherwise would not be able to afford this type of assistance. OED provides entrepreneurs with free and low-cost education and training, topical information, and management assistance critical for sound decision-making in the start-up and growth phases of the business cycle. The tools used to accomplish this are OED's SCORE, Small Business Development Center, and Women's Business Center programs, and delivery systems such as SBA's district offices and business information centers.

Executive Secretariat

The Office of the Executive Secretariat (ExecSec) works with senior management officials to formulate the Administrator's and Deputy Administrator's written correspondence. Under the leadership of the Associate Deputy Administrator for Management and Administration, ExecSec reviews, edits, and manages correspondence, rules, and regulations. ExecSec also reports products to and from the Office of the Administrator, Deputy Administrator and Chief of Staff. Together with CLA, OGC, and program offices, ExecSec ensures that correspondence and written products are delivered in the most timely and efficient manner, while providing useful, reliable information, and advice to Congress, other federal agencies, and small business owners nationwide.

Center for Faith-Based and Community Initiatives

Faith-based and community organizations can play an important role in helping the SBA identify, train, and finance the entrepreneurs whose businesses will bring jobs and hope to economically distressed communities all across the Nation. SBA's Center for Faith-Based and Community initiatives seeks to empower faith-based and other community organizations to apply for federal social service grants. It supplies information and training, but does not make the actual funding decisions. Those decisions are made through procedures established by each grant program, generally involving a competitive process. There are no grant funding set-asides for faith-based organizations. Instead, the Faith-Based and Community Initiative creates a level playing field for faith-based as well as other community organizations to work with the government to meet the needs of America's communities.

Office of Business Operations

The Office of Business Operations (OBO), formerly the Office of Administration, plans, directs, and executes all administrative management functions within SBA Headquarters, and monitors administrative programs in field offices. OBO develops policies and procedures for the procurement of supplies, equipment, and non-personnel services. This office also implements and manages approved grants and cooperative agreements.

Office of Advocacy

The Office of Advocacy is an independent voice for small business within the Federal Government. The Office of Advocacy represents the interests of all small entities including small businesses, small organizations, and small governmental jurisdictions. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Economic research, policy analyses, and small business outreach help identify issues of concern. Regional Advocates and an office in Washington, D.C. support the Chief Counsel's efforts. The Office of Advocacy's economic research, regulatory interventions, and model state legislation initiative reduce regulatory barriers that impede small business growth and development.

Office of Communications and Public Liaison

The Office of Communications and Public Liaison (CPL) has the principal responsibility for developing and implementing effective communications strategies to ensure that SBA's mission, programs, services, and initiatives are articulated clearly and consistently to the American public in general and the small business community in specific. It supports field and program offices with planning and implementation of effective communications strategies. CPL plays the chief role in articulating, explaining and promoting Agency policy and goals to the national news media and thereby has a key role in shaping the American public's view of the SBA.

Office of Strategic Alliances

The SBA forms alliances with for-profit corporations, small businesses, non-profit organizations, trade and professional associations, academic institutions, and public-sector agencies. Through strategic alliances, the SBA and its partners provide quality information, training, outreach, and support to promote the interests and needs of American small businesses. The alliances offer opportunities to network on areas of common interest.

Office of Congressional and Legislative Affairs

The Office of Congressional and Legislative Affairs (CLA) assists in the development of SBA legislative programs and serves as SBA's communications focal point on legislation and Congressional activity. The CLA monitors legislation and policies introduced by Congress and government agencies to determine their effects on the SBA and small business. It furthers the goals of the SBA and enables Members of Congress to best serve their small business constituency by promptly providing accurate, current, and continuous information to Members of Congress, Congressional committees, and others interested in SBA programs. It also devises and implements legislative strategy and has primary responsibility for all matters relating to the Congressional and legislative functions of SBA. It provides liaison with legislative personnel at the White House, the Office of Management and Budget, and various federal departments and agencies. It coordinates with program offices and field offices to ensure continuity and consistency in the SBA's communications with Congress.

Office of Disaster Assistance

The Office of Disaster Assistance (ODA) plays a vital role in the aftermath of disasters. Through ODA, the SBA is responsible for providing affordable, timely, and accessible financial assistance to homeowners, renters, and businesses of all sizes affected by disaster. Financial assistance is available in the form of low-interest, long-term loans. SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. ODA makes two types of disaster loans:

- Physical disaster loans are for permanent rebuilding and replacement of uninsured or underinsured disaster-damaged privately-owned real and/or personal property. SBA's physical disaster loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.
- Economic injury disaster loans provide necessary working capital until normal operations resume after a disaster. Economic injury disaster loans are restricted to small businesses only.

Office of Equal Employment Opportunity and Civil Rights Compliance

To advance Agency-wide diversity at all levels, and equal access to programs and activities receiving SBA financial assistance, this office works to prohibit discrimination against all SBA employees and applicants based on: race, color, sex, age, religion, disability, national origin, and retaliation for opposition to discriminatory practices or participation in the EEO process. The office of EEO and CRC also works to achieve equal employment opportunity for all qualified employees consistent with the Nation's workforce diversity. The office ensures that no person in the United States is denied the benefits of, excluded from participation in, or subjected to discrimination under any program or activity receiving SBA financial assistance, based on race, color, sex, age, disability, national origin, and marital status (extension of credit). In addition, the office ensures that individuals with disabilities have equal access to SBA conducted or co-sponsored programs and activities.

Office of Field Operations

The Office of Field Operations represents SBA field offices at Headquarters. This office:

- Provides policy guidance and oversight to regional administrators and district directors in implementing Agency goals and objectives, and in solving problems in specific operational areas;
- Establishes and monitors performance goals for district offices;
- Provides Associate Deputy Administrators, Associate Administrators and General Counsel with a vehicle for overseeing field office program and policy implementation;
- Provides feedback to Headquarters management regarding the performance of their programs;
- Ensures that field offices have adequate input into all policy formation and participate in policy deliberations at Headquarters;
- Organizes reviews of field offices; and
- Informs the SBA Administrator of field activity.

Office of General Counsel

The Office of General Counsel provides legal advice in support of all programs and initiatives, minimizes the Agency's legal risks and costs, reduces litigation exposure, and ensures compliance with the applicable statutes, regulations, Executive Orders and other legal requirements. OGC provides the legal support necessary to defend the SBA's interest in judicial and administrative actions, and proactively represent the Agency in all legal matters that arise in the context of the its financial assistance programs, procurement and contracting programs, as well as labor and employment disputes.

Office of Hearings and Appeals

The Office of Hearings and Appeals (OHA) was established in 1983 to provide an independent, quasi-judicial appeal of certain SBA program decisions. OHA formally adjudicates disputes rising in numerous jurisdictional areas. These include appeals regarding SBA formal size determinations; appeals from contracting officer designations of North American Industry Classification System codes for procurements government-wide; appeals regarding certain SBA determinations relating to development companies; and appeals from Agency and private certifier small disadvantaged business determinations, all of which, by regulation, may be decided either by an Administrative Judge or an Administrative Law Judge. OHA's jurisdiction also includes 8(a) BD program eligibility, suspension, and termination appeals, and salary offset appeals, all of which, by statute, must be decided by an Administrative Law Judge.

Office of Human Capital Management

The Office of Human Capital Management (OHCM) develops and provides innovative human capital strategies. The OHCM advises SBA management with respect to selecting, developing and managing a high-quality, productive workforce. This office sets SBA's workforce development strategy; assesses current workforce characteristics and future needs based on SBA's strategic plan; aligns human resources policies with organization mission, strategic goals, and performance outcomes; develops and advocates a culture of continuous learning to attract and retain employees with superior abilities; identifies best practices and benchmarks studies; and creates systems for measuring intellectual capital and identifying links of that capital to organizational performance and growth. This office also implements laws, rules and regulations governing the civil service.

Office of the 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; and monitors the financial execution of the Agency budget in relation to actual expenditures. This office also helps the Agency develop better performance measures in order to facilitate SBA's continued movement from measuring activity outputs to measuring programmatic and Agency outcomes. OPM/CFO provides tools and guidance to assist the Agency in expanding its capacity to conduct and utilize the results of program evaluations. It builds Agency capacity for results-based management through training and outreach to program offices and supports the Agency's strategic planning. It also prepares annual accountability and/or performance reports, and establishes and implements Agency-wide policies for management integrity and audit follow-up, including internal controls.

