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Executive Summary

Overview

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

Small businesses are critical to the economy of this country. They provide more than half of existing private sector jobs, two-thirds of new jobs, and more than half of the nonfarm United States' Gross Domestic Product. Trends such as corporate downsizing continue to underline the critical importance of small businesses to the nation's economy.

Since 2001, the Small Business Administration has been on a mission to deliver more value to the nation's small businesses while lowering costs to the taxpayer. The SBA's FY 2007 budget submission reflects the results of that quest. By restructuring key Agency operations and reengineering its largest loan programs, the SBA has achieved record program growth while reducing its total budget by 37% since 2001. Through this approach, SBA has improved the effectiveness of the taxpayers' dollars supporting small business development. Because of the improvements made over the past several years, in FY 2007 SBA will be able to serve record numbers of small businesses with a total budget request of \$624 million.

SBA is administering its programs more efficiently to improve customer service and reduce program costs. Building upon its success in consolidating 7(a) loan liquidation functions from almost 70 district offices to a single location, SBA is also working to consolidate loan origination and other management functions. While providing administrative cost savings, these changes ensure that loans are managed more consistently and efficiently. The consolidation of 7(a) loan liquidation activities in 2004 reduced agency costs for this function from \$32 million in FY 2003 to \$7 million in FY 2005.

Modernizing Agency operations and downsizing is challenging, but it is also essential. The nations' taxpayers cannot afford for SBA to continue doing business the way it did ten or twenty years ago; capital markets, technology, and the needs of entrepreneurs have all changed, and SBA must change as well. 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 approaching \$70 billion, SBA has a critical role as a steward of the taxpayers' 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, we have replaced the old, primarily manual processes for reviewing lender and loan performance with automated, quantitative risk-based methods. This approach enables SBA to prudently manage its growing loan and guaranty portfolio with fewer overall resources. This is an important example of how SBA operates today – not just leaner, but also smarter.

Through this budget request, SBA will be able to continue on its path of serving the small business community while ensuring fiscal restraint and stewardship of the taxpayers' dollars.

Highlights of the Budget Request

Small Business Financing

The SBA's total budget request for FY 2007 of \$624 million in net Budget Authority will support a total of \$28 billion in financing to the U.S. small business community. This represents a 42% increase over business lending for FY 2005, through the 7(a), 504, and SBIC debentures programs. For our flagship 7(a) program, we are requesting \$17.5 billion - a 22% increase over our final FY 2005 lending level and 38% more than FY 2004. We plan to fund loans to about 98,000 businesses. We are also requesting a \$7.5 billion 504 program level, representing a 50% increase over loans made in FY 2005, and an SBIC Debenture program of \$3 billion.

SBA will be able to meet the growing demand for 7(a) loans in FY 2007 because of the successful effort in FY 2005 to eliminate the subsidy cost of the program to taxpayers. The 7(a) program assisted more small businesses in 2005 than in any prior year. In addition to saving taxpayers \$100 million per year, the zero subsidy cost initiative has brought stability to the program. Lending in the 7(a) program grew from \$9 billion in 2003 to \$14.3 billion in 2005. Whereas 2003 and 2004 shortfalls in appropriations required SBA to suspend program lending in several instances, the current zero subsidy has enabled lending to grow and not be interrupted by funding lapses.

The 2007 Budget builds upon the success of eliminating credit subsidy requirements for the 7(a) loan program by proposing that borrowers should cover the costs of administering Federal guarantees on business loans (for the 7(a), 504, and SBIC programs) greater than \$1 million. This will make these loans self-financing and further reduce the need for taxpayer support by about \$7 million. Loans of over \$1 million represented only 3% and 15% of 7(a) and 504 loans approved in FY 2005, respectively.

SBA's credit programs are designed to provide financing to entrepreneurs who could not obtain affordable loans without a Federal government guarantee. SBA has actively encouraged financial institutions to increase lending to start-up firms, low-income entrepreneurs, and borrowers in search of financing below \$150,000. SBA's outreach for the 7(a) program has been successful. Average loan size has decreased from \$232,000 in 2001 to \$160,000 in 2005, while the number of small businesses served has grown from 37,000 to 89,000 during the same time period.

In addition, SBA has been highly successful in making business loans to minority groups facing special competitive opportunity challenges. In FY 2005, almost 30% of 7(a) loans and about 25% of 504 loans were made to members of minority groups.

The FY 2007 budget proposes the termination of the Microloan program. SBA believes that this program has been excessively expensive relative to other programs. The 7(a) program is capable of serving a similar clientele through the Community Express program at a much lower cost to taxpayers.

Technical Assistance

SBA and its partners provide technical assistance to existing and potential entrepreneurs through training, counseling, mentoring, and information services. SBA provides grants to a network of: more than 950 Small Business Development Center sites; over 380 SCORE chapters, which match executives with entrepreneurs for business counseling; and over 90 Women's Business Centers. The Budget requests \$104 million for these three primary technical assistance programs in 2007. This funding will provide counseling and training to almost one million prospective, nascent, or existing entrepreneurs. In addition, SBA plans to update its Small Business Training Network, which serves as a virtual SBA campus and offers more than

20 online courses and electronic tools; features an electronic library; provides links to over 20 colleges and universities; and offers links to SBA-sponsored training events around the country.

Government Contracting and Business Development

The SBA's focus in FY 2007 will continue to work to increase small business participation and competition in the Federal procurement arena as well as the number of dollars flowing to small businesses. In FY2006, the SBA developed a different approach to Agency goaling to bring more transparency to the process as well as recognizing the variances in procurement requirements among Federal agencies. The SBA is working with the Chief Acquisition Officers Council to revitalize the Small Business Subgroup. The SBA will continue to work with the small business community as well as the agencies to find ways for small businesses to compete in the larger contracting arena. The SBA will continue to improve the work through its field structure and the interaction of all its programs to help more businesses be ready and able to participate in the Federal contracting arena. The SBA will continue to improve its technology and use of the E-gov systems to maximize staff resources to monitor contracting activities as well as improve communication and interaction with the small business community through the automation of many basic systems. Such systems include the Electronic Procurement Center Representative Systems (EPCR), 8(a) application and annual review process, and HUBZone Procurement Query and Reporting System, as well as the Central Contractor Registration, the Federal Procurement Data System – Next Generation, Tech Net among others.

Advocacy

Continuing regulatory relief efforts ensure that Federal regulations do not unduly handicap America's entrepreneurs. Regulatory and paperwork requirements can be especially burdensome on small businesses. An SBA study found that small businesses with fewer than 20 employees spend an average of \$7,647 per employee complying with regulations as compared to \$5,282 per employee for firms with 500 or more employees. SBA works with Federal agencies to minimize the burden of new regulations. As a result of the Administration's efforts since 2002, SBA estimates that small businesses have been spared over \$51 billion in regulatory costs by filtering out unnecessary, over burdensome, or duplicative requirements prior to finalizing new regulations. In 2007, SBA efforts are expected to save \$6.1 billion in forgone regulatory costs.

The Disaster Program

For two years in a row, the United States has been struck repeatedly by devastating hurricanes. In response to hurricanes Katrina, Rita, and Wilma, SBA will have made more disaster loans to business and home owners than in any year in its history. For FY 2007, SBA is requesting funding to support lending almost \$900 million to homes and business struck by natural disasters.

To operate more efficiently, SBA has implemented an automated loan origination system for the Disaster Loan program. The system eliminates the paper intensive processes that had been used for decades by the Office of Disaster Assistance.

The 2007 Budget proposes to continue providing preferential loan terms to victims of disasters. However, in order to contain the escalating costs of the loans, the Budget proposes to adopt graduated interest rates for the Disaster Loan program. During the first five years after a disaster, interest rates will remain deeply subsidized, as they are currently structured, although interest rate caps would be eliminated. Thereafter, rates would graduate to a comparable Treasury instrument. This structure would continue to provide borrowers with deep interest subsidies when they need them most -- immediately after a disaster -- and after five years the

subsidies would be reduced for the remainder of the loan period. The total savings to the taxpayer of this change will be \$41 million in FY 2007.

Managing for Success

The SBA has succeeded in achieving record growth in its programs while at the same time reducing the overall budget request through focused, practical implementation of the President's Management Agenda (PMA) and related initiatives. To maintain these trends and build on the Agency's achievements, SBA's budget request includes funding for the following:

- Improving management systems and processes to ensure continued adequate stewardship of our resources;
- Investing in new and upgraded infrastructure to continue benefiting from efficiencies;
- Improving the efficiency and skill level of our staff through training, organizational realignment, and better human capital management strategies; and
- Continuing transformation of Agency operations.

SBA's plans and strategies for each of these areas are described below.

Ensuring Adequate Stewardship of Government Resources

Given the range of programmatic changes the Agency has undertaken, the extent of the SBA's transformation, and our current and proposed investments in IT and other infrastructure, SBA must continue to ensure that we are effectively managing taxpayer resources. In order to do so, we will be undertaking the following initiatives:

- **Program Evaluations** The SBA is committed to continuing to develop rigorous, credible methodologies to quantify the results of our programs relative to the objectives in our strategic plan. SBA began a third-party program evaluation of its loan programs in FY 2004, estimated to be completed in FY 2006. Our FY 2007 request would fund a comparable, independent, rigorous evaluation of SBA's other programs, such as technical assistance, or government contracting. The SBA believes meaningful performance measurement is the cornerstone of stewardship. The small business community deserves the best, most effective programs SBA can provide. Objective evaluations form the basis of program improvements and therefore are a top priority for the Agency. We are requesting \$0.5 million for program evaluations.
- **Building on our Core Programs** The Agency must continue to focus activities in key program areas and eliminate overlapping, duplicative program delivery systems that provide similar services to different segments of the small business community. Although we are not asking for earmarked funding for our 7(j), HUBZones, and, Native American Outreach programs, we will continue to implement these programs through our operating budget. For fiscal year 2007 we are again requesting elimination of the Microloan Program and Prime Technical Assistance because analysis shows they are duplicative and costly programs.
- **Managing SBIC Program Risk** The SBA's Investment Division manages a portfolio of over \$11 billion in outstanding guaranteed leverage and unfunded commitments supporting over 5,000 portfolio concerns under the oversight of its Office of Operations. The Participating Securities program currently advances over \$200 million per year in prioritized payments. The SBA is requesting \$1.5 million for a contract to provide an independent review of valuations for approximately 3 to 4% of the portfolio companies held by SBICs with leverage and/or leverage commitments. These reviews will allow the Investment Division to act more

quickly and with more confidence on troubled portfolios and reduce the SBA's overall risk exposure. The Investment Division is also responsible for recovery on an additional \$1.6 billion in leverage under its Office of Liquidations. The Investment Division awarded a contract in FY 2005 to assess the processes in the Office of Liquidation to ensure that SBA maximizes recoveries on all assets transferred to this office and thereby minimizing program losses. SBA will be incorporating recommendations from the contractor as appropriate in FY 2006.

- **Enhancing Lender Oversight** Our Office of Lender Oversight is responsible for monitoring, reviewing, and oversight of examining the performance of more than 5,000 lenders, and is responsible for a portfolio of 7(a) and 504 loans of approximately \$56 billion. This oversight function includes exams of 11 Small Business Lending Companies. We also conduct on-site reviews of about 350 7(a) lenders on a 12 to 24 month cycle. In the recent past, we have not been able to perform all the reviews that we would have wanted, due to budgetary constraints. In addition, we maintain a Loan and Lender Monitoring System (L/LMS) which includes off-site reviews and risk ratings. With current legislation, the government can be reimbursed for reviews and monitoring of 7(a) lenders. As a result, we expect to obligate \$4.75 M (\$1 M more than in FY 2005) to cover the cost of increasing on-site reviews to the desired level.
- **Ensuring Adequate Reserves for the Surety Bond Guarantee Program** The SBA provided an analysis this year of the fee structure of the Surety Bond Guarantees (SBG) program and the status of the contingent liability. A decision was made to increase in fees in FY 2006. However, that increase in fees will only partially cover future bonding. Our request to help cover the contingent liability estimated for the end of FY 2007 is just under \$3 M.
- **Reducing Rent Costs** As the Agency transforms its operations, changes the organization and staffing of its offices, and reduces its total staffing levels, we continually seek opportunities to reduce rented space. Although there is an upfront cost to giving up space and/or moving, the savings are significant. Rent initiatives undertaken in FY 2005 cost \$850K, but are producing annual savings to the government of \$1.3 M. We plan to continue this initiative in FY 2006 and FY 2007 and are requesting \$1.3M in FY 2007 to do so.

Investment in an Improved Infrastructure

The SBA must invest in its information technology (IT) infrastructure if it is to conduct business efficiently in the 21st century. With its total loan portfolio approaching \$70 billion, the SBA is a major financial institution that must have a modern infrastructure to support its operations.

Requested investments include:

- \$1.6 M to migrate off the mainframe. Our mainframe support contract ends in FY 2007, and we recognize that we must move to a more up-to-date environment.
- \$3.2 M to support eGov initiatives and our enterprise architecture modeling and management. SBA is fully supportive of this PMA item, has been an active participant in 18 eGov initiatives, and is the managing partner of the Business Gateway.
- \$2.2 M for IT security. SBA recognizes the challenges to any government agency in maintaining the security of its system and believes it is imperative to continue to invest in security, including e-authentication.
- \$1.5M to put our desktops, servers, and other hardware on a standard refresh cycle.

- \$2.1 million to support new, enhanced, or ongoing IT investments for our program and administrative offices, including:
 1. An electronic official personnel folder system. The Agency needs to implement OPM's system, which stores all employee information in a standard electronic data format, rather than our current manual folder system. FY 2007 cost: \$720K.
 2. EGrants – the Agency's proposed interface to Grants.gov, which will facilitate the timely and efficient handling of grant application submissions from initial receipt and processing, to award, and throughout the administration of the grant. In FY 2005 the SBA had about \$164 M in new budget authority for grants; in FY 2006 that amount increased to \$210 M. FY 2007 cost: \$600K. This budgeted amount is for the development and implementation of the proposed "EGrants" system.
 3. Surety Bond Guarantees program web application system – an enhancement to the current SBG client-server system through which surety companies could submit underwriting applications and claims and obtain bond status information via the internet. FY 2007 cost: \$340K.
 4. Enhancements to the current Entrepreneurial Development Management Information system, which collects performance measure and impact data from program offices, resource partners, and district offices. FY 2007 cost: \$150K.
 5. Enhancements to the Small Business Training Network. Some entrepreneurs don't need or want face-to-face training and can get their training needs met on line at a significantly lower cost to the government. We plan to continue to upgrade this network. FY 2007 cost: \$70K.
 6. A safety and health operational management system. This will facilitate the timely and efficient handling of workers' compensation claims. Better information on our 150 claims per year should help reduce the number of claims by helping us improve safety strategies and reduce the \$2.5 million spent each year on claims. FY 2007 cost: \$250K.

In addition to the SBA's IT infrastructure, the Agency also needs to invest in physical security for its staff. Our headquarters building has been rated high risk by the Office of Homeland Security. We need to have a magnetometer installed, and we need to increase the number and training of our guards. We hope to have the former in-house in FY 2006, but require \$900K for guard contracts and training in FY 2007. We also must cover GSA security charges on all our rented space throughout the country – an additional cost of \$1.7M.

Improvement in the Efficiency and Skill Level of our Staff

Given the degree of transformation the Agency has undertaken and the extent of our current plans, and the new technologies we are implementing to improve our efficiency, we must ensure that our staff is adequately trained for their evolving roles. So doing will maximize job performance and job satisfaction. Our Office of Human Capital Management (HCM) has already implemented a comprehensive Human Capital Plan that is fully integrated with the Agency's strategic plan in accordance with the PMA for the Strategic Management of Human Capital. It is also implementing a plan to optimize service and efficiencies using redeployment, restructuring, competitive sourcing, eGov solutions, and delayering as necessary.

A key area HCM plans to focus on in FY 2006 and FY 2007 is training of our staff. During FY 2006, HCM will conduct a training survey to assess employee needs. The Agency is requesting \$950K for centralized training in FY 2007. This would include: funding for a knowledge

management system; leadership development; an SBA nationwide mentoring program; marketing and outreach training; mid and senior level management training; leadership and succession planning; SES candidate program funding; individual training requests; and training for managers after renegotiation of the union contract.

At the same time, SBA is continuing its competitive sourcing activities in accordance with the PMA. We submitted to the Office of Management and Budget (OMB) our ten-year competitive sourcing plan. We ran three competitions and announced performance decisions at the end of FY 2005. Three more competitions are scheduled to have performance decisions in FY 2006. Plans are underway for three competitions in FY 2007.

Continued Transformation of Agency Operations

Through our aggressive transformation activities, the Agency has succeeded in lowering its staffing requirements, consolidating its operations, and reducing its staffing. The SBA has achieved its staff savings through use of directed reassignments and a number of buyouts. As a result, the Agency has been able to avoid a Reduction in Force.

SBA has transformed the way that staff performs loan management functions in both the 7(a) and 504 programs. In 2004, SBA implemented new procedures for Section 504 loan processing. Results have been positive, with the average loan processing time reduced from four weeks to only a few days. In 2005, SBA streamlined its 7(a) guarantee processing function. Similarly, SBA has also centralized its loan liquidation functions for guaranteed programs resulting in a 78% reduction in related administrative costs. These efforts have allowed the agency to reduce staffing levels while improving customer service.

Given the success of these efforts, the SBA plans to continue to consolidate and streamline its operations. There are five major areas currently planned for transformation:

- **The Office of Disaster Assistance** The implementation of this plan has already begun. This plan will realign offices, employees, and space to better serve victims of disaster and will leverage use of the Disaster Credit Management System, which will allow employees anywhere to access the automated loan system for direct disaster loans. The result of this transformation will be the consolidation of the current four independent Disaster Area Offices into one nationwide team. That team will include a customer service center in Buffalo, a loan processing and disbursement center in Fort Worth, and two field operations centers in Atlanta and Sacramento. In addition, we will establish an administrative and personnel support center in Herndon, to be co-located with the Disaster Credit Management Operations Center. One result of this plan will be a reduction of approximately 50 FTE and an estimated \$7.5M in savings in FY 2007.
- **Centralizing all 7(a) Loan Processing** Approximately 15% of 7(a) loans are still processed in District Offices. All other 7(a) loans are processed in two centers. Our plan is to move all processing to these centers. This will both standardize processing, a small percentage of which is now being conducted by a wide variety of staff spread over virtually all our district offices, and reduce total staffing required for this function. Approximately 24 FTE will become available for other SBA functions.
- **Centralizing all 504 Loan Liquidations** 44 field offices report spending time on this function. We plan to centralize this activity in two centers. We do not expect any net FTE savings initially to the Agency by doing so, but believe we will gain significant standardization and eventually achieve efficiencies.
- **Centralizing Disaster Loan Liquidations** 27 field offices report spending time on this function. We plan to centralize this activity in one center. We do not expect any net FTE

savings initially to the Agency by doing so, but believe we will gain significant standardization and eventually achieve efficiencies.

- **Transformation of the Regional and District Offices** New position descriptions have already been written and implemented for district office staff. Our plan is to standardize the size and functions of our regional and district offices. We are proposing that all regional offices have the same staffing plan. District offices would be divided into size categories, relating to geographical size of the areas served. A standard staffing pattern would apply to each office within a size category.

Through these activities as well as the continued transformation of the Agency, SBA is requesting funding for 2,074 Salaries & Expenses funded Full -Time – Equivalents in FY 2007. This is 22% less than the staff we had on board at the end of FY 2003 and results in a \$65 million cost reduction for fiscal year 2007.

The SBA's budget request of \$624M is \$18 M less than our FY 2006 appropriated budget, adjusted for Disaster and for Congressional Initiatives. Our Salaries and Expenses operating budget is at a similar level to FY 2006. SBA is committed to serving America's small business community efficiently and effectively. We are a small agency, and we deliver measurable results to the taxpayer. The SBA is proud of its achievements and looks forward to a successful future.

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 fiscal years 2005 and 2006 and requested from Congress for fiscal year 2007. 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.

- Gross New Budget Authority is the amount appropriated by Congress prior to rescissions on either the current year's appropriation or unobligated balances on prior year appropriations.
- Rescissions are reductions to appropriations, withdrawal of unobligated balances otherwise available, or reductions to appropriations once the latter have been offset by fee collections.
- Disaster Hurricane Supplementals are sums appropriated specifically to respond to the major hurricane disasters in fiscal years 2005 and 2006.
- Net New Budget Authority is the sum of the three categories discussed above.
- This table can be cross-referenced with Table 2 as discussed below.

Table 2: Sources of Funds: Summary

This table shows the total resources that the Agency had at its disposal in FY 2005, estimates for FY 2006 and requests for FY 2007 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 that will 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.

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.

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 New Budget Authority.

Tables 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.

Tables 4 – 6: Uses of Funds - Salaries and Expenses

The top of Table 4 shows the major uses of the salaries and expenses budgetary resources.

Detail on each category of Uses of Funds is provided for the six major categories:

Summary and Operating Budget Detail (see bottom half of Table 4). 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 our Salaries and Expenses account in the past. In a effort to better manage the agency's resources, avoid duplication of administrative systems, and to allow more flexibility in managing our resources, we are requesting that many 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 our 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 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 Results and Budgetary Resources 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 our 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 Table 3 (Sources of Funds Summary by Appropriation Account.) 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.

Table 1
FY 2007 Congressional Submission
SUMMARY OF NEW BUDGET AUTHORITY
(Dollars in Thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
Gross New Budget Authority				
Salaries and Expenses	\$ 362,335	\$ 404,029	\$ 303,550	\$ (100,479)
Business Loan Program				
<i>Administration</i>	126,653	125,307	126,136	829
<i>Loan Subsidy</i>	1,455	1,300	0	(1,300)
Disaster Loan Program				
<i>Administration</i>	113,159	0	113,850	113,850
<i>Loan Subsidy</i>	0	0	85,140	85,140
Inspector General	13,014	13,900	14,355	455
Surety Bond Guarantee	2,900	2,861	2,970	109
Subtotal, Gross New Budget Authority	\$ 619,516	\$ 547,397	\$ 646,001	\$ 98,604
Rescissions				
Business Loan Fee Offset	0	0	(7,000)	(7,000)
Unobligated Balances	0	(7,000)	(14,800)	(7,800)
Appropriation	(8,277)	(6,992)	0	6,992
Subtotal, Rescissions	\$ 611,239	\$ 533,405	\$ 624,201	\$ 90,796
Disaster - Hurricane Supplementals				
<i>Administrative Expenses</i>	\$ 428,000	\$ 176,500	\$ 0	\$ (176,500)
<i>Loan Program Subsidies</i>	501,000	264,500	0	(264,500)
<i>Inspector General</i>	0	5,000	0	(5,000)
Subtotal, Disaster Supplementals	\$ 929,000	\$ 446,000	\$ 0	\$ (446,000)
Total, Net New Budget Authority	\$ 1,540,239	\$ 979,405	\$ 624,201	\$ (355,204)

Table 2
FY 2007 Congressional Submission
SOURCES OF FUNDS: SUMMARY
(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007	Increase/ (Decrease)
	Actual	Estimate	Request	
Summary, Total SBA				
Gross New Budget Authority	\$ 619,516	\$ 547,397	\$ 646,001	\$ 98,604
Supplemental/Other Appropriation	929,000	446,000	0	(446,000)
Carryover from Prior Year	72,834	745,340	99,194	(646,146)
Carryover into Next Year	(745,340)	(99,194)	(83,394)	15,800
Business Loan Fee Income	0	0	7,000	7,000
Reduction in Appropriation for Fee Income	0	0	(7,000)	(7,000)
Other Fee Income	3,461	3,354	6,830	3,476
Reimbursable Income	9,654	12,100	9,692	(2,408)
Recoveries	26,826	35,000	33,480	(1,520)
Rescinded Appropriation	(8,277)	(6,992)	0	6,992
Rescission on Unobligated Balances	0	(7,000)	(14,800)	(7,800)
Total	\$ 907,674	\$ 1,676,005	\$ 697,003	\$ (979,002)

Table 3
FY 2007 Congressional Submission
SOURCES OF FUNDS SUMMARY BY APPROPRIATION ACCOUNT
(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007	Increase/ (Decrease)
	Actual	Estimate	Request	
Summary, By Appropriation Account				
Salaries and Expenses	\$ 503,265	\$ 547,879	\$ 455,118	\$ (92,761)
Business Loan Program	2,035	1,644	0	(1,644)
Disaster Assistance Administration	222,525	435,747	104,445	(331,302)
Disaster Loan Program	163,500	671,540	118,620	(552,920)
Inspector General	13,488	16,371	15,850	(521)
Surety Bond Guarantee Program	2,861	2,824	2,970	146
Total	\$ 907,674	\$ 1,676,005	\$ 697,003	\$ (979,002)

Table 4
FY 2007 Congressional Submission
USES OF FUNDS
SALARIES & EXPENSES
(Dollars in Thousands)

	FY 2005		FY 2006		FY 2007		Increase/ (Decrease)
	Actual		Estimate		Request		(Decrease)
Summary							
Operating Budget	\$ 44,641	\$	57,761	\$	66,066	\$	8,305
Agencywide Costs	47,716		46,754		47,279		525
Compensation & Benefits	228,239		214,568		225,655		11,087
Non-Credit Programs	134,012		126,859		106,426		(20,433)
Congressional Initiatives	39,466		89,838		0		(89,838)
Reimbursable Expenses	8,975		12,100		9,692		(2,408)
	<hr/>						
Total	\$ 503,049	\$	547,880	\$	455,118	\$	(92,762)
<hr/>							
Operating Budget Detail							
Executive Direction	\$ 5,193	\$	7,679	\$	6,800	\$	(879)
Capital Access	9,073		10,401		10,865		464
Gov Contr/Business Development	1,177		1,258		4,865		3,607
Entrepreneurial Development	696		1,074		1,992		918
Management and Administration	6,219		9,672		10,412		740
Chief Information Officer	18,282		22,754		26,089		3,335
Regional and District Offices	4,001		4,923		5,043		120
	<hr/>						
Total	\$ 44,641	\$	57,761	\$	66,066	\$	8,305
<hr/>							

Table 5
FY 2007 Congressional Submission
USES OF FUNDS
AGENCYWIDE COSTS
(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007	Increase/ (Decrease)
	Actual	Estimate	Request	
Express Mail	\$ 340	\$ 400	\$ 425	\$ 25
Judgment Fund	2,455	1,000	750	(250)
Office Security	0	1,720	1,686	(34)
Performance Awards	2,055	1,783	1,854	71
Postage	1,174	901	951	50
Reasonable Accommodations	32	50	52	2
Relocation	513	750	750	0
Rent	33,156	32,913	32,890	(23)
Telecommunications	3,865	3,125	3,301	176
Transit Subsidy	789	1,040	1,061	21
Unemployment Compensation	1,427	1,782	1,819	37
Workers Compensation	1,910	1,290	1,740	450
Total	\$ 47,716	\$ 46,754	\$ 47,279	\$ 525
Compensation & Benefits	\$ 228,239	\$ 214,568	\$ 225,655	\$ 11,087

1/ FY 2005 Compensation and Benefits includes approximately \$6.7 million for buyout payments.

Table 6
FY 2007 Congressional Submission
USES OF FUNDS
NON-CREDIT PROGRAMS and REIMBURSABLE EXPENSES
(Dollars in Thousands)

		FY 2005	FY 2006	FY 2007	Increase/ (Decrease)
		Actual	Estimate	Request	
Non-Credit Programs					
7(j) Technical Assistance Program	1/	\$ 1,479	\$ 1,481	\$ 0	\$ (1,481)
Advocacy Database	2/	1,085	0	0	0
Drug-Free Workplace		983	987	990	3
HUBZones Program	3/	1,892	1,974	0	(1,974)
Microloan Technical Assistance		13,813	12,834	0	(12,834)
National Ombudsman	4/	493	0	0	0
National Women's Business Council		550	741	743	2
New Markets Venture Capital		3	0	0	0
Native American Outreach	5/	902	987	0	(987)
PRIME Technical Assistance		4,903	1,974	0	(1,974)
SBDC Grants		88,576	87,863	87,120	(743)
SCORE		4,933	4,936	4,950	14
USEAC Program	6/	1,464	0	0	0
Veterans Business Development		731	741	743	2
Women's Business Centers Grants		12,205	12,341	11,880	(461)
Subtotal		\$ 134,012	\$ 126,859	\$ 106,426	\$ (20,433)
Congressional Initiatives		\$ 39,466	\$ 89,838	\$ 0	\$ (89,838)
Total, Non-Credit Programs		\$ 173,478	\$ 216,697	\$ 106,426	\$ (110,271)
Reimbursable Expenses					
Small Disadvantaged Businesses		\$ 1,034	\$ 1,500	\$ 1,500	\$ 0
Business Gateway		7,812	10,300	7,892	(2,408)
Rural Business Investment Program		129	100	100	0
Other		0	200	200	0
Total, Reimbursable Expenses		\$ 8,975	\$ 12,100	\$ 9,692	\$ (2,408)

1/ The FY 2007 operating budget request includes \$2M for this activity.

2/ The FY 2006 and FY 2007 operating budget and request include funding for this activity.

3/ The FY 2007 operating budget request includes \$1.5M for compensation and benefits and \$1.1M for operating expenses.

4/ The FY 2006 and FY 2007 operating budget requests include compensation and benefits that were formerly funded through the Ombudsman line item.

5/ The FY 2007 operating budget request includes \$280K for compensation and benefits and \$793K for operating expenses.

6/ The FY 2006 and FY 2007 operating budget requests include funding for compensation and benefits.

Table 7
FY 2007 Congressional Submission
SUMMARY OF CREDIT PROGRAMS & REVOLVING FUND
(Dollars in Thousands)

Credit Program	Program Level				Subsidy Amount				Subsidy Rate			
	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
Guaranteed Loans												
Section 7(a) Guaranty	\$ 14,284,162	\$ 17,000,000	\$ 17,500,000	\$ 500,000	\$ 0	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%	0.00%
Section 7(a) Guaranty - STAR	2,946	0	0	0	31	0	0	0	1.06%	N/A	N/A	N/A
Section 504 CDC Guaranty	4,999,995	7,500,000	7,500,000	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
SBIC - Debentures	355,290	3,000,000	3,000,000	0	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	\$ 19,642,393	\$ 27,500,000	\$ 28,000,000	\$ 500,000	\$ 31	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%	0.00%
Direct Loans												
Microloan Direct Program	\$ 19,549	\$ 22,931	\$ 0	\$ (22,931)	\$ 2,004	\$ 1,644	\$ 0	\$ (1,644)	10.25%	7.17%	N/A	N/A
Total Business Loans	\$ 19,661,942	\$ 27,522,931	\$ 28,000,000	\$ 477,069	\$ 2,035	\$ 1,644	\$ 0	\$ (1,644)				
Secondary Market Guarantees	\$ 10,000,000	\$ 12,000,000	\$ 12,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00%	0.00%	0.00%	0.00%
Disaster Assistance	\$ 1,271,385	\$ 4,587,022	\$ 900,000	\$ (3,687,022)	\$ 163,500	\$ 671,540	\$ 118,620	\$ (552,920)	12.86%	14.64%	13.18%	-1.46%
Surety Bond Program 1/	\$ 484,515	\$ 1,672,000	\$ 1,672,000	\$ 0	\$ 2,861	\$ 2,824	\$ 2,970	\$ 146				

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.

