

Strategic Goal 1

STRATEGIC GOAL 1

Improve the economic environment for small businesses

America's small businesses — some 25.8 million strong — are a major sector of the Nation's economy. They account for half of the country's gross domestic product, create two out of every three new net jobs, and produce 13 to 14 times more patents per employee than do large firms. Further, the patents are twice as likely as those from large firms to be among the one percent most cited. Despite their importance to the economy, the cost of government regulation and excessive paperwork heavily burdens small businesses.

This Strategic Goal is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. The Agency strives to meet it by focusing on the following Long-Term Objectives:

LTO 1.1 Minimize the regulatory burden on small businesses.

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

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

The following sections describe how successful the individual programs were that contributed to the Agency achieving these objectives, and the challenges they faced.

REGULATORY ASSISTANCE

The SBA, through its Office of Advocacy, works to reduce the burdens that federal policies impose on small firms and provides vital small business research that informs policymakers. Simply stated, the mission of the SBA's Office of Advocacy is to encourage policies that support the development and growth of American small business by:

- Minimizing the regulatory burden on small entities through government-wide training and early intervention in the federal regulatory process and through promotion of regulatory flexibility at the state level; and,
- Producing research to inform policymakers and academics of the impact of regulatory burdens on small entities, and of the importance of small business in the Nation's economy.

Simultaneously, the SBA ensures equity and fairness in the federal regulatory enforcement process through the Office of the National Ombudsman by:

- Raising awareness of the regulatory assistance available;
- Providing the means to register comments about unfair regulatory enforcement actions by federal agencies;
- Acting as a neutral liaison between the parties; and
- Helping to move the relationship between government and industry to one of mutual collaboration and benefit.

Office of Advocacy

Table 4.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the economic environment for small business								
LTO	Advocacy Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY 2006 % Goal Variance
1.1	Increase Regulatory Cost Savings to Small Businesses	Intermediate Outcome	\$6.35	\$17.05	\$6.60	\$5.60	\$7.25	29% B
1.1	Research Publications	Output	30	21	34	25	28	12% B
1.1	Number of Regulatory Agencies with In-House RFA Expertise	Output	N/A	25	19	22	1	-95% R
1.1	Number of States Formally Considering Legislative or Executive Action	Intermediate Outcome	N/A	17	19	10	11	10% B
1.1	Research Publications and Data Reports in Curricula	Output	N/A	27	18	16	16	0% G

Advocacy Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program (\$000)	\$8,680	\$9,360	\$9,439	\$8,585	\$9,364

Advocacy Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Per \$1 Million Savings	\$1,367	\$549	\$1,430	\$1,533	\$1,292

The Office of Advocacy, while part of the SBA, is an independent voice for small business within the Federal Government. It represents the interests of all small entities including small businesses, small organizations and small governmental jurisdictions. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The office 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 staff in Washington, DC, support the office'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.

Strategic Goal 1

All of Advocacy's goals are designed to benefit small entities, directly and indirectly. For example, Advocacy's regulatory interventions result in delayed small business compliance dates, small business exemptions, and performance-based rather than design standards for compliance. The money small entities save as a result of these flexibilities is money that may now be spent to maintain or grow the business. Another way Advocacy helps small business is through research which promotes a greater understanding of the importance of small business to the overall economy and the impact of government policies and programs on small businesses. For example, Advocacy's research shows that small businesses pay 45% more to comply with federal regulations than their larger counterparts. This discrepancy needs to be a factor when policymakers consider promulgating new regulations.

By the end of FY 2006, SBA's Office of Advocacy estimated approximately \$7.25 billion in first year cost savings and \$117 million in annual recurring cost savings due to its activities. This figure exceeds Advocacy's goal by more than 30% largely because a single outlier rule amounted to \$5.5 billion. This cost savings represents money that small businesses will not have to spend complying with regulations, but instead will be available to purchase new equipment, provide health care, or simply remain competitive. In future fiscal years it is possible that these cost savings will be reduced as a result of training and early intervention in the regulatory process. This means that some proposed regulations may be less costly when first proposed because agencies have internalized processes for reducing regulatory cost. Or, it may mean that Advocacy achieved cost savings at the confidential interagency stage of the regulatory process. To account for these two scenarios, Advocacy is developing a better method of measuring its overall effectiveness.