Office of the Chief Information Officer

The Office of the Chief Information Officer supports and provides guidance for the SBA's nationwide computer automation and information technology efforts. This office helps SBA field and headquarters program offices identify the ways automation and technology can improve service delivery, acquire new technology and develop new systems. It also administers the SBA's home page, *www.sba.gov*.

Office of the Inspector General

The Office of Inspector General (OIG) is an independent office created by law within the SBA to conduct and supervise audits, investigations, and other reviews relating to SBA programs and supporting operations; detect and prevent waste, fraud, and abuse; and promote economy, efficiency, and effectiveness in the administration and management of SBA programs. The Inspector General keeps the SBA Administrator and the Congress fully informed of any problems, recommends corrective actions, and monitors progress in the implementation of such actions. The two operating components of the OIG are the Auditing Division and the Investigations Division. The Auditing and Investigations Divisions each administer their respective activities through staff located in various locations around the country. The Management and Policy and Counsel Divisions support both the Inspector General and the operating divisions by providing policy, planning, administrative, and legal services, respectively.

Office of the National Ombudsman

The Office of the National Ombudsman (ONO) fosters a more small-business–friendly federal regulatory enforcement environment by assisting small businesses when they experience 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. It does this by evaluating how federal agencies treat small businesses during enforcement or compliance actions. ONO encourages federal agencies to reduce the number of regulatory enforcement actions taken against small business and increase the number of enforcement actions in which the civil penalty is reduced or waived.

Office of the National Women's Business Council

The Office of the National Women's Business Council undertakes a variety of programs and initiatives in support of women-owned businesses. The Council holds two public Council meetings and other public roundtable events. It publishes research study reports, Issue in Brief reports (which synthesize and summarize federal and other research information for women business owners and policy makers on topics such as health care and federal procurement), and fact sheets on the numbers and growth of categories of women-owned firms. The Council manages two web sites, www.nwbc.gov and www.womenbiz.gov, and a bimonthly e-newsletter, *Engage!*

Office of Native American Affairs

The SBA, through its Office of Native American Affairs (ONAA), coordinates Native American initiatives and develops policies and procedures to ensure that SBA assistance is made available to American Indians, Native Alaskans, and Native Hawaiians. The initiative consists of two major components: marketing and outreach, and training to enhance business opportunities.

Office of Veterans Business Development

Statutes direct the Office of Veterans Business Development (OVBD) to conduct comprehensive outreach on behalf of the Agency and to be responsible for the formulation, execution, and promotion of policies and programs of the Administration. To accomplish these tasks, OVBD operates its National Outreach Initiative and provides direct service delivery through utilization of funding agreements with resource partners, coordination of outreach and service delivery with other federal agency partners, and development of Agency program initiatives.

Appendix 5 — The SBA's Actions in Response to OMB's PART Evaluations

Strategic Goal 2	**Increase small business success by bridging competitive opportunity gaps facing entrepreneurs**
Program Name	**Section 7 (a) Guaranteed Loan Program**
Ratings	**FY 2004 Adequate**
Major Findings	The Agency has developed meaningful outcome goals for the program but results will take several years to measure.
	While different in structure, the 7(a) program overlaps with the SBA's Section 504 program in that both can provide long-term financing for the same borrowers. The program also overlaps, to some extent, with other federal agency credit programs.
	SBA's defaulted loan purchase and liquidation processes needed better controls.
	Further evaluations are necessary to ensure that the program complements rather than competes with private-sector loans.
	The Agency has demonstrated improved efficiencies in achieving program annual goals.
Actions Taken/Planned	In response to these findings:
	- The Agency is developing baselines for its outcome measures.
	- SBA consolidated the loan liquidation function from 69 district offices to a single center in order to reduce costs and ensure consistency in processing.
	- SBA has identified other loan management strategies to further reduce administrative costs. Approximately six percent of 7(a) loans are still processed in the 69 district offices. The other 94 percent are processed centrally under expedited procedures.
	- The Agency has contracted with the Urban Institute to study whether the Agency's loans supplement or supplant credit available in the private markets or with other federal programs.
	- In response to the finding, the Office of Capital Access implemented a 7(a) loan charge-off project during FY 2006 to improve the management of purchased 7(a) loans by properly classifying liquidated loans as charge-off.
	- The Office of Capital Access is also rewriting the 7(a) loan liquidation regulations, which are designed to require that purchased loans are addressed immediately.

Program Name	SCORE
Ratings	**FY 2002 Results Not Demonstrated**
	FY 2003 Moderately Effective
	FY 2004 Moderately Effective
Major Findings	The program has successfully brought together volunteers with entrepreneurs for mentoring.
	Due to the use of volunteers, the cost per client under the SCORE program was low relative to similar programs.
	While client satisfaction is high, there are no other data to show that the program has resulted in long-term benefits to recipients.
	Client satisfaction is high. The ED Impact Study (2003-2004) shows that the program has resulted in long-term benefits to recipients.
Actions Taken/Planned	SBA developed a new strategic plan with meaningful annual and long-term outcome-oriented measures. The program now has clear goals from which to assess performance.
	SBA has developed a standardized evaluation strategy for all of its technical assistance programs. The results of the first phase of the longitudinal survey became available in FY 2005. To further improve the program, SBA will continue evaluating the program's performance and make program changes as warranted. The Agency's budget requests include requests of funding for evaluations.

Program Name	Small Business Development Center
Ratings	**FY 2002 Results Not Demonstrated**
	FY 2003 Moderately Effective
	FY 2004 Moderately Effective
Major Findings	An independent evaluation of the program found that each $1 spent on counseling resulted in $2.78 in tax revenue.
	Funds are allocated to SBDCs based on formulas rather than performance. In addition, the hourly cost of counseling services varied significantly among SBDCs without any evidence that the quality of services or outcomes differed.
Actions Taken/Planned	The program has taken a number of steps to address deficiencies identified through the initial PART assessment:
	- In response to initial findings that the program did not have adequate performance measures, SBA developed a new five-year strategic plan with meaningful annual and long-term outcome-oriented measures. The program now has clear goals from which to assess performance.
	- The original PART assessment found that the agency lacked independent evaluation data to assess the impact of the program. SBA has developed a standardized evaluation strategy for all of its technical assistance programs. The results of the first phase of the longitudinal survey became available in FY 2005. To further improve the program, SBA will continue evaluating the programs performance and make program changes as warranted. The Agency's budget includes requests of funding for evaluations.
	- In response, the SBDC has moved its goaling/performance measures from outputs to outcomes. For 2007, the goals are businesses created, capital infusion and long-term counseling clients. In its report to the President, OMB cited SBDC as an excellent example of moving from outputs to outcomes.

Program Name	Section 504 Certified Development Company Guaranteed Loan Program
Ratings	**FY 2002 Results Not Demonstrated**
	FY 2003 Adequate
Major Findings	504 loans differ in structure from the SBA's 7 (a) general business loans. Nonetheless, the program overlap in that they both provide long-term financing for the same potential borrowers.
	Inadequate competition among intermediaries resulted in limited loan availability in some geographic areas.
	Further evaluations are necessary to ensure that the program complements rather than competes with private-sector loans.
	Lenders' and intermediaries' incentives to properly manage SBA Section 504 loans may be negated by the structure of the program; lenders receive the first lien on borrower assets and program intermediaries receive a 100 percent guarantee from SBA.
Actions Taken/Planned	All CDCs now have a statewide territory. In addition, SBA has approved several CDCs to work in communities that are in contiguous states.
	Completed: Is changing servicing requirements so that CDCs (intermediaries) will be responsible for loan liquidations in the event of default.
	Actions Taken But Not Completed:
	- The Agency is in the process of issuing regulations that will provide CDCs with the ability to liquidate their own loans.
	- The Agency has contracted with the Urban Institute to study whether the Agency's loans supplement or supplant credit available in the private markets or with other federal programs.
	Completed: Issued regulations that remove barriers to competition among Certified Development Company program intermediaries.