Table 8
FY 2007 Congressional Submission
TOTAL COST BY PROGRAM AND ACTIVITY
(Dollars in Thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Capital Access Programs			
International Trade Program	\$ 5,400	\$ 5,038	\$ 5,808
New Market Venture Capital	349	317	361
PRIME Technical Assistance	5,063	2,154	0
SBIC Program	15,874	14,552	16,587
Surety Bond Program	4,882	4,608	6,008
Subtotal	\$ 31,568	\$ 26,669	\$ 28,764
7(a) Loans			
Loan Making - 7(a) Loans	\$ 49,641	\$ 45,865	\$ 53,845
Loan Servicing - 7(a) Loans	10,932	9,651	11,201
Loan Liquidation - 7(a) Loans	7,205	6,773	7,885
Lender Oversight - 7(a) Loans	5,430	5,292	7,032
Subtotal	\$ 73,207	\$ 67,581	\$ 79,963
504 Loans			
Loan Making - 504 Loans	\$ 14,190	\$ 12,802	\$ 14,971
Loan Servicing - 504 Loans	3,060	2,618	3,048
Loan Liquidation - 504 Loans	2,170	2,059	2,405
Lender Oversight - 504 Loans	2,392	2,331	3,097
Subtotal	\$ 21,812	\$ 19,811	\$ 23,521
Microloans			
Loan Making - Microloans	\$ 1,855	\$ 1,753	\$ 0
Loan Servicing - Microloans	387	430	460
Loan Liquidation - Microloans	115	116	132
Microloans Technical Assistance	316	345	0
Microloan Technical Assistance Grants	13,813	12,834	0
Subtotal	\$ 16,485	\$ 15,478	\$ 592
Advocacy			
Advocacy	\$ 9,439	\$ 8,585	\$ 9,937
National Women's Business Council	701	890	986
Ombudsman	1,348	1,205	1,375
Veteran's Business Development	3,253	3,009	3,346
Subtotal	\$ 14,741	\$ 13,688	\$ 15,644
GCBD Programs			
7(j) Program	\$ 3,116	\$ 2,905	\$ 4,077
8(a) Program	31,387	29,053	33,471
HUBZones Program	7,769	7,304	9,077
Prime Contract Program	15,384	13,777	16,077
Business Matchmaking	5,585	5,111	5,995
Small Disadvantaged Business	1,614	2,120	2,346
Subcontracting Program	3,149	2,825	3,235
Subtotal	\$ 68,003	\$ 63,094	\$ 74,278

Table 8
FY 2007 Congressional Submission
TOTAL COST BY PROGRAM AND ACTIVITY
(Dollars in Thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Entrepreneurial Development Programs			
Drug Free Workplace	\$ 1,033	\$ 1,034	\$ 1,046
Native American Outreach	3,530	4,347	4,233
SCORE	18,507	17,442	18,996
Small Business Development Centers	105,593	103,233	105,319
Small Business Training Network	204	309	337
Women's Business Ownership	23,555	22,614	23,959
Subtotal	<u>\$ 152,422</u>	<u>\$ 148,979</u>	<u>\$ 153,890</u>
Regional & District Office Programs			
Counseling & Training	\$ 32,119	\$ 29,623	\$ 34,072
Total - Regular Funds	<u>\$ 410,358</u>	<u>\$ 384,924</u>	<u>\$ 410,724</u>
Disaster Assistance			
Loan Making - Disaster	\$ 230,456	\$ 446,660	\$ 91,435
Loan Servicing - Disaster	30,792	45,167	40,275
Subtotal	<u>\$ 261,248</u>	<u>\$ 491,827</u>	<u>\$ 131,710</u>
Other			
Inspector General	\$ 16,804	\$ 19,384	\$ 20,741
Congressional Initiatives	39,466	89,838	0
Rural Business Investment Program	365	200	210
Business Gateway	10,780	13,599	11,780
Other Reimbursable Programs	0	225	248
Subtotal	<u>\$ 67,415</u>	<u>\$ 123,246</u>	<u>\$ 32,979</u>
Total Obligations	<u>\$ 739,020</u>	<u>\$ 999,997</u>	<u>\$ 575,413</u>
Overhead <i>(already included in the above cost estimates)</i>			
General Planning and Management	\$ 32,029	\$ 30,859	\$ 32,337
Information Technology Management	23,196	26,989	30,234
Procurement and Administration	10,416	12,129	11,982
Improved Financial Performance	9,722	9,272	8,754
Budget and Performance Integration	2,341	2,729	2,605
Competitive Sourcing	238	249	289
E-Government	2,889	2,707	3,086
Human Capital Mgmt and Policy	1,659	1,596	1,970
Total	<u>\$ 82,491</u>	<u>\$ 86,529</u>	<u>\$ 91,258</u>

Table 9
FY 2007 Congressional Submission
FULL TIME EQUIVALENT (FTE) EMPLOYEES

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
Regular Funds	2,223	2,030	2,063	33
Disaster Loan Making	1,634	2,929	644	(2,285)
Disaster Loan Servicing	135	150	150	0
Line Item Initiatives	38	13	3	(10)
Reimbursable Funds	11	11	8	(3)
Inspector General	95	107	107	0
Total	4,136	5,240	2,975	(2,265)

Table 10
FY 2007 Congressional Submission
SOURCES OF FUNDS: APPROPRIATION DETAIL
(Dollars in Thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
Salaries and Expenses				
New Budget Authority	\$ 362,335	\$ 404,029	\$ 303,550	\$ (100,479)
Supplemental Appropriation	0	0	0	0
Carryover from prior year	7,920	8,310	5,310	(3,000)
Carryover into next fiscal year	(8,310)	(5,310)	(5,310)	0
Business Loan Fee Income	0	0	7,000	7,000
Transfer from Business Loans	125,061	124,556	126,136	1,580
Transfer from Disaster Loans	8,250	9,000	8,910	(90)
Reimbursable Expenses	9,499	12,100	9,692	(2,408)
Estimated Fee Income	3,461	3,354	6,830	3,476
Recoveries	0	0	0	0
Reduction in Appropriation/Fee Income	0	0	(7,000)	(7,000)
Rescinded Appropriation	(4,951)	(5,160)	0	5,160
Rescission on Unobligated Balances	0	(3,000)	0	3,000
Total Budget Authority	\$ 503,265	\$ 547,879	\$ 455,118	\$ (92,761)
Business Loans				
<i>Administrative Expenses</i>				
New Budget Authority	\$ 126,653	\$ 125,307	\$ 126,136	\$ 829
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Transfer from Other Accounts	0	0	0	0
Transfer to Other Accounts	(124,961)	(123,707)	(126,136)	(2,429)
Recoveries	0	0	0	0
Rescinded Appropriation	(1,692)	(1,600)	0	1,600
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
<i>Loan Subsidies</i>				
New Budget Authority	\$ 1,455	\$ 1,300	\$ 0	\$ (1,300)
Carryover from prior fiscal year	4,341	10,243	5,033	(5,210)
Carryover into next fiscal year	(10,243)	(5,033)	(33)	5,000
Transfer to Other Accounts	(100)	(849)	0	849
Recoveries	6,601	0	0	0
Rescinded Appropriation	(19)	(17)	0	17
Rescission on Unobligated Balances	0	(4,000)	(5,000)	(1,000)
Total Budget Authority	\$ 2,035	\$ 1,644	\$ 0	\$ (1,644)

Table 10
FY 2007 Congressional Submission
SOURCES OF FUNDS: APPROPRIATION DETAIL
(Dollars in Thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
Disaster Assistance				
<i>Administrative Expenses</i>				
New Budget Authority	\$ 113,159	\$ 0	\$ 113,850	\$ 113,850
Supplemental Appropriation	428,000	176,500	0	(176,500)
Carryover from prior fiscal year	31,858	340,347	81,100	(259,247)
Carryover into next fiscal year	(340,347)	(81,100)	(75,000)	6,100
Transfer from another account	0	0	0	0
Transfer to Inspector General	(500)	0	(495)	(495)
Transfer to Regular Salaries & Expenses	(8,250)	0	(8,910)	(8,910)
Rescinded Appropriation	(1,395)	0	0	0
Rescission on Unobligated Balances	0	0	(6,100)	(6,100)
Total Budget Authority	\$ 222,525	\$ 435,747	\$ 104,445	\$ (331,302)
<i>Direct Loans Program</i>				
New Budget Authority	\$ 0	\$ 0	\$ 85,140	\$ 85,140
Supplemental Appropriation	501,000	264,500	0	(264,500)
Carryover from prior fiscal year	28,566	386,291	3,751	(382,540)
Carryover into next fiscal year	(386,291)	(3,751)	(51)	3,700
Transfer to Inspector General	0	(1,500)	0	1,500
Transfer to Regular Salaries & Expenses	0	(9,000)	0	9,000
Recoveries from prior years	20,225	35,000	33,480	(1,520)
Rescinded Appropriation	0	0	0	0
Rescission on Unobligated Balances	0	0	(3,700)	(3,700)
Total Budget Authority	\$ 163,500	\$ 671,540	\$ 118,620	\$ (552,920)
Inspector General				
New Budget Authority	\$ 13,014	\$ 13,900	\$ 14,355	\$ 455
Supplemental Appropriation	0	5,000	0	(5,000)
Carryover from prior fiscal year	149	149	4,000	3,851
Carryover into next fiscal year	(149)	(4,000)	(3,000)	1,000
Transfer from Disaster	500	1,500	495	(1,005)
Reimbursable Expenses	155	0	0	0
Rescinded Appropriation	(181)	(178)	0	178
Total Budget Authority	\$ 13,488	\$ 16,371	\$ 15,850	\$ (521)
Surety Bond Guarantee Program				
New Budget Authority	\$ 2,900	\$ 2,861	\$ 2,970	\$ 109
Rescinded Appropriation	(39)	(37)	0	37
Total Budget Authority	\$ 2,861	\$ 2,824	\$ 2,970	\$ 146
Total Financing Available	\$ 907,674	\$ 1,676,005	\$ 697,003	\$ (979,002)

Table 11
FY 2007 Congressional Submission
SOURCES OF FUNDS: DETAIL
BUSINESS LOAN PROGRAMS
(Dollars in Thousands)

	FY 2005	FY 2006	FY 2007	Increase/
	Actual	Estimate	Request	(Decrease)
BUSINESS LOANS SUMMARY				
New Budget Authority	\$ 128,108	\$ 126,607	\$ 126,136	\$ (471)
Carryover from prior fiscal year	4,341	10,243	5,033	(5,210)
Carryover into next fiscal year	(10,243)	(5,033)	(33)	5,000
Transfer to/from Other Accounts	(125,061)	(124,556)	(126,136)	(1,580)
Recoveries	6,601	0	0	0
Rescinded Appropriation	(1,711)	(1,617)	0	1,617
Rescission of Unobligated Balances	0	(4,000)	(5,000)	(1,000)
Total Budget Authority	\$ 2,035	\$ 1,644	\$ 0	\$ (1,644)
Administrative Expenses				
New Budget Authority	\$ 126,653	\$ 125,307	\$ 126,136	\$ 829
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Transfer to/from Other Accounts	(124,961)	(123,707)	(126,136)	(2,429)
Recoveries	0	0	0	0
Rescinded Appropriation	(1,692)	(1,600)	0	1,600
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
7(a) General Business-STAR Program				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Carryover from prior fiscal year	880	6,538	5,033	(1,505)
Carryover into next fiscal year	(6,538)	(5,033)	(33)	5,000
Transfer to/from Other Accounts	0	0	0	0
Recoveries	5,689	0	0	0
Rescinded Appropriation	0	0	0	0
Rescission of Unobligated Balances	0	(1,505)	(5,000)	(3,495)
Total Budget Authority	\$ 31	\$ 0	\$ 0	\$ 0
7(a) DELTA				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Carryover from prior fiscal year	111	111	0	(111)
Carryover into next fiscal year	(111)	0	0	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	0	0	0	0
Rescinded Appropriation	0	0	0	0
Rescission of Unobligated Balances	0	(111)	0	111
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
504 CDC DELTA				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Carryover from prior fiscal year	547	540	0	(540)
Carryover into next fiscal year	(540)	0	0	0
Transfer to/from Other Accounts	0	(500)	0	500
Recoveries	(7)	0	0	0
Rescinded Appropriation	0	0	0	0
Rescission of Unobligated Balances	0	(40)	0	40
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0

Table 11
FY 2007 Congressional Submission
SOURCES OF FUNDS: DETAIL
BUSINESS LOAN PROGRAMS
(Dollars in Thousands)

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
New Market Venture Capital Program				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Carryover from prior fiscal year	506	506	0	(506)
Carryover into next fiscal year	(506)	0	0	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	0	0	0	0
Rescinded Appropriation	0	0	0	0
Rescission of Unobligated Balances	0	(506)	0	506
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
SBIC Debentures				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Carryover from prior fiscal year	901	901	0	(901)
Carryover into next fiscal year	(901)	0	0	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	0	0	0	0
Rescinded Appropriation	0	0	0	0
Rescission of Unobligated Balances	0	(901)	0	901
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Microloans - Guarantees				
New Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Carryover from prior fiscal year	908	937	0	(937)
Carryover into next fiscal year	(937)	0	0	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	29	0	0	0
Rescinded Appropriation	0	0	0	0
Rescission of Unobligated Balances	0	(937)	0	937
Total Budget Authority	\$ 0	\$ 0	\$ 0	\$ 0
Microloans - Direct				
New Budget Authority	\$ 1,455	\$ 1,300	\$ 0	\$ (1,300)
Carryover from prior fiscal year	488	710	0	(710)
Carryover into next fiscal year	(710)	0	0	0
Transfer to/from Other Accounts	(100)	(349)	0	349
Recoveries	890	0	0	0
Rescinded Appropriation	(19)	(17)	0	17
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	\$ 2,004	\$ 1,644	\$ 0	\$ (1,644)

FY 2007 Performance Plan

Strategic Goal One

Improve the economic environment for small businesses

This Strategic Goal is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. In FY 2005, the SBA saved small businesses money; protected them from excessive Federal regulatory enforcement; provided automated tools and information on how to comply with laws and regulations; worked to promote the interests of small business in the international marketplace; and played a key role in ensuring full and open competition to government contracts. As an advocate, the SBA improved the economic environment in which small businesses compete.

Long-Term Objective 1.1

Minimize the regulatory burden on small business

As a rule, regulatory assistance is important for small businesses. Despite their importance to the economy, the cost of government regulation and excessive paperwork heavily burdens small businesses. Office of Advocacy research suggests that America's smallest firms with fewer than 20 employees bear the largest per-employee burden of Federal regulatory compliance costs at \$7,647 per employee vs. \$5,282 per employee at firms with 500 or more workers. There are two primary ways of minimizing the burden: when regulations are established, and when the regulations are enforced.

1. The SBA provides regulatory assistance on the front-end, through the Office of Advocacy, by:
 - Early intervention within Federal agencies in the regulatory process on issues that affect small business;
 - Training Federal agencies on how to comply with Regulatory Flexibility Act (RFA);
 - Producing research to inform policymakers on the impact of the regulatory burden on small business; and
 - Increasing States' regulatory flexibility toward small business

FY 2005 Results

For FY 2005, the SBA projected \$5.1 billion in regulatory cost savings. As of the end of FY 2005 the agency surpassed its goal. Regulatory cost savings to small businesses totaled \$6.6 billion through intervention in the Federal regulatory process. This total savings represented one-time first-year costs associated with implementation of a rule in which SBA intervened. Ongoing (i.e., multi-year) cost savings associated with some rules were not calculated in this total.

As reported by Federal Agencies the goal of reducing by 10% the FY 2004 number of Federal regulatory enforcement actions taken against small businesses was not met. Nevertheless, Federal Agency activities resulted in an increased quality and rate of response by the agencies. In addition, Federal agencies reported to the SBA that nearly \$2 billion in civil penalty abatements, reductions or waivers for small entities corresponding to FY 2004 activities, with 120,665 fewer civil penalties assessed in FY 2004 compared to FY 2003.

FY 2006 and FY 2007 Planned Performance

Performance Statement								
Agency Level Regulatory Assistance								
Strategic Goal 1. Improve the economic environment for small businesses.								
Long Term Objective: Minimize the regulatory burden on small business.								
Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
1.1.1 Achieve a yearly regulatory cost savings that increases at a rate of 10 percent annually over a base amount of \$3.8 billion set in 2002, due to Advocacy intervention, by FY 2008. (\$ billion).	21.1	6.4	17.1	5.1	6.6	5.6	6.1	
1.1.2 Ensure 66 Federal agencies have in-house expertise on how to comply with the Regulatory Flexibility Act (RFA) as amended by the Small Business Regulatory Enforcement Fairness Act of 1996, by FY 2008.	N/A	N/A	25.0	25.0	19.0	22.0	N/A	
1.1.3 Achieve a total of 50 states that have formally considered legislative or executive action to increase regulatory flexibility for small businesses, by FY 2008.	N/A	N/A	17.0	10.0	19.0	10.0	5	
1.1.4 Insert Advocacy data and reports into the curricula at 80 of the top 100 universities with major entrepreneurship programs, by FY 2008.	N/A	N/A	27.0	16.0	18.0	16.0	16.0	
1.1.5 Increase in number of Federal Agencies that improve their rating in the Ombudsman Annual Report to Congress*.	3	16	25	N/A	*TBD	26	27	
1.1.6 Number of Comments	318	411	445	N/A	382	390	398	
SBA Annual Output Measures								
Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
Total Advocacy Research Publications	18	30	21	20	34	25	25	
Total Ombudsman Interaction	N/A	N/A	1,215	N/A	990	10,010	10,211	
Program Annual Cost								
SBA Programs	Cost Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Advocacy	Program Cost Actual (\$000)	7,780	8,680	9,360	9,163	9,439	8,585	9,937
	Cost per \$1 Million in Savings	369	1,367	549	1,797	1,430	1,533	1,629
Ombudsman	Total Receiving Assistance Cost (\$000)	2,945	1,200	1,469	1,557	1,348	1,205	1,375
	Cost per Interaction	N/A	N/A	1,209	N/A	1,362	120	135
Total Regulatory Assistance Cost (\$000)		\$10,725	\$9,880	\$10,829	\$10,720	\$10,787	\$9,790	\$11,312

Program Level Regulatory Assistance								
Strategic Goal 1. Improve the economic environment for small businesses.								
Long Term Objective: Minimize the regulatory burden on small business.								
Program	Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Advocacy	Research publications	18	30	21	20	34	25	25
Ombudsman	Federal Agency Interaction	N/A	N/A	231	N/A	227	232	237
	Small Entity Interaction	N/A	N/A	984	N/A	763	9,778	9,974
	Total Ombudsman Interaction	N/A	N/A	1215	N/A	990	10,010	10,211
Program Annual Cost								
Program	Cost Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Advocacy	Total Program Cost (\$000)	7,780	8,680	9,360	9,163	9,439	\$8,585	\$9,937
	Cost per \$1 Million in Savings	369	1,367	549	1,797	1,430	\$1,533	\$1,629
Ombudsman	Total Program Cost (\$000)	2,945	1,200	1,469	1,557	1,348	\$1,205	\$1,375
	Cost per Interaction	N/A	N/A	1,209.08	N/A	1,361.62	\$120	\$135
Total Regulatory Assistance Cost		\$10,725	\$9,880	\$10,829	\$10,720	\$10,787	\$9,790	\$11,312

*FY2006 Goal Increased to include number of recipients of a planned quarterly E-Blast ONO Update from the SBA Listserve

SBA Regulatory Assistance

SBA's strategy for accomplishing the objective of minimizing the regulatory burden on small business essentially remains the same as in previous years. SBA intends to achieve regulatory cost savings/reduced regulatory burden through its regulatory interventions. SBA relies on various types of interventions to achieve regulatory cost savings such as: participating in the Small Business Regulatory Fairness Act (SBREFA) panel process for the Environmental Protection Agency (EPA) and Occupational Safety and Health Administration (OSHA) regulations, writing official comments to Federal regulatory agencies on their compliance with the Regulatory Fairness Act (RFA) and other rulemaking procedures, testifying before Congress on small business issues, responding to OMB referrals on proposed legislation, working with OMB on paperwork burden issues, working with OMB during the Executive Order 12866 review process, etc. In FY 2006, SBA projects it will achieve \$5.6 billion in regulatory cost savings, and \$6.1 billion in FY 2007.

SBA's Office of Interagency Affairs continues training Federal agencies how to comply with the RFA—the statute that requires agencies to assess the impact of their regulations on small entities and develop less burdensome alternatives where appropriate. As mentioned previously, this training is required under Executive Order 13272 (EO 13272), and was announced in the President's Small Business Plan and signed by the President in August 2002. A pilot training program for federal agencies was therefore developed. The training was further modified based on input from the pilot, and since then, regular training sessions have been held at numerous

Federal agencies. Agencies have been responsive to the training and a few agencies have begun to implement better practices as a result. The next step was to develop an on-line module that agencies could use to update their training or train new employees. The on-line module is near completion and will be pilot tested in the near future. Providing agencies a better understanding of the RFA may have two separate, but equally desirable results—regulatory cost savings may increase or they may decrease if agencies start proposing less burdensome regulations from the outset. SBA expects to train an additional 22 federal agencies in FY 2006 --the remainder of the original number of agencies identified as promulgating regulations that have an impact on small entities. In FY 2007, repeat training, or training of sub agencies may take place as needed in conjunction with the release of the on-line training.

SBA, through its Regional Advocates, intends to continue educating small business organizations and state legislators on the benefits of regulatory flexibility at the state level. Because SBA's research demonstrates that regulations disproportionately impact small entities, and because of the enormous cost savings generated at the federal level under the RFA, SBA continues to encourage this state regulatory flexibility initiative. The initiative continues to receive broad support from governors and state legislatures. In its 5-year strategic plan, SBA projected that 10 states per year over a period of 5 years (totaling 50 states) would consider regulatory flexibility legislation or executive orders. Since the majority of states have already considered legislation or executive orders, SBA anticipates that the remaining states will follow suit over the FY 2006 and FY 2007 period. SBA intends to continue its education of stakeholders in those states that have signed executive orders in the hope that legislation can be passed.

SBA's Chief Economist and Regional Advocates will continue their efforts to get SBA's research into the curricula at the top universities with major entrepreneurship programs. It has always been a challenge to measure the impact of SBA's research. Ideally, the research needs to get into the hands of individuals with the power to impact policy at the highest levels of government. Policymakers and other stakeholders need to realize how important small business is to the nation's economy. To accomplish this objective, SBA surmised that it is first necessary to broaden interest in small business research through outreach to academia. Working closely with academia, SBA hopes to interest future generations of economists in the study of entrepreneurship and small business. Through academia, SBA also strives to learn more about data gaps that exist and ways to achieve a broader audience for small business research. SBA anticipates that it will get 16 research publications and/or data into curricula in FY 2006 and the same amount in FY 2007.

Regional Advocates are Advocacy's field component. The Regional Advocates participate in nearly every aspect of achieving office-wide goals. The Regional Advocates frequently do outreach to find participants for SBREFA panels that require small entity representatives. The small entities participate in these panels along with Advocacy's Chief Counsel, the head of Office of Information and Regulatory Policy (OIRA), and EPA or OSHA representatives (the agencies subject to the panel requirement). Early involvement in the rulemaking process by small entities better ensures that the agency's data is accurate and that less burdensome alternatives will be considered by the agency. In addition to locating small entity representatives, Regional Advocates share information about regulations with small businesses in their respective regions (e.g., alert businesses that an agency is seeking comment on the small business impacts of a proposed regulation). The two types of involvement described here contribute to the cost savings realized once a final rule is published.

SBA will require the continued support of the Regional Advocates in inserting SBA data and research into the curricula at specific universities/colleges with top entrepreneurship programs. The Regional Advocates will continue to conduct classroom lectures, provide small business

data for use in professors' and students' research, and persuade these institutions to link to SBA's data and research on their web sites.

Advocacy's collaboration with other SBA programs is mainly intended to enhance the performance/knowledge of those SBA programs and not to evaluate SBA's performance. For instance, Advocacy provides small business data and research to SBA to inform SBA policy decisions. Also, SBA's Regional Advocates locate small businesses to testify at the regional fairness board hearings sponsored by the SBA's Ombudsman's Office. In addition, Advocacy reviews SBA proposed regulations to ensure that the regulations are in compliance with the requirements of the RFA. In other words, SBA's program offices do not directly support or enhance Advocacy's goals through collaboration. Advocacy's performance is enhanced greatly through the work of SBA's support offices (e.g., ethics advice from OGC, human capital support, IT support, etc.)

During an annual all-hands staff training and goaling exercise, Advocacy staff discussed new procedures, techniques and technologies to help achieve its goals and make the operation of the office more efficient.

For both FY 2006 and FY 2007, SBA projected that a total of 16 of the top 100 universities/colleges with major entrepreneurship programs would insert SBA's data into their curricula. This goal remains constant because there is a finite number of universities associated with the goal—100.

The research publication goal of 25 was increased for both FY 2006 and FY 2007 to reflect the increased number of annual and quarterly publications produced. This goal is tied to quality products that inform policy makers, not quantity; therefore the goal is not simply to increase the number of reports from one year to the next.

Relative to cost savings, SBA staff will revisit the manner in which it calculates cost savings. One of the goals is to be able to calculate savings that result during the confidential interagency review stage. Another goal is to measure SBA's effectiveness when cost savings is only part of the success achieved through SBA's intervention.

SBA has built on its outreach efforts by developing several new strategies. For instance, SBA launched a new web tools such as Really Simple Syndication (RSS) technology (this is a format that syndicates website content). SBA's web team also developed a product that will allow for people to submit on paper their request to be added to SBA's list serve. This way, SBA can capture new subscribers to its list serve during conferences and other speaking events. SBA will continue to host conferences and seek new co-sponsorships from organizations focused on entrepreneurship. Improved outreach supports several SBA goals such as promotion of state regulatory flexibility, getting SBA research into academic curricula, and cost savings (because small entities will be getting better and faster information about regulations that may impact them).

The RFA training team will explore ways to work with state governments and state-level stakeholders to assist the states where regulatory flexibility legislation has been signed into law.

Section 4 of the Small Business Paperwork Relief Act (SBPRA) no longer requires Agencies to submit data and information to the SBA. Nevertheless, the SBA will continue to fulfill its goal of improving the economic environment for small businesses by working to ensure equity and fairness in the Federal regulatory enforcement process. Based on its recent experiences the SBA has determined that its efforts will be even more effective if we continue to engage and support the SBA's field office structure in the marketing and outreach of Ombudsman activities.

The SBA will conduct Hearings across the country, with at least one in each Region and will host two Inter-Agency meetings. The Inter-Agency meetings will serve to inform Federal agency representatives about the SBA's activities and to develop and promote positive actions on behalf of small business. The Agency representatives are encouraged to attend the hearings and roundtables on regulatory fairness held in each region throughout the year.

As directed in the enabling legislation, the SBA utilizes its network of 10 Regulatory Fairness Boards comprised of small business volunteers (5 volunteers per region) to provide valuable feedback and insight into small business regulatory issues and communicate the capabilities of the SBA to provide meaningful assistance, without fear of retaliation, to small business owners and non-profit entities. The SBA will continue to expand its outreach nationally through trade associations and national conventions of small business dedicated organizations. As required, SBA plans to hold the National Regulatory Fairness Board member annual conference, where the Board members are required to advise the Ombudsman on matters of concern to small businesses relating to the enforcement activities of Agencies.

The activities described above are elements of three broad strategies for achieving the specified levels of outcome:

- Work with each agency with regulatory authority over small businesses to ensure that small business concerns that receive or are subject to an audit, on-site inspection, compliance assistance effort, or other enforcement related communication or contact by agency personnel are provided a means to comment on the enforcement activity conducted by such personnel.
- Establish a means to receive comments from small business concerns regarding actions by agency employees conducting compliance or enforcement activities and seek to maintain and protect the identity of the person and small business concern making such comments on a confidential basis. SBA anticipates receiving and processing 300 comments this fiscal year.
- Based upon substantiated comments received from small business concerns and the Regulatory Fairness Boards, annually report to Congress and affected agencies evaluating the enforcement activities of agency personnel, including a rating of the responsiveness to small business.

Long-term Objective 1.2

Minimize the taxation burden on small business through effective advocacy.

FY 2005 Results

The President's Small Business Agenda seeks to keep the tax burden on small businesses at a minimum to encourage economic growth and prosperity. Small businesses, as defined by the SBA size standard, make up over 99% of all U.S. businesses and employ over one-half of the American workforces. Perhaps even more importantly, small firms create over two thirds of the net new jobs annually, and recently led the American economy out of a recession. Yet, small business accomplishes this while facing a regulatory compliance burden that is roughly 60% greater per employee than that faced by larger firms, and a tax compliance burden more than twice as large.

The SBA, through the Office of Strategic Alliances, contributed to reducing the tax burden on small businesses by working with the IRS in executing and promoting cosponsored activities, including distributing training CDs that provide current information on small business tax issues. SBA also developed alliances with associations interested in tax policy to share educational material with their membership and the broader small business community. The SBA developed over 20 agreements to help relay information on issues such as tax relief for small business. The SBA's National Advisory Council members offered the Agency input on small business tax issues, which enabled SBA to be more responsive to their concerns.

FY 2006 and FY 2007 Planned Performance

In support of Long Term Objective 1.2 during FY 2006, SBA will sponsor a short study on how the level of tax burdens, along with other issues concerning tax policy, affects America's small businesses. The report will examine the impact of cutting marginal tax rates on economic growth, job creation and the overall level of economic success for small businesses.

This research will complement a pending study examining the current state of home-based businesses and the role Federal, state and local policymakers can play in advancing the growth and economic success of home based businesses.

Long-Term Objective 1.3

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

FY 2005 Results

In addition to reducing tax burdens and opening markets, the President's Small Business Agenda calls for reducing the cost of doing business in America. The cost of health care represents a significant portion of the costs incurred by small businesses, and remains an important issue for these business owners. FY 2005 saw the introduction and passage of HR. 525: the Small Business Health Fairness Act, which creates association health plans, and allows small businesses to pool their resources and strengthen their bargaining position. The bill also allows them to purchase quality health care for their employees at a lower cost. If this bill becomes law, there will be an increased availability of affordable insurance and it is anticipated that more small firms will provide health insurance to their employees and their dependents. This, in turn, will reduce the financial pressure on the disposable income of these working families.

On a related note, a September 2005 survey on Health Savings Accounts (HSAs) conducted for Blue Cross/Blue Shield found that 12% of those who had recently joined an HSA previously had had no insurance. And because of the empowerment felt by plan participants in managing their health care needs, plan satisfaction was considerably higher than levels under traditional health plans.

In reporting these findings to its members, the National Small Business Association states, "Critics warned that HSAs would be an option only utilized by healthier, higher-income individuals." However "contrary to what many expected would be the case with HSAs, enrollee demographics are very similar to traditional health policies."

The SBA, through the Office of Strategic Alliances, further contributed to lowering health care costs for small businesses by working with America's Health Insurance Plans in executing cosponsored activities, including a Web page (www.healthdecisions.org/HSA/LearningCenter/) that provides small businesses with health care information. In addition, the Agency hosted quarterly trade association luncheons where issues such as health care costs and management were discussed with key small business representatives.