The SBA had a goal of ensuring that 22 federal agencies gain in-house regulatory flexibility expertise through training during FY 2006. By the end of FY 2006, only one agency had received the training, representing a less than five percent goal achievement for the year. The cause of this shortfall was the shift of resources away from classroom training into finalizing the online training module. Now that the online training is up and running, the SBA will reestablish the classroom training until all agencies have been trained at least once in the classroom. The SBA anticipates that the 66 agencies initially selected will receive training by FY 2007.

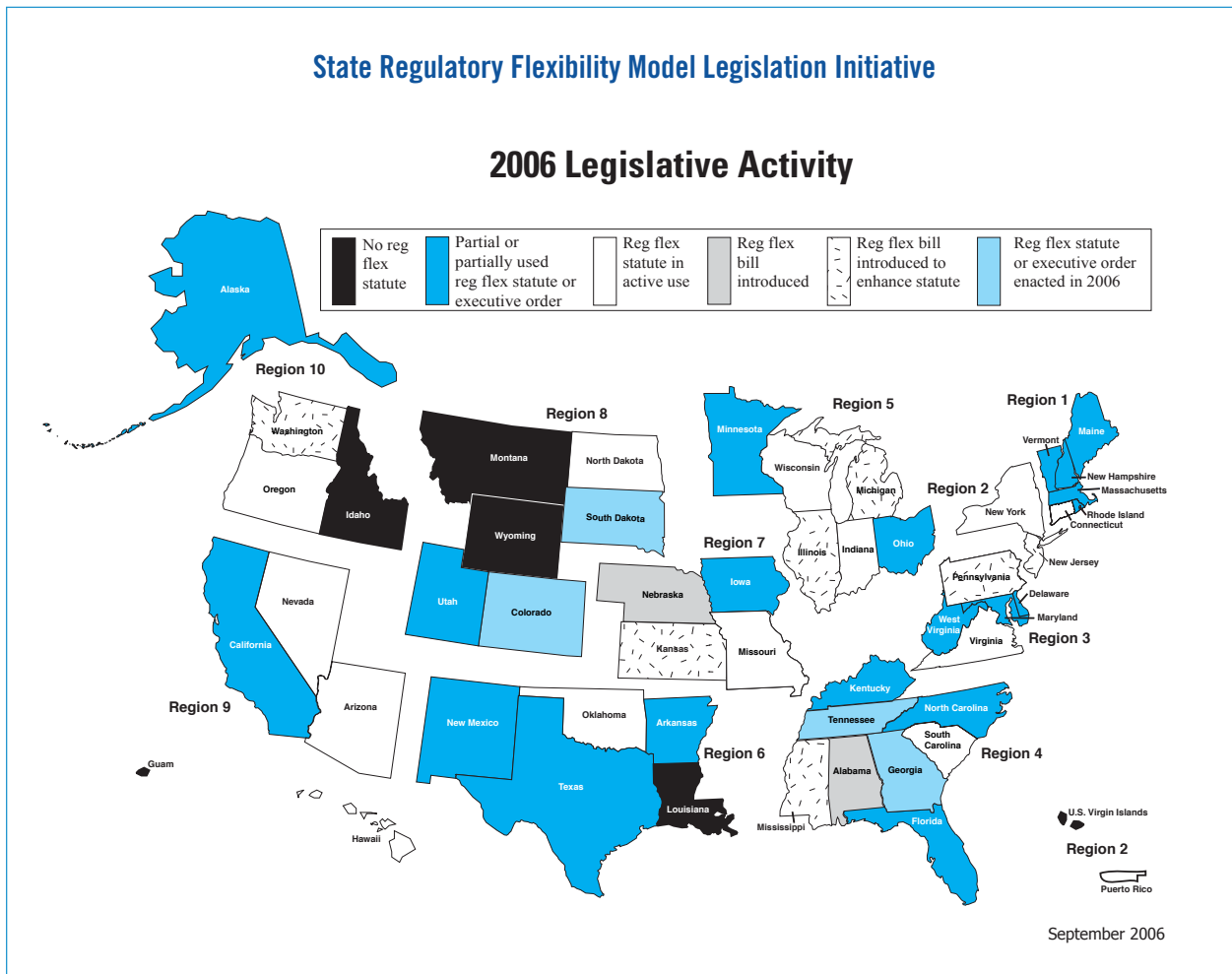
The SBA projected that a total of 16 of the top 100 colleges with major entrepreneurship programs would insert Advocacy's data into their curricula. The rationale behind this goal was to generate interest in entrepreneurship research among academics and to broaden awareness of existing research. In FY 2006, 16 colleges inserted Advocacy's data into their curricula. In addition, 26 other colleges that were not identified as having top entrepreneurship programs also included Advocacy's data in their curricula.