Program Name	Small Business Surety Bond
Ratings	**FY 2006 Adequate**
Major Finding	Program enhancements are needed to maximize effectiveness and achieve performance goals. SBA needs to develop an Internet-based electronic application and claims processing system and restructure its program outreach. A rigorous program evaluation is necessary to determine whether the program supplements or supplants private surety bonding activities.
Actions Taken/Planned	Revised the reporting chain of the Area Offices to standardize procedures for consistency and to improve customer service.
	Received $200,000 in funding for the Internet-based application processing system and developed the Functional Requirements Document. OSG is currently working with OCIO to develop the project plan and completion schedule.
	Completed a Proposed Rule consisting of six regulatory changes to enhance the program - currently at OMB for review and approval.
	Submitted a Statement of Work for the Urban Institute study to the CFO.

Program Name	Hub-Zone
Ratings	**FY 2005 Moderately Effective**
Major Findings	In a 2003 report initiated by the HUBZone Program Office the Inspector General found some ineligible companies certified under the program.
Actions Taken/Planned	The program plans to take a number of steps to address deficiencies identified through the initial PART assessment: - Reviewing five percent of the portfolio annually for compliance with program requirements - Improving the timeliness of decertification of firms that are deemed ineligible for failure to respond to recertification or program examination notifications - Upgrading the HUBZone system to specifically identify and report the reason(s) for decertification actions - Expanding the existing capability of the system to effectively monitor the award of HUBZone firms to ensure that ineligible firms do not receive such HUBZone contract awards - Evaluating and measuring program outcomes

Program Name	8(a) Business Development Program
Ratings	**FY 2005 Adequate**
Major Findings	- The SBA should adopt a detailed definition of what it means to be economically disadvantaged, and reconsider the current exclusion of residential and business equity in the computation of an individuals net worth. - Replace the ineffective and inefficient Servicing Contracts System/Minority Enterprise Development Central Office Repository data system. - Re-position this program as a business development program for culturally and economically disadvantaged entrepreneurs rather than focusing of federal procurement.
Actions Taken/Planned	The program has taken a number of steps to address deficiencies identified through the PART assessment: - Strengthening criteria relating to economic disadvantage: In FY 2006, the Office of Business Development solicited a study to develop quantitative information for the criteria of economic disadvantaged. The study did provide possible indicators for the criteria of economic disadvantage; however, a more in-depth analysis and determination of the criteria is required for comparison and implementation into SBA policy and procedures. Therefore, with the assistance of the OPM/CFO, the Office of Business Development will contract for a more in-depth study to validate the indicators that were provided in the previous study.
	- Developing and implementing new information technology management systems including electronic applications and annual review processing as well as a dynamic management reporting system: The Office of Business Development (BD) has placed the last two phases of the BD-MIS, the E-Annual Review and replacement of SACS/MEDCOR on hold to allow for an Independent Verification and Validation of the system to occur, as well as correct existing bugs and regulation issues. Effective March 6, 2006, a contractor began the assessment of the E-Application portion of the BD-MIS. BD has held several meeting with OCIO and the Chief of Staff regarding issues relating to the BD-MIS. The OCIO will provide the necessary support to regain the functionality of the system and meet regulatory requirements. An investment request of $300k for the final module of the BD-MIS was approved for incorporation in the FY 2008 budget.
	- Centralizing 8(a) annual review process to reduce costs: BD is reviewing the idea of centralizing the annual review process to reduce costs for two reasons. The first reason is that the second phase of the Business Development Management Information System (BD-MIS), the electronic annual review, will be a web-based application that allows for the 8(a) certified firms to enter the annual review data into the system. This will save time and money since in the current system the BDS in the field enters all of the information into the system for each 8(a) firm he or she services. The e-annual review will be deployed in FY 2007. Secondly, BD has developed a two page streamlined annual review worksheet which has been cleared by OGC. The streamlined worksheet will be disseminated to the Field with a Procedural Notice by the beginning of Fiscal Year 2007. The streamlined process will save the BDS time and will therefore reduce costs. Once both processes are in place, BD will re-evaluate the need for centralizing the 8(a) annual review process.

Strategic Goal 3	Restore homes and business affected by disaster
Program Name	**Disaster Loan Program**
Ratings	**FY 2003 Moderately Effective**
	FY 2004 Effective
Major Findings	The program complements rather than duplicates other disaster assistance programs. SBA lacked reliable credit models for measuring the Federal Government's costs. Loan making costs, due to fraud prevention, are high.
Actions Taken/Planned	The program has taken a number of steps to address deficiencies identified through the PART assessment: - SBA has developed a new loan-level subsidy model that better reflects taxpayer costs for the program. - SBA has developed a new, long-term strategic plan. - SBA will continue to measure the program's performance against newly developed performance baselines and the Administration will review options for reducing loan administrative costs through technological advances and streamlining the loan making process.

Office of the Inspector General Budget Request

U.S. Small Business Administration
Office of Inspector General

Budget Request

Congressional Submission Fiscal Year 2008

February 5, 2007

U.S. Small Business Administration
Office of Inspector General

FY 2008 Budget Request

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U.S. Small Business Administration
Office of Inspector General

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Executive Summary

OIG Mission

The Small Business Administration (SBA) Office of Inspector General (OIG) is an independent and objective oversight office created within SBA by the Inspector General Act of 1978, as amended (IG Act). The OIG provides auditing, investigative, and other services to support and assist SBA in achieving its statutory mission to maintain and strengthen the Nation's economy by protecting the interests of, and assisting, small businesses, and helping families and businesses recover from disasters. Under the authority of, and in fulfillment of, the IG Act, the OIG:

- Promotes economy, efficiency, and effectiveness in the management of SBA programs and supporting operations;
- Conducts and supervises audits, investigations, and reviews relating to the Agency's programs and supporting operations;
- Detects and prevents fraud and abuse;
- Reviews existing and proposed legislation and regulations and makes appropriate recommendations; and
- Keeps the SBA Administrator and Congress informed of serious problems and recommends corrective actions and implementation measures.

The OIG also carries out other significant statutory responsibilities and Government-wide mandates. These include responsibilities under the Small Business Act and the Small Business Investment Act.

Highlights of the Budget Request

For Fiscal Year (FY) 2008, the OIG requests a total of **$15.5 million** – **$15.0 million** in direct appropriations and **$500 thousand** to be transferred from SBA's Disaster Loan program account for work on disaster program issues. This compares with total monetary recoveries and savings during FY 2006 of over **$72 million** from 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 not made as a result of investigations and name checks.

In the past five years, SBA has nearly doubled the number of loans made to small businesses under SBA programs, while staffing has decreased by about 27%. Further, even prior to the significant disaster assistance that SBA provided in connection with the Gulf Coast Hurricanes of 2005, SBA disaster loans for FY 2005 were nearly double the amount of the preceding three fiscal years as a result of the string of hurricanes in Florida in 2004. With significantly higher taxpayer dollars at risk and reduced Agency oversight capabilities, there is now greater potential than ever for waste, fraud and abuse in SBA's financial assistance programs. The OIG needs to have sufficient resources to be able to effectively address this heightened risk and fulfill its statutory mission. Therefore, we firmly believe that the funding level requested for FY 2008 is essential for the OIG to: (1) investigate and deter loan fraud and other wrongful conduct, including widespread fraud involving agents involved with SBA assisted loans; (2) perform effective oversight of multiple SBA programs through audits and other work; and (3) continue to pay for SBA's financial statement audit, which alone accounts for over 12 percent of the amount requested. In addition, with the $5 million supplemental funding received in FY 2006, we will continue to dedicate substantial resources to audit and investigative work directly related to the 2005 Gulf Coast Hurricanes.