FY 2006 and FY 2007 Planned Performance

In support of Long-Term Objective 1.3 during FY 2006, the SBA is sponsoring a pending study on Association Health Plans (AHPs). The paper will look at the current state of these plans. The work will also explore how policymakers can increase health care coverage for workers of small businesses currently without coverage through wider adoption and support for AHPs.

Long-Term Objective 1.4

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

FY 2005 Results

During FY 2005, the SBA was a leader in the Federal government effort to simplify the interaction between small businesses and the Federal government through the use of the Internet and information technology. A key rationale for building the Business Gateway (www.business.gov) is to fulfill the statutory mission of SBA to help small businesses succeed by creating a more approachable, responsive, and accessible government. SBA's goal, as managing partner of the initiative, is to use the Internet to improve both the service and the efficiency and effectiveness of business operations, and to transform government into an innovative, reliable, trustworthy and citizen-centered partner. Effective and efficient government also helps to improve the competitive position of the United States and in turn contributes to the growth in the American economy and benefits all citizens. Not only does the Business Gateway offer equal opportunities for citizens to access more easily government information, but it provides a basis for a central resource to help businesses interact with the Federal government.

SBA, through the Business Gateway, www.business.gov, provides the Nation's businesses with a single, internet-based access point to government services and information to help businesses with their operations. Business Gateway (BG) is the only Federal provider of cross-agency access to government information, including forms, compliance assistance resources, and tools in a single access point.

In FY 2005, SBA accomplished the following:

- Merged/consolidated Federal cross-agency legal and regulatory information into the www.business.gov site.
- Built a forms catalog of 6,000+ Federal forms for businesses and citizens to have easy access.
- Launched a pilot for a streamlined data collection interface in the Surface Coal Mining Industry, which can be used as a model to streamline data collection throughout Federal (and state and local) government.
- Increased number of visitors to its site. Unique visitors have increased significantly from 89,000 per month in October 2004 to over 200,000 in May 2005.
- Made improvements to the Forms Catalog in response to agency feedback and requests in response to usability tests.

FY 2006 and FY 2007 Planned Performance

Performance Statement Agency Level Assistance Strategic Goal 1. Improve the economic environment for small businesses. Long-Term Objective 1.4: Simplify the interaction between small businesses and the Federal government through the use of the Internet and information technology.							
SBA Outcomes Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
1.4.1 Number of hours saved	N/A	N/A	N/A	N/A	N/A	200,000	350,000
1.4.2 Customer Satisfaction	N/A	N/A	N/A	N/A	N/A	70%	75%
SBA Outputs Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Total Interaction time (seconds)	N/A	N/A	N/A	N/A	N/A	10	6
Total unique users (per month)	N/A	N/A	N/A	N/A	N/A	165,000	200,000
SBA Cost	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Total Operating Assistance Cost (\$000)	N/A	UNAVAIL.	\$2,603	\$11,855	\$10,780	\$13,599	\$11,780

Performance Statement Program Level Assistance								
Strategic Goal 1. Improve the economic environment for small businesses.								
Long-Term Objective 1.4: Simplify the interaction between small businesses and the Federal government through the use of the Internet and information technology.								
SBA Program Outputs		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Business Gateway	Broken Links (per month)	N/A	N/A	N/A	N/A	N/A	5%	3%
	Time to do search (seconds)	N/A	N/A	N/A	N/A	N/A	10	6
	Quality of search (rating)	N/A	N/A	N/A	N/A	N/A	7	8
	Number of unique visitors (per month)	N/A	N/A	N/A	N/A	N/A	165,000	200,000
SBA Program Outcomes		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
1.4.1 Number of hours saved								
Business Gateway	(hours)	N/A	N/A	N/A	N/A	N/A	200,000	350,000
1.4.2 Customer Satisfaction								
Business Gateway	(percentage)	N/A	N/A	N/A	N/A	N/A	70%	75%
SBA Cost (\$000)		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Business Gateway	SBA Operating Cost (\$000)	N/A	UNAVAIL.	\$2,603	\$11,855	\$10,780	\$13,599	\$11,780
	Investment Initiative (\$)	N/A	UNAVAIL.	UNAVAIL.	N/A	N/A	N/A	N/A
	SBA cost per user (\$)	N/A	UNAVAIL.	UNAVAIL.	N/A	N/A	N/A	N/A
	Total Operating Assistance Cost (\$000)	N/A	UNAVAIL.	\$2,603	\$11,855	\$10,780	\$13,599	\$11,780

During FY 2006 and FY 2007, the SBA will continue to focus on the use of technology to provide an efficient service to small businesses. The budget mirrors the needs articulated by the business community in the focus group research. The primary focus will be on compliance assistance resources and associated tools and activities. In addition, changes to the portal will reflect appropriate market segmentation. Business Gateway's requested increase for FY 2007 is specifically linked to accomplishing the goals identified during research with the business community.

The FY 2007 budget will be used to accomplish the following goals:

- Developing Compliance Assistance Resources to aid businesses to answer the questions "How and Where Do I Comply?" This will include a compliance tool, organization of useful compliance links, and plain language compliance resources.
- Implementing a new content management system on the portal. Specifically, the implementation of a content management system and a compliance tool will support both the government and the business community's needs by "making it easier for business to do business".

The following measures will be used in FY 2006 and FY 2007 to help Business Gateway measure its success achieving the above goals:

Number of hours saved

Before Business.gov, federal resources to help businesses were not organized in a meaningful way. This resulted in businesses spending hours searching for relevant government information such as forms. Business.gov will allow businesses to save time in finding helpful government information, forms, and compliance tools. This time savings comes from making it easier to find forms, locate federal compliance assistance resources, and streamlined data collections.

Customer Satisfaction

A primary outcome of Business.gov is to meet the needs of the business community to make relevant federal resources easily accessible on the internet. In order to be a useful service, customer satisfaction is critical. The ForeSee Usability Study is the basis for the customer satisfaction score for Business.Gov.

Broken Links per Month

The broken links on the site are an indicator of the quality and responsiveness of Business.gov. Business.gov is a conglomeration of web links, so a low number of broken links is a critical indicator for success to serve the business community well. This indicator will be received through a 'broken link' report that is tracked on the site regularly.

Time to do search (seconds)

This indicator will be measured from the Website statistics and search engine results. This data will be received and tracked regularly to ensure we have a satisfactory search time for business users.

Quality of search measured through customer feedback

The Foresee survey and the customer feedback loop on business.gov will be used to track how the content meets the users' needs.

Number of unique visitors per month

This indicator will be measured by a web trends report generated about the site. The indicator will track the businesses that the site impacts and will allow us to make improvements.

Other Technology Improvements

In addition to Business Gateway, during FY 2006 the SBA will implement paperless Internet-based 8(a) annual review processes and will design and present requirements for a replacement system for the ineffective and inefficient SACS/MEDCOR data system. These automated processes will be fully integrated into the e-application process and will efficiently consolidate four database systems into one. This Internet-based process will increase data integrity, reduce the paper burden on small businesses and decrease the number of employees needed to complete 8(a) annual reviews and continued eligibility requirements. In addition, the system will improve management's ability to focus resources on the primary objective of the 8(a) program which is business development. The replacement for the SACS/MEDCOR data system will be implemented during FY 2007.

Long-term Objective 1.5

Increase the effectiveness of federal agencies to provide opportunities for small business.

SBA works with other federal agencies to provide assistance to small businesses by offering them increased access federal procurement opportunities, technical assistance, and trade assistance. Through the Office of Government Contracting and Business Development and the Office of Capital Access, the Agency works to increase the effectiveness of other federal agencies in providing these opportunities to entrepreneurs.

FY 2005 Results

SBA Trade Assistance

By the end of FY 2005, the SBA, through its Office of International Trade (OIT), will have made significant progress in its objective of improving the economic environment for small businesses. In FY 2005, SBA participated in 16 interagency working groups. These interagency working groups are important for two main reasons. First, by participating in interagency working groups, SBA is able to raise awareness of small business issues on the part of other agencies and better protect the interests of small business. SBA's OIT initiated the SME Congress of the Americas, a hemisphere-wide network of small business service providers working to promote the participation and competitiveness of small business in international trade. Through continued involvement in interagency summit follow-up, SBA was successful in reaching interagency agreement on recommending that the promotion of small business trade be included in the dialog for the November 2005 Summit.

SBA Technical Assistance

Technical assistance includes one-on-one counseling for small businesses seeking contracts, training for groups of small businesses on Federal contracting, and assistance provided through business matchmaking. During FY 2005, we provided technical assistance to more than 40,000 small businesses. Additionally, more than 5,000 small businesses attended Business Matchmaking workshops.

SBA Procurement Assistance

Our Nation's industrial base and economy grow stronger as more small businesses compete in the federal marketplace, providing innovative products, services, and solutions to fulfill the increasingly complex requirements of the government. By statute, the goal of the Federal government is to award 23% of total prime contract dollars to small businesses, 3% to HUBZone-certified firms, 3% to service-disabled veteran-owned small businesses, 5% to women-owned small businesses, and 5% to small disadvantaged businesses. The SBA manages a small business goal-setting program across all Federal agencies to assist in the achievement of this goal. In FY 2004 (the most recent fiscal year for which data is available) 23% of all prime contract dollars, a total of \$68.2 billion, was awarded to small businesses. This amount exceeded the value of awards to small businesses in FY 2003 by more than \$3 billion.

The SBA pursued several strategies in FY 2005 to increase Federal agencies' effectiveness making procurement opportunities available to small businesses. For example, the Agency began to strengthen its infrastructure of procurement center representatives (PCRs) by hiring six new staff, and by more precisely focusing PCR effort on large procuring activities and high impact procurements.

FY 2006 and FY 2007 Planned Performance

Performance Statement Agency Level Assistance							
Strategic Goal 1. Improve the economic environment for small businesses.							
Long Term Objective 1.5: Increase the effectiveness of federal agencies to provide opportunities for small business							
Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
1.5.1 By 2008, small businesses, assisted by federal agencies, benefiting from federal contracts or international assistance, will exceed the national average survivability rate.							TBD
1.5.2 By 2008, small businesses, assisted by federal agencies, benefiting from federal contracts or international assistance, will exceed the national average job creation rate.							TBD
1.5.3 By 2008, small businesses, assisted by federal agencies, benefiting from federal contracts or international assistance, will exceed the national average revenue growth rate.							TBD
Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Total Technical Assistance Provided	N/A	N/A	38,754	26,403	56,739	Baseline	TBD
Total Procurement Assistance Provided	9,400	11,065	20,169	15,714	15,774	16,000	16,550
Total Trade Assistance Provided	N/A	N/A	9	9	16	9	16
Cost (\$000)	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Total Procurement Assistance Cost (\$000)	\$ 28,516	\$ 27,795	\$ 36,296	\$ 27,441	\$ 25,732	23,833	27,653

SBA Trade Assistance

Performance Statement Program Level Trade Assistance							
Strategic Goal 1. Improve the economic environment for small businesses							
Long Term Objective 1.5: Increase the effectiveness of federal agencies to provide opportunities for small business							
SBA Program Level - Trade Assistance							
Program Annual Output Measures							
Program Outputs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Capital Access							
International Trade							
Participation in interagency working groups (number)	N/A	N/A	9	9	16	9	16
Favorable policies inclusion in International Trade (number)	N/A	N/A	5	5	5	5	5
Total Trade Assistance Provided	N/A	N/A	9	9	16	9	16

The Agency plans to continue its cooperative work with partner agencies in the Federal Government and utilize its network of trade and promotion finance specialists to market its loan and training products to banks and small businesses. U.S. lenders are reluctant to issue trade finance loans to small businesses because they consider them very risky. SBA assists small businesses to obtain loans that would not otherwise be available to them. As U.S. small businesses account for over \$300 billion of exports, they help offset the U.S. trade deficit.

For FY 2006 the Agency plans to participate in nine interagency workgroups and for FY 2007 sixteen workgroups. The SBA also aims to bring about five favorable international trade policies for small businesses during both FY06 and FY07.

In FY 2006 and FY 2007, SBA will work with the President's Export Council (PEC), the National Export Strategy (NES), the Trade Promotion Coordinating Committee (TPCC), the U.S. Trade Representative, and international affairs and economic agencies such as the Commerce and State Departments, The Trade and Development Agency, and The Agency for International Development

By working closely with these agencies, SBA ensures that small businesses are 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 work with the Export-Import Bank (EXIM Bank) to implement the memorandum of understanding on the EWCP Co-guaranty program. In FY 2006 and FY 2007 the Agency will develop a strategy to market all of its products to banks and small businesses community. It will do this by working closely with SBA's partners like the Small Business Development Centers, Women's Business Centers, SCORE, and state and municipal agencies.

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 U.S. trade agreements with other countries. Trade liberalization can especially benefit small businesses by helping them reduce the adverse impact of trade barriers.

The Agency will continue to actively support a number of Presidential Initiatives, including the US-Mexico Partnership for Prosperity, the Summit of the Americas, the Digital Freedom Initiative, Commission for Assistance to a Free Cuba, and the Africa Growth Opportunity Act (AGOA). Small business has become an important focus of all of these initiatives because of the world-wide recognition of the role of small business in economic development, job generation and improving living standards. Through the OIT, SBA and small businesses will be represented on important multilateral forums such as the Asia-Pacific Economic Cooperation (APEC) and the Organization for Economic Cooperation and Development (OECD). The primary measure of success is the fact that State Department, the Department of Commerce and/or the Office of the President continue to ask SBA to participate and help them reach broader foreign commercial policy objectives ensuring that small business issues are heard and considered. In the long run, the 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.

Through close cooperation between the OIT and Field Support offices, SBA will continue to deliver its export loan services to the small business community. The district offices support OIT both programmatic and administratively. Field Operations share the OIT international loan goals.

SBA Technical Assistance

Performance Statement								
Program Level Technical Assistance								
Strategic Goal 1. Improve the economic environment for small businesses.								
Long Term Objective 1.5: Increase the effectiveness of federal agencies to provide opportunities for small business								
SBA Program Level - Technical Assistance								
Program Annual Output Measures								
Program Outputs		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Gov Contracting / Business Development								
Prime Contracting Assistance	Small businesses trained (number)	N/A	N/A	16,896	10,500	19,894	Baseline	TBD
	Small businesses counseled (number)	N/A	N/A	16,946	10,500	30,618	Baseline	TBD
Business Matchmaking	Small businesses trained (number)	N/A	N/A	4,912	5,403	6,227	Baseline	TBD
Business Matchmaking	Small businesses counseled (number)	N/A	N/A	N/A	N/A	N/A	Baseline	TBD
Total Technical Assistance Provided		N/A	N/A	38,754	26,403	56,739	Baseline	TBD

An important factor in small businesses' success in the Federal contracting arena is skill in preparing bids and proposals. Much of SBA's technical assistance to small firms in the area of government contracting is comprised of group training and one-on-one counseling.

Historically, much of the Agency's procurement-related technical assistance has been provided by PCR's. The SBA recognizes the long-term importance of procurement

counseling and training for small businesses. However, it also recognizes that sustained vital and vigorous collaboration with the acquisition community is essential to securing set-aside of requirements for small businesses. Therefore, the Agency is focusing PCR efforts increasingly on engagement with buying activities to influence acquisition strategies, and to ensure the existence of a substantial pool of opportunities for small businesses. At the same time, SBA recognizes that a broad range of services providers offer high quality procurement-related counseling and training. Such service providers include Procurement Technical Assistance Centers, Federal agencies' Offices of Small and Disadvantaged Business Utilization, SBA's District Offices, Small Business Development Centers, among others. Therefore, during FY 2006 and FY 2007, SBA will collaborate more closely with service providers to leverage effort, and ensure high levels of quality, consistency, and availability in procurement-related training and counseling.

It should be noted that among procurement-related technical assistance efforts, business matchmaking provides unique opportunities for small businesses. Each matchmaker offers individual counseling on doing business with the government, opportunities for small vendors to meet with Federal and commercial buyers, and follow-up counseling. In FY 2006 and FY 2007, SBA will increase use of 'virtual' or on-line business matchmaking.

SBA Procurement Assistance

Performance Statement Program Level Procurement Assistance								
Strategic Goal 1. Improve the economic environment for small businesses Long Term Objective 1.5: Increase the effectiveness of federal agencies to provide opportunities for small business								
SBA Program Level - Procurement Assistance								
Program Annual Output Measures								
Program Outputs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
Gov Contracting / Business Development								
Prime Contracting Assistance	Increase the number of procurement opportunities for small businesses	N/A	N/A	N/A	N/A	N/A	525	550
	Increasing dollars awarded to small business by 7% over 2004 base. (millions)			68,229	UNAVAIL	UNAVAIL	73,005	78,115
SDB	Small businesses certified (number)	N/A	N/A	856	950	968	1,000	1,050
Business Linc	Clients served (number)	9,000	3,094	5,891	N/A	N/A	N/A	N/A
Business Matchmaking	Small businesses assisted via pre-scheduled selling meetings (number)	400	7,971	13,422	14,764	14,806	15,000	15,500
	Total Procurement Assistance Provided	9,400	11,065	20,169	15,714	15,774	16,000	16,550
Cost (\$000)	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate	
Gov Contracting / Business Development								
SDB	Program Cost (\$000)	\$4,003	\$4,750	\$5,108	\$2,676	\$1,614	\$2,120	\$2,346
Prime Contracting	Program Cost (\$000)	\$18,892	\$16,507	\$23,158	\$15,873	\$15,384	\$13,777	\$16,077
Business Matchmaking	Program Cost (\$000)	N/A	\$434	\$4,622	\$5,602	\$5,585	\$5,111	\$5,995
	Cost per Small Business Assisted (\$)	N/A	\$54	\$344	\$379	\$377	\$341	\$387
Subcontracting	Program Cost (\$000)	\$5,621	\$6,104	\$3,408	\$3,290	\$3,149	\$2,825	\$3,235
	Total Procurement Assistance Cost (\$000)	\$28,516	\$27,795	\$36,296	\$27,441	\$25,732	\$23,833	\$27,653

In order to achieve the levels of outputs and outcomes identified above in the table of results, the SBA plans to implement a number of initiatives as part of its strategies for FY 2006 and FY 2007, including the following:

- Identify systemic barriers to goal achievement at procuring activities.** In FY 2006 and FY 2007, the SBA will conduct 24 surveillance reviews, annually, in partnership with the targeted high-impact Federal buying activities, especially those

that do not have on-site PCR's. We will codify our findings and recommendations into a best practices guide in FY 2007.

- **Identify and mitigate statutory and regulatory barriers to small business contracting.** In FY 2006, the Agency will assess statutory and regulatory barriers to small business participation in Federal contracting and subcontracting, and proposes options to mitigate them. In FY 2007, SBA will review Sections of the Small Business Act pertaining to the HUBZone Program, Veterans Programs, and Mentoring networks, enabling regulations, and relevant Federal Acquisition Regulation provisions. Based on this review, it will recommend changes to encourage broader small business participation.
- **Identify small business contracting opportunities more efficiently.** In FY 2006, the Agency will design an Electronic Procurement Center Representative (e-PCR) system to enable PCRs to intervene in the procurement planning process at an earlier point, in order to ensure reservation of opportunities for the small business sector. The system will incorporate substantial decision logic that will enable PCRs to make more insightful strategic recommendations. We plan to implement e-PCR in FY 2007. This will enable us to leverage resources, and to have a broader impact on small business contracting.
- **Promote women-owned and veteran-owned small business participation in Federal contracting.** In FY 2006 SBA will publish final regulations that define the eligibility requirements relating to women's ownership, control, and economic disadvantage. Additionally, SBA will forge alliances with contracting activities, prime contractors, women's and veterans' organizations and other stakeholders to increase the effectiveness of other Federal agencies' abilities to provide small business procurement opportunities.
- **Increase subcontracting assistance program oversight.** Under the subcontracting assistance program, commercial market representatives (CMRs) provide assistance to small businesses in obtaining subcontracts, and review Federal prime contractors to ensure compliance with subcontracting plans. In FY 2006, the Agency will conduct a performance and organizational assessment of the subcontracting assistance program and develop a plan for leveraging resources.
- **Improve oversight and evaluation of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs.** During FY 2006 SBA will improve the Technology-Network (TECH-Net) Internet database with more timely data capture, stronger search capabilities, and richer commercialization information on projects funded under SBIR and STTR Programs. Beginning in FY 2007, this will enable the Agency to assess more effectively program impact and commercialization rates, and to identify and pursue opportunities for policy change and program improvement.

Strategic Goal Two

Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

This Strategic Goal represents SBA's commitment to helping small businesses overcome the competitive opportunity gaps often faced by entrepreneurs. The SBA empowers individual entrepreneurs to take advantage of the opportunities the market offers by providing knowledge, skills and technical assistance; access to loans and equity; and procurement opportunities either directly or through its partners. While the SBA programs benefited all entrepreneurs seeking its assistance, the Agency places particular emphasis on groups that own and control little productive capital and have limited access to markets.

Long-Term Objective 2.1

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

FY 2005 Results

SBA Financial Assistance

The 7(a) loan program serves as the SBA'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. SBA's 7(a) loans have a maximum loan amount of \$2 million with a loan maturity of up to 10 years for working capital and generally up to 25 years for fixed assets. FY 2005 was an exceptional year for SBA and its 7(a) loan program. The Agency approved 29,587 7(a) loans to small business start-ups during FY 2005, exceeding the FY 2005 goal of 22,671 by 31%. After accounting for cancellations by loan applicants, this achievement represents a total net approved of 27,522 in FY 2005. In addition, start-ups constituted 31% of the small businesses assisted by SBA through the 7(a) loan program.

The second largest program in loan volume, the 504 Loan program, also saw an increase in approval loan volume during FY 2005. The number of gross 504 loans approved to start-up small businesses was 1,290, which amounted to about 15% of the total projected loans approved for FY 2005. This achievement represented 8% improvement over the goal of 1,200 504 loans for FY 2005. After discounting for cancellations, a total of 1,262 loans were made to start-ups. Because most of the 504 loan volume was created by existing businesses, additional information on the 504 loan program can be found in the financial assistance section of Long-Term Objective 2.2.

Through the Office of International Trade programs, the SBA approved a total of 479 loans approved for international trade purposes. In net terms, start-ups received a total of 444 export trade loans. For additional information on the International Trade program, refer to the financial assistance section of Long-Term Objective 2.2.

During FY 2005, SBA approved a total of 948 microloans to prospective and start-up businesses. This number represented 39% of the total microloans provided to small businesses. For additional information on Microloans, see the financial assistance section of Long-Term Objective 2.2.

In addition to providing loan guarantees, SBA provided capital access to small business start-ups through its SBIC equity program. In FY 2005, SBA assisted 740 start-up businesses, just barely missing its FY 2005 goal of assisting 750 start-ups. By increasing availability of venture capital to small business start-ups, SBA was able to assist entrepreneurs during a critical phase of a company's establishment.

SBA Technical Assistance

The Office of Entrepreneurial Development serves over 2.6 million clients annually through its programs including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), SCORE, and the Small Business Training Network (SBTN).

These programs provide customer-centric training, counseling and information services to varying segments of the U.S. business population. While OED's specific programs provide services to very distinct target markets, OED has undertaken a number of steps to take advantage of economies of scale and cost efficiencies on both the administrative and service delivery levels.

OED is committed to expanding its ability to reach more entrepreneurs by exploiting the ever-expanding capability of the Internet. Online resources such as SBTN and SCORE provide 24/7/365 access to a menu of counseling and training experiences.

Most of OED's programs and services are highly leveraged with the private sector. OED's funding acts as a catalyst to spur investment of financial and other resources on a national level to build community-based entrepreneurship programs.

In 2005, SCORE implemented a new client definition for clients trained. The new definition for clients counseled will be implemented during FY 2006. As a result, SBA can only report in the FY 2005 SCORE performance with respect to the number of clients counseled face-to-face or online. SBA exceeded by 10% its FY 2005 goal of clients counseled by SCORE. SBA attributes this success to cultivating client relationships and better awareness of the program among small businesses resulting from increased marketing and public relations activities. In addition, SCORE trained over 97,000 nascent/start-up clients during this period.

While women's business centers are required to have the capacity to serve all levels of business growth, the majority of women's business center clients are at the nascent/start-up stage and about half are socially and economically disadvantaged, the program's target population. Because WBCs are, for the most part, located in the communities they serve, they are more immediately accessible to this target population than many other SBA resources.

In FY2005, women business centers successfully piloted the Entrepreneurial Development Management System (EDMIS), the new standard data collection format that all Entrepreneurial Development programs will use to collect information on assisted businesses. This makes the WBCs better able to provide actual data on the number and characteristics of businesses that they assist. The centers can now tie increases in profits, gross receipts, number of employees, etc., to the training and counseling provided. In January 2006 EDMIS was expanded to all Entrepreneurial Development programs. Because of the change in client definitions instituted across ED programs, training and counseling numbers in FY2005 were expected to drop somewhat. However, as in the past, the WBCs significantly exceeded their goals for training

and counseling start-up entrepreneurs. Women's business centers trained over 79,000 start-up clients and counseled more than 36,200. Because the program will graduate a large number of established centers that have been funded under both the WBC Program and the Sustainability Pilot Program in 2006, goals for 2006 were lowered to about 69,700 for nascent/start-up counseling. In 2006, the SBA will also work to broaden the reach of online and distance training and counseling through the WBCs.

The Women's Business Center Program was the first at SBA to issue a program announcement (in FY2005) electronically via the Grants.gov website, thus demonstrating its support of the President's Management Agenda of increasing E-Government. It also conducted its screening/rating of WBC proposals electronically. Additional information about this program can be found in the technical assistance section of the Long-Term Objective 2.3.

SBA has also taken a big step in its electronic initiatives with its Small Business Training Network (SBTN), which serves a dramatically growing segment of SBA's market. Both SBTN and the Web enabled counseling and training provided by SBA's resource partners provide an efficient means for nascent entities and the newest small businesses to acquire needed information and support.

In addition to the programs that are managed by the Office of Entrepreneurial Development, the SBA has technical support programs that deliver specialized technical assistance. The Microloan program provides grants to intermediary lenders and non-lending Technical Assistance Providers. The grants are to be used to provide technical assistance and training to micro-borrowers and potential micro borrowers. In FY 2005, SBA microlender provided 13,218 hours of pre-loan technical assistance to the 948 small start-up businesses receiving microloans. No FY 2005 goal is available because the program has not requested funding after FY 2004.

FY 2006 and FY 2007 Planned Performance

Performance Statement							
Agency Level Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.							
Long Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).							
SBA Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
2.1.1 Prospective and start-up small businesses assisted.	981,496	1,063,636	1,098,542	216,960	911,206	653,647	665,352
2.1.2 Percentage of prospective and start-ups from among those small businesses assisted.	72.8%	73.0%	72.6%	N/A	70.4%	68.9%	68.9%
2.1.3 By FY2008, the percentage of successful business start-ups lasting at least one year that were assisted will exceed the national average for successful start-ups as measured by firm births, firm terminations, change in revenue.						TBD	TBD
2.1.4 Median customer satisfaction rate	85.3%	81.5%	86.5%	82.7%	79.0%	76.5%	76.5%
SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Total Financial Assistance Provided	16,179	18,962	21,350	25,643	32,571	35,120	36,376
Total Technical Assistance Provided	967,289	1,047,311	1,080,138	215,188	882,457	623,471	634,095
SBA Costs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Total Financial Assistance Cost (\$000)	\$70,222	\$66,181	\$55,970	N/A	\$33,574	\$30,745	\$34,620
Total Technical Assistance Cost (\$000)	\$109,019	\$99,961	\$115,691	N/A	\$109,319	\$101,546	\$100,070

SBA Financial Assistance

Performance Statement Program Level Financial Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs. Long Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).								
SBA Program Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
Capital Access								
7(a) Loan Program	Loans Approved (number)	13,427	15,588	18,134	22,671	29,587	33,024	33,818
	Net Loans Funded (number)	11,911	13,559	15,945	N/A	27,522	29,400	30,100
504 Loan Program	Loans Approved (number)	989	1,321	1,460	1,200	1,290	1,408	1,920
	Net Loans Funded (number)	849	1,161	1,311	N/A	1,262	1,275	1,739
Microloan Program	Net Loans Funded (number)	1,040	1,118	1,022	1,022	948	N/A	N/A
SBIC Program	Small Businesses Assisted (number)	723	935	734	750	740	685	634
NMVC	Small Businesses Assisted (number)	N/A	N/A	N/A	N/A	6	3	4
International Trade	Loans Approved (number)	N/A	N/A	N/A	N/A	479	504	520
	Net Loans Funded (number)	68	127	198	N/A	444	467	482
	Total Financial Assistance Provided	16,179	18,962	21,350	25,643	32,571	35,120	36,376
SBA Program Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
2.1.1 Prospective and start-up small businesses assisted.								
Capital Access								
7(a) Loan Program	SSB Assisted	11,601	13,122	15,351	N/A	25,806	28,224	28,896
504 Loan Program	SSB Assisted	843	1,150	1,297	N/A	1,249	1,264	1,723
SBIC	SSB Assisted	723	935	734	750	740	685	634
NMVC	SSB Assisted	N/A	N/A	N/A	N/A	6	3	4
Microloan Program	SSB Assisted	1,040	1,118	1,022	1,022	948	N/A	N/A
International Trade	SSB Assisted	67	125	192	N/A	420	454	468
	Total SSB Assisted	14,207	16,325	18,404	1,772	28,749	30,176	31,257
2.1.2 Percentage of prospective and start-ups from among those small businesses assisted.								
Capital Access								
7(a) Loan Program	% SSB Assisted	27.0%	23.7%	22.6%	N/A	31.4%	31.0%	31.0%
504 Loan Program	% SSB Assisted	18.0%	19.3%	17.5%	N/A	14.4%	14.0%	14.0%
SBIC	% SSB Assisted	36.5%	35.8%	30.5%	N/A	32.2%	32.2%	32.2%
Microloan Program	% SSB Assisted	40%	45.8%	43%	N/A	38.9%	N/A	N/A
International Trade	% SSB Assisted	9.2%	8.7%	9%	N/A	16.9%	17.6%	18.0%

**Performance Statement
Program Level Financial Assistance**

**Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.
Long Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).**

SBA Programs Annual Cost		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Capital Access								
7(a) Loan	Total Program Cost (\$000)	\$57,792	\$49,306	\$41,751	N/A	\$22,687	\$20,848	\$24,667
	Loan Approving (\$000)	\$42,229	\$37,667	\$35,967	N/A	\$15,387	\$14,149	\$16,611
	Approving Admin Cost (\$000)	\$8,428	\$12,829	\$13,739	N/A	\$15,377	\$14,149	\$16,611
	Subsidy Cost (\$000)	\$33,801	\$24,838	\$22,228	N/A	\$10	\$0	\$0
	Cost per Loan Funded (\$)	\$3,545	\$2,778	\$2,256	N/A	\$559	\$481	\$552
	Loan Servicing (\$000)	\$5,805	\$4,329	\$2,968	N/A	\$5,068	\$4,609	\$5,624
	Servicing Admin Cost (\$000)	\$4,153	\$3,198	\$1,721	N/A	\$3,386	\$2,977	\$3,455
	Asset Sales (\$000)	\$34	\$9	\$28	N/A	\$0	\$0	\$0
	Lender Oversight (\$000)	\$1,618	\$1,122	\$1,219	N/A	\$1,682	\$1,632	\$2,169
	Loan Liquidation (\$000)	\$9,758	\$7,310	\$2,816	N/A	\$2,232	\$2,090	\$2,432
	Liquidation Admin Cost (\$000)	\$9,758	\$7,310	\$2,816	N/A	\$2,232	\$2,090	\$2,432
	Cost per Loan Liquidated (\$)	\$2,559	\$2,214	\$687	N/A	\$1,193	N/A	N/A
	Total Program Cost (\$000)	\$5,018	\$7,214	\$5,817	N/A	\$3,066	\$2,742	\$3,256
	504 Loan	Loan Approving (\$000)	\$2,728	\$5,115	\$4,885	N/A	\$1,995	\$1,772
Approving Admin Cost (\$000)		\$2,728	\$5,115	\$4,885	N/A	\$1,995	\$1,772	\$2,072
Cost per Loan Funded (\$)		\$3,213	\$4,405	\$3,726	N/A	\$1,581	\$1,390	\$1,192
Loan Servicing (\$000)		\$1,121	\$1,012	\$641	N/A	\$766	\$685	\$851
Servicing Admin Cost (\$000)		\$744	\$697	\$459	N/A	\$430	\$362	\$422
Asset Sales (\$000)		\$8	\$3	\$3	N/A	\$0	\$0	\$0
Lender Oversight (\$000)		\$369	\$312	\$179	N/A	\$336	\$323	\$429
Loan Liquidation (\$000)		\$1,169	\$1,087	\$291	N/A	\$305	\$285	\$333
Liquidation Admin Cost (\$000)		\$1,169	\$1,087	\$291	N/A	\$305	\$285	\$333
Cost per Loan Liquidated (\$)								
Total Program Cost (\$000)		\$1,387	\$4,524	\$3,787	N/A	\$1,697	\$1,534	\$230
Loan Approving (\$000)		\$706	\$2,803	\$3,578	N/A	\$1,502	\$1,322	\$0
Approving Admin Cost (\$000)		\$256	\$1,027	\$2,648	N/A	\$722	\$682	\$0
Loan Subsidy (\$000)		\$450	\$1,776	\$930	N/A	\$780	\$640	\$0
Cost Per Loan Funded (\$)	\$678	\$2,507	\$3,501	N/A	\$1,584	N/A	N/A	
Loan Servicing (\$000)	\$518	\$1,698	\$156	N/A	\$150	\$167	\$179	
Servicing Admin Cost (\$000)	\$518	\$1,698	\$156	N/A	\$150	\$167	\$179	
Loan Liquidation (\$000)	\$163	\$23	\$53	N/A	\$45	\$45	\$51	
Liquidation Admin Cost (\$000)	\$163	\$23	\$53	N/A	\$45	\$45	\$51	
International Trade	Total Program Cost (\$000)	\$441	\$485	\$505	N/A	\$909	\$871	\$1,025
	Cost per Loan Funded (\$)	\$6,480	\$3,818	\$2,551	N/A	\$2,047	\$1,864	\$2,126
NMVC	Total Program Cost (\$000)	N/A	N/A	N/A	N/A	\$105	\$63	\$96
	Cost per Business Assisted (\$)	N/A	N/A	N/A	N/A	\$17,449	\$21,120	\$24,067
SBIC	Total Program Cost (\$000)	\$5,585	\$4,653	\$4,110	N/A	\$5,110	\$4,687	\$5,346
	New Licenses (\$000)	\$1,675	\$1,396	\$1,233	N/A	\$1,533	\$1,406	\$1,604
	Oversight/Exams (\$000)	\$3,909	\$3,257	\$2,877	N/A	\$3,577	\$3,281	\$3,742
	Cost per Business Assisted (\$)	\$7,724	\$4,976	\$5,600	N/A	\$6,905	\$6,842	\$8,432
	Total Financial Assistance Cost (\$000)	\$70,222	\$66,181	\$55,970	N/A	\$33,574	\$30,745	\$34,620

As the table for Outcome Measure 2.1.1 shows, the SBA through the Office of Capital Access intends to increase the number of start-up small business (SSBs) receiving financial assistance from 28,749 in FY 2005 to 30,176 in FY 2006 and 31,257 in FY 2007. This increase will reflect steady growth in the number of SSBs assisted by the SBA lending programs. Because this type of assistance reaches small businesses that would not otherwise be reached by the regular commercial lending market, it means that many additional small businesses will be created as a result of the SBA programs.