In FY 2006 the SBA had a goal of releasing 25 small business research reports by Advocacy in FY 2006. These research reports inform policymakers by providing a snapshot of small business demographics, demonstrating the importance of the role of small business in the economy, and highlighting the impact of federal policies and regulations on small businesses. In FY 2006, Advocacy released 28 reports, exceeding its goal by 12%.

An Advocacy-sponsored study showed that the smallest firms bear the largest per-employee burden of federal regulatory compliance costs. Firms with fewer than 20 employees annually spend \$7,647 per employee to comply with federal regulations, or 45 percent more than the \$5,282 per employee spent by firms with 500 or more employees.¹¹ The SBA strives to minimize the regulatory burden on small businesses by promoting regulatory flexibility at the state level. The SBA projected that 10 states would formally consider legislative or executive action to increase regulatory flexibility for small businesses in FY 2006.

11 W. Mark Crain, *The Impact of Regulatory Costs on Small Firms*, U.S. Small Business Administration, Office of Advocacy, 2001
<http://www.sba.gov/advo/research/rs264tot.pdf>

At the end of the year, 11 states had considered legislative action,¹² and of those 11, two states passed legislation into law.¹³ Also, the governors of Georgia and Tennessee signed Executive Orders. The SBA attributes this success to the Office of Advocacy having a full complement of Regional Advocates aboard for the first time in this Administration. The Regional Advocates work directly with state governments and state stakeholders to educate them about the benefits of regulatory flexibility. The map below shows the status across the Nation of the regulatory flexibility as of the end of FY 2006.



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

13 South Dakota and Colorado.

Strategic Goal 1

Goals Exceeded

Indicator: Regulatory cost savings to small businesses (\$ Billions)		
Target	Result	Above Target by
\$5.6	\$7.25	29%
Reasons for performance result		
The target was exceeded largely because a single outlier rule amounted to \$5.5 billion in cost savings.		
Steps being taken to improve performance or targets		
Advocacy is developing a better method of measuring its overall effectiveness as it is not possible to predict future cost savings with accuracy (because none of the inputs, such as number of rules published annually or cost of rules published annually, are controlled by Advocacy).		
Impact of result		
This cost savings represents money that small businesses will not have to spend to comply with regulations. Instead, the money can be used to purchase new equipment, provide health care, or simply remain competitive.		

Indicator: Research publications		
Target	Result	Above Target by
25	28	12%
Reasons for performance result		
Based on the final, lower than expected prices of the winning research bid, Advocacy was able to produce a greater number of research reports. Also, some research contracts received a no-cost extension, carried over into FY06, and contributed to the higher number of research reports produced.		
Steps being taken to improve performance or targets		
The SBA will try to improve its estimate for FY 2007.		
Impact of result		
The greater number of research reports will contribute to the body of knowledge concerning issues of importance to small businesses.		

Goals Not Met

Indicator: Number of regulatory agencies with in-house RFA expertise		
Target	Result	Below Target by
22	1	-95%
Reasons for performance result		
This goal is measured by classroom training. The FY06 focus shifted to launching the online training system.		
Steps being taken to improve performance or targets		
Classroom training will resume in FY 2007		
Impact of result		
No direct impact on Program.		

Office of the National Ombudsman

Table 5.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the economic environment for small business								
LTO	Ombudsman Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY 2006 % Goal Variance
1.1	Number of Comments Referred to Federal Agencies for Response	Output	N/A	241	128	N/A ^a	152	N/A
1.1	Interaction with Federal Agencies	Output	N/A	231	227	232	236	2% G
1.1	Increase the % of Comments Addressed in 90 Business Days	Intermediate Outcome	N/A	17%	12%	N/A ^b	26%	N/A

Ombudsman Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program (\$000)	\$1,201	\$1,469	\$1,348	\$1,205	\$1,111

Ombudsman Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Per Comment (\$)	N/A	\$6,096	\$10,530	N/A	\$7,309

^a FY 2006 Goal not established because indicator implemented after mid-year data call.