The funding requested for FY 2008 will enable us to maintain an auditing and investigative focus on the most critical areas by:

- Conducting audits and reviews of high-risk SBA activities, continuing our focus on systemic programmatic and operational vulnerabilities;

- Reviewing and providing comments on 150 to 200 statutory changes, regulations, policies and procedures, and other issuances proposed by SBA or affecting SBA programs or operations, with a continued emphasis on limiting wasteful, confusing, or poorly-planned initiatives;

- Working an active caseload of 100 to 150 investigations of potential loan and contracting fraud and other wrongdoing, continuing our success in prosecuting complex, multimillion dollar fraudulent financial schemes;

- Contracting with a CPA firm to perform the audit of SBA's financial statements for transactions related to the Agency's $80 billion loan program portfolio;

- Prescreening new SBA employees and contractors before credentials are issued or access to SBA computer systems is granted, as required by Homeland Security Presidential Directive (HSPD) 12, and performing required background investigations in order to achieve a high level of integrity in the Agency's workforce;

- 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.

In accordance with the OIG's FY 2006 – 2011 Strategic Plan, we will focus our efforts on three critical risks facing SBA.

- Risks of financial losses due to SBA's downsizing, centralization, and limited oversight and controls.

- Risks to SBA's performance of its statutory mission to promote small business development and government contracting.

- Risks associated with SBA's information technology (IT) and financial management systems, and other internal operations.

In addition, the size and magnitude of SBA's Gulf Coast Hurricane disaster relief effort requires that the OIG provide timely, effective, and proactive oversight to minimize potential fraud, waste, and abuse. This work will focus on risks identified in past disasters and from our current understanding of specific risks arising from the unique aspects of the Gulf Coast Hurricanes.

OIG Strategic Goals

The OIG's FY 2006 – FY 2011 Strategic Plan contains two strategic goals that are aligned with the OIG's central mission under the IG Act.

- Improve the economy, efficiency, and effectiveness of SBA programs and operations.
- Promote and foster integrity in SBA programs and operations.

The OIG seeks to improve SBA programs by identifying key issues facing the Agency, ensuring that corrective actions are taken, and promoting a high level of integrity. We focus on serving the needs of our customers and stakeholders and safeguarding SBA resources from waste, fraud, and abuse.

The table below shows the resources requested in FY 2008 for each of the OIG's strategic goals and the anticipated impact/outcomes.

Strategic Goal	FY 2008 Request	Anticipated Impact/Outcomes
Goal 1: Improve the economy, efficiency, and effectiveness of SBA programs and operations.	$7.75 million	➢ Improvement of efficiency and effectiveness in the delivery of SBA programs. ➢ Resolution of OIG-identified Management Challenges. ➢ Enhancement of internal controls. ➢ Reduction of risks to, and increased integrity of, Agency programs and operations. ➢ Reduction of fraud and abuse in SBA programs and operations.
Goal 2: Promote and foster integrity in SBA programs and operations.	$7.75 million	
Total	**$15.5 million**	

U.S. Small Business Administration
Office of Inspector General

FY 2008 Budget Request

Summary of the Budget Request

Dollars in Thousands	**FY 2006 Actual**	**FY 2007 Request**	**FY 2008 Request**	**Increase/ (Decrease)**
New Budget Authority	$13,900	$14,355	$15,000	$645
Hurricane Supplemental	5,000	0	0	0
Transfer from Disaster	1,500	495	500	5
Rescinded Appropriation	(178)	0	0	0
Total	**$20,222**	**$14,850**	**$15,500**	**$650**

These funding levels include activities required by various statutes and directives, as well as projects and activities that will further OIG's achievement of its strategic goals. Funding for each project or function includes salary and benefits (including Law Enforcement Availability Pay for the OIG's criminal investigators); required travel; mandatory training for auditors and investigators; equipment and supplies; the annual audit of the Agency's financial statements by a CPA firm, which accounts for over 12 percent of our request for FY 2008; and background investigations for SBA employees and contractors, including new requirements resulting from HSPD-12.

Critical Risks Facing SBA

In an era of tight budgets, the OIG must focus on the most significant risks to SBA and the taxpayer, and on improving program and operational processes. OIG activities during FY 2008 will focus on assisting SBA in meeting the challenges it faces, and accomplishing the Agency's mission in the most effective, efficient, and economical manner possible.

The OIG's FY 2006 – FY 2011 Strategic Plan identifies three critical risks facing SBA.

Risks of Financial Losses Due to SBA's Downsizing, Centralization, and Limited Oversight and Controls

SBA faces an increased risk of losses and unnecessary payments due to its growing reliance on the actions of parties outside of the Agency over which it does not always exercise adequate oversight. This risk has been further heightened as a result of Agency efforts to expand its loan portfolio while downsizing and centralizing lender oversight activities in recent years. For example:

- The Section 7(a) and Section 504 programs, which are designed to facilitate loans to small businesses, now rely on more than 5,000 lenders and other entities across the country to make loans, many of which are made without direct SBA oversight. Currently, about 80 percent of loans guarantied annually by SBA are made by SBA lenders under delegated authority. Our review of the Agency's delegation to lenders of virtually all loan processing and administration functions indicates that the Agency does not have sufficient controls to detect fraud and prevent unnecessary losses. The OIG has identified Management Challenges relating to the Agency's controls in the guaranty purchase process, oversight of lenders, and efforts to deter fraud by loan agents. OIG audits and reviews have further identified other areas where insufficient controls are in place over SBA financial assistance programs.

- Under the Small Business Investment Company (SBIC) program, SBA licenses venture capital firms to provide financial assistance to small firms. SBA is exposed to significant losses under this program due to the large dollar amount of Agency obligations, and in recent years has experienced billions of dollars in losses. The OIG has identified a Management Challenge relating to SBA's oversight of the SBIC program.

- The Disaster Loan program is another key SBA lending program, which provides direct federal assistance for non-farm private-sector disaster losses. This highly visible program is vulnerable to fraud and unnecessary losses because loan transactions are often expedited using significant numbers of inexperienced employees in order to provide relief to disaster victims as quickly as possible. The risks to SBA and taxpayer funds are likely to grow in the aftermath of the series of hurricanes in Florida in 2004, and the devastating Gulf hurricanes in 2005.

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

The Small Business Act directs that SBA promote the award of Government contracts to small businesses and firms owned by less privileged groups (such as minorities, service-disabled veterans, women, firms from areas of low economic activity, and others). Recently, federal agencies have streamlined their acquisition practices by using, for example, multiple award contracts, federal supply schedules, and credit card purchases, thereby making it more challenging for small businesses to compete. 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. 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

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. Although the Agency continues its efforts to enhance existing applications, improvements are still required in a number of key areas. Other factors that affect IT infrastructure and increase control risks include the age of core operating systems, deficiencies with Agency computer security programs, consolidation of operations, the complexity of models and programs, increased reliance on third party providers, and failure and/or inability to address OIG audit recommendations.

The Agency has taken steps to improve its financial management and reporting. These efforts have been focused primarily on improving the Agency's models for estimating subsidy costs, improving controls over financial statement preparation, and correcting accounting errors related to loan sales and subsidy cost allowances. For FY 2006, SBA received an unqualified opinion on its financial statement audit; however, the Agency still has a material weakness relating to financial reporting. Thus, despite considerable improvement, financial management issues continue to be a major challenge for SBA.

SBA's aging information systems, coupled with changing federal financial reporting and security standards, increases the risk that SBA's fragmented financial processes may hinder the capability of the Agency to carry out its mission and maintain the security of its information and assets. The OIG has identified Management Challenges relating to: SBA's financial management and reporting systems that affect its ability to provide reliable, timely and accurate financial information; the Agency's information systems security; SBA's human capital management/transformation strategy; and the Agency's internal directives system.

2005 Gulf Coast Hurricanes

On August 29, 2005, Hurricane Katrina devastated the Gulf Coast regions of Louisiana, Mississippi, and Alabama. Katrina was the third most intense hurricane to hit the United States in recorded history, and the sixth strongest recorded in the Atlantic Basin. It was quickly followed by Hurricanes Rita and Wilma, creating further loss of life and property in Florida and Texas.

The 2005 Gulf Coast Hurricanes resulted in the SBA undertaking an unprecedented disaster relief effort – approving more than $10 billion in disaster assistance loans. In comparison, in response to the Northridge Earthquake in 1994, which was the biggest disaster relief effort the Agency had faced prior to the 2005 Gulf Coast Hurricanes, SBA made approximately $4 billion in disaster loans. In only two previous disasters has SBA awarded more than $1 billion in disaster loans: the September 11, 2001, terrorist attacks and the Florida hurricanes during 2004. During the period September through November 2005, SBA hired over 3,300 employees to work on the disaster relief effort, which was more than SBA's entire workforce prior to Hurricane Katrina. Many of these employees did not have prior disaster loan experience.