The share of 7(a) loans going to small business startups will remain at 31% in FY 2006 and FY 2007. SBA is working hard at increasing its contribution to the well being of the economy by increasing the proportion of its resources dedicated to the creation of new businesses.

An important part of SBA's strategy for improving the effectiveness of its lending programs is to streamline and speed up the processes, which should result in greater loan volume, lower per-loan costs, and increased customer satisfaction. Steps being taken to accomplish are described below:

The 7(a) and 504 loan programs offer loan assistance to the targeted groups identified in Long-Term Objective 2.1 (as well as in LTOs 2.2 and 2.3). The primary 7(a) sub programs, (Preferred Lenders, the SBA Express, and LowDoc) account for 85% of the total loan volume each year. Substantial efforts are being made to simplify the application process by extending more authority to participant lenders to further shorten the loan making process, which will encourage more loan activity. The loan origination activities for the 504 loan program will be fully centralized by the end of FY 2005. Centralization of this program will provide a better response to the Certified Development Companies which will increase response time resulting in greater loan volume.

E-Tran is the SBA loan guaranty origination solution that leverages best-practice Internet technology to reduce the turnaround time on loan guaranty request and provide the agency with high quality, timely data to support the management and oversight of its portfolio. Through E-Tran, lenders can submit loans directly to the SBA. As the number of users increases, the cost of the loan origination is reduced at the same time that small businesses' eligibility compliance is being maintained due to system design of the data entry and validation.

E-Tran combines sophisticated Internet technology with robust data validation criteria to enhance the quality of loan origination data, and specifically mandates the entry of unambiguous data on start-ups, job creation, and demographics.

As the SBA moves to more streamlined lending processes and delegates more authority to its lenders, the need for better and more comprehensive lender oversight is essential. With the integration of the Loan and Lender Monitoring System (L/LMS), the SBA has an early warning system that allows the Agency to objectively monitor its lenders on a regular basis. Details of this system can be found under Strategic Goal 4, LTO 4.3.

SBA expects its investment assistance to start-ups to begin a downward trend due to the termination of the participating securities program at the end of FY 2004. However, SBA expects to provide financial assistance to 685 businesses in FY 2006 and 634 for 2007, reflecting this downward trend.

SBA Technical Assistance

Performance Statement							
Program Level Technical Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.							
Long Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).							
SBA Program Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Capital Access							
Microloan Program	Hours of Technical Assistance (number)	N/A	N/A	N/A	13,218	N/A	N/A
	Small Businesses Receiving Technical Assistance (number)	N/A	1,022	N/A	948	N/A	N/A
Entrepreneurial Development							
SCORE	Attendees Trained (number)	99,541	114,811	113,671	Base Year	97,508	97,508
	Clients Counseled (number)	265,902	278,866	274,895	215,188	237,583	Base Year
SBDC	Attendees Trained (number)	234,100	249,035	271,995	Base Year	280,028	280,155
	Clients Counseled (number)	163,197	170,361	170,742	Base Year	150,937	144,209
	Training hours (number)	965,826	1,074,170	1,166,595	Base Year	1,042,494	1,058,131
	Counseling hours (number)	902,289	955,408	898,174	Base Year	818,253	871,439
WBC	Attendees Trained (number)	44,051	51,380	64,024	Base Year	79,236	69,728
	Clients Counseled (number)	24,547	33,910	34,146	Base Year	36,217	31,871
	Training hours (number)	N/A	N/A	N/A	N/A	N/A	Base Year
	Counseling hours (number)	N/A	N/A	N/A	N/A	N/A	Base Year
BIC	Clients Counseled (number)	135,951	148,948	149,643	N/A	N/A	N/A
SBTN	Registered Clients Taking Online Courses	N/A	N/A	N/A	N/A	214,443	229,453
	Total Technical Assistance Provided	967,289	1,047,311	1,080,138	215,188	882,457	623,471
						634,095	

In FY2006, SCORE will implement the new ED client definitions. The number of distinct clients counseled in FY2006 will be the baseline for future counseling goals. The number of “ongoing contacts” made with these distinct clients will no longer be included in the goal, as in previous years, due to these new definitions. The resulting impact on the activities could be fewer reported counseled clients. However, SCORE’s overall performance will not be reduced; therefore representing level or slightly increased overall performance from FY2005.

Performance Statement								
Program Level Technical Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups (SSB).								
Program Annual Intermediate Outcome Measures								
SBA Intermediate Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
Entrepreneurial Development								
SBDC	Jobs Created/Retained (number)	104,658	99,825	102,834	105,904	UNAVAIL	105,904	106,963
	Revenue (\$ million)	6,146	4,364	5,879	4,630	UNAVAIL	4,630	4,676
SBA Program Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Estimate	FY 2007 Goal	
2.1.1 Prospective and start-up small businesses assisted.								
Capital Access								
Microloan Program	SSB assisted	N/A	N/A	1,022	N/A	948	N/A	N/A
Entrepreneurial Development								
SCORE	SSB Assisted	365,443	393,677	388,566	215,188	335,091	97,508	98,483
SBDC	SSB Assisted	397,297	419,396	442,737	Base Year	430,965	424,364	430,965
WBC	SSB Assisted	68,598	85,290	98,170	Base Year	115,453	101,599	104,647
BIC	SSB Assisted	135,951	148,948	149,643	N/A	N/A	N/A	N/A
SBTN	SSB Assisted	N/A	N/A	N/A	N/A	214,443	229,453	240,926
Total SSB Assisted		967,289	1,047,311	1,080,138	215,188	882,457	623,471	634,095
2.1.4 Median customer satisfaction rate								
Entrepreneurial Development								
SCORE	% Customer Satisfaction	83.0%	83.0%	89.0%	90.0%	72.1%	Base Year	TBD
SBDC	% Customer Satisfaction	87.5%	N/A	76.5%	76.5%	75.4%	76.5%	76.5%
WBC	% Customer Satisfaction	UNAVAIL.	80.0%	94.0%	81.6%	89.5%	Base Year	TBD
	Total Average Customer Satisfaction Rate	85.3%	81.5%	86.5%	82.7%	79.0%	76.5%	76.5%
Program Annual Cost								
SBA Programs Annual Cost	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate	
Capital Access								
Microloan Program	Total Program Cost (\$000)	\$7,465	\$6,925	\$6,833	N/A	\$5,498	\$5,128	\$0
	Tech Asst (\$000)	\$294	\$104	\$547	N/A	\$123	\$134	\$0
	Tech Asst Training(\$000)	\$0	\$0	\$43	N/A	\$0	\$0	\$0
	Tech Asst Grants (\$000)	\$7,171	\$6,821	\$6,243	N/A	\$5,375	\$4,994	\$0
Cost per Hour of Technical Assitance		N/A	N/A	N/A	N/A	\$416	N/A	N/A
Prime Technical Assistance	Total Program Cost (\$000)	\$4,740	\$4,558	\$5,105	N/A	\$5,063	\$665	\$0
	Total OCA Technical Assistance Cost (\$000)	\$12,205	\$11,483	\$11,938	\$0	\$10,561	5,793	0
Entrepreneurial Development								
SCORE	Total Program Cost (\$000)	\$11,015	\$9,366	\$14,283	N/A	\$15,361	\$14,477	\$16,426
	Cost per Client Served	\$30	\$24	\$37	N/A	\$46	\$148	\$61
SBDC	Total Program Cost (\$000)	\$61,091	\$56,583	\$63,160	N/A	\$64,412	\$62,972	\$64,244
	Cost per Client Served	\$154	\$135	\$143	N/A	\$149	\$148	\$149
WBC	Total Program Cost (\$000)	\$13,960	\$13,322	\$17,353	N/A	\$18,844	\$18,091	\$19,167
	Cost per Client Served	\$204	\$156	\$177	N/A	\$163	\$178	\$183
BIC	Total Program Cost (\$000)	\$10,748	\$9,207	\$8,957	N/A	N/A	N/A	N/A
		\$79	\$62	\$60	N/A	N/A	N/A	N/A
SBTN	Total Program Cost (\$000)	N/A	N/A	N/A	N/A	\$141	\$213	\$233
	Cost per Client Served	N/A	N/A	N/A	N/A	\$1	\$1	\$1
Total ED Technical Assistance Cost (\$000)		\$96,814	\$88,478	\$103,753	N/A	\$98,758	\$95,753	\$100,070
Total Technical Assistance Cost (\$000)		\$109,019	\$99,961	\$115,691	N/A	\$109,319	\$101,546	\$100,070

The SBA will be working to continue improving both the effectiveness of its technical and management assistance at all stages of the small business lifecycle, as well as customer satisfaction with that assistance. Information and education are among the primary ingredients for success of small businesses.

SBA will continue its use of technology to serve larger numbers of small businesses. The Small Business Training Networks (SBTN) will be enhanced by having more and better online courses available to small businesses. Greater content targeting is planned, such that more courses will be provided to support specific sectors of the small business community. SBTN anticipates a growth rate in the number of registered clients of 5% annually, in FY 2006 and FY 2007. It is believed client acceptance of e-training will continue to expand, as will the number of new course offerings made available through SBA's online training environment. SBTN also anticipates greater client data being collected through an expanded registration.

Additionally, SBDC will provide additional integration of web-based technology in delivery services, particularly training. The SBDC program will also explore options for a national network capability for online training such as an expanded use of the SBDC Clearinghouse and SBDCNet.

The SBDC program's main focus is existing small businesses; however, this program also makes an important contribution to the success of nascent and start-up businesses. According to the ED Impact Survey, approximately 34% of SBDC clients are in the nascent entrepreneur/start-up category. Through this partner, SBA assists small businesses with short- and long-term counseling and training. However, possibly as a result of the new client definitions, SBA has observed a decline in the number of hours of counseling and training, but a continuing increase in the number of clients served. Because data show that long-term counseling and training result in the greatest economic impact (in terms of jobs and revenue), for FY 2006 the Agency decided to allocate more resources to long-term technical assistance. Consequently, the FY 2006 goal for number of clients SBDC counsels or trains will be maintained at the same level as FY 2005, while the number of counseling and training hours will be increased. More information about this program can be found in the Technical Assistance section of Long-Term Objective 2.2.

During FY 2006 and FY 2007, SBA will design and implement a collaboration of the SBDC Program with the Women Business Owners Program on financial reviews and fiscal management. Also proposed is a working relationship with the Office of Veterans Affairs for assisting with base closings and/or downsizing of Department of Defense facilities. The SBDC will be working with SCORE to better coordinate assessment of individuals seeking advice about going into business, and working with state and local economic development agencies.

The risk matrix model, which determines performance of SBDC centers, will be fully implemented in FY 2007. This model is intended to provide information on the quality of the each SBDC and the network overall. It will provide SBA with insight on the quality of services provided and the management of its resources allowing the Agency and the SBDC to be more proactive in improving performance outcomes and the services they provide to small business start-ups. If the proposed legislative agenda regarding changing the SBDC funding formula is passed, integrating the matrix into the funding formula will bring an element of performance-based budgeting to this currently population-based funded program.

SBA will solicit assistance from the field offices to help improve marketing and referrals to the teen website; and assist in the collection of youth success stories for a teen website.

The foundation of the Office of Business and Community Initiatives (OBCI) programs, including SCORE, is the ability to establish strategic alliances and partnerships with other Agency programs, such as SBDC, WBO, International Trade, etc., as well as external business organizations. OBCI will continue to grow existing partnerships and build new ones that support agency programming toward nascent/start-up entrepreneurial assistance.

SCORE was the first of the ED partner programs to use online counseling, beginning this effort in 1997. This web presence continues to meet entrepreneurs on their terms and demonstrates SCORE's response to a 24/7 economy. SCORE's Online Counseling infrastructure is aging and in need of upgrades to support continued growth and excellence in customer service.

SBA will also begin a more extensive programmatic and financial review of the SCORE program, in response to audit recommendations.

The foundation of the Office of Native American Affairs (ONAA) program is the ability to establish strategic alliances and partnerships with American Indian tribal governments, tribal colleges, Indian organizations, and other Federal agencies as well as the private sector to supplement and support the Indian nations plan for economic stimulus in Indian country. Outreach to Native American entrepreneurs and achieving greater participation by Native Americans in SBA's programs and services is a key aspect. ONAA will work with SBA resource partners to improve their outreach to this population in an effort to achieve this end.

ONAA will implement new contract management procedures that will improve contractor reporting throughout the course of a project. In addition, contractors providing direct assistance to Native American entrepreneurs will be required to utilize the Office of Entrepreneurial Development's new EDMIS2 system. This new requirement will enable the ONAA office to track more closely contractor progress with clients and map outcomes and successes accordingly.

In addition, in FY2006, a SBA Native American contractor will develop an online navigational tool (Roadmap) to access Native American programs and services available within the federal government.

The SBA will also make the SIPI-developed training course about starting a Native American-owned Business available for posting as an on-line course.

The Agency, through the Office of Strategic Alliance (OSA), develops alliances with associations which extend Agency training resources more broadly through association members. Many SBA alliances, developed or executed by OSA, directly impact small business start-ups by providing new resources for them to draw upon. Such resources include SBA and Palo Alto's Business Plan alliance which guide aspiring entrepreneurs on developing a useful and critical tool for any new business owner. SBA also conducts many events such as SBA Expo, which provide hands-on training to start-ups looking for information on a variety of business topics. OSA anticipates 200 such public-private partnerships in FY06 and FY07.

Long-Term Objective 2.2

Maximize the sustainability and growth of existing small business assisted by the SBA.

In FY 2005 the SBA assisted over 467,000 existing small businesses through its financial, technical, and procurement assistance programs. Because the SBA adopted FY 2005 as its base year for new definitions for clients receiving technical assistance, the goal for FY 2005 only reflects small businesses receiving financial and procurement assistance, as well as those counseled by SCORE. No real comparison can be made between FY 2005 goal and FY 2005 performance.

SBA uses its financial, technical, and procurement programs to support existing small businesses in obtaining capital, increasing their employment base, educating management, and encouraging entrepreneurship.

FY 2005 Results

SBA Financial Assistance

By serving as a gap lender (that is, by providing assistance to small businesses that otherwise would not qualify for un-guaranteed financing), SBA assists existing small businesses in reducing barriers to capital access and improving the chance that a small business could create or maintain employment, increase revenue, and survive. Through its financial assistance programs, including 7(a) Loans, 504 Loans, Microloans, International Trade, SBIC, and NMVC, SBA attempted to minimize the factors negatively affecting small business survival.

In FY 2005, SBA contributed to closing this competitive opportunity gap by approving over 66,313 7(a) loans, thereby surpassing by 2% its goal of 65,305 7(a) loans approved to existing small businesses. This represents 55,526 existing small businesses (some businesses had more than one 7(a) loan) that were able to meet their financial needs thanks to the SBA. This is a 7% increase over FY 2004. SBA achieved these 7(a) loan numbers in part through the decentralization of loan origination activities and the use of field offices in marketing and outreach efforts to promote its 7(a) loan program to existing small businesses, and in training lenders about the features of SBA loan programs and its delivery systems.

Another important program offered by the SBA to existing small businesses is the 504 Loan program, which serves small businesses requiring "brick and mortar" financing. Because a particular feature of this program is a statutorily-mandated job creation component, SBA also helps facilitate job creation. Typical 504 loan projects include a loan secured from a private-sector lender with a senior lien, and a loan secured from a Certified Development Company (CDC). As with the 7(a) loan program, the 504 Loan program received much support from field offices, which promoted the program and trained lenders and small businesses on the program's features. In doing so, the Agency in FY 2005 assisted 7,335 existing small businesses that sought to expand or modernize their operations through real estate or machinery acquisition. To achieve this, the Agency approved 7,904 gross loans to these small businesses, exceeding by 16% its 504 loan goal. In net terms, SBA funded 7,712 loans to existing small businesses. Due to the large-investment nature the debt program, almost 66% of all 504 loans were between \$150,000 and \$750,000, much of which was directed to small businesses in services, retail trade, manufacturing, health care, and accommodation and food services.

In FY 2005, the SBA, through the Office of International Trade (OIT), funded 2,194 net international trade loans to existing small businesses. By approving a total of 2,335 gross export trade loans, the Agency exceeded its goal by 15%. In addition, during FY 2005 the Agency aided in the production of \$761 million dollars in export sales loans by providing 2,064 existing small businesses with international trade financial assistance. By providing 3,373 lenders with export loan training in FY 2005, the SBA exceeded by 32% its FY 2005 goal of training 2,550 lenders.

SBA's Microloan program, which provided 1,488 net loans to existing small businesses in FY 2005, often is sought by businesses that have fewer than five employees, very small capital needs, and, frequently, are located in low-income communities. In FY 2005, microloans to existing small businesses represented 61% of total net microloans funded and had an average size of \$13,127. The typical existing small businesses' receiving a microloan include mom-and-pop businesses and sole-proprietorships working out of a home office.

As a small business progresses through its life cycle stages, the type of capital that it requires may change or expand to venture capital. For businesses that find themselves at a stage requiring venture capital, the SBA is there to ensure that their needs are met. Through its equity program, the SBA and SBICs help meet the equity and mezzanine funding needs of small businesses in the \$500,000 to \$5,000,000 range. During FY 2005, the SBA provided 1,559 existing small businesses with equity and equity-like financing.

Through the SBA's New Market Venture Capital equity program, NMVC companies—for-profit investment funds with private management—were formed to promote economic development and the creation of wealth and job opportunities in their self-designated low-income geographic areas. The SBA companies assisted 14 existing small businesses, missing its FY 2005 goal of financing 34 existing small businesses located in this type of areas.

SBA Technical Assistance

During FY 2005, the SBA worked to increase the number of existing small businesses that received training and counseling services through the Office of Entrepreneurial Development (OED), and its resource partners—SCORE, the SBDCs and the WBCs—and to ensure that the assistance provided made a significant contribution to the success of these businesses. The Initial Impact Study of Entrepreneurial Development Resources showed that for the SCORE Program, in-business firms composed of 57.6% of the respondents; and 69% of these clients reported that the information they received from SCORE counselors they visited was valuable, giving their counselors high effectiveness ratings.

SBA women's business centers promote the growth of women-owned businesses through programs that provide long-term business training, technical assistance, counseling and mentoring, and provide access to credit and capital, contracting and international trade opportunities. WBCs are required to be able to help women at every stage of developing and expanding successful businesses, including marketing and business strategy, financing, technology transfer, government procurement, management, manufacturing, sales, merchandising, accounting, e commerce, agribusiness, exporting and other topics. While the majority of WBC clients are nascent/start-ups, many clients have existing businesses that need assistance to grow and prosper. Because of new client definitions applied in FY 2005, actual numbers were expected to drop somewhat, but WBCs trained nearly 20,000 owners of existing businesses and counseled more than 9,000. In FY 2006, WBCs began expanding their ability to use distance training and provide online counseling.

SBA exceeded the SCORE goal established for FY 2005 for existing businesses. SCORE attributes this success to cultivating client relationships, better awareness, and increasing various marketing and public relations activities. Similarly, SCORE exceeded by 9% its goal for the number of users counseled online. In addition, SCORE trained 21,000 clients during this period.

In FY 2005, more than 415 small businesses implemented complete Drug-Free Work Place (DFWP) programs and 191 implemented partial DFWRPs. The grantees provided financial assistance to 5,150 small businesses. In addition, SBA, through DFWP, provided technical assistance to 2,706 small businesses and 2,049 education sessions. The FY 2005 numbers are somewhat lower than in the past because SBDCs were ineligible for the grants in FY 2005 and because program funding was being reduced.

Through the OSA, Business Alliances unit, the SBA assists existing small businesses by working with multiple SBA offices and multiple external partners in executing co-sponsored activities that provide free or low-cost training. OSA External Affairs develops alliances with associations, extending SBA training resources more broadly through association members. The OSA National Events unit coordinates events that include panel sessions on multiple training topics and are attended by small business owners. Over 2,500 small businesses attended SBA Expo '05 with approximately half of those also attending workshops during the event.

SBA Procurement Assistance

During FY 2005, the SBA increased the net number of new firms entering the 8(a) business development program by 10%, and increased by 10% the number of firms participating in the

mentor-protégé program to increase Federal contracting opportunities. A critical performance component of the 8(a) program is the number of small businesses remaining successful three years after graduation. SBA established a methodology and formula to set a baseline for measuring the percent of client success rate three years after graduation based on individual business plan targets, goals and objectives. As part of this methodology, SBA proposed a definition for 8(a) small business success and proposed criteria for 8(a) graduation that are currently under review.

The HUBZone Program is an economic development program that provides procurement opportunities to firms located in, and employing residents of, distressed urban and rural communities. The HUBZone Program's accomplishments and plans are described under Long-Term Objective 2.3. This is the LTO that focuses on these populations.

The availability of surety bonds to small businesses engaged in the construction, supply and service sectors is critical to their viability and growth. The Surety Bond Guarantee program fosters a three-way partnership among the small business, the surety company, and SBA through an SBA guarantee of between 70 and 90% of the bond amount. As these small businesses grow and prosper, they are then better equipped to obtain bonding through the normal commercial channels.

FY 2006 and FY 2007 Planned Performance

Performance Statement Agency-Level Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.							
Long Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.							
SBA Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
2.2.1 Increase the number of existing small businesses receiving SBA assistance.	410,932	449,870	487,478	54,489	469,248	515,027	528,694
2.2.2 By FY2008, SBA-assisted small businesses in existence for 1-3 years, will exceed the national average for survivability of firms within that same time frame.						TBD	TBD
2.2.3 By FY2008, SBA-assisted small businesses, will exceed the national average rate for job creation by small firms.						TBD	TBD
2.2.4 By FY 2008, SBA-assisted small businesses, will exceed the national average rate for revenue growth by small firms.						TBD	TBD
2.2.5 Median customer satisfaction rate	85.3%	85.0%	86.5%	82.7%	79.9%	90.0%	90.0%
SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
Total Financial Assistance Provided	45,369	60,334	72,970	72,139	77,278	83,582	88,361
Total Technical Assistance Provided	362,040	388,144	416,587	51,555	387,164	329,866	334,095
Total Procurement Assistance Provided	10,371	10,769	11,194	2,900	14,098	16,717	16,817
SBA Cost	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Total Financial Assistance Cost (\$000)	\$202,245	\$217,017	\$195,462	N/A	\$87,457	\$80,497	\$92,211
Total Technical Assistance Cost (\$000)	\$64,683	\$57,007	\$67,933	N/A	\$65,410	\$65,671	\$57,897
Total Procurement Assistance Cost (\$000)	\$53,176	\$42,688	\$45,587	\$45,384	\$44,038	\$50,862	\$51,376

SBA Financial Assistance

Performance Statement							
Program-Level Financial Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.							
Long Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.							
SBA Program Outputs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
Capital Access							
7(a) Loan Program	Loans Approved (number)	38,080	51,793	62,999	65,305	66,313	75,301
	Net Loans Funded (number)	33,580	45,981	56,234	N/A	61,323	67,470
504 Loan Program	Loans Approved (number)	4,491	5,542	6,897	6,800	7,904	11,716
	Net Loans Funded (number)	3,893	4,956	6,383	N/A	7,712	10,824
Microloan Program	Net Loans Funded (number)	1,542	1,324	1,377	N/A	1,488	N/A
	Small Businesses Assisted (number)	1,256	1,675	1,675	UNAVAIL.	1,559	1,333
International Trade	Loans Approved (number)	783	1,553	2,113	2,029	2,335	2,569
	Net Loans Funded (number)	702	1,395	1,938	N/A	2,194	2,250
	Lenders Trained (number)	N/A	N/A	2,505	2,550	3,373	3,400
NMVC	Export Sales Financing (\$ million)	616	668	924	750	761	1,300
	Small Businesses Assisted (number)	N/A	N/A	22	34	14	11
	Total Financial Assistance Provided	45,369	60,334	72,970	72,139	77,278	83,582
SBA Program Outcomes	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
2.2.1 Increase the number of existing small businesses receiving SBA assistance.							
Capital Access							
7(a) Loan Program	ESB assisted	31,859	43,023	53,544	N/A	57,296	63,624
	ESB assisted	3,864	4,935	6,329	N/A	7,629	10,738
504 Loan Program	ESB assisted	1,542	1,324	1,377	N/A	1,488	N/A
	ESB assisted	1,256	1,675	1,675	UNAVAIL.	1,559	1,333
International Trade	ESB assisted	664	1,313	1,872	N/A	2,064	2,138
	ESB assisted	N/A	N/A	22	34	14	11
NMVC	ESB assisted	N/A	N/A	22	34	14	11
	Total ESB Assisted	38,521	50,957	62,947	34	67,986	75,706

Performance Statement								
Program-Level Financial Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.								
SBA Cost (\$000)	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate	
Capital Access								
7a Loans	Total Program Cost (\$000)	\$162,931	\$167,209	\$147,243	N/A	\$50,550	\$46,733	\$55,296
	Loan Approving (\$000)	\$119,054	\$127,738	\$126,845	N/A	\$34,284	\$31,716	\$37,234
	Approving Admin Cost (\$000)	\$23,761	\$43,507	\$48,453	N/A	\$34,263	\$31,716	\$37,234
	Subsidy Cost (\$000)	\$95,293	\$84,231	\$78,392	N/A	\$21	\$0	\$0
	Cost Per Loan Funded (\$)	\$3,545	\$2,778	\$2,256	N/A	\$559	\$481	\$552
	Loan Servicing (\$000)	\$16,367	\$14,683	\$10,467	N/A	\$11,293	\$10,333	\$12,609
	Servicing Admin Cost (\$000)	\$11,710	\$10,846	\$6,068	N/A	\$7,545	\$6,674	\$7,746
	Asset Sales (\$000)	\$95	\$31	\$100	N/A	\$0	\$0	\$0
	Lender Oversight (\$000)	\$4,562	\$3,806	\$4,299	N/A	\$3,748	\$3,659	\$4,863
	Loan Liquidation (\$000)	\$27,510	\$24,788	\$9,931	N/A	\$4,973	\$4,684	\$5,453
	Liquidation Admin Cost (\$000)	\$27,510	\$24,788	\$9,931	N/A	\$4,973	\$4,684	\$5,453
	Cost per Loan Liquidated (\$)	\$2,559	\$2,214	\$687	N/A	\$1,193	N/A	N/A
504 Loans	Total Program Cost (\$000)	\$23,008	\$30,791	\$28,322	N/A	\$18,745	\$17,069	\$20,265
	Loan Approving (\$000)	\$12,508	\$21,833	\$23,783	N/A	\$12,194	\$11,031	\$12,899
	Approving Admin Cost (\$000)	\$12,508	\$21,833	\$23,783	N/A	\$12,194	\$11,031	\$12,899
	Cost Per Loan Funded (\$)	\$3,213	\$4,405	\$3,726	N/A	\$1,581	\$1,390	\$1,192
	Loan Servicing (\$000)	\$5,138	\$4,318	\$3,123	N/A	\$4,686	\$4,264	\$5,294
	Servicing Admin Cost (\$000)	\$3,412	\$2,976	\$2,237	N/A	\$2,630	\$2,256	\$2,626
	Asset Sales (\$000)	\$35	\$11	\$15	N/A	\$0	\$0	\$0
	Lender Oversight (\$000)	\$1,691	\$1,331	\$871	N/A	\$2,056	\$2,008	\$2,668
	Loan Liquidation (\$000)	\$5,362	\$4,640	\$1,416	N/A	\$1,865	\$1,774	\$2,072
	Liquidation Admin Cost (\$000)	\$5,362	\$4,640	\$1,416	N/A	\$1,865	\$1,774	\$2,072
Microloans	Total Program Cost (\$000)	\$2,056	\$5,357	\$5,103	N/A	\$2,663	\$2,409	\$362
	Loan Approving (\$000)	\$1,046	\$3,319	\$4,821	N/A	\$2,357	\$2,075	\$0
	Approving Admin Cost (\$000)	\$380	\$1,216	\$3,568	N/A	\$1,133	\$1,071	\$0
	Loan Subsidy (\$000)	\$666	\$2,103	\$1,253	N/A	\$1,224	\$1,004	\$0
	Cost Per Loan Funded (\$)	\$678	\$2,507	\$3,501	N/A	\$1,584	N/A	N/A
	Loan Servicing (\$000)	\$768	\$2,010	\$210	N/A	\$236	\$263	\$281
	Servicing Admin Cost (\$000)	\$768	\$2,010	\$156	N/A	\$236	\$263	\$281
	Loan Liquidation (\$000)	\$242	\$28	\$72	N/A	\$70	\$71	\$81
	Liquidation Admin Cost (\$000)	\$242	\$28	\$72	N/A	\$70	\$71	\$81
International Trade	Total Program Cost (\$000)	\$4,549	\$5,326	\$4,942	N/A	\$4,491	\$4,167	\$4,783
	Cost per Loan Funded (\$)	\$6,480	\$3,818	\$2,550	N/A	\$2,047	\$1,864	\$2,126
NMVC	Total Program Cost (\$000)	N/A	N/A	\$472	N/A	\$244	\$253	\$265
	Cost Per Business Assisted (\$000)	N/A	N/A	\$21,474	N/A	\$17,449	\$21,120	\$24,067
SBIC	Total Program Cost (\$000)	\$9,701	\$8,334	\$9,380	N/A	\$10,764	\$9,866	\$11,240
	New Licenses (\$000)	\$2,910	\$2,500	\$2,814	N/A	\$3,229	\$2,960	\$3,372
	Oversight/Exams (\$000)	\$6,791	\$5,834	\$6,566	N/A	\$7,535	\$6,906	\$7,868
	Cost per Business Served (\$000)	\$7,724	\$4,976	\$5,600	N/A	\$6,905	\$6,842	\$8,432
	Total Financing Assistance Cost (\$000)	\$202,245	\$217,017	\$195,462	N/A	\$87,457	\$80,497	\$92,211

SBA is optimistic about its role in facilitating small business access to capital. As the table for Outcome Measure 2.2.1 shows, the SBA intends to increase the number of 7(a) Loans to existing businesses (SSBs) receiving financial assistance from 73,536 in FY 2006 to 75,301 in FY 2007. This increase will reflect steady growth in the number of existing small businesses assisted by the SBA lending programs.