^b Ibid.

The Office of the National Ombudsman (ONO) contributes to the SBA's long-term objective to minimize the regulatory burden on small business by receiving comments from small businesses that feel they have experienced unfair or excessive regulatory enforcement actions by federal agencies. Once the SBA receives a comment, it requests that the appropriate federal agency review the specific issues and respond to it within a specified time period. In many instances, the federal agency will reduce or waive particular penalties and/or compliance actions. At a minimum, the agencies direct a high-level review of the enforcement action to ensure fairness. Annually, the SBA prepares and submits a report to Congress on the responsiveness of federal agencies to the comments filed by small businesses.

Strategic Goal 1

A principal issue facing the SBA was how to increase awareness of available assistance in the small business community, especially among small businesses that believe they experienced unfair treatment regarding federal regulatory enforcement or compliance issues. Another issue was establishing and maintaining relationships with federal regulatory agencies to keep them abreast of current SBA policies and procedures and the importance of prompt and quality responses to comments from small business entities.

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

The SBA continues to measure the number of public events and the number of comments filed with ONO by small businesses to monitor and assess the impact these efforts have had on mitigating these issues. Nevertheless, one of the challenges for the SBA was that many small businesses were reluctant to comment on federal regulatory actions for fear of retaliation by federal agencies. The Agency therefore encouraged other federal agencies to adopt small business non-retaliation policies and will begin rating agencies on their efforts to adopt these policies in its annual report to Congress.

Table 5 above shows that the SBA met its goal for interaction with federal agencies and surpassed performance of the previous year.

E-GOV ASSISTANCE

The President's Management Agenda calls for making government more focused on citizens and results by expanding Electronic Government (or E-Government). E-Government relies on improved Internet-based technologies to make it easy for citizens and businesses to interact with the government, save taxpayer dollars, and streamline citizen-to-government communications. One of the goals is to improve the government's quality of customer service for citizens and businesses, using technology to its fullest to provide services and information to the public.

Like other agencies, the SBA knows that the public, which uses the Internet more than ever before, expects this kind of service. Many millions now use the Internet to communicate to government at all levels about a broad range of policy and regulatory matters. Therefore, where an agency can deploy appropriate technology, it is likely to more fully meet citizen expectations in our increasingly digitized economy.



Business Gateway

Table 6.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the economic environment for small businesses								
LTO	Business Gateway Key Performance Indicators ^a	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY 2006 % Goal Variance
1.2	Broken Links Per Month (Percent)	Output	N/A	N/A	N/A	5%	5%	0% G
1.2	Unique Visitors (Average Number Per Month)	Output	N/A	N/A	N/A	165,000	232,910	41% B
1.2	Hours Saved (Number)	Intermediate Outcome	N/A	N/A	N/A	200,000	4,652,376	2226% B
1.2	Customer Satisfaction (Percent)	Intermediate Outcome	N/A	N/A	N/A	70%	76%	9% G

Business Gateway Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program (\$000)	\$0	\$2,603	\$10,780	\$13,599	\$16,180

Business Gateway Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Per User (\$)	N/A	N/A	N/A	\$82	\$69
Per Hour Saved (\$)	N/A	N/A	N/A	\$0.07	\$0.003

^a New indicators established in FY 2005.

The Business Gateway Initiative managed by the SBA is one of the President's Management Agenda E-Government initiatives to improve the Federal Government's ability to serve citizens through the use of technology. The initiative provides the Nation's businesses with a single, Internet-based access point to government services and information to help businesses with their operations. The Business Gateway simplifies and improves businesses' ability to locate and submit government forms they deal with on a regular basis, and reduces the time and effort needed by businesses to comply with government regulations.

Businesses are excited about how Business Gateway can help, as revealed during recent focus groups. It promises to be a powerful search engine/portal that allows access to government, plain language assistance, and the right contacts within government to help them deal with their regulatory compliance issues. In fact, compliance is the single biggest issue businesses need help with; they want to more easily find, understand, and comply with laws and regulations.