The size and magnitude of SBA's Gulf Coast Hurricane disaster relief effort requires that the OIG provide timely, effective, and proactive oversight to minimize potential fraud, waste, and abuse. With the $5 million supplemental funding received in FY 2006, we opened a new office in New Orleans and will continue to dedicate substantial resources to audit and investigative work directly related to the Gulf Coast Hurricanes. Our audit and investigation plans are outlined in a 5-year (FY 2006 – FY 2010) work plan that summarizes anticipated projects based on risks identified in past disasters and our current understanding of specific risks arising from the unique aspects of the 2005 Gulf Coast Hurricanes.

Disaster Assistance Risks

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 risk. Specific risks include:

- *Loan Decisions* – Loan approval and decline decisions are made quickly and frequently by inexperienced loan officers.

- *Loss Verification* – Loss verifiers are generally not supervised when they review damaged property, and they often do not have much disaster loan experience.

- *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.

- *Loan Servicing and Liquidation* – Historically, loan servicing has been understaffed, 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* – Based on referrals to the OIG, individuals have claimed property damage that never occurred or for property not owned during the 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 loss.

Gulf Coast Hurricane Specific Risks

The timing and severity of the 2005 Gulf Coast Hurricanes, together with operational changes in SBA's Office of Disaster Assistance that occurred just prior to, or concurrently with, the relief effort, have presented additional risks, which include:

- *Disaster Credit Management System (DCMS)* – The Office of Disaster Assistance implemented a new electronic loan processing system, DCMS, which had only been used in a few small disasters and did not have sufficient capacity to handle the unprecedented loan volume resulting from the 2005 Gulf Coast Hurricanes.

- *Modified Loan and Personnel Policies* – SBA revised its organizational structure and some of its loan procedures (e.g., automatic credit scoring and streamlined loan processing) to expedite loan approvals. These new procedures were untested and may not have provided the level of control needed over loan approvals.

- *Geographic Breadth of the Disaster* – The 2005 Gulf Coast Hurricanes affected an area of over 90,000 square miles, disrupted the lives of millions, and destroyed or degraded much of the region's infrastructure, making it unprecedented in scope. In addition to the logistical problems posed by the wide area of devastation, borrowers' credit has been evaluated on pre-hurricane credit scores and income, and the reconstruction of businesses and corresponding jobs may not be timely enough to allow borrowers to repay their loans when they come due.

- *Small Business Contracting* – The Stafford Act requires that local businesses be used to the maximum extent to clean up the debris and rebuild the infrastructure in the Gulf Coast region. In addition, congressional representatives have expressed concern that small businesses will not receive a "fair share" of contracting.

Strategic Goals and Objectives

The two goals in the OIG's Strategic Plan are designed to align our resources and manage our 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, we increasingly focus OIG 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.

FY 2006 Accomplishments

During FY 2006, the OIG devoted considerable time and resources to two high-profile initiatives: (1) an audit of the Supplemental Terrorist Activity Relief (STAR) loan program; and (2) work related to the 2005 Gulf Coast Hurricanes.

Under the STAR loan program, SBA provided loan guaranties to assist small businesses that were affected by the September 11, 2001, terrorist attacks and their aftermath. This audit was requested by the SBA Administrator and the Chair, Senate Small Business and Entrepreneurship Committee, and received considerable Congressional and media attention, both prior to and subsequent to the audit. Our review found that SBA lacked sufficient controls to ensure that lenders properly determined borrower eligibility; most lenders could not adequately justify the use of STAR loans; and most borrowers that we contacted were unaware that they had received STAR financing. On July 13, 2006, the Inspector General testified before the House Committee on Homeland Security, Subcommittee on Management, Integration and Oversight, on our work related to the STAR loans, as well as direct loans made under SBA's Disaster Loan program.

The challenges and risks facing the Agency increased significantly with the devastation from the Gulf Coast hurricanes. The OIG developed a 5-year work plan for the 2005 Gulf Coast Hurricane disasters and initiated a series of audits on the management of SBA's disaster assistance process, the loan application approval process, loan disbursement activities, use of proceeds, and SBA's DCMS. On May 10, 2006, the Inspector General testified before the House Committee on Government Reform, Subcommittee on Government Management, Finance, and Accountability, regarding SBA's disaster relief effort for the victims of the 2005 Gulf Hurricanes.

We issued three reports that identified deficiencies in disaster loan processing, finding that data exchange errors between FEMA and SBA, as well as disaster loan referral procedures and system errors, delayed assistance to disaster victims. We also issued three reports on the DCMS Upgrade Project, which was initiated by SBA in December 2005 to increase the capacity of DCMS to 10,000 users. In addition, the audit of SBA's FY 2005 information systems controls determined that controls in DCMS were not adequate to ensure that management had determined what activities and files were considered sensitive and required logging. Lastly, we issued a report on the reasons for a low rate of disbursement of disaster loans for victims of the Gulf Coast hurricanes, and impediments in the loan closing and disbursement processes that were affecting SBA's ability to provide timely assistance to disaster victims. Sixty-three percent of the samples loans experienced processing issues that were primarily attributed to the borrowers. These issues included: delays by the borrowers in filing loan closing documents (49 loans); indecision or reluctance on the part of the borrowers to proceed with the loans (47 loans); and delays by SBA in processing loan modifications filed by borrowers to change the terms and conditions of the loans or to update borrower information, because SBA was processing new loan requests ahead of modifications (40 loans). In response to the OIG's report, the Agency stated that it had realigned work assignments to dedicate staff to the processing of loan modifications.

OIG reviews continued to show the impact of declining SBA oversight of its programs. For example, an audit of the monthly Section 7(a) loan reporting for SBA lenders found that the Agency lacked sufficient controls and staffing to ensure accurate reporting by lenders regarding loan status and outstanding guaranty loan balances; this could potentially compromise SBA's oversight of 7(a) lenders and risk management. Another audit found that neither SBA nor procuring agencies monitored whether participants in the 8(a) program were complying with program requirements.

Reviews of early defaulted and early problem SBA-guarantied loans identified lender deficiencies in originating, closing, and servicing loans, putting SBA's guaranties at risk. When such deficiencies are identified, full or partial recovery of the SBA guaranty paid to the lender is generally recommended. The OIG's reviews have resulted in over $500,000 in recoveries and identified lender deficiencies involving disbursement limitations, equity injection, and use of loan proceeds. Additional reviews of early default and early problem loans are in progress.

We also conducted a survey of the Quality Assurance Review (QAR) process at SBA's National Guaranty Purchase Center (NGPC) in Herndon, Virginia, to determine if it was effective in identifying improper purchases and guaranty purchase procedures in need of improvement. We found that implementation of the Center's quality assurance plan had not been achieved, the QAR checklist was not complete, and procedures to address identified deficiencies had not been developed. We issued a management advisory report with five recommendations to correct the identified deficiencies.

We were also very active in the government contracting arena, issuing several audit reports. For example, an OIG audit found that a flaw in the Central Contractor Registration system allows contradictory information on a contractor's size that can lead contracting officials and others to incorrectly identify contractors as small businesses, and thus designate contracts awarded to large businesses as small business contracts. Another audit determined companies could violate 8(a) regulations without detection by federal officials because there is no evidence of compliance monitoring of 8(a) contracts by either SBA or the procuring agencies. A follow-up review of the HUBZone program also found that while the program office had put in place both program examination and recertification processes to ensure that only eligible firms participate in the program, the results of those processes contrasted sharply with the relatively high 70 percent approval rate of initial applications. We also testified before the Senate Small Business and Entrepreneurship Committee and developed a review guide for other OIGs to use in assessing of procuring agency compliance with small business contracting requirements for the various hurricane-related contracts that federal agencies report as being awarded to small businesses.