The share of 7(a) loans going to existing small businesses is expected to remain at 69% in FY 2006 and FY 2007. The significance of this trend is that the SBA will sustain its contribution to the well being of the economy by consistently providing a significant proportion of its resources dedicated to the creation of new businesses.

As mentioned under the Financial Assistance section of LTO 2.1, SBA's strategy for increasing the number of loans to small businesses, while increasing customer satisfaction and decreasing costs relies on the streamlining and speeding up of the application and loan making processes. The strategy applies to both 7(a) and 504 loan products.

As the table for Outcome Measure 2.2.1 shows, the SBA intends to increase the number of 504 Loans to existing businesses (SSBs) receiving financial assistance from 8,592 in FY 2006 to

11,716 in FY 2007. This significant increase will reflect steady growth in the number of SSBs assisted by the SBA 504 lending program. The 504 program provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings and long-life capital equipment. The 504 program also has a statutorily mandated job creation component.

Because this type of assistance reaches small businesses that would not otherwise be reached by the regular commercial lending market, it means that many additional small businesses will receive assistance as a result of the SBA 504 program.

Through the SBIC program, SBA expects to assist 1,442 and 1,333 existing small businesses in FYs 2006 and 2007, respectively. This is the direct result of the effective termination of the participating securities program and the smaller scope and size of the debenture program. SBA believes this will accelerate after FY 2007 as the funding available under the participating securities program continues to decline and the balance of the program shrinks. The bank/non-leveraged and SSBIC portions of the program are declining as well.

However, both gross and final surety bond guarantees are expected to remain flat for FY06 and FY07 at 5408 and 2317, respectively. Additionally, we are revising the measure of program activity in future years. Details can be found under the "Procurement Assistance" section.

OIT has a goal of 2,448 loans to exporters in 2006 and a goal of 2,569 in 2007. OIT will work closely with the Office of Field Operations and the District Directors across the country to obtain these goals. In FY 2006, OIT is planning to do an in-depth analysis and review of the International Loan Program to ensure that the process is efficient and effective.

SBA has a goal of \$1, 200, 000,000 Export Sales Financing in 2006 and a goal of \$1,300,000,000 for 2007. OIT will work with the small business community to ensure that they qualify for international loans and that they have the necessary training to be successful exporters.

The Agency has a goal of training 3,375 lenders in FY 2006 and 3,400 in FY 2007. U.S. lenders are reluctant to issue trade finance loans to small businesses because they consider them very risky. OIT international loan program assists small businesses to obtain loans that would not otherwise be available to them. OIT will work closely with the bank lenders to assist them in understanding the program and its benefits to the small business community.

SBA Technical Assistance

Performance Statement Program-Level Technical Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.								
SBA Program Outputs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal	
Capital Access								
Microloan Program	Hours technical assistance (number)	124,008	105,693	16,873	N/A	17,096	N/A	N/A
	Small businesses receiving technical assistance (number)	N/A	N/A	1,377	N/A	1,488	N/A	N/A
International Trade	Attendees trained (number)	N/A	N/A	1,292	1,550	6,143	6,150	6,175
	Clients counseled (number)	N/A	N/A	3,250	3,600	3,788	3,800	3,850
Gov Contracting / Business Development								
7(j) Program	Face-to-face training	N/A	N/A	5,776	2,000	2,107	2,200	2,200
Entrepreneurial Development								
SCORE	Attendees trained (number)	20,388	23,516	23,282	Base Year	19,972	19,972	20,172
	Clients counseled (number)	54,462	57,117	56,304	44,075	48,661	Base Year	TBD
SBDC	Attendees trained (number)	149,670	159,219	173,899	Base Year	179,035	179,116	179,035
	Clients counseled (number)	104,339	108,920	109,163	Base Year	96,501	92,199	96,501
	Training hours (number)	617,496	686,765	745,855	Base Year	666,512	676,510	686,657
	Counseling hours (number)	576,873	610,835	574,243	Base Year	523,146	557,150	591,470
WBC	Attendees trained (number)	110,128	12,845	16,006	Base Year	19,809	17,432	17,955
	Clients counseled (number)	6,137	8,477	8,536	Base Year	9,054	7,968	8,207
	Training hours (number)	N/A	N/A	N/A	N/A	N/A	Base Year	TBD
	Counseling hours (number)	N/A	N/A	N/A	N/A	N/A	Base Year	TBD
BIC	Clients counseled (number)	14,666	16,550	16,627	N/A	N/A	N/A	N/A
SBTN	Registered users taking online courses (number)	N/A	N/A	N/A	N/A	96,344	103,089	108,243
DFWP	Small businesses establishing drug-free workplace programs (number)	1,365	1,500	1,075	330	606	1,029	UNAVAIL
	Total number of small business clients educated about benefits	N/A	11,873	19,400	6,500	5,150	11,800	UNAVAIL
Total Technical Assistance Provided		362,040	388,144	416,587	51,555	387,164	329,866	334,095
Intermediate Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal	
Entrepreneurial Development								
SBDC	Jobs Created/Retained (number)	66,913	63,822	65,796	67,709	N/A	67,709	68,386
	Revenue (\$ millions)	3,930	2,791	3,759	2,874	N/A	2,874	2,903

In FY2006, SCORE will implement the new ED client definitions. The number of distinct clients counseled in FY2006 will be the baseline for future counseling goals. The number of "ongoing contacts" made with these distinct clients will no longer be included in the goal, as in previous years, due to these new definitions. The resulting impact on the activities could be fewer reported counseled clients. However, SCORE's overall performance will not be reduced; therefore representing level or slightly increased overall performance from FY2005.

**Performance Statement
Program-Level Technical Assistance**

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

Long Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.

SBA Program Outcomes		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
2.2.1 Increase the number of existing small businesses receiving SBA assistance.								
Capital Access								
Microloans	ESB assisted	N/A	N/A	1,377	N/A	1,488	N/A	N/A
International Trade	ESB assisted	N/A	N/A	1,292	5,150	9,931	6,150	6,175
Gov Contracting / Business Development								
7(j) Program	ESB assisted	N/A	N/A	5,776	2,000	2,107	2,200	2,200
Entrepreneurial Development								
SCORE	ESB assisted	74,850	80,633	79,586	44,075	68,633	19,972	20,172
SBDC	ESB assisted	254,009	268,139	283,062	N/A	275,536	271,315	275,536
WBC	ESB assisted	17,150	21,322	24,542	N/A	28,863	25,400	26,162
BIC	ESB assisted	14,666	16,550	16,627	N/A	N/A	N/A	N/A
SBTN	ESB assisted	N/A	N/A	N/A	N/A	96,344	103,089	108,243
DFWP	ESB assisted	1,365	1,500	1,075	330	606	1,029	UNAVAIL
Total ESB Assisted		362,040	388,144	413,337	51,555	387,164	429,155	438,488
2.2.5 Median customer satisfaction rate								
Entrepreneurial Development								
SCORE	% Customer Satisfaction	83.0%	83.0%	89.0%	90.0%	69.1%	Base Year	TBD
SBDC	% Customer Satisfaction	87.5%	UNAVAIL.	76.5%	76.5%	78.6%	76.5%	76.5%
WBC	% Customer Satisfaction	UNAVAIL.	80.0%	94.0%	81.6%	92.1%	Base Year	TBD
Total Average Customer Satisfaction Rate		85.3%	85.0%	86.5%	82.7%	79.9%	90.0%	90.0%
SBA Cost (\$000)		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Capital Access								
Microloan Program	Total Program Cost (\$000)	\$11,068	\$8,201	\$9,206	N/A	\$8,630	\$8,050	\$0
	Cost per Hour of Technical Assistance (\$)	\$89	\$78	\$546	N/A	\$505	N/A	N/A
	Tech Asst (\$000)	\$435	\$123	\$737	N/A	\$193	\$211	\$0
	Tech Asst Training(\$000)	\$0	\$0	\$57	N/A	\$0	\$0	\$0
	Tech Asst Grants (\$000)	\$10,633	\$8,078	\$8,412	N/A	\$8,437	\$7,839	\$0
Prime Technical Assistance	Cost per Hour of Technical Assistance	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total Cost (\$000)	\$3,499	\$3,520	\$3,977	N/A	\$3,495	\$1,490	\$0
	Total OCA Technical Assistance Cost (\$000)	\$14,567	\$11,721	\$13,183	N/A	\$12,125	\$9,540	N/A
Gov Contracting / Business Development								
7(j) Program	Total Program Cost (\$000)	\$4,534	\$2,803	\$4,626	N/A	\$3,116	\$2,905	\$ 4,077
	Cost per Face-to-Face Training (\$)	N/A	N/A	\$801	N/A	\$1,479	\$1,320	\$1,853
	Total GCBD Technical Assistance Cost (\$000)	\$4,534	\$2,803	\$4,626	N/A	\$3,116	\$2,905	\$4,077
Entrepreneurial Development								
SCORE	Total Program Cost (\$000)	\$2,256	\$1,918	\$2,926	N/A	\$3,146	\$2,965	\$2,570
	Cost per Client Served (\$)	\$30	\$24	\$37	N/A	\$46	\$148	\$61
SBDC	Total Program Cost (\$000)	\$39,058	\$36,176	\$40,381	N/A	\$41,181	\$40,261	\$41,075
	Cost per Client Served (\$)	\$154	\$135	\$143	N/A	\$149	\$148	\$149
WBC	Total Program Cost (\$000)	\$3,490	\$3,330	\$4,334	N/A	\$4,711	\$4,523	\$4,792
	Cost per Client Served (\$)	\$204	\$156	\$177	N/A	\$163	\$178	\$183
BIC	Total Program Cost (\$000)	\$1,194	\$102	\$995	N/A	N/A	N/A	N/A
SBTN	Total Program Cost (\$000)	N/A	N/A	N/A	N/A	\$63	\$96	\$104
DFWP	Total Program Cost (\$000)	\$2,773	\$1,941	\$1,025	N/A	\$1,033	\$1,034	\$1,046
NAO	Total Program Cost (\$000)	\$310	\$2,536	\$4,440	N/A	\$3,530	\$4,347	\$4,233
Tota Technical Assistance Cost (\$000)		\$64,683	\$57,007	\$67,933	N/A	\$65,410	53,226	53,820

SBA will continue improving the data available for the management and evaluation of its programs that provide technical assistance. Beginning in FY 2006, SBA rolled out EDMIS2, a centralized system for collecting performance measure and impact data from the OED program offices, resource partners, and district offices. The Agency, Congress, OMB, and GAO, as well as other one-time requestors require OED to provide performance data and ad hoc reports on SBA clients, performance, and impact. Historically, it has been difficult to reconcile these data and provide current and timely information to stakeholders. To solve this problem, OED has already standardized the definitions of what it collects and will collect these data in a central repository that will provide as current information as is available. In FY 2007, the system will be evaluated and the necessary changes implemented.

Coordination among the various SBA programs is very important for the Agency attaining the outcome of increasing small businesses' success. The SBDC program has an excellent track record of coordination with U.S. Export Assistance Centers (USEACs) for international trade delivery, particularly those SBDCs which have separate and distinct International Trade Centers. With global expansion critical to U.S. businesses future growth, the SBDC program will increase its focus on delivering international trade assistance alongside the USEAC program. In an increased effort to support U.S. small business manufacturers, the SBDC program began collaborative efforts with the Department of Commerce's Manufacturing Extension Partnership (MEP), which assists manufacturers. FY06 and FY 07 will see a continuation of this collaboration with the SBDCs providing business and management assistance and the MEPs providing process and other highly technical assistance. SBDCs will accelerate coordination with SBA's Office of Technology providing specialized research funding for small business innovation. Also, the SBDC program will continue to work with SBA's Office of Veteran's Affairs to provide business and management assistance, including succession planning for assisting reserve military personnel deployed overseas who own their own small businesses.

By expanding its use of technology to improve the efficiency of its programs the SBDC and OWBO programs will increase their use of distance learning techniques such as digital conferencing, virtual meetings and other cost efficient methods to conduct much-needed project officer and other training to the field. With decreased resources for training, in order to meet the demand created by changing personnel in the field, web-based technology is key in providing an acceptable level of oversight and monitoring for the program. Utilization of Web-based technology will also be increased to improve both the quality and quantity of services to by SBDC's clients.

The SBDC program will be looking at new ways to reduce the time and expense of reviews and examinations. New procedures such as reducing the number of satellite centers reviewed and/or hiring of contractors to perform some of required examinations will be tried to see if they alleviate expenses while at the same time accomplish a similar level of due diligence over the SBDCs. The SBDC program has numerous funding partners, all with varying approaches to identifying program impact. In FY06 and FY07, the SBDC program will look at new approaches to consolidating this impact information. In addition, SBA will be revising reporting requirements for SBDCs, particularly annual reports, in an effort to obtain more usable information and data about its programs and services.

SBA will put in place new online capabilities. A regular flow of information will be provided to field office staff, thereby enhancing the marketing and outreach efforts for SBA programs, such as SCORE and Native American Affairs. The Agency will solicit assistance from the field offices to:

- Help improve recruitment of SCORE volunteer counselors.
- Expand the outreach and marketing of Score and Native American Affairs programs.
- Help coordinate program trainings
- Disseminate program information

SBA will continue SCORE integration of services with the Office of Veterans Business Development, the Office of Faith Based Initiatives and the Office of Policy as representative/liaison in the areas of veterans, faith-based and manufacturing.

SBA will utilize the program evaluation of SCORE and the findings of the ED Impact Study to analyze client needs to enhance program and service deliverables. It is expected that online counseling will continue to increase as a percentage of all counseling by SCORE. To ensure the program capability to respond to this demand, resources will be directed to infrastructure enhancements to the online capability. SBA will add to the available online publications in the sba.gov library, and will leverage its resources through sustained efforts such as the online teen website and strategic alliances with private sector.

SBA will continue to establish strategic alliances and partnerships with American Indian tribal governments, tribal colleges, Indian organizations, and other Federal agencies as well as the private sector to supplement and support the Indian nations plan for economic stimulus in Indian country. For example, there have been preliminary discussions regarding the Bureau of Indian Affairs pilot supporting the establishment of Small Business Development Centers on Reservations. Financial support would come from BIA and Tribal budgets, with outreach and deliverables provided by SBA. If they are successful, the collaboration would be expanded in FY 2007. In addition, the Agency will establish collaborations with the Department of Commerce's Minority Business Development Offices and the Native American Outreach Offices. By working closely with these other federal program offices, SBA can maximize leverage of the limited resources allocated to this program.

Outreach to Native American entrepreneurs and achieving greater participation by Native Americans in SBA's programs and services is a key aspect. ONAA will work with SBA resource partners to improve their outreach to this population in an effort to achieve this end.

ONAA will continue to seek competitive bids from companies proposing new and innovative economic development models for small business development in Indian country. These proposals will focus on existing business growth and development.

ONAA will continue to work with the SBA resource partners and tribal colleges that have the capacity to conduct the training session on their campus and in the reservation communities, thus increasing outreach to remote sectors.

Under the Drug Free Workplace Program (DFWP), SBA is authorized to make grants to intermediaries to assist small businesses financially and technically in establishing drug-free workplace programs. The authorizing legislation also allows SBA to provide contracts to SBDCs to provide information and assistance to small businesses for the same purpose.

For FY06, in the Drug Free Workplace program the SBA will be issuing a new Request for Proposals. Additionally, Community coalitions are now eligible to apply for DFWP grants. The Small Business Development Centers are eligible to apply for the grant again. With the community coalitions in the grant process, the program will reach larger number of small businesses.

Additionally, the SBA will continue to work with small businesses to ensure that they are successful in their efforts to export their goods and services. In order to accomplish this, the

Office of International Trade will train and counsel small businesses on the benefits of trade. OIT will work closely with state and local agencies to market and outreach to these communities. OIT will also work closely with their local district director to support them in their marketing and outreach efforts to potential exporters.

The SBA's, through the Office of Strategic Alliances, will continue to assist existing small businesses by working with multiple SBA offices and external partners in executing cosponsored activities which provide small businesses free or low cost training. This training will provide educational resources adequate to the business life-cycle, and includes training materials on issues such as retirement planning, risk management, and internet based commerce. The Agency anticipates 200 such public-private partnerships in FY06 and FY07.

The SBA will also provide early business development training and transitional business development training for 2,000 8(a) and other 7(j) eligible firms, including those located in areas of low income and high unemployment.

Procurement Assistance

Performance Statement Program-Level Procurement Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.2: Maximize the sustainability and growth of existing small business (ESB) assisted by SBA.								
SBA Program Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal	
Capital Access								
Surety Bonds	Bid Bonds Guaranteed (number)	N/A	N/A	N/A	N/A	3,998	5,408	5,408
	Final Bond Guaranteed (number)	N/A	N/A	N/A	N/A	1,680	2,317	2,317
Gov Contracting / Business Development (GCBD)								
HUBZone	Certification Actions	2,786	2,338	2,294	2,900	2,960	4,900	4,900
	Program examinations completed (number)	N/A	N/A	505	575	593	675	775
8(a) Program	Applications processed (number)	N/A	N/A	N/A	N/A	3,980	4,000	4,100
	Applications approved (number)	1,251	1,350	1,328	N/A	1,477	1,500	2,500
	Participants serviced (number)	7,585	8,431	8,900	N/A	9,458	9,500	9,600
	Total Procurement Assistance Provided	10,371	10,769	11,194	2,900	14,098	16,717	16,817
Gov Contracting / Business Development								
HUBZone Program	Capital Investment increase (million)	N/A	N/A	N/A	N/A	3,230	3,387	3,556
	Jobs created/retained (number)	N/A	N/A	150,000	157,500	191,000	200,550	210,578
8(a) Program	Small businesses still in business 3 years from date of exiting 8(a) program (percentage)	N/A	N/A	86.0%	70.0%	77.0%	77%	77%
2.2.1 Increase the number of existing small businesses receiving SBA assistance.								
Capital Access								
Surety Bonds	ESB assisted	N/A	N/A	N/A	N/A	1,680	5,408	5,408
Gov Contracting / Business Development								
HUBZone	ESB assisted	2,786	2,338	2,294	2,900	2,960	4,900	4,900
8(a) Program	ESB assisted	7,585	8,431	8,900	N/A	9,458	9,500	9,600
	Total ESB Assisted	10,371	10,769	11,194	2,900	14,098	14,400	14,500
SBA Cost (\$000)	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate	
Capital Access								
Surety Bonds	Total Program Cost (\$000)	\$4,203	\$3,666	\$3,818	\$5,359	\$4,882	\$5,863	\$6,444
	Total Cost (\$000)	\$4,203	\$3,666	\$3,818	\$5,359	\$4,882	\$5,863	\$6,444
	Cost per Bid Surety Bond	N/A	N/A	N/A	N/A	\$1,221	\$1,084	\$1,192
	Cost per Final Surety Bond (\$)	N/A	N/A	N/A	N/A	\$2,906	\$2,530	\$2,781
	Total OCA Procurement Assistance Cost (\$000)	\$4,203	\$3,666	\$3,818	\$5,359	\$4,882	\$5,863	\$6,444
Gov Contracting / Business Development								
HUBZone	Total Program Cost (\$000)	\$6,539	\$5,648	\$6,825	\$7,849	\$7,769	\$7,342	\$9,569
	Cost per Certification Action (\$)	\$2,347	\$2,416	\$2,975	\$2,707	\$2,625	\$1,498	\$1,953
8(a) Program	Total Program Cost (\$000)	\$42,434	\$33,374	\$34,945	\$32,176	\$31,387	\$37,657	\$35,363
	Cost per Participant Serviced (\$)	\$5,594	\$3,958	\$3,926	N/A	\$3,319	N/A	N/A
	Total Procurement Assistance Cost (\$000)	\$53,176	\$42,688	\$45,587	\$45,384	\$44,038	44,999	44,932

SBA has a multifaceted procurement strategy to assist existing small businesses to achieve success. An important component of this strategy is the Surety Bond Guarantee program. The SBA's goal is 5,408 bid bond guarantees each year both in FY2006 and in FY2007

These bonds are directed to small contractors, enabling them to compete for and obtain public and private contracts. By providing bonding accessibility and contracting opportunities, the SBG

program helps contractors to sustain and grow their businesses, increase their revenue, and create jobs.

Additionally, the SBA relies on the Office of Business Development to provide procurement support to existing small businesses. During FY 2006 and FY 2007 the SBA will increase the use of the Federal Surplus Property program by 8(a) firms and will increase the number of 8(a) firms meeting their targets, goals, and objectives.

In addition, the SBA will increase the growth of existing small businesses through more equitable distribution of contracts to 8(a) firms. The SBA will increase the number of contracts awarded to 8(a) firms in fiscal years 2006 and 2007 and which should result in an increase in the number of people employed by 8(a) firms.

A description of the HUBZone program's plans for FY 2005 can be found in LTO 2.3, although all business assisted by this program are existing businesses.

Long-Term Objective 2.3

Significantly increase successful small business ownership within segments of society facing competitive opportunity gaps.

FY 2005 Results

Financial Assistance

During FY 2005, SBA successfully increased the number of small business ownerships within certain segments of society facing special competitive opportunity gaps (SCOGS). The population affected by these competitive gaps includes African Americans, Asians, Hispanics, Native Americans, and other minorities, women, and small businesses in Special Zone areas. Included in this Special Zones categories are specially-designated rural areas, or areas with high unemployment, or low and moderate incomes (LMI).

During FY 2005, 7(a) loans to minorities represented 32% of all the 7(a) approved loans. In an attempt to reduce barriers to groups falling in these categories, SBA approved 74,307 such loans through its 7(a) loan program, meeting its goal for this indicator. In net terms, SBA funded 68,540 7(a) loans to SCOGs; this represents 69,745 small disadvantaged businesses and small businesses located in distressed areas that have increased their chance for success by having the financial means that would have otherwise lacked.

In addition to assisting small business SCOGs through its 7(a) program, SBA assisted small businesses belonging to this subgroup through the 504 Loan program. Small businesses within this category received 6,853 loans during FY 2005, greatly exceeding its goal of approving 4,257 loans. After adjusting for cancellations, SBA funded 6,679 net 504 loans to small businesses SCOGs.

In FY 2005 the SBA approved 1,833 microloans to businesses with special competitive opportunity gaps, which represented 75% of all microloan recipients. Those small businesses, which received an average of \$11,910 in microloans, also received technical training.

In FY 2005, SBA exceeded by 16% the goal for approved international trade loans to SCOG small businesses. SBA assistance represented \$682 million in export sales. In the international trade category, 45% of the net number of funded loans was to minority-owned small businesses. SBICs can play a significant role in financing businesses facing special competitive opportunity gaps, because these businesses are often located in areas that do not attract significant amounts of venture funding. In addition, many of these businesses are still relatively new and have not achieved the size that would interest the larger venture funds. In FY 2005, the SBA provided financings to 351 small businesses facing special competitive opportunity gaps through the SBIC program.

SBA Technical Assistance

In the past, the SBA has had limited information available to assess performance outputs and outcomes for the services that were provided by its programs to historically disadvantaged groups and other groups facing special competitive opportunity gaps. To support the President's Management Agenda goal of improving e-government, during FY 2005, SBA completed the development of an upgraded Entrepreneurial Development Management Information System

(EDMIS2). With implementation of EDMIS2 begun in FY2006, all ED resource partners will have more consistent reporting results using a common set of definitions.

FY2005's major accomplishments relate to the provision of technical and management assistance to the various groups within this category. SCORE counseled 57,000 or 20% of women clients, and trained nearly 32,000 or 27% of women clients. SCORE attributes this success to cultivating client relationships, increasing awareness about its services, and increasing various marketing and public relations activities.

SBA, through its SBTN program, registered 82,000 existing small businesses. This is the first year registered clients have been tracked. The SBDC program is aggressively marketing its services by highlighting the program's accomplishments and successes through press releases, articles, fact sheets and newsletters, and this effort has also aided the program's ability to reach diverse populations. SBDCs are also targeting their services to women entrepreneurs, with the total number of women counseled and trained by the SBDCs during FY 2005 estimated to be 266,000.

The Women's Business Center Program specifically targets women-owned businesses, especially those who are socially and economically disadvantaged, through programs that provide long-term business training, technical assistance, counseling and mentoring, and provide access to credit and capital, contracting and international trade opportunities. WBCs are required to assist women at every stage of developing and expanding successful businesses, including marketing and business strategy, financing, technology transfer, government procurement, management, manufacturing, sales, merchandising, accounting, e-commerce, agribusiness, exporting and other topics. In addition, WBCs are geared to address the unique needs of women entrepreneurs, who, far more often than their male counterparts, must balance the responsibilities of home, child care and eldercare with the needs of their businesses. About half of all WBC clients are socially and economically disadvantaged and many are also single heads of households, and a significant number are or have been on public assistance. WBCs, most of which are located in the communities they serve and are thus more immediately accessible, provide programs and services to meet the social and educational needs of their many clients, who come from all walks of life. WBC staffs must mirror the communities they serve. Services are often provided in various languages represented in those communities.

In addition to external outreach to underserved populations, the SBA is working across program lines to help the Office of Women's Business Ownership to achieve an improved financial review strategy for monitoring the WBCs. In FY 2005, SBA expanded the performance-based evaluation system implemented in 2004 for rating and funding the Agency's women's business centers. This effort supports the budget and performance integration component of the President's Management Agenda.

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, Alaskan Natives, and Native Hawaiians. The initiative consists of two major components: marketing and outreach, and training to enhance business opportunities. During FY 2005, the Agency provided business development assistance for 50 Native American businesses in California, New Mexico, Montana, South Dakota, Washington and Idaho.

Website design and development was provided to 40 Native American business owners and one-on-one business development training was provided to existing and start-up Native American businesses located in Alaska, Northern Idaho, Eastern Washington, New York and Oklahoma.

In FY2005, SCORE and the Bureau of Indian Affairs (BIA) will collaborate on providing online counseling by SCORE volunteer business professionals. SCORE is also participating in BIA's national workshop being held at the 20th Annual National Reservation Economic Summit & American Indian Business Trade Fair in Las Vegas, NV. SCORE and BIA are also collaborating on referring Native Americans to SCORE's online business advice counseling site at www.score.org.

The Veterans Entrepreneurship and Small Business Development Act of 1999 (VESBDA) clearly indicates the need for special incentives directed to the start-up and sustainability of veteran and service-disabled veteran owned small businesses. In FY 2005, SBA completed distribution of its business development resource materials to the state offices of the ESGR (Employer Support of Guard and Reserve), to the DoD Reserve Affairs Office, and to Veterans Service Organizations (VSOs). Over 10,000 copies were provided to National Guard units. These materials included: Getting Veterans Back to Business Resource Guides and CD ROMs, SBA Profiles and Office of Veterans Business Development Fact Sheets. Distribution in electronic format was made to the 50 ESGR State Offices for Reserve Component members who are self-employed or small business owners and to 160 identified-VSOs nationwide.

SBA Procurement Assistance

The SBA lends procurement assistance to existing small businesses facing special competitive opportunity gaps by helping with their development through the 8(a) program, providing contracting opportunities to firms located in distressed communities through the HUBZone Program, and increasing the contracting opportunities for small businesses by guaranteeing their bid bonds through the Surety Bond Guarantee program. The 8(a) program accomplishments and plans were described in Long-Term Objective 2.2, which describes the focus of the Agency on existing businesses.

The HUBZone Program is a unique community-focused Federal economic development program. Under the program, small firms located in such communities and employing significant numbers of their residents are eligible to compete for HUBZone contract set-asides; for application of a 10% price evaluation preference in full and open competition; for award of sole-source contracts in very limited circumstances; and for subcontracting opportunities under large prime contracts.

In addition to these activities, SBA undertook the following projects and initiatives in support of its strategic goals and initiatives: increased overall women and veteran-owned small business participation in Business Matchmaking sessions, executed more than 575 HUBZone program examination actions, exceeding its FY 2005 target and executed more than 700 HUBZone Program recertification actions, exceeding its FY 2005 target.

The Surety Bond Guarantee Program affords small businesses increased contract opportunities by providing surety companies an incentive to issue bid and final (performance and payment) bonds to small businesses. Bonds are required on all major construction contracts and on certain supply and service contracts. Many new and emerging small businesses do not have the

performance history and accumulated capital investments that more mature businesses possess. Without SBA's guarantee provisions, many of these small businesses would be unable to obtain bonding. In FY 2005, SBA entered into guarantee agreements on 530 final bonds to SCOGs.