By the close of FY 2006, the Business Gateway team had successfully re-launched **Business.gov** with a major focus on compliance assistance resources and made major strides in addressing businesses' key concerns in simplifying interaction with the Federal Government. As a result of this reengineered effort, the SBA's specific accomplishments include:

- Provided unique "vertical search" capabilities to allow businesses to quickly find key resources;
- Provided a Business Resource Library of useful resources for the entire Federal Government located in one easy to search section of **Business.gov**;

Strategic Goal 1

- Implemented the full national roll out of the Single Source Coal Reporting project (commonly referred to as the “coal vertical”). This project has significantly reduced the reporting burden on the coal industry while at the same time providing a ten to one return on the useful life of the technology;
- Published in conjunction with the OMB, the annual list of business compliance resources available at federal agencies for small businesses as required by the Small Business Paperwork Relief Act; and
- Completed enhancements to the Federal Forms Catalog to more easily find those most sought after by the business community.

As a result of these accomplishments, Business Gateway has significantly increased the number of visitors to its site. Unique visitors, one of the better measures for web site usage, have increased significantly to a monthly average of nearly 233,000 in FY 2006. This has been accomplished with very little active outreach to the business community.

The Business Gateway team facilitated a substantial change in the reporting burden and process within the coal mining community during FY 2006. This data harmonization project, referred to as the “coal vertical,” resulted in the streamlined Single Source Coal Reporting (SSCR) system. Previously, the coal mining industry submitted highly redundant, paper-based forms to multiple regulating entities. As of April 2006, they can submit data and pay fees using a single online form, and have it automatically sent to the appropriate regulators. The SSCR system is reducing the government’s time spent processing related forms by 68.75%. Industry time spent submitting information has been reduced by 50%. The government avoided systems development costs by creating one system that supports multiple agencies and eliminates redundant forms processing efforts across agencies. Currently, the federal partners are the Department of Labor, the Department of the Interior, and the Internal Revenue Service. The state partners are Pennsylvania and Virginia.

In other activities, Business Gateway engaged the business community in conducting usability testing so that the community’s feedback is at the core of the new site re-launched on September 26, 2006. Business Gateway successfully established requirements for a long-term scalable and re-usable data harmonization approach and is actively pursuing several projects similar to the coal vertical. These projects will begin the process of standardizing electronic data submission while at the same time offering up reduction in burden to business and cost savings to the agencies that will participate in the selected opportunity.

Business Gateway received the majority of agency contributions for FY 2006 in the April to May time frame. Over 95% of funds were received and obligated by fiscal year-end, and work continued uninterrupted in a variety of areas.

Goals Exceeded

Indicator: Number of unique visitors (per month)		
Target	Result	Above Target by
165,000	232,910	41%
Reasons for performance result		
The original target of 165,000 unique visitors per month was based on statistical patterns observed since the site’s launch in FY 2004. During the latter half of FY 2005, the Business Gateway Team engaged in focus groups and other forms of market research aimed at understanding how to align Business.gov with the needs of the business community. Changes made to the web site in response to the focus groups and usability studies increased traffic to the site resulting in a higher number of unique visitors than originally predicted.		
Steps being taken to improve performance or targets		
As additional statistical evidence of Business.gov ’s usage by businesses continues to grow we will update our performance targets.		
Impact of result		
This is viewed positively as it reflects growing awareness and use of the web site.		

Indicator: Number of hours saved		
Target	Result	Above Target by
200,000	4,652,376	2226%
Reasons for performance result		
When the original FY 2006 target was identified, no statistical baseline or measuring process existed for determining the number of hours saved by a visitor to <u>Business.gov</u> . In FY 2006, the ForeSee Customer Satisfaction Survey tool was integrated with the web site. This tool collects a variety of information from business representatives electing to complete the survey, including their estimate of hours saved by using the site.		
Steps being taken to improve performance or targets		
This new source of information will be used by the Business Gateway Team to re-evaluate future performance targets.		
Impact of result		
Similar to the variance noted in the number of unique visitors, this is viewed positively as it reflects the direct benefit <u>Business.gov</u> brings to the business community.		