The OIG's FY 2006 report on SBA's Management Challenges was identified by the Mercatus Center at George Mason University as the "gold standard" for an IG presentation. For each major Management Challenge, we identified the steps needed to resolve it and used a color coded "scorecard" system to rate the Agency's progress under each of the steps. The assessments were presented in concise tables that the Mercatus Center called "exceptionally informative." At mid-year, we provided the Agency with a report that described the level of progress needed to reach each "color" score by year-end, and we received an update from the Agency on the actions they had taken in regard to each step. We also met with program offices to discuss their reported progress and our assessment of it. This process provides clear communication on the challenges, the expected actions to overcome the challenges, and the expectations to reach each level of performance (color score). It also provides those who are outside of SBA with a process to know the extent of progress being made. Lastly, program managers are provided with an incentive to overcome the challenges by achieving favorable color scores.

OIG activities and accomplishments are discussed in more detail in our *Semiannual Reports to Congress*. Statistical highlights are also provided in the OIG's *FY 2006 Performance Report* later in this document.

FY 2007 – FY 2008 Planned Performance

During FY 2007 and FY 2008, in addition to conducting audits and reviews that are required by statutes and other directives, we will focus on the most critical risks facing SBA, as discussed above, and on improving program and operational processes. Several areas of emphasis are discussed below. Additional FY 2007/2008 activities and strategies for accomplishing this strategic goal are contained in the OIG's "FY 2007/2008 Performance Plan" later in this document.

Financial Management

The Chief Financial Officers Act of 1990 requires each federal agency to have annual audited financial statements. In addition, a key Administration initiative is to have agencies improve their financial management activities, to include providing financial statements and financial performance information in a more timely manner. Other required reviews include the annual Federal Information Security Management Act (FISMA) evaluations and Federal Information Systems Control Audit Manual (FISCAM) reviews. A new 5-year contract was issued to KPMG to conduct the audits of SBA's financial statements, as well as the FISCAM reviews, beginning in FY 2006. This contract accounts for 12 percent of the total amount requested by the OIG for FY 2008.

Performance Measurement

In its FY 2006 Performance and Accountability Report (PAR), SBA reported that it continues to face data challenges. Limitations such as a lack of relevant data for measures, the accuracy and currency of data, and the capacity to report quality data, remain major issues for the Agency. The OIG will review selected SBA performance data to determine its accuracy and completeness, and assess the process used to ensure the quality of such data. The results of our reviews will provide valuable information to decision makers who rely on the information to assess SBA's performance and accountability.

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 Federal Information System Management Act (FISMA). The OIG will conduct audits to assess the controls and security of SBA's computer operating system and network, and identify ways to improve the quality of data collected through the loan accounting and loan application tracking systems. In addition, we plan to monitor application controls over the processing of disaster loans and third party fiscal and transfer agent services. These loan tracking and financial reporting systems play a key role in SBA oversight of its $80 billion 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 Monitoring System (DCMS). 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.

Financial Assistance Programs

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. Effective loan and lender monitoring is essential to prevent improper payments and reduce unnecessary losses of taxpayer dollars. SBA has established a Lender and Loan Monitoring System to measure and mitigate the risk of Section 7(a) and Section 504 guaranteed loans. The OIG will evaluate the reliability of the data used to manage the loan portfolio and to measure lender and loan risk as well as continue to review internal controls over the business loan programs, with an emphasis on determining whether the Agency is reducing improper payments in its purchases of guarantied loans. The OIG will also continue to conduct audits of business loans and disaster assistance loans that go into default quickly because past work showed that such loans were not originated properly, and that 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.

Government Contracting and Business Development

A significant portion of SBA's efforts are directed toward providing assistance to help small businesses obtain federal contracts, and other business development assistance. SBA's Office of Government Contracting and Business Development (GC/BD) 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 our global economy. During FY 2007 and FY 2008, the OIG will focus on SBA's oversight of and current issues affecting GC/BD programs. For example:

- The Small Business Act sets a goal that 23 percent of federal procurement be awarded to small businesses. The OIG will continue to determine 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 OIG has received a number of complaints related to small business contracting size issues and we anticipate additional complaints in FY 2007 and FY 2008.

- 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

As part of the OIG's efforts in this area, we have established a Small Business Procurement Integrity Task Force made up of auditors, investigators and attorneys to focus on the issues of integrity in small business contracting and the accuracy of reporting by federal agencies on small business procurement activity. This task force was formed, in part, in response to numerous complaints received over the years regarding ineligible businesses obtaining small business contracts. In addition, a significant number of large businesses were recently reported as receiving small business awards in the Federal Procurement Data System–Next Generation (FPDS–NG). The task force will coordinate and focus audit and investigative efforts to identify reasons for, and taking appropriate actions to deter, agency misreporting and to identify fraud or lack of due diligence by contractors in bidding on small business contracts.

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 report on the top Management Challenges is included in the Agency's PAR. The challenges focus on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk, and generally have been the subject of one or more OIG or GAO reports. In FY 2008, 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.

Program Assessment

OIG findings from audits and investigations can provide for more informed decisions about the effectiveness of SBA programs. The OIG will continue to assist with Program Assessment Rating Tool (PART) reviews by cross-referencing the contents of OIG reports on PARTed programs to the PART questions. This targeted information provides an independent and objective perspective on the answers to the PART questions, and highlights significant issues that should be considered in a comprehensive program assessment.

2005 Gulf Coast Hurricanes

During FY 2007 and FY 2008, we will initiate or continue ongoing reviews to determine whether: loan recipients are receiving duplicate benefits from other agencies or from insurance proceeds and, if so, if the SBA loans are being appropriately reduced; SBA has controls in place to effectively process and monitor loan modifications associated with relocations; SBA adequately monitors Gulf Coast Hurricane disaster loans with deferred repayment to allow maximum collections by SBA; the Gulf Coast disaster staff levels are appropriate; and staff are properly trained and deployed; loan progress payments are adequately supported and made in accordance with the SBA procedures; loan servicing centers adequately service and transfer loans to liquidation in a timely manner; cash flow processes and procedures for assessing loan repayment ability are reasonable; SBA is efficiently and effectively liquidating Gulf Coast Hurricane disaster loans; and Gulf Coast Hurricane disaster loans that failed within 18 months of the first loan payment received adequate screening and credit evaluation during the application process and are serviced in accordance with loan provisions and regulations.

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 achieve a high level of integrity in Agency employees and in applicants to, and participants in, SBA programs. 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.

FY 2006 Accomplishments

We continued to focus on promoting a high level of integrity in SBA programs and safeguarding SBA resources from waste, fraud, and abuse. We established a Southern Region with an office in New Orleans to facilitate the investigation of alleged wrongdoing related to the 2005 Gulf Coast Hurricanes. Thus far, allegations have involved claims for property damage that never occurred or for property that was not owned by the borrower during the disaster; false statements about prior criminal records; wrongful collection of FEMA payments while applying for an SBA loan; attempted bribery of SBA officials; misuse of SBA loan funds for gambling or other unauthorized purposes; and overstatement of financial losses. As of September 2006, 9 such cases have been referred for criminal prosecution. We expect instances of fraud to increase significantly as more loan disbursements are made to borrowers and when the 12-month deferment of principal and interest payments for many disaster loans comes to an end.

The OIG also initiated several proactive projects to identify criminal misconduct by disaster borrowers. These include a project designed to identify borrowers who submit false statements on their SBA applications for disaster assistance business loans relating to past criminal records; a joint effort with the Department of Homeland Security (DHS) OIG and other OIGs to identify applicants for disaster assistance loans who did not reside in the affected areas during the Gulf Coast Hurricanes; and early fraud detection for hurricane-related disaster assistance loans through analysis of DCMS data.

The OIG is also working with the multi-agency PCIE Hurricane Katrina Fraud Task Force to identify potential duplication of benefits where victims may receive excess aid resulting from unreported or underreported income, unreported insurance compensation, or other fraudulent activities. In addition, we conducted background investigations on thousands of employees hired for SBA's loan processing and other operations for the Gulf hurricane disasters; provided fraud awareness information briefings to over 700 employees at SBA's Fort Worth (Texas) Disaster Center; disseminated OIG fraud hotline posters throughout SBA field disaster centers in the Gulf States; and issued an information notice to all SBA employees that announced the Hurricane Relief Fraud Hotline and requested that employees increase their awareness of fraudulent activities as they receive and process disaster-related loans and provide other disaster-related assistance, and to report any fraudulent activities to the hotline.