FY 2005 and FY 2006 Planned Performance

Performance Statement							
Agency Level Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.							
Long Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps.							
SBA Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.	311,325	337,132	585,912	63,224	568,604	259,263	266,601
2.3.2 By FY 2008, small businesses facing special competitive opportunity gaps that were assisted by SBA, will exceed the national survivability rate for comparable small businesses within the first 2 years of existence.	28857	41605	N/A	N/A	N/A	TBD	TBD
2.3.3 By FY 2008, small businesses facing special competitive opportunity gaps that were assisted by SBA, will exceed the national average rate of comparable small business job creation within 2 years of that assistance.	3004	3962	N/A	N/A	N/A	TBD	TBD
SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
Total Financial Assistance Provided	36,482	51,601	71,536	74,875	83,715	86,728	89,154
Total Technical Assistance Provided	271,309	285,021	514,643	60,290	482,451	177,982	181,378
Total Procurement Assistance Provided	10,371	10,769	11,194	2,900	12,948	15,177	15,277
SBA Cost	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Total Financial Assistance Cost (\$000)	\$143,377	\$166,576	\$177,442	N/A	\$83,177	\$73,098	\$81,962
Total Technical Assistance Cost (\$000)	\$62,194	\$53,997	\$79,471	\$7,000	\$77,385	\$71,560	\$61,515
Total Procurement Assistance Cost (\$000)	\$48,973	\$39,023	\$41,769	\$40,025	\$42,236	\$37,902	\$44,563

Financial Assistance

Performance Statement							
Program Level Financial Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.							
Long Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing Special Competitive Opportunity Gaps							
SBA Programs Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
CAPITAL ACCESS							
7 (a) Loan Program							
	Loans Approved (number)	28,857	41,605	60,787	68,621	74,307	77,000
	Net Loans Funded (number)	25,323	36,705	54,250	N/A	68,540	68,838
504 Loan Program							
	Loans Approved (number)	3,004	3,962	6,207	4,257	6,853	10,280
	Net Loans Funded (number)	2,584	3,513	5,742	N/A	6,679	9,371
Microloan Program							
	Net Loans Funded (number)	2,221	2,073	1,936	N/A	1,833	N/A
SBIC							
	Small Businesses Receiving Financings (number)	295	580	405	UNAVAIL.	351	301
International Trade							
	Loans Approved (number)	N/A	N/A	TBD	1,972	2,288	2,447
	Net Loans Funded (number)	N/A	N/A	N/A	N/A	2,145	2,249
	Value Export Sales Financing (\$)	N/A	373,059	467,949	522,580	682,175	582,250
NMVC							
	Small Businesses Receiving Financings (number)	N/A	N/A	22	34	20	15
	Total Financing Assistance Provided	36,482	51,601	71,536	74,875	83,715	89,154
SBA Programs Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.							
CAPITAL ACCESS							
7(a) Loan Program							
	SCOGs Assisted	24,570	35,203	52,075	N/A	64,390	65,878
504 Loan Program							
	SCOGs Assisted	2,559	3,486	5,637	N/A	6,611	9,252
Microloan Program							
	SCOGs Assisted	2,221	2,073	1,936	N/A	1,833	N/A
International Trade							
	SCOGs Assisted	423	933	1,624	N/A	2,026	2,200
NMVC							
	SCOGs Assisted	N/A	N/A	22	34	20	15
SBIC							
	SCOGs Assisted	295	580	405	UNAVAIL.	351	301
	Total SCOGs Assisted	29,645	41,342	60,075	34	73,205	75,446

Performance Statement								
Program Level Financial Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing Special Competitive Opportunity Gaps								
SBA Programs Cost Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate	
CAPITAL ACCESS								
7(a) Program	Total Program Cost (\$000)	\$122,866	\$133,477	\$142,049	N/A	\$56,499	\$48,619	\$56,416
	Loan Approving (\$000)	\$89,779	\$101,968	\$122,369	N/A	\$38,319	\$32,996	\$37,989
	Approving Admin Cost (\$000)	\$17,918	\$34,730	\$46,743	N/A	\$38,295	\$32,996	\$37,989
	Subsidy Cost (\$000)	\$71,861	\$67,238	\$75,626	N/A	\$24	\$0	\$0
	Cost Per Loan Funded (\$)	\$3,545	\$2,778	\$2,256	N/A	\$559	\$481	\$552
	Loan Servicing (\$000)	\$12,342	\$11,721	\$10,099	N/A	\$12,622	\$10,750	\$12,864
	Servicing Admin Cost (\$000)	\$8,830	\$8,658	\$5,854	N/A	\$8,433	\$6,943	\$7,903
	Asset Sales (\$000)	\$72	\$25	\$97	N/A	\$0	\$0	\$0
	Lender Oversight (\$000)	\$3,440	\$3,038	\$4,148	N/A	\$4,189	\$3,807	\$4,961
	Loan Liquidation (\$000)	\$20,745	\$19,788	\$9,581	N/A	\$5,558	\$4,873	\$5,563
	Liquidation Admin Cost (\$000)	\$20,745	\$19,788	\$9,581	N/A	\$5,558	\$4,873	\$5,563
	Cost Per Loan Liquidated (\$)	\$2,559	\$2,214	\$687	N/A	\$1,193	N/A	N/A
504 Loan Program	Total Program Cost (\$000)	\$15,271	\$21,825	\$25,478	N/A	\$16,234	\$14,779	\$17,545
	Loan Approving (\$000)	\$8,302	\$15,476	\$21,395	N/A	\$10,561	\$9,551	\$11,167
	Approving Admin Cost (\$000)	\$8,302	\$15,476	\$21,395	N/A	\$10,561	\$9,551	\$11,167
	Subsidy Cost (\$000)	\$0	\$0	\$0	N/A	\$0	\$0	\$0
	Cost Per Loan Funded (\$)	\$3,213	\$4,405	\$3,726	N/A	\$1,581	\$1,390	\$1,192
	Loan Servicing (\$000)	\$3,410	\$3,060	\$2,809	N/A	\$4,058	\$3,692	\$4,584
	Servicing Admin Cost (\$000)	\$2,265	\$2,109	\$2,012	N/A	\$2,278	\$1,953	\$2,274
	Asset Sales (\$000)	\$23	\$8	\$14	N/A	\$0	\$0	\$0
	Lender Oversight (\$000)	\$1,122	\$943	\$783	N/A	\$1,780	\$1,739	\$2,310
	Loan Liquidation (\$000)	\$3,559	\$3,289	\$1,274	N/A	\$1,615	\$1,536	\$1,794
	Liquidation Admin Cost (\$000)	\$3,559	\$3,289	\$1,274	N/A	\$1,615	\$1,536	\$1,794
Microloan Program	Total Program Cost (\$000)	\$2,961	\$8,388	\$7,175	N/A	\$3,281	\$2,967	N/A
	Loan Approving (\$000)	\$1,507	\$5,197	\$6,778	N/A	\$2,904	\$2,556	N/A
	Approving Admin Cost (\$000)	\$547	\$1,904	\$5,016	N/A	\$1,396	\$1,319	N/A
	Loan Subsidy (\$000)	\$960	\$3,293	\$1,762	N/A	\$1,508	\$1,237	N/A
	Cost Per Loan Funded	\$679	\$2,507	\$3,501	N/A	\$1,584	N/A	N/A
	Loan Servicing (\$000)	\$1,106	\$3,148	\$296	N/A	\$291	\$324	N/A
	Servicing Admin Cost (\$000)	\$1,106	\$3,148	\$296	N/A	\$291	\$324	N/A
	Loan Liquidation (\$000)	\$348	\$43	\$101	N/A	\$86	\$87	N/A
	Liquidation Admin Cost (\$000)	\$348	\$43	\$101	N/A	\$86	\$87	N/A
International Trade	Total Program Cost (\$000)	N/A	N/A	N/A	N/A	\$4,391	\$4,193	\$5,102
	Cost per Loan Funded (\$)	N/A	N/A	N/A	N/A	\$2,047	\$1,864	\$2,126
NMVC	Total Program Cost (\$000)	N/A	N/A	\$472	N/A	\$349	\$317	\$361
	Cost Per Business Assisted (\$)	N/A	N/A	\$21,474	N/A	\$17,449	\$21,120	\$24,067
SBIC	Total Program Cost (\$000)	\$2,279	\$2,886	\$2,268	N/A	\$2,423	\$2,224	\$2,538
	Cost Per Business Assisted (\$)	\$7,724	\$4,976	\$5,600	N/A	\$6,905	\$6,842	\$8,432
	Total Financial Assistance Cost (\$000)	\$143,377	\$166,576	\$177,442	N/A	\$83,177	\$73,098	\$81,962

For Microloans, the N/As in the above table indicates that no goals have been established because no funds have been requested for FYs 2006 and 2007.

The Agency plans to provide over 76,690 7a loans to small businesses in this category in FY 2006 and 77,000 in FY 2007. In addition, it plans to provide assistance through the 504 Loan program by approving 7,539 loans in FY 2006 and 4650 in FY 2007.

SBA goals for international trade loans to small businesses facing special competitive opportunity gaps in FY 2006 and FY 2007 are 2,399 and 2,447 loans approved, respectively. The goals for Export Sales financings for FY 2006 and FY 2007 are \$582 thousand and \$646 thousand.

SBA Technical Assistance

Performance Statement							
Program Level Technical Assistance							
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs. Long Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps.							
SBA Programs Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
Capital Access							
Microloan Program							
Hours of technical assistance (number)	N/A	N/A	UNAVAIL.	N/A	23,389	N/A	N/A
Small businesses receiving technical assistance (number)	N/A	N/A	UNAVAIL.	N/A	1,833	N/A	N/A
Gov Contracting / Business Development							
7(j) Program							
Face-to-face training	N/A	N/A	5,776	2,000	2,107	2,200	2,200
Entrepreneurial Development							
SCORE							
Attendees trained (number)	N/A	N/A	49,449	N/A	31,616	N/A	N/A
Clients counseled (number)	N/A	N/A	76,285	58,290	56,812	Base Year	TBD
SBDC							
Attendees trained (number)	171,483	181,960	195,357	N/A	197,230	N/A	N/A
Clients counseled (number)	99,826	103,061	110,551	N/A	99,767	93,866	94,805
Training hours (number)	707,772	929,055	837,653	862,783	734,873	N/A	N/A
WBC							
Counseling hours (number)	551,727	577,944	581,605	599,053	540,584	Base Year	TBD
Attendees trained (number)	N/A	N/A	50,573	Base Year	69,204	60,900	62,727
Clients counseled (number)	N/A	N/A	26,652	Base Year	23,882	21,016	21,646
Training hours (number)	N/A	N/A	N/A	N/A	N/A	Base Year	TBD
Counseling hours (number)	N/A	N/A	N/A	N/A	N/A	Base Year	TBD
Total Technical Assistance Provided	271,309	285,021	514,643	60,290	482,451	177,982	181,378
SBA Programs Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.							
Capital Access							
Microloan Program							
SCOGs Assisted	N/A	N/A	UNAVAIL.	N/A	1,833	N/A	N/A
Gov Contracting / Business Development							
7(j) Program							
SCOGs Assisted	N/A	N/A	5,776	2,000	2,107	2,200	2,200
Entrepreneurial Development							
SCORE							
SCOGs Assisted	N/A	N/A	125,734	58,290	88,428	Base Year	TBD
SBDC							
SCOGs Assisted	271,309	285,021	305,908	Base Year	296,997	93,866	94,805
WBC							
SCOGs Assisted	N/A	N/A	77,225	Base Year	93,086	81,916	84,373
Total SCOGs Assisted	271,309	285,021	514,643	60,290	482,451	177,982	181,378
SBA Programs Cost Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Capital Access							
Microloan Program							
Total Program Cost (\$000)	\$15,942	\$12,840	\$12,945	N/A	\$10,632	\$9,917	N/A
Cost Per Hour of Technical Assistance (\$)	N/A	N/A	N/A	N/A	\$455	N/A	N/A
Gov Contracting / Business Development							
7(j) Program							
Total Program Cost (\$000)	\$4,534	\$2,803	\$4,626	\$2,813	\$3,116	\$2,905	\$4,077
Cost Per Face-to-Face Training (\$)	N/A	N/A	\$801	\$1,407	\$1,479	\$1,224	N/A
Entrepreneurial Development							
SCORE							
Total Program Cost (\$000)	N/A	N/A	\$4,622	\$4,187	\$4,054	\$4,694	\$1,950
Cost per Client Served (\$)	N/A	N/A	\$37	\$72	\$46	N/A	N/A
SBDC							
Total Program Cost (\$000)	\$41,718	\$38,354	\$43,640	N/A	\$44,389	\$39,457	\$40,034
Cost per Client Served (\$)	\$154	\$135	\$143	N/A	\$149	\$420	\$422
WBC							
Total Program Cost (\$000)	N/A	N/A	\$13,638	N/A	\$15,194	\$14,587	\$15,454
Cost per Client Served (\$)	N/A	N/A	\$177	N/A	\$163	\$178	\$183
Total Technical Assistance Cost (\$000)	\$62,194	\$53,997	\$79,471	\$7,000	\$77,385	\$71,560	\$61,515

According to OED's Impact Study of SBDC counseled clients, 43% of SBDC clients are women and over 23% are minorities. The challenge for the SBDC program is to continue to provide the types of services needed by these multi-cultural clients. This would include increasing multi-language offerings, both online and by counselors and trainers, locating services more readily accessible by these populations and developing marketing strategies to improve outreach.

Nondiscrimination in programs/activities of SBA recipients of Federal financial assistance by conducting civil rights compliance reviews, focusing on the delivery of services and, in some cases, employment policies and practices with respect to ethnic population, women and persons with disabilities and facilitating SBA clearances of firms selected to receive SBA awards and recognition.

SBDCs will be working to provide better access to women and the minority and ethnic populations for federal government procurements. Improved collaboration between SBDCs and Department of Defense funded Procurement Technical Assistance Centers will play a large role in this endeavor. SBDCs will also be asked to increase marketing for SBA's Business Matchmaking events to these populations.

They will also work with the Office of Native American Affairs to improve outreach and services to Native American populations, particularly those on Indian lands. SBDC partners with a number of faith-based and community organizations nationwide to expand outreach across its network. The program will continue to work with SBA's field offices and other organizations to identify community and faith-based organizations interested and capable of supporting service centers and/or satellite locations for network operations and identifying new target populations in need of counseling and training services.

To improve outreach and service delivery, SBDCs will increase their use of technology to deliver web-based services and information. In addition, they will improve the quantity and availability of multi-lingual information and coursework online. The SBDC program will also explore options for a national network capability for online training. For example, the Clearinghouse (SBDCNet), in addition to its current role, could provide the capability to share among SBDC centers nationwide such things as best practices, multi-lingual training modules, online course offerings and cross-cultural management methods.

SBA will solicit field support to assist in the improved recruitment of SCORE volunteer counselors in targeted populations; outreach and marketing of the SCORE program [face-to-face counseling, referrals to online counseling]. Working with both internal and external organizations will assist SBA in increasing its outreach and services to priority populations such as veterans, community and faith-based, urban and manufacturing entrepreneurs.

The impact of Entrepreneurial Development Programs (SBDC, WBC and SCORE) is being evaluated utilizing a recurring, three year longitudinal study that will help SBA determine the market penetration of these programs into competitive opportunity gap populations, and help us quantify the outcomes of these Agency programs on these markets.

The first year of the study evaluated a random sampling of clients counseled in FY2004; the results of which were reported in FY2005. In 2005, this same random sample was surveyed again to further evaluate economic impact of our programs; and will be reported in FY2006. In addition, a second new random sample was surveyed for the first time. The study will continue in FY2006 and FY2007, further evaluating existing samples over time, and selecting new samples each year.

The results of this ongoing impact study will assist us in determining not only our impact, but also assist us in evaluating how better to conduct outreach and target services to these populations.

Prior to October FY 2006, and the implementation of EDMIS2, programs were unable to capture consistent data regarding their outreach to specially targeted populations such as women, minorities, veterans and community and faith-based organizations.

Beginning in FY 2006, SBA will rollout a centralized system for collecting performance measure and impact data from the program offices, resource partners, and district offices. The Agency, Congress, OMB, and GAO, as well as other one-time requestors require the SBA, to provide performance data and ad hoc reports on Agency clients, performance, and impact. Historically, it has been difficult to reconcile these data and provide current timely information to stakeholders. To solve this problem, SBA has already standardized the definitions of what it collects and will collect these data in a central repository.

SBA will solicit assistance from the field offices to help improve outreach and marketing of the ONAA program, help coordinate training and up-to-date informational meetings with SBA Native American Specialist in the SBA Field Offices [face to face counseling, referrals to online counseling].

SBA will continue to establish strategic alliances and partnerships with American Indian tribal governments, tribal colleges, Indian organizations, and other Federal agencies as well as the private sector to supplement and support the Indian nations plan for economic stimulus in Indian country.

Outreach to Native American entrepreneurs and achieving greater participation by Native Americans in SBA's programs and services is a key aspect. SBA will work with its resource partners to improve their outreach to this population in an effort to achieve this end.

The competitive ONAA RFP will be issued for economic development projects on disadvantaged and underserved Indian reservations and tribal area that will empower Native American entrepreneurs.

Women's Business Centers (WBCs) are encouraged to target all clients including the underserved (clients who are socially, economically disadvantaged or disabled) and engage them in the competitive market to start-up and expand their businesses. WBCs are also required to provide training and counseling to help clients obtain contracting opportunities.

The SBA is asking for \$11.9 million in FY 2007. With the requested FY 2007 funding, SBA will be able to begin 48 new centers for a total of 80 WBCs. The new WBCs would open in new geographic areas. Together, the new and seasoned centers would help existing businesses sustain and grow, and cultivate new start-up ventures.

The District Offices will continue to serve the women's business community by steering clients to the WBC and conducting WNET roundtables involving the WBC. To further support the development and expansion of WBCs, The Office of Women's Business Ownership (OWBO) provides best practices training to WBC directors during monthly conference calls. With the projected new 48 centers to be added to the network, training such as this helps to minimize "reinventing the start-up" process by mentoring and best-practice highlights. Finally, in 2006 improved financial oversight processes are being put in place to assure efficiency and compliance.

SBA, through its Office of Strategic Alliances, assists with strategic outreach to help fill entrepreneurial opportunity gaps. Examples include SBA's alliance with the National Urban League to assist entrepreneurs in urban areas and SBA's outreach to Native American communities to bring entrepreneur training to reservations. OSA anticipates 200 such public-private partnerships and 20 strategic alliance memoranda/economy acts in FY06 and FY07 that assist in achieving Long-Term Objective 2.3.

SBA Procurement Assistance

Performance Statement								
Program Level Procurement Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps.								
SBA Programs Output Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
Capital Access								
Surety Bonds								
	Bid Bonds Guaranteed (number)	N/A	N/A	N/A	N/A	931	1,382	1,382
	Final Bond Guaranteed (number)	N/A	N/A	N/A	N/A	530	777	777
Gov Contracting / Business Development								
HUBZone								
	Certification Actions	2,786	2,338	2,294	2,900	2,960	4,900	4,900
8(a) Program								
	Program Examinations Completed (number)	N/A	N/A	505	575	593	675	775
	Applications Processed (number)	N/A	N/A	N/A	N/A	3,980	4,000	4,100
	Applications Approved (number)	1,251	1,350	1,328	N/A	1,477	1,500	1,500
	Participants Serviced (number)	7,585	8,431	8,900	N/A	9,458	9,500	9,600
	Total Procurement Assistance Provided	10,371	10,769	11,194	2,900	12,948	15,177	15,277
SBA Intermediate Outcome Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
HUBZone								
	Capital Investment Increase (percentage)	N/A	N/A	N/A	N/A	3,230	3,387	3,556
8(a) Program								
	Jobs Created/Retained	N/A	N/A	150,000	157,500	191,000	200,550	210,578
	Small businesses still in business 3 years from date of exiting 8(a) program (percentage)	N/A	N/A	86%	70%	77%	77%	77%
SBA Program Outcome Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY2005 Actual	FY 2006 Goal	FY 2007 Goal
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance.								
Capital Access								
Surety Bonds								
	SCOGs assisted	N/A	N/A	N/A	N/A	530	777	777
Gov Contracting / Business Development								
HUBZone								
	SCOGs assisted	2,786	2,338	2,294	2,900	2,960	4,900	4,900
8(a) Program								
	SCOGs assisted	7,585	8,431	8,900	N/A	9,458	4,000	4,100
	Total SCOGs Assisted	10,371	10,769	11,194	2,900	12,948	9,677	9,777

Performance Statement								
Program Level Procurement Assistance								
Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.								
Long Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps.								
SBA Programs Cost Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY2005 Actual	FY 2006 Estimate	FY 2007 Estimate	
Capital Access								
Surety Bond	Total Cost (\$000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Surety Bond	Total Program Cost (\$000)	N/A	N/A	N/A	N/A	\$1,540	1,545	2,015
	Cost per Bid Surety Bond	N/A	N/A	N/A	N/A	\$1,654	\$1,118	\$1,458
	Cost per Final Surety Bond (\$)	N/A	N/A	N/A	N/A	\$2,906	\$1,989	\$2,593
	Total Capital Access Cost (\$000)	N/A	N/A	N/A	N/A	\$1,540	\$1,545	\$2,015
Gov Contracting / Business Development								
HUBZone	Total Program Cost (\$000)	\$6,539	\$5,648	\$6,825	\$7,849	\$7,769	7,304	9,077
	Cost Per Certification Action (\$)	\$2,347	\$2,416	\$2,975	\$2,707	\$2,625	1,491	1,852
8(a) Program	Total Program Cost (\$000)	\$42,434	\$33,375	\$34,945	\$32,176	\$31,387	29,053	33,471
	Cost Per Participant Served (\$)	\$5,594	\$3,959	\$3,926	N/A	\$3,319	\$3,058	\$3,487
	Total Gov Contracting /Bus Dev Cost (\$000)	\$48,973	\$39,023	\$41,769	\$40,025	\$39,156	\$3,058	\$3,487
	Total Procurement Cost (\$000)	\$48,973	\$39,023	\$41,769	\$40,025	\$40,696	\$36,357	\$42,548

Through the Office of Surety Bond Guarantees (OSG), SBA will provide bonding assistance to groups within the special competitive opportunity gap population by issuing surety bond guarantees. The actual goals are 2,159 bond guarantees each year both in FY2006 and in FY2007, resulting in \$147 million in contract revenue and creating 1,266 jobs each year.

To achieve these goals, SBA will continue to seek increased nationwide program visibility, making the program accessible to more small contractors. SBA has developed an extensive Marketing Plan for the SBG program, which is designed to increase program participation by reaching more small businesses and sureties through strategic partnerships, direct marketing, and outreach activities. Although the plan is designed to reach small contractors nationwide, it places special emphasis on minority-owned businesses and businesses located in underserved communities.

SBA will strive to increase the number of bond guarantees for 8(a) firms and for women-owned firms each year for fiscal years 2006 and 2007. The OSB Marketing Plan includes activity with the Office of Government Contracting, 8(a) Program, and the Office of Women's Business Ownership to target to these specific groups. Efforts will include OSB participation in seminars, workshops, taskforces, business matchmaking events, and implementation of a mass mailing campaign to provide program literature to increase program awareness.

Additionally, to improve customer service and program efficiency, SBA intends to implement an electronic web-based application process. This system will significantly improve program efficiency by reducing processing time. Implementation of the Marketing Plan will help to attract new sureties to the program, and to reach all segments of the contracting community.

During FY 2006 and FY 2007, the SBA will provide contracting opportunities to firms located in distressed communities through the HUBZone Program.

SBA will particularly target marketing, outreach, and training efforts toward communities attaining geographical eligibility through enactment of the Small Business and Manufacturing

Assistance Act of 2004 and otherwise through economic change. Among other things, the statute expanded program eligibility of rural communities based on high unemployment, and made areas affected by base closures and relocations eligible. Through collaboration with these newly eligible communities, SBA will encourage broader use of the HUBZone Program as an economic development tool – a means of securing contracting opportunities that will support job growth and capital investment in specific communities. SBA will have a marketing campaign and materials professionally developed and will implement the campaign, first in areas affected by base closures and relocations, second in the 100 most distressed urban areas; and third, in the balance of the United States and territorial possessions. By encouraging firms to secure eligibility for procurement preferences, SBA will increase the likelihood that revenues and profits will flow to such firms, yielding increases in employment and capital investment. In turn, this will significantly increase successful small business ownership within segments of society facing competitive opportunity gaps – distressed urban and rural communities.

During FY 2006 and FY 2007, the HUBZone Program will work toward more seamlessly integrating its electronic application processing with other GC & BD certification and case management systems. This effort will yield greater operating efficiency, and allow the HUBZone Program to maintain high levels of portfolio integrity and confidence within acquisition and economic development communities. Specifically, SBA will conduct a systematic cost benefit analysis of migrating the HUBZone System to the same software and platform as the 8(a)/Small Disadvantaged Business Electronic Application/8(a) Business Development System; and off-site hosting of the HUBZone System. Based on the outcome of this study, SBA will plan to commence the migration process beginning in FY 2007.

During FY 2006, the HUBZone Program will develop an automated medium to electronically scan the acquisition environment to identify opportunities in the planning stage that could be set-aside for HUBZone competition, before requirements are published in FedBizOps. This tool will conduct database market research, identify possible sources, and formally request that requirements be set-aside for HUBZone competition. This system will be launched on a pilot basis. SBA will evaluate the system's effectiveness, and if it meets expectations, SBA will modify it to encompass other procurement preference programs, and deploy it as part of the Electronic Procurement Center Representative (EPCR) initiative.

During FY 2005 SBA began capturing program impact data including firm revenues, employment, employment of HUBZone residents, and capital investment. In FY 2006, the program office will develop a sustainable analytical framework for interpretation of this data to assess program impact, and to identify opportunities for program improvement. Additionally, the office will prepare the first of a series of annual reports on effectiveness of the HUBZone program. This initiative is necessary to determine SBA effectiveness in promoting job growth and capital investment in distressed communities. The results of this effort will help fine-tune the HUBZone program to increase successful small business ownership within segments of society facing competitive opportunity gaps – distressed communities.

The 8(a) program FY 2006 – FY 2007 plans are described under Long-Term Objective 2.2. This is the LTO that focuses on SBA's assistance to existing small businesses.

Strategic Goal Three

Restore homes and businesses affected by disaster

The small business community is a major contributor to the Nation's economic security. In addition to macro and micro economic threats, natural disasters pose a significant threat to small businesses. To accelerate the disaster recovery process, the SBA provides low interest loans to homeowners, renters, non-profits, and businesses in the aftermath of disasters.

Long-term Objective 3.1

Help Restore homes and businesses affected by disasters.

FY 2005 Results

Financial Assistance

Natural disasters are just another problem that some small businesses have to face. However, the SBA offers specific programs and loans to help the small business "weather" the problems. The SBA's disaster loans help rebuild communities. The SBA doesn't just help the small businesses, but also their friends and neighbors—their customers. Disaster losses are unexpected and create financial hardships for most disaster victims. The SBA disaster loans make recovery possible through three factors: low interest rates, longer terms (up to 30 years), and refinancing, under certain circumstances.

The SBA disaster loans are a critical source of economic stimulation in disaster-ravaged communities and help spur employment and stabilize tax bases by protecting jobs. In FY 2005, the disaster program faced its toughest challenge in the history of the program. The year started with an unprecedented four consecutive hurricanes in Florida and ended with the largest natural disaster in the Nation's modern history—Hurricane Katrina—followed closely by Hurricane Rita. In response, the SBA approved more than \$2.1 billion in disaster loans to about 64,500 residents and business owners in the disaster areas during FY 2005 and has dramatically expanded its operations in preparation for making even more loans in FY 2006.

In response to Hurricanes Katrina and Rita, the Agency had more than 3,000 employees working to assist the survivors of Hurricane Katrina in Louisiana, Alabama and Mississippi, and continued to hire additional staff to respond Hurricane Rita to meet the anticipated demand for the SBA loans. As of January 31, 2006, the SBA had approved \$3.69 billion in disaster loans to 52,721 individuals and businesses in the Gulf Region. Of those, \$2.86 billion in disaster loans had been approved for 42,530 homeowners and renters in the region. In addition, 7,999 Business Physical Disaster loans had been approved for a total of \$706 million and 2,192 Economic Injury Disaster Loans had been approved for a total of \$126 million. The SBA is also working with Agency's partners to assist Hurricane Katrina and Rita recovery and relief efforts. The SBA has authorized certain Small Business Development Centers from outside the disaster area to allow their counselors to aid small businesses in the disaster areas. The SBDC in Mississippi has opened an emergency information center on the campus of the University of Mississippi in Oxford and mobilized five recreational vehicles to serve as mobile offices. The SCORE program has approximately 44 online volunteer counselors with expertise in disaster recovery to advise small businesses, and the SBA has met with the Red Cross and more than 40 trade groups and businesses to share information on Hurricane Katrina relief efforts.

A major FY 2005 focus of the SBA was transforming the organizational structure of Office of Disaster Assistance Headquarters and field offices. Prior to Hurricanes Katrina and Rita, transformation was scheduled to be completed during calendar year 2006. However, the SBA accelerated the completion schedule and is currently operating in four geographical locations (Buffalo, NY, Atlanta, GA, Fort Worth, TX, and Sacramento, CA), but is doing so in ways that take full advantage of the SBA's new Disaster Credit Management System (DCMS) technology, the existing infrastructure in each location, and the human capital resources available nationwide.

FY 2006 and FY 2007 Planned Performance

Performance Statement Agency-Level Assistance							
Strategic Goal 3. Restore Homes and Businesses Affected by Disaster.							
Long Term Objective 3.1: Restoration-Help Restore Homes and Businesses Affected by Disaster							
SBA Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
3.1.1 Percentage of businesses sustaining economic injury that remain operational 6 months after final disbursement.	N/A	N/A	95.0%	76.0%	93.0%	77.0%	78.0%
3.1.2 Percentage of businesses sustaining physical damage restored within 6 months after final disbursement.	N/A	N/A	74.0%	55.0%	72.0%	60.0%	65.0%
3.1.3 Percentage of homeowners restoring their homes within 6 months of final disbursement	N/A	N/A	77.0%	73.0%	75.0%	77.0%	81.0%
3.1.4 Percentage of renters restored within 6 months after final disbursement.	N/A	N/A	85.0%	82.0%	70.0%	84.0%	86.0%
3.1.5 Customer satisfaction rate	N/A	N/A	67.0%	70.5%	66.0%	71.0%	71.5%
SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal
Total Applications Processed	88,837	102,278	104,518	N/A	153,072	N/A	N/A
Total Receiving Financial Assistance	21,829	25,856	28,510	N/A	62,075	N/A	N/A
SBA Cost	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Total Disaster Assistance Cost (\$000)	\$ 346,723	\$ 270,377	\$ 216,313	\$ 480,106	\$ 424,748	262,243	245,309

Performance Statement Program-Level Assistance Strategic Goal 3. Restore Homes and Businesses Affected by Disaster. Long Term Objective 3.1: Restoration-Help Restore Homes and Businesses Affected by Disaster									
SBA Programs Output Measures		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2006 Goal	FY 2007 Goal	
Disaster Assistance	Applications processed	88,837	102,278	104,518	N/A	153,072	N/A	N/A	
	Number of original loans approved	21,829	25,856	28,510	N/A	62,075	N/A	N/A	
	Number of Loans Funded	18,584	21,170	22,264	N/A	41,651	N/A	N/A	
	Value of loans approved (\$ millions)	1,338	885	884	N/A	2,279	N/A	N/A	
	Percentage of disasters having field presence within 3 days	99.0%	100.0%	100.0%	95.0%	100.0%	N/A	N/A	
	Percentage of loans with initial disbursements within 5 days of loan closing	96.0%	98.9%	99.0%	95.0%	97.0%	95.0%	95.0%	
	Time to process 85% of home applications (days)	N/A	N/A	11	16	25	14	12	
	Time to process 85% of business physical applications (days)	N/A	N/A	14	19	35	18	17	
	Time to process 85% of EIDL applications (days)	N/A	N/A	13	19	24	18	17	
	Achieve & maintain 100% training of ODA staff as related to hazard mitigation.	N/A	N/A	100.0%	100%	100.0%	100%	100%	
	Increase the number of loans containing disaster prevention measures (mitigation)	N/A	N/A	230	279	545	295	312	
	Total Receiving Financial Assistance		18,584	21,170	22,264	N/A	41,651	N/A	N/A
	SBA Programs Cost		FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
	Disaster Assistance	Total Program Cost (\$000)	\$ 346,723	\$ 270,377	\$ 216,313	\$ 480,106	\$ 424,748	\$ 1,163,367	\$ 250,330
Disaster Loan Making		\$ 311,424	\$ 236,640	\$ 190,829	\$ 449,833	\$ 393,956	\$ 1,118,200	\$ 210,055	
Administrative Cost (\$000)		\$ 94,369	\$ 118,345	\$ 112,244	\$ 211,749	\$ 230,456	\$ 446,660	\$ 91,435	
Subsidy Cost (\$000)		\$ 217,055	\$ 118,295	\$ 78,585	\$ 238,084	\$ 163,500	\$ 671,540	\$ 118,620	
Cost per Application Processed		\$ 3,506	\$ 2,314	\$ 1,826	N/A	\$ 2,574	N/A	N/A	
Cost Per Loan Funded		\$ 16,758	\$ 11,178	\$ 8,571	N/A	\$ 9,459	N/A	N/A	
Disaster Loan Servicing		\$ 35,299	\$ 33,737	\$ 25,484	\$ 30,273	\$ 30,792	\$ 45,167	\$ 40,275	
Administrative Cost (\$000)		\$ 26,495	\$ 31,093	\$ 24,649	\$ 30,273	\$ 30,792	\$ 45,167	\$ 40,275	

SBA operates a direct loan program to assist victims of physical disasters and supports the servicing and collection of these loans after they have been made. On average, The Agency makes disaster loans totaling approximately \$1 billion each year and has an active portfolio of

about \$4 billion. So far this year, disaster loan activity has more than doubled previous years with a total of 52,271 loans being approved for approximately \$3.69 billion. A significant portion of this year's activity resulted from multiple Hurricane disaster declarations in Florida (an unprecedented natural disaster event) which occurred at the end of FY 2004 and beginning of FY 2005.

The disaster loan program is the only form of SBA assistance not limited to small businesses. SBA's disaster loans help homeowners, renters, businesses of all sizes and nonprofit organizations fund rebuilding and recovery efforts. We do this by meeting or exceeding our GPRA goals (the outcome measures), which focus on restoration of property and assisting businesses to return to operations as quickly as possible.

We have implemented the new Disaster Credit Management System (DCMS) loan processing system. Proper and effective utilization of the system will help SBA reach and exceed all of its programmatic and production goals by making the loan making process more efficient and customer focused for FY 2006, 2007 and beyond. The DCMS changes the type of Information Technology systems used by SBA, as well as streamlines procedures for both processing and closing Disaster Loans. The DCMS will also allow SBA faster retrieval of duplication of benefit information from FEMA. It will also allow disaster loans to be processed and closed from virtually any location in the United States, thereby reducing travel costs. It will allow SBA to meet its outcome and performance goals more quickly while using fewer resources.

In addition, Transformation and Competitive Sourcing, two of SBA's primary initiatives were implemented in FY 2005. SBA's Transformation focused on a new organizational structure across the country utilizing new technology (DCMS) and saving resources nationwide. SBA's efforts in Competitive Sourcing were successful with the selection of the Most Efficient Organization (MEO) at the conclusion of the A-76 process.

SBA through the Office of Strategic Alliance has partnered with the Office of Disaster Assistance to pursue public-private alliances which assist in SBA's mission to help home owners and businesses recover from disaster. Cosponsored activities with insurance companies like Nationwide and The Hartford provide small businesses information through additional channels SBA may not be able to reach on its own. SBA also works with these partners to provide proactive disaster-prevention materials to local communities. OSA anticipates 200 such public-private partnerships in FY 2006 and FY 2007 that assist in achieving this Long-Term Objective.

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.

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

Long-Term Objective 4.1

The 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.

FY 2005 Results

OGC represents the Agency in formal court actions and administrative proceedings that involve suits filed by participants in the Agency's loan programs, employment and labor litigation, and implementation of SBA's procurement/contracting programs, among others. A few of OGC's successes in this area were:

- Prevailed in 15 formal, personnel-related matters relating to the Agency's transformation efforts.
- Obtained receivership orders for 11 SBICs with over \$394 million in outstanding participating securities leverage and \$31,238,000 in outstanding debenture leverage.
- Received favorable rulings in administrative forums that (i) SBA, not the procuring agency, has the exclusive authority to determine whether an SDB is eligible for the SDB Price Evaluation Adjustment; and (ii) the validity of a size standard for a particular industry may not be challenged in a size protest or size appeal.

FY 2006 and 2007 Planned Performance

Office of Communications and Public Liaison

SBA, through the Office of Communications and Public Liaison (OCPL), will use the Web and other online capabilities to enhance its press and marketing functions. Additional efficiencies will also be realized by closely aligning collateral materials and marketing pieces with online resources. OCPL will accomplish the following:

1. Increase visitors to the SBA Web site by 10 percent.
2. Produce a monthly agency electronic publication.
3. Produce three audiovisual messages from the administrator to internal and external audiences.

Office of Hearings and Appeals

SBA, through the Office of Hearings and Appeals (OHA), expects to achieve the following goals in FY 2006 and FY 2007 in the area of Freedom of Information Act and the Privacy Act (FOIA/PA):

- **Expand the use of the OHA/FOIA website**
The OHA/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, public information literacy grows, and as government continues to develop its online services capabilities and personnel. OHA will continue to revise the website making incremental changes throughout FY 2006-2007, while planning for periodic major revisions. Through this process OHA will tune existing features, incorporate selected new features, and revise existing features in a scheduled redesign, if appropriate.
- **Develop and Publish FOIA Annual Report**
OHA will prepare a Freedom of Information Act (FOIA) Report. This report covers the preceding fiscal year and includes Agency-wide statistics of FOIA and Privacy Act request and appeal activities such as: the number of determinations made by the Agency not to comply with requests for records and the reasons for each determination; the number of appeals, the result of such appeals, and the reason for the denial of withheld information; 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; the number of requests received by the Agency and the number processed; the median number of days taken to process requests; the total amount of fees collected; the number of staff; and the total amount expended by the Agency for FOIA processing.
- **FOIA Training for Managers**
In FY07, OHA will conduct a seminar that 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.

In addition, SBA will develop and publish a sample 8(a) Eligibility Appeal Format with plain English instructions that can be posted on the OHA web page and provided to firms that have been denied admission into 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. In addition, it will expedite 8(a) appeals. This sample appeal format is geared for FY 2006.

Furthermore, OHA will sponsor a roundtable session with the major veterans' organizations and Federal Agency representatives to discuss the Service-Disabled Veteran –Owned Small Business Concern (SDVO) Program, including implementation of program regulations and

policies, program benefits, recent case law, and strategies for increasing SDVO business opportunities.

OFFICE OF POLICY AND PLANNING

SBA, through the Office of Policy and Planning, will continue to build on its accomplishments in FY 2005 into the future years by concentrating on integrating the Agency priorities in programs and services, and assisting in ensuring efficient and effective Agency management and providing Small Business Policy Guidance to the Agency stakeholders.

OFFICE OF GENERAL COUNSEL

The Office of General Counsel (OGC) will continue to facilitate the SBA's accomplishment of long term objective by providing legal guidance on all of the Agency's programs, initiatives and day-to-day administrative functions. OGC will:

- Provide the legal support necessary to defend the Agency against all legal actions as well as proactively represent the Agency in all legal matters.
- Lead or assist on projects that implement the President's Management Agenda or that otherwise advance the needs of small businesses.
- Provide the training necessary to ensure that legal staff obtains the skills and competencies required to provide the Agency with sound timely advice and representation.
- Assist program offices with their competitive sourcing efforts to ensure compliance with applicable laws, regulations and Executive Orders.

Long-Term Objective 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.

FY 2005 Results

SBA, through the Office of Human Capital Management (OHCM), develops and provides innovative human capital strategies. The OHCM advises the SBA management with respect to selecting, developing and managing a high-quality, productive workforce. OHCM develops policies, procedures and standards to strengthen and improve the Agency's human resources program in the areas of workforce planning and restructuring; employment; compensation and benefits; employee and labor relations; employee development; work/life programs; executive resources; leadership development; and succession planning. This office ensures the implementation, coordination and management of activities that affect Agency employees are aligned with crosscutting initiatives such as the President's Management Agenda and the SBA's strategic plan.

Objective 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.

Besides its progress in the area of transformation, SBA also made progress in the area of PMA. In the fourth quarter of FY 2005, OHCM submitted its proposal to OPM. After OPM's review, the rating on Current Status remained the same; however, in FY 2005 the standards on optimizing the organizational structure, improving diversity, and reducing the time to hire were upgraded from Yellow to Green.

In FY 2005, OHCM collaborated with Agency senior management, rank and file employees, bargaining unit representatives, contractors, consultants, and its Federal human capital partners to assess, design, implement, analyze, evaluate, monitor, revise and improve SBA's management of its human capital to implement SBA's transformation strategy and initiative. OHCM began its internal realignment process to ensure that its operations are better integrated into SBA's strategic plan. Besides its continued progress in the area of transformation, SBA also made progress in its efforts to improve its PMA Human Capital Initiative Rating. The Agency was successful in obtaining 2005 SES provisional certification. OHCM integrated the SBA Comprehensive Transformation Strategy to its Human Capital Plan. SBA established a Workforce Transformation Task group that led the effort to develop, communicate, and implement SBA's Human Capital and Transformation Strategy plans. SBA developed a leadership training plan. SBA evaluated its competency assessment tool for mission-critical occupations and capitalized on the opportunity to further improve its assessment tool. In this vein, SBA contracted with consultants to improve the competency assessment tool for mission-critical occupations. SBA conducted an IT Skills gap analysis and self-assessment survey for SBA's information technology employees and developed an action plan/strategy to close critical IT mission supported competency gaps identified. SBA's collaborative efforts with OPM to develop an action plan to improve the hiring process resulted in SBA implementing a 30/45 day recruitment model that produced immediate efficiencies by decreasing the "time to hire." In the fourth quarter of FY 2005, OHCM submitted its "Green Book" proposal to OPM. After OPM's review, the rating on Current Status remained the same; however, the standards on optimizing

the organizational structure, improving diversity, and reducing the time to hire were upgraded from Yellow to Green.

The goals set by EEO&CRC are in alignment with the Agency's FY 2005 Strategic Plan and the PMA E-Government and competitive sourcing initiatives. Our goals include continued enhancement and continual evaluation of methods to increase and ensure:

1. Diversity based on merit by recruiting, sustaining and effectively deploying a skilled, knowledgeable, diverse and high performing workforce and executive staff in compliance with the law and regulations; and
2. Ensure nondiscrimination of SBA employees/applicants for employment by implementing and continually assessing all parts of the informal and formal Equal Employment Opportunity complaint program to include Alternative Dispute Resolutions through mediation, informal counseling and production of timely and accurate investigations and Agency Decision in compliance with the law and regulations.

During FY 2005, the Office of Equal Employment Opportunity and Civil Rights Compliance (EEO&CRC) met all of its goals in support of the Agency's Strategic Plan and the President's Management Agenda. The following are the key accomplishments for FY 2005.

Developed, implemented, and delivered EEO training which provided comprehensive information and interactive instruction to Agency employees, managers, and others regarding all aspects of the Federal EEO process and the applicable regulations and laws. Added online computer-based instruction to SBA's training program which provided a cost-effective means of reaching all stakeholders and ensuring accessible training wherever and whenever needed.

Objective 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%.

In FY 2005, SBA through OHCM made significant process in the Agency's efforts on transformation. First, OHCM established a workforce transformation group that led the effort in developing, implementing and communicating a transformation strategy to all employees. Second, it developed and implemented an analysis tool for all reorganization proposals and reengineered the Compensation and Benefits Committee process to implement the Administrator's Transformation Strategy. Third, it developed a process to evaluate the Headquarters organizational structure to ensure optimization in addressing future staffing challenges. Furthermore, to facilitate the field transformation process, it developed and implemented new standardized position descriptions for Business Development Specialists, Lender Relationships Specialists, and Program Support Assistants.

The results of the 2004 Federal Human Capital Survey revealed that, overall, 59% of SBA's employees who responded were satisfied with their job. The overall government-wide job satisfaction response was 67.5%. It is noted that SBA had the highest survey participation rate government-wide (74%). However, to improve SBA as a "better place to work," and to move SBA from "Good to Great" the Administrator will be hosting "town hall meetings" on a regular basis. The first of a series of meetings was held on October 26, 2005. The Administrator answered many questions; however the core questions asked by employees were in the areas of training, job security, and job performance. The national and local union presidents were invited and they participated in the discussions. Because of time constraints, the Administrator

could not answer all questions that were sent via e-mail at the meeting; those questions and answers will be posted on the Agency's web page.

To further improve management's communications with the staff, the offices of Human Capital Management and Communications and Public Liaison devised a communications strategy as part of SBA News letter which includes a section on human capital initiatives; as well as the development and distribution of the OHCM's "Frontline" quarterly newsletter. In FY 2005, we began to realize changes in the effectiveness of the employee recruitment process by improving the distribution and formatting of Agency job vacancies, annual increases in the number of employees receiving training and increased opportunities for on employees' health benefits.

Objective 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% each year.

In another area of employee training, SBA completed the Gap Analysis Assessment for all employees in mission-critical and information technology occupations and implemented individual development plans for employees in the mission-critical occupations that showed a gap in job-critical skills.

In an effort to meet the challenges and to adhere to the President's Management Agenda and SBA's strategic goal to recruit, sustain and effectively deploy a skilled, knowledgeable, diverse and high performing workforce and executive cadre capable of executing high-quality programs and activities that meet the current and emerging needs of its customers, OHCM devised a training strategy to address the training needs of all SBA employees. OHCM completed the training strategy's first step, which included the development of a two-tier training survey to benchmark training needs for all managers, supervisors, as well as rank and file employees and transmit its recommendations to SBA's senior management. The second step will include an assessment of the Agency's employees training needs and the delivery system to improve competencies.

FY 2006 and 2007 Planned Performance

For SBA to obtain Green on Current Status on the PMA by Q3 of FY 2006, OHCM will continue to improve its progress in three remaining areas: Succession Planning, Skill Gap Narrowing, and the Human Capital Accountability System. OHCM drafted a formal leadership succession plan that will be submitted to OPM for approval by the end of the first quarter of FY 2006. To mitigate the skills gap, OHCM recently completed an online training needs assessment for all the managers and supervisors that focused on improving leadership and management skills. In the near future, a similar assessment will be given to all SBA employees. Finally, as part of the PMA Human Capital Initiative, OHCM is currently working with OPM to develop a plan for conducting accountability activities for FY 2006. In support of SBA's mission, during FY 2006 and FY 2007, OHCM will:

- Increase diversity awareness by conducting a "Leading Diversity" workshop;
- Assess performance against the OPM 30/45 day hiring model;
- Review and update recruitment plans for mission critical occupations;
- Reengineer the recruitment process to improve SBA transformation and succession planning.

- Continue to align human capital management to support the Agency's Strategic Plan, Transformation and Human Capital plans;
- Implement a succession plan that includes sharpening current employees' professional development and leadership potential. This will be accomplished in part by conducting an assessment of the SBA Mentoring program. OHCM implementation of the Agency's succession plan also requires increasing our recruiting efforts through an extensive college recruitment and outreach program, i.e., Presidential Management Fellows program, and Thurgood Marshall Program. The succession plan will also require designing and implementing a knowledge management system that will provide management data for continued employee professional development. To ensure that the succession plan is an effective tool to develop Agency employees' competencies, leadership skills, and meets future training needs, OHCM will evaluate current employees' usage of USALearning System and continue to conduct assessment and revision of staff's training needs and determine best delivery systems, training modules and packages, and leadership development strategies to improve competencies for SBA's current and future managers and employees; as well as establish an SBA Learning and Development Center;
- Conduct a SBA specific Human Capital survey;
- Maintain Green in "Progress status" on the PMA Human Capital Initiatives;
- Continue revising SBA's Human Capital Plan to reflect changes over past two years;
- Conduct human capital training for managers on core human capital competencies;
- Conduct survey to evaluate competency gaps for mission critical positions;
- Renegotiate the master agreement and conduct bargaining agreement contract training for all managers;
- Review and revise all SOP's relating to Human Capital;
- Obtain full authorization for the SES Performance Management System;
- Continue efforts to improve human capital management by conducting cost benefits analysis, alternatives analysis and other research to begin planning to implement the Electronic Human Resources Information/Electronic Official Personnel Folder (EHRI/eOPF), and an automated position classification, recruitment and personnel staffing systems;
- Coordinate the activities of the Strategic Transformation Review Board to optimize and integrate strategic human capital management into the Agency's strategic planning process to provide the most economical and effective use of SBA's human capital resources;
- Assist SBA's program offices by reviewing and advising program offices' organizational structure for optimizing mission required staffing levels, efficiency of operations, position management; as well as creating office-specific human capital planning strategies to restructure offices to ensure they have the proper mix of human capital talents and resources to support and sustain SBA in accomplishing its mission; and
- Procure a vendor to help improve and measure gap-narrowing in FY 2006;

The goals set by EEO&CRC are in alignment with the Agency's FY 2005 Strategic Plan and the PMA E-Government and competitive sourcing initiatives. Our goals include continued enhancement and continual evaluation of methods to increase and ensure:

- Diversity based on merit by recruiting, sustaining and effectively deploying a skilled, knowledgeable, diverse and high performing workforce and executive staff in compliance with the law and regulations; and
- Ensure nondiscrimination of SBA employees/applicants for employment by implementing and continually assessing all parts of the informal and formal Equal Employment Opportunity complaint program to include Alternative Dispute Resolutions through

mediation, informal counseling and production of timely and accurate investigations and Agency Decision in compliance with the law and regulations.

Long-Term Objective 4.3

FY 2005 Results

During the year, the Agency completed actions to address all of the issues raised by the external auditor in the FY 2004 financial audit. This and other efforts resulted in an unqualified audit opinion in FY 2005 and the elimination of the designation of credit subsidy modeling as an area of material weakness. This marks the Agency's achievement of two significant objectives and puts the Agency in a strong position to move forward towards removing the remaining material internal control weakness—financial reporting. These results are a major achievement for the Agency and the Agency will build upon it to fulfill its mission effectively.

In FY 2005, the SBA continued to implement its Loan and Lender Monitoring System (L/LMS) by developing and testing Lender Risk Ratings, allowing the SBA to monitor its over 5,000 7 (a) and 504 lenders off-site on a quarterly basis and providing an important internal financial management internal control. In addition, the continued use of the Portfolio Analysis Committee provides a forum to present and discuss 7(a) and 504 portfolio performance trends among senior management, based on monthly loan portfolio reports. The introduction of the Lender Oversight Committee adds another important control in overseeing, evaluating and managing the SBA's lender partners. The Lender Oversight Committee is composed of executive management that provides guidance and directions on oversight activities and accountability of 7(a) and 504 lenders.

FY 2006 and FY 2007 Planned Performance

The SBA will continue building on its improvements in financial reporting, subsidy modeling, internal controls, and data quality in FY 2006 and FY 2007. SBA will also continue to improve on the quality of our financial management while meeting the accelerated financial statement deadlines. This is SBA's highest priority in the financial arena.

Following the substantial improvement in our FY 2005 audit results through the achievement of an "unqualified" opinion and the elimination of the material weakness on credit subsidy cost determination, the SBA is now focused on the remaining material weakness on financial reporting and identifying other opportunities for improvement. Achievement of a "Green" for the Financial Management PMA is a top SBA priority.

During FY 2006 and FY 2007, a key area of focus for SBA will be expanding the use of financial data for daily operations and management decision making. In addition, SBA plans to move forward in the modernization of its loan accounting system. This project will result in more accessible, higher quality data for use in analysis and operations.

During FY 2006 and FY 2007, SBA will continue using the six major subsidy models that have been developed for estimating the credit program costs for the budget and financial statements. All of these models have been reengineered and significantly improved in the past three years. For the next several years, SBA anticipates the models will require only ongoing maintenance and minor enhancements. The modeling team will continue improving its analytical and diagnostic tools.

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

- Executive Scorecard: OCFO plans to ensure that the Scorecard maintains the goals established annually in the Performance Plan. 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 periodic basis, in order to make any corrective action (budget or otherwise) to ensure that goals can be met.

- Budgeting and Planning: SBA will use performance information to inform all major budget activities. This will allow the Agency to allocate resources to successful programs, or to allocate them to programs that need assistance in achieving their results.
- 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 our programs. In the coming years SBA will also focus on stabilizing the activities on the survey to ensure improved comparability of efficiency measures from year to year. In addition, SBA will use its marginal cost methodology for at least one program in each major program area in making budget decisions and requests.
- Performance and Accountability: OCFO will increase the focus of performance and budget integration on SBA's support offices and their contribution to the success of the programmatic offices and to the efficient management of the Agency. Additionally, OCFO will identify methods to improve performance/cost data availability for supporting performance management.
- Training: SBA will continue to establish training and develop training for performance measures and performance management for both program and administrative managers.
- Performance Internal Controls: OCFO will review and update existing guidance for performance internal controls.
- Performance Outputs and Outcomes: OCFO will continue to improve the measurement of its outputs and outcomes to ensure timely reporting of accomplishments. This will include improved verification and validation of the data, as well as methodologies for estimates for end of year data. This is required because of the very quick turnaround time for the PAR after the end of the fiscal year.

Additionally, we will continue to use and train program managers in use of the "Validation of Data Used in Performance Measure" for each performance indicator. The data validation represents an opportunity for managers to more formally evaluate the validity, accuracy and completeness of their data. As part of this table, they are being asked to explain for each performance indicator its connection with the outcome(s) it helps to achieve.

- Program Evaluations: The Agency plans to continue conducting independent evaluations of its programs every year. The focus of these evaluations will be to continue to validate the Agency's economic impact in the community. SBA will continue studies such as surveys, which must be done on multiple years to be able to track the effect of the programs on the small business population. Additionally, the evaluation program will be expanded to include programs that were not included originally.

The SBA will review the results of the newly implemented 7(a) quality assurance program and make needed improvements. A target for improved results in FY 2006 and FY 2007 will be established for 7(a) payments. Improper Payments will be included in the SBA's initiative to

improve its internal control over financial management under the new OMB A-123 requirements. This will enhance the risk analysis, controls and monitoring of Improper Payment results. The SBA's objective is to "get to Green" on the OMB's report of agency improper payment status. The rate of Improper Payment in the Disaster program is below the threshold established by OMB, and the SBA will petition OMB for an exemption from its reporting requirements for the Disaster program. In FY 2007 improved results are planned for 7(a) improper payments and the Herndon quality assurance program will achieve improved results as part of this effort. Agency improper payments controls will be enhanced with the improvement in its internal control over financial activities.

- SBA has developed a lender risk rating system that will be implemented by a Federal Register Notice. As part of the Loan and Lender Monitoring System (L/LMS), the lender risk rating system is a quarterly rating calculated and assigned to lenders based on past performance and expected future performance as determined by credit scores. The lender risk rating system, allows OLO to review all SBA lenders quarterly and track improving and declining trends. It is a key component in efficiently evaluating and monitoring individual lender performance on a regular basis. Small lenders are exclusively overseen by off-site reviews using this methodology, and it also allows OLO to monitor large lenders between on-site reviews
- To further implement OLO's oversight structure, the Lender Portal was developed as part of L/LMS in August 2005. The lender Portal will allow lenders to view their own risk rating and performance metrics, and to compare them to peer and portfolio averages. SBA employees will also be able to monitor lenders through this system.

Long-Term Objective 4.4

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

FY 2005 Results

In FY 2005, SBA increased and improved the provision of information and service to small businesses via the Internet, most notably through completion of E-Tran (electronic loan application), improvements to the www.sba.gov Website, the launch of the first phase of the Business Gateway (www.business.gov), implementation of an online 8(a) eligibility and certification application, and expanded distance learning through the Small Business Training Network.

In FY 2005, SBA's Office of Chief Information Officer made progress in securing and managing the Agency's IT systems by certifying and accrediting all major systems, ensuring that SBA's partners and customers can safely conduct electronic transactions with SBA. The Agency's OCIO also began collecting earned-value management project data on systems in development to ensure they remained within strict cost and schedule targets. In addition SBA, through OCIO, focused on maintaining SBA's Green ratings on President's Management Agenda Scorecard for E-Government and implemented new features and capabilities on the www.business.gov site as part of the Business Gateway Initiative.

SBA, through the OCIO, also developed an Agency-wide IT performance measurement framework and reporting model, consisting of two SBA IT portfolio "dashboards." It also improved the Agency's IT security program and strengthened internal security policies and processes. The Agency increased technology standardization and the reliability of the Agency's IT infrastructure and networks, institutionalized the roles and structure of the Agency's IT investment decision - making bodies, and achieved better alignment between IT and the Agency's Strategic Plan.

FY 2006 and FY 2007 Planned Performance

SBA investments in information technology proposed for FY 2007 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;
- Content management, business "compliance assistance," improved search capability, and workflow – supported electronic forms catalog for Business Gateway;
- Award and regular monitoring of multi-year performance – based contracts for essential IT operations support;
- Annual IT assets provisioning plan with scheduled migration to next generation of standard office automation hardware and software; and
- IT support for continued Agency-level transformation efforts.

In FYs 2006 and 2007, the Office of the Chief Information Officer (OCIO) will continue to focus on the Agency's implementation of the President's Management Agenda for expanded E-Government; increasing the security of Agency systems and information by eliminating or remediating security vulnerabilities; continuing Agency-wide technology standardization; and

modernizing the Agency's technology infrastructure to improve the reliability and availability of Agency data, systems and technology tools.

Increased costs for software licensing, maintenance, and development work provides returns to SBA in the form of modern IT applications, platforms, and solutions.

E-Government initiatives, renewed hosting of mainframe – based applications, and migration to SBA's Enterprise Architecture are other drivers underlying increased funding levels

- Higher funding for E-Government initiatives (e-Authentication and e-Travel) will provide the necessary resources for SBA to support the Agency's implementation activities in support of the President's Management Agenda (PMA).
- One time increases in mainframe data center migration costs, through a new outsourcing contract, will result in savings to the agency in subsequent years. This will also ensure that audit findings and security issues linked to current mainframe operations are addressed and eventually resolved through compliance with the SBA Enterprise Architecture.
- The increase in web application support costs reflects the effort to standardize all SBA employee and partner systems on a Web-based platform as specified in the Enterprise Architecture. These increases are partially offset by reductions in legacy systems client/server expenses but mainly reflect the Agency goal of utilizing technology for improved efficiencies in supporting SBA's program areas.

By developing an inventory of systems developed in common languages, through rapid application tools and reusable component libraries, and by moving away from obsolete hardware, operating systems, and technology, SBA will be well positioned to meet the increasing IT infrastructure demands of the Agency.

4.4.1. Complete the agency enterprise architecture aligning agency programs and systems.

SBA used FY 2005 planning activities to prepare for the FY 2006 and 2007 maturation and automation of the Agency Modernization Blueprint (Enterprise Architecture).

In order to continue to mature the Agency's EA and convert it into a tool that can be used to manage the IT portfolio and measure technical standardization, SBA will migrate the EA framework from a series of paper-based framework diagrams and text to a searchable, interactive online framework—known as a “model-based Enterprise Architecture.” Related and key goals during the maturation (updating) and modernization of the Agency EA during FYs 2006 and 2007 include:

- Incorporating the new government-wide E-Gov “Line of Business” initiatives into the EA model;
- Expanding the use of the EA model as a management decision-making tool;
- Institutionalize the uses of the EA model to identify performance gaps, identify opportunities to remove redundant, obsolete, or duplicative processes and systems; and
- Ensuring the alignment of SBA's IT Strategic Plan, E-Government Plan, IT Security Plan and IT Infrastructure Modernization Plan with the Agency EA Modernization Blueprint.

4.4.2. By FY 2008, standardize IT portfolio selection, control and evaluation processes and develop performance metrics to implement and gauge the progress of investments and their contribution to program outcomes.

SBA through the Office of Chief Information Officer (OCIO) plans to implement new business and service models for the Agency's IT user support Help Desk and network operations, based on new performance-based contracts and continual refinement of the Agency's IT management and CPIC practices.

During 2006, SBA will complete the migration of the Agency's General Log-On System to the Government-wide E-Authentication technical solution. In FY 2007, SBA will begin using and maintaining the E-Authentication capabilities that have been implemented across the Agency.

In FY 2006 and FY 2007, SBA intends to achieve more complete integration of IT management practices and tools and increased discipline in the Agency's IT management and CPIC processes. Over the course of these two fiscal years the documentation, updating, and dissemination of Agency CPIC tools, policies and requirements will ensure that SBA IT investments will reliably be delivered within cost, schedule and performance targets. SBA's efforts in CPIC and EA will ensure that the Agency's management and leadership have visibility into the Agency's IT investments and how those investments are supporting SBA employees, increasing productivity, and supporting SBA external customers (our Nation's small businesses). Consequently, SBA's major goal in this area for FYs 2006 and 2007 is to unify, document, update, publish and disseminate Enterprise Architecture, systems development, IT project management and IT Capital Planning policies and tools.

In the area of CPIC and IT management, SBA will:

- Continue its refresh of the Agency's Capital Planning and Investment Control guidance;
- Provide Agency-wide training and briefings for SBA's executive managers and SBA's community of IT capital planning practitioners on federal capital planning requirements and on the range, capability, necessity and timing of each of the process tools available to them;
- Update the charter of the Technology Review Board; publish and disseminate related policy guidance;
- Update the Agency System Development Methodology;
- Conduct in-progress and post-implementation reviews of select major investments in the Agency's IT portfolio;
- Develop and publish a charter and policy guidance for the Business Technology Investment Advisory Committee; and
- Update the charter of the Business Technology Investment Council.

The overall 4.4.2 goal for FY 2006 and FY 2007 is to not only align and upgrade SBA applications and infrastructure to the Enterprise Architecture but also to bring modern technologies and efficiencies to key areas. System development and maintenance, security, web content, desktop and server software upgrades, messaging, and networking are a few of the areas where the Agency will continue to make improvements in its IT infrastructure and governance capabilities. Without significant investment in these areas, the Agency will fall behind the technology curve that provides for a secure, reliable, and maintainable common IT infrastructure. Information technology is a significant enabler for the Agency in meeting its goals, conducting business with its partners, and bringing efficiencies to the workplace.

Desktop hardware, software, and messaging (e-mail) upgrades will keep the Agency on current technology platforms that are fully supported by tri-annual software licensing agreements. The FY 2006 and FY 2007 period will mark 5 years since the last major upgrade occurred to these essential platforms. It is vital that funds be available for these core office automation systems which are used daily by virtually every SBA employee, contractor and client.