We also continued the OIG's efforts to investigate and prosecute fraud by some recipients of the over $1.1 billion in disaster assistance loans disbursed in response to the September 11, 2001, terrorist attacks, obtaining the prosecution of numerous parties that committed fraud to obtain 9/11 disaster loans.

Although the disaster loan program is large, SBA's largest potential exposure to loss is in the Section 7(a) and 504 business loan programs. We continued to uncover individual schemes and criminal conspiracies in which the perpetrators use false documents, misrepresent citizenship status, commit fraud through third parties, and/or falsify equity injection. To illustrate the magnitude of such fraud, in one case alone, a gas station owner, his wife, and a loan broker conspired to make false statements – including a phony $240,000 equity injection – in order to obtain a $1,350,000 loan. All three persons were indicted. As SBA has delegated increasing responsibilities to lenders, its oversight of the business loan portfolio has diminished. Accordingly, the OIG continued to use its Early Fraud Detection Working Group (EFDWG) to proactively identify loans that may indicate fraud and to determine trends involving specific lenders or geographical areas. In another proactive effort, the OIG issued a fraud alert to SBA employees and lenders about schemes affecting the SBA*Express* loan program in order to prevent future dollar losses. Finally, based on the area's loan volume and recent incidence of fraud, the OIG established a new investigative office in Detroit, Michigan.

A serious government contracting issue involves companies which misrepresent themselves as small businesses to gain an unfair advantage in the federal marketplace. As an example of the OIG's investigative efforts in this area, a 2-year investigation conducted jointly with the GSA OIG and the Department of Justice resulted in a firm that provides technology products and services to the Government agreeing to pay $1 million to settle allegations that a corporation it had purchased falsely certified itself as a small business on its application for the General Services Administration's (GSA) Multiple Award Schedule (MAS) listing products and vendors.

OIG activities and accomplishments are discussed in more detail in our *Semiannual Reports to Congress*. Statistical highlights are also provided in the OIG's *FY 2006 Performance Report* later in this document.

FY 2007 – FY 2008 Planned Performance

During FY 2007 and FY 2008, we will continue to focus on our statutory responsibility to detect and prevent fraud, waste, and abuse in SBA's programs. Several areas of emphasis are discussed below. Additional FY 2007/2008 activities and strategies for accomplishing this strategic goal are contained in the OIG's "FY 2007/2008 Performance Plan" later in this document.

Loan Agent Fraud

The OIG will continue its national initiative to detect fraud committed by loan agents, such as packagers and brokers. A loan agent is employed and compensated by an applicant or lender to prepare an SBA loan application and/or refer the applicant to a lender (or vice versa). Although honest loan agents can help small businesses gain access to capital, some 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 guarantied portions of the loans.

In one scheme involving over $28 million in loans, a loan agent manipulated the Section 7(a) loan process by simultaneously acting as an agent of the sellers of businesses, the prospective borrowers, and the lenders. Among other things, he caused prospective borrowers to sign false application documents and made it appear that the borrowers had provided the required down payments. As a result of an OIG investigation, the loan agent was sentenced to 9 years in prison with no parole, and ordered to pay over $14 million in restitution to SBA certified lenders and forfeit more than $2 million to the U.S. Treasury.

Loan brokers are also involved in a conspiracy that is developing into one of the most significant fraud schemes ever investigated by the OIG. This conspiracy, which is being investigated jointly with the U.S. Secret Service, has thus far resulted in 30 people being charged in federal court in connection with over $76 million in loans guarantied by SBA. Three loan brokers have been indicted in this conspiracy, as well as the executive vice president of one of the largest lenders participating in the 7(a) Loan Guaranty program and the assistant vice president of a banking institution. These individuals and others are believed to have conspired to fraudulently qualify loan applicants for SBA-guarantied loans by misstating the applicants' financial and other qualifications and falsifying the amount of the money being contributed to small businesses by their owners. SBA has already paid claims totaling over $28 million on these loans.

Disaster Loans

SBA's Disaster Loan program provides low-interest loans to disaster victims. Some unscrupulous applicants attempt to defraud this program, taking advantage of the fact that the loans are made in emergency situations requiring immediate assistance. The OIG will continue to devote substantial resources to identifying errors and fraud related to loans made as a result of the series of hurricanes in Florida 2004 (the 2005 Gulf Coast Hurricanes are discussed separately below). We expect that the hurricane-related loans will result in a significant increase in referrals, which will have a significant impact on the OIG's workload in FY 2008 and beyond.

SBAExpress Loans

The SBA*Express* program allows qualified lenders to make loans up to $350,000 with a maximum SBA guaranty of 50 percent. Lenders mostly use their own forms and procedures, and are not required to take collateral for loans up to $25,000. While such latitude can expedite credit to small businesses, the limited level of SBA oversight has created opportunities for organized individuals or groups to secure multiple loans, under $50,000 each, by having relatives, friends, and associates apply on behalf of shell or non-existent businesses. Moreover, applicants have used false identities and inflated business income. For example, a joint investigation with the Federal Bureau of Investigation (FBI) found that eleven individuals applied for 21 SBA*Express* loans, of which 17 loans were disbursed. The individuals also received non-SBA*Express* loans. Disbursements totaled approximately $1.3 million, with most of the loans in default or delinquent.

Security Operations

SBA requires applicants for assistance to 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. The OIG's Office of Security Operations will continue to ensure that program participants meet these standards by processing over 3,000 name checks and, where appropriate, fingerprint checks on applicants.

The OIG also performs background investigations for Agency employees and contractors. In the past, the OIG has performed about 200 background investigations annually; however, HSPD-12, *Personal Identity Verification of Federal Employees and Contractors*, has imposed significant new requirements in this area that will have a major impact on the OIG's workload in FY 2008. For example, the OIG must now pre-screen (i.e., review security questionnaires, fingerprint reports, and credit reports, and clarify or resolve derogatory information) new SBA employees and contractors for suitability for employment before credentials are issued or access to SBA computer systems is granted.

2005 Gulf Coast Hurricanes

We will conduct criminal investigations on allegations of fraud and continue projects to: identify borrowers who submit false statements regarding their criminal histories on SBA disaster business loan applications; identify SBA disaster loan applicants who have been arrested or indicted for fraud crimes related specifically to the Gulf Coast Hurricanes; proactively identify potential fraud in Gulf Coast Hurricane disaster assistance loans and prevent fraud whenever possible through analysis of loan data; identify SBA home or personal property disaster loan borrowers who submit false statements regarding their private insurance proceeds; obtain information as to the accuracy or completeness of disaster business loan applicants' self-reported criminal histories; and determine whether SBA applicants actually resided in the areas affected by the 2005 Gulf Coast Hurricanes.

U.S. Small Business Administration
Office of Inspector General

FY 2007/2008 Performance Plan &
FY 2006 Performance Report

OIG Vision

We strive to identify significant issues and provide recommendations and solutions to correct, reduce or eliminate problem areas or fraudulent schemes that could adversely impact the efficiency, effectiveness or integrity of SBA's programs and operations.

Performance Plan Alignment

This 2-year Performance Plan aligns with the statutory responsibilities of the OIG under the IG Act, the Small Business Act, the Small Business Investment Act, an increasing number of Government-wide mandates, and with the OIG's FY 2006 – 2011 Strategic Plan. Our Strategic Plan reflects a rethinking and refining of our earlier strategic goals and planning framework in order to focus OIG efforts on identifying the larger systemic problems in SBA's programs and operations. In an era of tight budgets, the OIG must focus on the most significant risks to SBA and the taxpayer, and on improving program and operational processes. Our plans are designed to assist SBA in meeting the challenges it faces and accomplishing its mission in the most effective, efficient, and economical manner possible.

The two goals in our Strategic Plan are designed to align our resources and manage our activities in the light of SBA's most significant challenges and risks. For FY 2007 and FY 2008, the OIG has developed strategies and performance indicators/measures for each of these goals to guide our efforts.