- An Agency-wide upgrade to Windows XP, or the most current version of Microsoft's desktop operating system, is scheduled to realize the benefit of annual costs for tri-annual software licensing contracts. Beyond basic vendor support, the upgrade is critical to maintaining current, high availability rates and to prevent the likelihood of data loss. The more modern operating systems will also provide better security, performance, and reliability.
- In addition to the operating system, desktop hardware will be replaced on a regular schedule and as the necessary companion to the Agency-wide software upgrades. Due to age, the majority of desktop workstations are overdue for replacement and contribute to periodic hardware failures, including occasional but sometimes damaging data loss.
- Messaging (e-mail) upgrades are needed to keep the Agency operating under vendor-supported systems and to enable archiving of electronic messages in support of FOIA compliance, security audits, and data recovery.
- Wireless messaging service has helped transform communications throughout the agency. These devices have added a new layer of productivity to traditional e-mail and are critical components during a disaster or COOP event. The Agency intends to further enhance its messaging infrastructure. Selected hardware upgrades will provide improved fault-tolerance, reliability and performance in this area.

The current headquarters voicemail system must be replaced because it is at the end of its expected life span and proprietary maintenance for it will not be available by mid FY 2006. Beyond its daily operational use, which numbers nearly 1,300 voice "mailboxes," the system is used as an emergency notification device to alert Agency staff to current conditions, next steps, accessibility, and alternatives in times of emergency. A similar voicemail system was utilized by SBA's New York district office during the 9/11 terrorist attack.

Investments in networking and server room components will be necessary in FY 2006 and 2007 to continue to provide secure, reliable computing capabilities.

- A systematic refresh of networking components is required to ensure that data traffic continues to traverse the SBA network at acceptable speeds allowing for adequate communication, e-mail traffic, high-speed file transfers, Internet access, mainframe access, and data backup. A minimum of 25% of the installed networking hardware base should be upgraded on a yearly basis.
- The unit that controls and distributes power for the headquarters data center was installed at the time SBA first occupied its site in 1991. During FY 2004 - 2005, this system experienced several failures disrupting SBA's servers, printers, uninterruptible power supplies, and other components housed in the headquarters data center. Increasing demands for power are placing the maximum load on this critical component, which will need to be replaced with a more robust device to maintain system availability at the desired 99.35% level and to support additional power demands.

Ambitious goals have been set to improve SBA's application infrastructure and provide the level of support program areas require to meet the Agency's goals. Significant gains in technical development and support will come from new contracts better aligned with the Agency's goals, technology aligned with the Enterprise Architecture, and systems designed to improve the productivity of SBA's employee and contract workforce. Goals for FY 2006 and 2007 in this area include:

- Migrate 50% of the remaining legacy client server applications to SBA's Enterprise Architecture allowing for reduced maintenance costs through common technologies and tools.
- Complete implementation of Internet based systems for SBA's lending partners with systems to fully automate their interactions with SBA and allow for reduced per-cost transactions.
- Award four performance-based operations contracts to support SBA's increased use of web-based applications and modern technologies. The contracts will provide the necessary skills and technology to develop and maintain a highly complex and secure production environment.
- Implementation of a web content management solution to allow SBA to develop and maintain internal and external websites with significantly less contractor effort than was previously possible.
- Electronic automation of paper-based forms using work flow tools will give the Agency better management controls, and enable transparency into business process improvements through analysis and measurement of work.
- With the establishment of the common library of web components, SBA expects to realize a 40 to 50 percent reduction in resource requirements to convert legacy client/server applications to the web.

4.4.3. SBA will achieve efficiencies of business processes and cost reduction by leveraging common E-Government solutions and technologies.

In FYs 2006 and 2007, the success of the Office of E-Government will depend on strong collaboration with operating offices across SBA, with other Federal partner agencies and with OMB. The foundation has been laid, but the next steps and SBA's planned goals are to integrate into SBA's environment the technology tools, products, services, and solutions that are managed on a government-wide basis by OMB and the managing partner agencies. The implementation of these common products and solutions at SBA will require changes to or the retirement of certain internal SBA business processes and systems.

In FY 2006, the Office of E-Government's goal is the creation of an E-Government project management arm to support the successful migration to the solutions offered by the government wide E-Government initiatives, and to manage and monitor SBA's receipt, payment and use of e-Government funds— especially those that are contributions from other Federal partner agencies.

IT Security

The FY 2006 and 2007 IT Security budget will be used to ensure that the Agency has a robust IT Security program with controls to safeguard Agency 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 budget for FY 2007 projected modest increases over FY 2005 that include biennial renewal of a 24 x 7

network security monitoring contract, SPAM blocking software, and Information Security IV&V consulting services. The three increases are intended to address established OIG and GAO recommendations for improving SBA's IT security.

FISMA compliance and progress on the PMA E-Government Initiative (which includes IT Security as a major component) are high priorities within the Agency. FY 2006 funding supports the following efforts:

- Restructuring and Agency wide coordination of IT security budgeting and cost estimating activities;
- Continued review and implementation of the remaining two recommendations in the FY 2005 Independent Validation and Verification (IV&V) review;
- Installation of network intrusion detection software and devices at strategic locations across the network for auditing, monitoring, alert and notification of possible unauthorized or illegal activities;
- Development and initial implementation of strategies for migrating to the common solutions identified by the Information Systems Security Line of Business (ISS LoB);
- Implementation of the SBA's Computer Incident Response Team, including appropriate components within the Agency, and the development and implementation of enterprise incident response procedures; and
- Completion of Privacy Impact Assessments for appropriate systems.

Key goals for FY 2007 include:

- Finalize and implement the common solutions identified by the Information Systems Security Line of Business (ISS LoB); and
- In conjunction with SBA partner organizations, administer centralized authentication and ID/Password systems plus PKI/Digital Certificate program where specified.

In addition to the specific projects noted above, the Security program will continue its role in routine IT security activities such as:

- Continued improvement of the Agency's FISMA Plan of Actions and Milestones (POA&M) Process;
- Completion of IT security remediation activities consistent with the SBA POA&M;
- Conducting recurring certification and accreditation on new and existing IT systems;
- Test Disaster Recovery Plans and Continuity of Operations elements; and
- Security investigations and background checks.

Long-Term Objective 4.5

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

FY 2005 Results

During FY 2005 the SBA achieved a rating of Green in Status for Competitive Sourcing. The SBA, through the Office of Administration, worked closely with program and support offices during FY 2005 to continue the rent initiative. FY 2005 activities will result in annual savings of \$1.3 million.

The Office of Administration directs and executes all administrative management functions within the SBA Headquarters and monitors administrative programs in field offices. The office 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.

Efforts continued with the migration of electronic records into SBA's existing records management program. Training sessions continued with program areas to assist with the development of electronic records schedules. The National Archives and Records Administration approved 20 electronic schedules during FY 2005.

In addition, the Office of Procurement and Grants Management (OPGM) continued to issue purchase cards to headquarters and field offices, provided initial and on-going training to cardholders and submitted quarterly reports of the number and summary of activity of the cards to OMB, with an overall goal of decreasing the total number of purchase cards for SBA. As a result, the number of purchase cards has been reduced from 313 to 252, a decrease of 19.5%, and the ratio of approving officials to cardholders has been maintained at 1:2. In addition, SBA has maintained a "no fraud" program.

For FY 2005, OPGM processed and awarded 448 awards totaling \$7,917,620 (including modifications, purchase orders and contracts). Of these awards, over 45% of all available purchase awards went to small business concerns.

OPGM also continued with efforts to implement the government e-grants initiative and posted all grant program announcements electronically. OPGM received the Gold Star Achievers award from Grants.gov for exceeding the Agency-projected goal. SBA is among only seven agencies earning this recognition. Additionally, OPGM received the Grants.gov 100% Club award. SBA is among only three agencies receiving this recognition.

FY 2006 and FY 2007 Planned Performance

The Office of Administration (OA) is working closely with program offices to design space for maximum efficient use while minimizing the rent bill costs and increasing compliance with the Paperwork Reduction Act (PRA). OA has identified 37 field projects, 18 lease expirations and 15 rent initiatives for space realignment. Due to the closing of the BICs, OA has identified 15 additional field projects for space realignment subject to the availability of adequate funding, which will result in significant space and rental savings in FY 2006.

As funding levels permit, OA will continue to realign space, relocate offices and reduce overall space usage as part of the Agency's overall workforce transformation initiative.

To achieve economies of scale in rent and space allocations, SBA will minimize the cost/rent burden while still satisfying space needs of all Agency offices by working cooperatively with GSA and each SBA office to develop a detailed plan on reducing space requirements and building out appropriate space when necessary. Overall, OA will execute a space planning and acquisition program that ensures all office spaces meet Agency and broad governmental operational requirements.

To ensure that SBA meets Paperwork Reduction Act (PRA) requirements, eliminates any PRA violations and prevents future violations, OA has implemented the following procedures:

- Will provide written notification to program officials of information collections scheduled to expire within a five month period.
- Send electronic reminders to program officials at least twice month providing notification of expired information collections.
- Conduct training sessions with program representatives to provide guidance on the Paperwork Submission Package process.
- Announce all information collections that are scheduled to expire within a 90 day period and those that have already expired in the Management and Administration's Weekly Report.

OA will continue to enhance its electronic records management to further reduce the paperwork burden on small businesses.

Appendices

Appropriations Language

Salaries and Expenses

For necessary expenses, not otherwise provided for, of the Small Business Administration as authorized by Public Law 109-108, 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, \$303,550,000: 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 the sum herein appropriated from the general fund shall be reduced up to the amount of \$7,000,000, as the fees assessed and collected under the authority of section 5(b)(12)(E) of the Small Business Act are received, and any fees received in excess of \$7,000,000 shall be available until expended: Provided further, That \$87,120,000 shall be available to fund grants for performance in fiscal year 2007 or fiscal year 2008 as authorized.

(Rescission)

Of the unobligated balances available under this heading, \$6,100,000 are rescinded.

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, \$14,355,000.

Disaster Loans Program Account

(Including transfers of funds)

For the cost of direct loans authorized by section 7(b) of the Small Business Act, \$85,140,000, to remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974. In addition, for administrative expenses to carry out the direct loan program authorized by section 7(b), of the Small Business Act, \$113,850,000, of which \$495,000 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 transferred to and merged with appropriations for the Office of Inspector General; of which \$104,445,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, to remain available until expended, and which may be transferred and merged with appropriations for Salaries and Expenses; and of which \$8,910,000 is for indirect administrative expenses, which may be transferred and merged with appropriations for Salaries and Expenses.

(Rescission)

Of the unobligated balances available under this heading, \$3,700,000 is rescinded.

Business Loans Program Account

(Including transfers of funds)

Subject to section 502 of the Congressional Budget Act of 1974, during fiscal year 2007 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 2007 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 2007 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 2007 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, \$126,136,000, which may be transferred to and merged with the appropriations for Salaries and Expenses.

(Rescission)

Of the unobligated balances available under this heading, \$5,000,000 are rescinded.

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, \$2,970,000, 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.

SBA's Actions in Response to OMB's PART Evaluations

Strategic Goal 2	
<i>Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>	
Program Name	Section 7 (a) Guaranteed Loan Program
Ratings	FY 2004 Adequate
Major Findings	<ul style="list-style-type: none"> • 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	<p>In response to these findings:</p> <ul style="list-style-type: none"> • 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 is identifying other loan management strategies to further reduce administrative costs. • Legislation was successfully enacted in FY 2005 that eliminates the credit subsidy cost for providing loans. However, the Agency continues to incur administrative costs related to managing loans. • SBA is conducting a program evaluation that includes an assessment to ensure that loans supplement rather than supplant credit available in the private markets.
Program Name	SCORE
Ratings	FY 2002 Moderately Effective
	FY 2003 Moderately Effective
	FY 2004 Moderately Effective
Major Findings	<ul style="list-style-type: none"> • 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.
Actions Taken/Planned	<p>The program has taken a number of steps to address deficiencies identified through the initial PART assessment:</p> <ul style="list-style-type: none"> • 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 includes requests of funding for evaluations.

Program Name	Small Business Development Centers
Ratings	FY 2002 Moderately Effective
	FY 2003 Moderately Effective
	FY 2004 Moderately Effective
Major Findings	<ul style="list-style-type: none"> • An independent evaluation of the program found that each \$1 spent on counseling resulted in \$2.78 in tax revenue. • Funds are allocated to SDBCs 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	<p>The program has taken a number of steps to address deficiencies identified through the initial PART assessment:</p> <ul style="list-style-type: none"> • 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 program's performance and make program changes as warranted. The Agency's budget includes requests of funding for evaluations. • SBA has proposed legislation that would make lead center grants competitive to help ensure promulgation of best practices. Implementation would help address concerns that have resulted in a low program purpose rating.
Program Name	Small Business Investment Company
Ratings	FY 2002 Moderately Effective
	FY 2003 Adequate
Major Findings	<ul style="list-style-type: none"> • The Federal Government's financial returns are not proportional to its investment. SBA invests up to two-thirds of total funds but receives only about ten percent of SBIC's profits. Given the rapidly mounting losses in the SBIC portfolio, the cost to the Federal Government is now projected to be about \$2 billion on an outstanding portfolio of about \$5 billion. • SBICs do not have adequate incentives to pay back funds expeditiously. Under current statute, SBICs make "profit" payments to SBA but these are generally insufficient to fully repay the original principle investment promptly. • The assessment also confirmed that the subsidy model underestimates the cost of the program. The technical assumption (e.g., defaults, recoveries, and profits) have been more optimistic than actual performance. The estimation methodology should also be reexamined to try to capture more accurately fluctuations in the economy. The Debenture program also has had large losses, despite forecasts of zero taxpayer subsidy.
Actions Taken/Planned	<p>The Small Business Investment Company Participating Securities program ceased making new guaranteed investments on October 1, 2004, as sufficient borrower fees were not enacted. With realized and projected losses exceeding \$2.2 billion, the FY 2006 Budget does not propose continuation of this program. However, the FY 2006 Budget supports \$3 billion in new guaranteed investments for the Small Business Investment Company Debentures program. Note: Appropriated funding amounts represent administrative expenses to continue program oversight and risk management. Subsidy costs are funded through borrower fees rather than appropriations.</p>

Program Name	Section 504 Certified Development Company Guaranteed Loan Program
Ratings	FY 2002 Adequate
	FY 2003 Adequate
Major Findings	<ul style="list-style-type: none"> • 504 loans differ in structure from the Small Business Administration's (SBA) 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% guarantee from SBA.
Actions Taken/Planned	<ul style="list-style-type: none"> • SBA has changed servicing requirements so that intermediaries will be responsible for loan liquidations in the event of default. • The Agency issued regulations that remove barriers to competition among certified Development Company program intermediaries. • SBA is conducting a program evaluation that includes an assessment to ensure that loans supplement rather than supplant credit available in the private markets.
Program Name	Business Information Centers
Ratings	FY 2002 Results Not Demonstrated
Major Findings	<ul style="list-style-type: none"> • There are no data to show that the program has resulted in long-term benefits to small businesses. • Based on SBA's cost allocation data, the Agency spent approximately \$14 million to manage and support the \$475,000 in grants • The program is duplicative of services provided by Federal, State, and non-profit entities. These services include access to technology and research resources.
Actions Taken/Planned	<ul style="list-style-type: none"> • While grants under the program have totaled \$500,000 or less per year, SBA's administrative costs for managing the program exceed \$10 million annually. Terminating the program will allow SBA to redirect resources to more efficient technical assistance programs. • The Administration has terminated the BIC program and redirected resources to more efficient technical assistance functions.

Strategic Goal 3

Restore homes and business affected by disaster

Program Name	Disaster Loan Program
Ratings	FY 2002 Moderately Effective
	FY 2003 Moderately Effective
	FY 2004 Effective
Major Findings	<ul style="list-style-type: none"> • 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	<p>The program has taken a number of steps to address deficiencies identified through the PART assessment:</p> <ul style="list-style-type: none"> • 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.

FY 2005 PART Program Assessments

Strategic Goal 2

Program Name	Small Business Surety Bonds
Ratings	FY2005 Adequate
Major Findings	<p>Program enhancements are needed to maximize effectiveness and achieve performance goals. In particular, the SBA needs to:</p> <ul style="list-style-type: none"> • Develop an Internet-based electronic and claims processing system, and • Restructure its program outreach
Actions Taken/Planned	<p>In response to these findings the SBA is:</p> <ul style="list-style-type: none"> • Restructuring the field component of the program and linking district office goals to program performance. • Implementing an internet-based application and claim processing system. • Undertaking evaluations of the program.
Program Name	Historically Underutilized Business Zone - HUBZone
Ratings	FY2005 Moderately Effective
Major Findings	<p>The Inspector General found some ineligible companies certified under the program.</p>
Actions Taken/Planned	<p>The program has taken a number of steps to address deficiencies identified through the initial PART assessment:</p> <ul style="list-style-type: none"> • Implementing program procedures to verify economic disadvantage of groups automatically assumed to qualify for the criteria. • Reviewing 5% of the portfolio annually for compliance with program requirements. • Evaluating and measuring program outcomes.
Program Name	8(a) Business Development Program
Ratings	FY2002 Adequate
Major Findings	<ul style="list-style-type: none"> • 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 individual's net worth. • Replace the ineffective and inefficient Servicing and 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 on Federal procurement.
Actions Taken/Planned	<p>The program has taken a number of steps to address deficiencies identified through the initial PART assessment:</p> <ul style="list-style-type: none"> • Strengthening criteria relating to economic disadvantage. • Developing and implementing new information technology management systems including electronic applications and annual review processing as well as a dynamic management reporting system. • Centralizing 8(a) annual review process to reduce costs.

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.

- 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 Guaranty 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) promote 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 startup and growth phases of

the business cycle.” The tools used to accomplish this are OED’s SCORE, Small Business Development Center, Women’s Business Center programs, Native American Affairs 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 SBA’s Administrator and Deputy Administrator’s written correspondence to SBA’s constituency. 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 SBA’s partners in CLA, OGC, and Program Offices, the Agency 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 Administration

The Office of Administration plans, directs, and executes all administrative management functions within SBA Headquarters, and monitors administrative programs in field offices. The Office of Administration 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, DC, 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 Congressional and Legislative Affairs

The Office of Congressional and Legislative Affairs (CLA) assist in the development and passage 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;
- Informs the SBA Administrator of field activity.

Office of General Counsel

The Office of General Counsel provides legal advice for senior management, as well as legal support for all of the Agency's programs, initiatives, and administrative responsibilities. The Office of General Counsel conducts litigation necessary to resolve legal issues, collect sums due and defend the Agency.

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 from SBA formal size determinations; appeals from contracting officer designations of North American Industry Classification System codes for procurements government-wide; appeals from 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 position also implements laws, rules and regulations governing the civil service.

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 the Chief Financial Officer

The Office of the Chief Financial Officer (OCFO) 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 outcomes. OCFO 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 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.

The Council 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!*, it holds a monthly toll-free issues conference call.

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; 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.

Data Validation and Verification

Managing for results and producing an Annual Performance Plan and Performance and Accountability Report require valid, reliable and high-quality performance measures and data. The SBA is committed to the continuous improvement of its performance and financial management data. The Agency has established a multifaceted strategy to achieve this goal; some of the main points of this strategy are:

- Electronic collection of data
- Independent program evaluations
- Data validation systems
- Source documentation
- Documentation of estimates calculation methodology
- Standardization of client definitions

Data validation is defined as determining if the performance indicator actually measures or it is connected to the goal or objective of interest and is a useful guide to policy making decision. Data validations present a systematic way of assessing the quality and integrity of the performance indicators the Agency uses for measuring its success. They also provide the public with an opportunity to understand how the performance indicators—measured in terms of outputs, intermediate outcomes, and outcomes—are connected to the Agency's Strategic Goals.

In providing this data validation, the SBA program offices must reference any limitations to the data, including the completeness and accuracy of the data, and plans to address these limitations. They should also identify other factors affecting data quality, such as the frequency with which the data is reported, the data source of the indicators, and the policy implications and limitations of the performance indicators.

The Data Validation Tables can be found online as part of the SBA FY 2005 Performance and Accountability Report. They are organized by Strategic Goal and further sub-grouped into Long-Term Objective categories. The performance indicators within each Long-Term Objective section can be viewed by choosing the type of the SBA assistance to which the performance measure is connected. The top of each data validation table identifies the program office and the name of the program being evaluated. Additionally, the data validation for each indicator can be accessed by clicking in the indicator of interest. SBA's Data Validation Tables were selected as a best practice by the GAO.

Additionally, the Agency is devoting resources to formally validate the performance indicators within the context of measuring the SBA's impact on the formation and growth of small business. Three current efforts are:

- An independent external evaluation of the indicators of the programs contributing to the SBA financial assistance.
- A longitudinal survey of the economic impact of technical and management assistance programs.
- An electronic survey of economic effects of HUBZone certification on small business

The SBA will continue improving the effectiveness of each of these steps. The Agency's intention is to develop a process that enables it to show clearly the linkage between dollars and activities, activities and outputs, and outputs and outcomes. In doing so, it intends also to be able to identify the unit cost of each activity and the unit cost of each result. This information will provide the SBA with a level of operational transparency that will greatly facilitate effective resource allocation, as well as strengthen both programmatic and managerial accountability.

U.S. Small Business Administration Office of Inspector General

Fiscal Year 2007 Budget Request Congressional Submission



February 6, 2006

**U.S. Small Business Administration
Office of Inspector General**

**FY 2007 BUDGET REQUEST
Congressional Submission**

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EXECUTIVE SUMMARY

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.

Budget Request

For Fiscal Year (FY) 2007, the OIG requests a total of **\$14.85 million**, including **\$14.355 million** in direct appropriations and **\$495 thousand** to be transferred from SBA's Disaster Loan program account for work on disaster program issues. With the requested resources, we will maintain an auditing and investigative focus on SBA's most critical areas by:

- Conducting 40 to 50 audits of various 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 Certified Public Accounting (CPA) firm to perform the audit of SBA's financial statements for transactions related to the Agency's approximately \$70 billion loan program portfolio;
- Prescreening new SBA employees and contractors before credentials are issued or access to SBA computer systems is granted, 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 over 3,000 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.

These critical risks are discussed in greater detail later in this budget request.

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 hurricanes in the Gulf of Mexico in calendar year 2005. For example, during FY 2006 and FY 2007, we will review the Agency's response to the hurricanes, including whether automated information systems worked properly. We will also assess the adequacy of controls over SBA disaster loan processing, servicing, and liquidation; review a sample of defaulted loans to determine whether the loans were processed, serviced and liquidated properly, and whether borrowers misrepresented any information submitted to SBA; and investigate and refer for prosecution possible criminal violations.

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.

We seek 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 2007 for each of the OIG's strategic goals and the anticipated impact/outcomes.

Strategic Goal	FY 2007 Request	Anticipated Impact/Outcomes
Goal 1: Improve the economy, efficiency, and effectiveness of SBA programs and operations.	\$8.19 million	<ul style="list-style-type: none"> ➤ Reduction of risks to, and increased integrity of, Agency programs and operations. ➤ Resolution of OIG-identified management challenges.
Goal 2: Promote and foster integrity in SBA programs and operations.	\$6.66 million	<ul style="list-style-type: none"> ➤ 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.
TOTAL	\$14.85 million	

**U.S. Small Business Administration
Office of Inspector General**

**FY 2007 BUDGET REQUEST
Congressional Submission**

SUMMARY OF BUDGET REQUEST

<i>Dollars in Thousands</i>	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request	Increase/ (Decrease)
New Budget Authority	\$13,014	\$13,900	\$14,355	\$455
Hurricane Supplemental	0	5,000	0	(5,000)
Transfer from Disaster	500	1,500	495	(1,005)
Rescinded Appropriation	181	178	0	178
Total	\$13,333	\$20,222	\$14,850	\$(5,372)

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) as well as costs of required travel, mandatory training for auditors and investigators, supplies and equipment, and contract services (including the cost of the annual audit of the Agency’s financial statements by a CPA firm, which in FY 2007 comprises almost 13 percent of our budget request).

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 2007 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 downsizing and centralization initiatives 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 guaranteed 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 in order to provide quick relief to disaster victims. 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 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, budgetary constraints, 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.

During FY 2002 and FY 2003, the OIG, GAO, and SBA's external auditor all noted significant internal control weaknesses that resulted in the Agency being unable to produce reliable, timely, and accurate financial information, including its annual financial statements and the results of past loan asset sales. The Agency has taken steps to improve its financial management and reporting, and for FY 2004 received a qualified opinion on its financial statement audit. 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. FY 2004 was the first full reporting cycle for which these improvements were placed into operation and reviews of these actions indicate that significant progress has been made. For FY 2005, 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.

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 2006/2007 Activities

During FY 2006 and FY 2007, in addition to conducting audits and reviews that are required by statute 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 2006/2007 activities and strategies for accomplishing this strategic goal are contained in the OIG's "FY 2006/2007 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 has been issued to a CPA firm to conduct the audits of SBA's financial statements, as well as the FISCAM reviews, beginning in FY 2006. **Due to changes in the accounting industry and additional audit requirements, the cost of the new contract is significantly higher than the previous**

contract, and accounts for almost 13 percent of the total amount requested by the OIG for FY 2007 (compared to less than 7 percent in FY 2005).

Performance Measurement

In its FY 2005 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 has also increased. 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. Both of these loan tracking systems play a key role in SBA oversight of its approximately \$70 billion loan portfolio and provide information for performance measurement. The OIG will continue periodic audits of the Agency's main information systems. 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. The OIG will continue to review internal controls established by SBA over its administration of the business loan programs, with an emphasis on determining whether the Agency is reducing improper payments in its purchase of guaranteed loans at various Centers. The OIG will also continue to conduct audits of business loans and disaster assistance loans that go into default quickly. Past work has identified a number of areas where lenders have not originated the loans properly, leading to early defaults, and SBA controls and procedures have not been effective in preventing improper payments. In addition, the OIG will continue to review the Agency's oversight of the SBIC program, including an examination of the SBIC licensing process.

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 2006 and FY 2007, the OIG will focus on SBA's oversight of and current issues affecting GC/ED 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, 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 2006 and FY 2007.
- 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 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

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 2007, the OIG will continue to identify serious management challenges 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.

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 2006/2007 Activities

During FY 2006 and FY 2007, 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 2006/2007 activities and strategies for accomplishing this strategic goal are contained in the OIG's "FY 2006/2007 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 guaranteed 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.

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 devote substantial resources to identifying errors and fraud related to loans made as a result of the hurricanes in 2004 and 2005. 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 2007 and beyond.

SBAExpress Loans

The SBAExpress 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 FBI found that eleven individuals applied for 21 SBAExpress loans, of which 17 loans were disbursed. The individuals also received non-SBA Express loans. Total disbursements were approximately \$1.3 million, with almost all 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, Homeland Security Presidential Directive (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 2007. For example: (1) the OIG must 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; and (2) by September 2007, SBA and the OIG must review all existing personnel and security files to ensure that every employee and contractor who was working for SBA prior to the implementation of HSPD-12 has the appropriate background investigation and, if not, initiate the investigation.

**U.S. Small Business Administration
Office of Inspector General**

FY 2006/2007 PERFORMANCE PLAN

FY 2005 PERFORMANCE REPORT

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 two-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 were designed to align our resources and manage our activities in the light of SBA's most significant challenges and risks. For FY 2006 and FY 2007, 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 Semiannual Report. These reports are located at <http://www.sba.gov/IG/igreadingroom.html#sar>.

FY 2006/2007 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 2006 and 2007 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.
- 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.
- 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.
- Assess the adequacy of guaranty purchases of Business Loans at the SBA Guaranty Purchase Center, and of Express Loans at SBA's Servicing Centers.
- Review SBA's oversight of selected entrepreneurial development programs.
- Perform selected reactive audits and investigations based on complaints received.
- Conduct selected early defaulted loan audits to identify improper payments.
- Review the effectiveness of SBA's Loan Monitoring System and the Agency's oversight of lenders and 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 Small Business Investment Company (SBIC) licensing process.
- 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 three 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 SBAExpress 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* (In addition to the OIG's Semiannual Reports)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
QUALITY			
Value of monetary recoveries and savings resulting from audits, other reports, investigations and security checks.**	\$55.8 million	\$54.1 million	\$54.1 million
Percent of all report recommendations agreed to by management within 6 months of report issuance.	77%	76%	76%
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.	70%	70%	70%
Percent of all investigative cases closed during the fiscal year that were referred for criminal or civil prosecution, or SBA administrative action.	72%	75%	80%
TIMELINESS			
Percent of audit projects completed within budgeted hours and milestones, or in established timeframe.	60%	70%	70%
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.	43%	65%	70%

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

** 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.

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 2005 OIG ACTIVITIES

During FY 2005, OIG's efforts resulted in almost \$56 million in cost avoidances and potential recoveries and fines, as shown in the following table.

Office-wide Dollar Accomplishments October 1, 2004 – September 30, 2005	
Potential Investigative Recoveries and Fines	\$21,946,963
Loans Not Made as Result of Investigations and Name Checks	\$31,333,272
Disallowed Costs Agreed to by Agency Management	\$1,965,492
Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	\$599,549
Total	\$55,845,276

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

Efficiency and Effectiveness of SBA Programs

During FY 2005, the OIG issued 30 reports with significant recommendations for improving Agency operations, reducing fraud and unnecessary losses, and recovering funds.

Efficiency and Effectiveness Activities October 1, 2004 – September 30, 2005	
Reports Issued	30
Recommendations Issued	171
Dollar Value of Costs Questioned	\$3,290,153
Dollar Value of Recommendations that Funds Be Put to Better Use	\$475,000

Follow-up Activities October 1, 2004 – September 30, 2005	
Recommendations Closed	241
Disallowed Costs Agreed to By Agency Management	\$1,965,492
Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	\$599,549
Unresolved Recommendations	98

**Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews
October 1, 2004 – September 30, 2005**

Legislation Reviewed	37
Regulations Reviewed	4
Standard Operating Procedures Reviewed	21
Other Issuances Reviewed*	94

*These include policy notices, procedural notices, Administrator's action memoranda, and other communications, which frequently involve the implementation of new programs and/or policies.

Fraud Detection and Deterrence in SBA Programs

The OIG manages 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, 2004 – September 30, 2005**

Cases Opened	58
Cases Closed	69

**Indictments and Convictions
October 1, 2004 – September 30, 2005**

Indictments from OIG Cases	50
Convictions from OIG Cases	41

**Recoveries and Management Avoidances
October 1, 2004 – September 30, 2005**

Potential Recoveries and Fines as a Result of OIG Investigations	\$21,946,963
Loans/Contracts Not Approved as a Result of OIG Investigations	\$4,010,232
Loans/Contracts Not Approved as a Result of the Name Check Program	\$27,323,040
Total	\$53,280,235

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 the Auditing, Investigations, Counsel, and Management and Policy Divisions. In addition to headquarters, the OIG has audit staff located in Atlanta, Chicago, Dallas, and Los Angeles, and investigative staff located in Atlanta, Chicago, Dallas, Denver, Houston, Kansas City, Los Angeles, Miami, New York, Philadelphia, and Seattle.

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 Agency employees 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* and the *Report on the Most Serious Management Challenges Facing SBA*, and develops OIG strategic and annual plans.

**Small Business Administration
Office of Inspector General**

ORGANIZATION CHART