The role of the OIG is to provide value to our stakeholders. The role of performance measurement is to deliver insights about that value. The OIG's goals encompass measures that will assist the OIG in evaluating our success in achieving our goals and objectives. A critical indicator, however, of our accomplishments in fulfilling the requirements of the IG Act and other mandates will be the results demonstrated twice a year in the OIG's *Semiannual Reports to Congress*. These reports are located at http://www.sba.gov/IG/igsemiannual.html.

FY 2007/2008 Activities and Strategies for Accomplishing OIG Strategic Goals

- Give priority to complex projects focusing on SBA activities that pose the greatest risk of financial losses, or that need controls to improve the integrity or effectiveness of program service delivery.
- Perform oversight of the FY 2007 and 2008 SBA financial statement audits – a statutory requirement – and reviews of Federal Information Systems Controls related to the financial operations, both of which are conducted by an external auditor.
- Conduct Federal Information Security Management Act reviews – a mandatory annual requirement.
- Conduct an assessment of controls over Personally Identifiable Information – a mandatory requirement.

- Assess effectiveness of, and controls over disaster assistance loan making, servicing, collection, and liquidation processes to identify processing problems, duplication of benefits, and potential fraud.

- Perform Gulf Coast Hurricane related audits focusing on prevention of problems, including reviewing internal controls, monitoring and advising department officials on precedent-setting decisions, and assessing the quality of loans.

- Review selected data systems supporting the collection of SBA's performance data.

- Monitor SBA's implementation of replacement systems and components of its core financial legacy-based Loan Accounting System (LAS).

- Assess the adequacy of guaranty purchases of Business Loans at the SBA Guaranty Purchase Center, and of SBA*Express* Loans at SBA's Servicing Centers.

- Assess the effectiveness of SBA's business loan liquidation activities.

- Assess the effectiveness of, and controls over, the collection of business loan program receivables.

- Review improper payments in SBA's loan program.

- Assess the reliability of data input into the LAS and its impact on SBA's risk management and mitigation efforts.

- Review SBA's oversight of selected entrepreneurial development programs.

- Perform selected reactive audits and investigations based on complaints received.

- Review the effectiveness of SBA's oversight of selected financial assistance programs.

- Identify serious Management Challenges facing the Agency and work throughout the year with SBA management to resolve identified issues as quickly and efficiently as possible.

- Review the SBIC examination and funding processes.

- Review selected outsourcing by SBA of its functions and activities to determine whether the projected savings were realized.

- Conduct a follow-up review of selected highly complex projects completed at least 3 years ago to assess the effectiveness of the corrective action implemented by SBA.

- Assess effectiveness of SBA oversight of its various government contracting programs.

- Conduct mandated audits and reviews of selected SBA programs and activities, including preferred sureties, and use of cosponsorships and gifts.

- Review proposed legislation, regulations, and Agency directives proposed by or affecting SBA and provide salient comments to reduce confusion, waste, and inefficiency.

- Give priority to investigations where fraud is committed by loan agents and lenders.

- Focus on criminal investigation and prosecution of fraudulent activities committed within SBA programs that possess a potential for high risk: the Disaster Loan, SBIC, 7(a) Business Loan, and SBA*Express* Programs.

- Expand outreach with Lenders and SBA officials to deter fraud and abuse.

- Continue efforts to work in cross-divisional teams to analyze data, assess trends, target areas of vulnerability and recommend systemic control improvements.

- Recommend debarments and other administrative enforcement actions to foster program integrity.

- Conduct character screenings on certain SBA program participants and complete required background checks on SBA employees and contractors to ensure the integrity of operations.

- Protect the integrity of SBA programs through recommendations that assistance be denied to those found to be of poor character.

OIG Operational Strategies

The OIG also uses the following operational strategies to achieve our 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 our work products by subjecting our operations to internal review, as well as to external "peer" reviews by other federal OIGs.

- Use our annual planning and budget process to manage OIG operations effectively and efficiently.

- Ensure effective two-way communication with our customers, stakeholders, employees, and interested parties to identify opportunities for improvement.

Performance Measures/Indicators

Measures/Indicators[1/] (In addition to the OIG's Semiannual Reports)	FY 2006 Actual	FY 2007 Estimate	FY 2008 Estimate
Quality			
Value of monetary recoveries and savings resulting from audits, other reports, investigations and security checks.[2/]	$72.5 million	$59.2 million	$59.2 million
Percent of all report recommendations agreed to by management within 6 months of report issuance.	65%	76%	77%
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.	69%	60%[3/]	60%[3/]
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%
Timeliness			
Percent of audit projects completed within budgeted hours and milestones, or in established timeframe.	83%	85%	87%
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.	59%	70%	70%

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

2/ 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 not made as a result of investigations and name checks.

3/ Due to lower potential dollar losses involving Gulf Coast Hurricane cases, we anticipate a lower percentage of cases over $100,000.

Anticipated Impact/Outcomes of OIG Efforts under Strategic Goals

- 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.

Highlights of FY 2006 OIG Activities

During FY 2006, the OIG's efforts resulted in over $72.5 million in cost avoidances and potential recoveries and fines, as shown in the following table.

Office-wide Dollar Accomplishments
October 1, 2005 – September 30, 2006

Potential Investigative Recoveries and Fines	$29,665,125
Loans/Contracts Not Made as Result of Investigations	$116,200
Loans Not Made as Result of Name Checks	$42,179,311
Disallowed Costs Agreed to by Agency Management	$563,463
Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	$25,000
Total	**$72,549,099**

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 the first 6 months of FY 2006, 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, 2005 – September 30, 2006

Reports Issued	35
Recommendations Issued	108
Dollar Value of Costs Questioned	$854,624
Dollar Value of Recommendations that Funds Be Put to Better Use	$0

Follow-up Activities
October 1, 2005 – September 30, 2006

Recommendations Closed	122
Disallowed Costs Agreed to By Agency Management	$562,463
Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	$25,000
Unresolved Recommendations	136

Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews
October 1, 2005 – September 30, 2006

Legislation Reviewed	35
Regulations Reviewed	24
Standard Operating Procedures and Other Issuances* Reviewed	102
Total	**161**

*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, 2005 – September 30, 2006

Cases Opened	59
Cases Closed	53

Indictments and Convictions
October 1, 2005 – September 30, 2006

Indictments from OIG Cases	51
Convictions from OIG Cases	28

Recoveries and Management Avoidances
October 1, 2005 – September 30, 2006

Potential Recoveries and Fines as a Result of OIG Investigations	$29,665,125
Loans/Contracts Not Approved as a Result of OIG Investigations	$116,200
Loans Not Approved as a Result of the Name Check Program	$42,179,311
Total	**$71,960,636**

Performance Measurement Limitations

The achievement of our goals is subject to a number of external factors. For example, the majority of our 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 our 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 are responsible for collecting, maintaining, and reporting performance data. As appropriate, quantitative data is collected and stored in our 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, we will reevaluate whether our measures are effectively designed, useful, and results-oriented. Based on this evaluation, we will determine whether our performance measures should be revised for the next planning cycle.

U.S. Small Business Administration
Office of Inspector General

OIG Organizational Structure

The OIG is composed of the Immediate Office of the Inspector General and four Divisions: Auditing; Investigations; Counsel; and Management and Policy. The OIG has staff located in the following locations: Atlanta, GA; Chicago, IL; Dallas, 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; Tacoma, WA; and Washington, DC.

The Auditing Division performs program performance reviews, internal control assessments, and financial, IT, and mandated audits, and oversees audits by contractors to promote the economical, efficient, and effective operation of SBA programs.

The Investigations Division manages a program to prevent and detect illegal and/or improper activities involving SBA programs, operations, and personnel. Criminal investigators carry out a full range of traditional law enforcement functions. The Security Operations staff ensures that all SBA employees and contractors have the appropriate background investigations and security clearances for their duties and conducts 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 and 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, IT, and procurement) for the various OIG functions, coordinates preparation of the OIG's *Semiannual Report to Congress*, the *Report on the Most Serious Management Challenges Facing SBA*, and OIG strategic and annual plans.

Small Business Administration
Office of Inspector General