TRADE ASSISTANCE

Office of International Trade

Table 7.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the economic environment for small businesses								
LTO	International Trade Key Performance Indicators ^a	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	Variance
1.3	Participation in Interagency Working Groups (Number)	Output	N/A	6	16	9	11	22% B
1.3	Favorable Policies Inclusion in International Trade (Number)	Output	N/A	5	5	5	6	20% B

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

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

For example, in FY 2006, OIT represented SBA on two Cabinet-level trade groups: the interagency Trade Promotion Coordinating Committee and the President's Export Council. The SBA contributed to the 2006 National Export Strategy, and succeeded in having small business issues included in the action plan of the Summit of the Americas. The SBA provided an analysis of U.S.-China trade and economic relations to the President's Export Council. In addition, the SBA contributed to the planning for the Africa Growth and Opportunity Act trade ministers' forum.

Strategic Goal 1

The Commerce Department relied on the SBA to support the government with two inter-governmental multilateral trade organizations, the Organization for Economic Cooperation and Development and Asia-Pacific Economic Cooperation, devising and advancing the U.S. position on international trade and small business. The State Department frequently turned to the SBA for support for the International Year of Microcredit, reform of the U.S. foreign aid program, SME development in Russia and the Commission for Assistance to a Free Cuba. All of these efforts enabled the SBA to participate in interagency working groups to sustain favorable policies for small business in international trade.

Goals Exceeded

Participation in Interagency Working Groups		
Target	Result	Above Target by
9	11	22%
Reasons for performance result		
The increased demands by the U.S. Government to have SBA's Office of International Trade participate in more activities regarding trade promotion and trade policy issues has created more opportunities for the SBA to represent the interests of small businesses in these activities.		
Steps being taken to improve performance or targets		
None		
Impact of result		
This has created more opportunities for the SBA to represent the interests of small businesses in these activities.		

Indicator: Favorable Policies Inclusion in International Trade		
Target	Result	Above Target by
5	6	20%
Reasons for performance result		
SBA's increased participation in USG working groups has also resulted in the continued (and increasing) number of USG Trade Policies where SBA has been an active participant and contributor to such policies that impact U.S. small business exporters.		
Steps being taken to improve performance or targets		
Targets for small samples are difficult to set. The SBA is evaluating other possible indicators.		
Impact of result		
No impact.		

PROCUREMENT ASSISTANCE

The strength of our Nation's economy is fortified when competitive and innovative small businesses are able to participate in the federal marketplace and provide solutions to the many challenges facing the Federal Government. The SBA assists other agencies in taking advantage of the resource represented by small businesses, at the same time that small businesses grow stronger by benefiting from federal contracting opportunities. This section describes the programs that the SBA has implemented for achieving this objective, and the performance indicators that measure their success.

The SBA works to increase the breadth and strength of the national industrial base and the number of jobs supported by the small business sector through programs having to do with federal contracting. In FY 2006 the Agency did this by pursuing accountability, transparency and efficiency in contracting, by being driven by outcomes and customer needs, and by enhancing the skills and abilities of its employees.

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

Prime Contracting Assistance

Table 8.

Prime Contracting Program Program Level Assistance Strategic Goal 1. Improve the economic environment for small business								
LTO	Prime Contracting Key Performance Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY 2006 % Goal Variance
1.3	Increase the Number Of Federal Contract Dollars Awarded to Small Businesses (\$ Billion)	Output	\$65.5	\$69.2	\$79.6	\$73.0	UNAVAIL ^a	N/A
1.3	Jobs Created/ Retained (Number)	Intermediate Outcome	N/A	523,000	562,000	612,000	UNAVAIL ^b	N/A

Prime Contracting Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program (\$000)	\$16,507	\$23,158	\$15,384	\$13,777	\$18,853

Prime Contracting Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Per Dollar Awarded (\$)	\$252,010	\$334,649	\$193,266	\$188,709	UNAVAIL
Per Job (\$)	N/A	\$44	\$27	\$23	UNAVAIL

^a This data will not be available from FPDS-NG until the second quarter of FY 2007.

^b This calculation is based on of FY 2006 data from FPDS-NG, which will not be available until the second quarter of FY 2007.

Strategic Goal 1

Through Prime Contracting Assistance, the Agency establishes government-wide goals for socio-economic procurement preference programs. It also monitors performance; coordinates with acquisition agencies at the buying activity level; and conducts surveillance reviews to assess the effectiveness of agencies in providing small business opportunities. The SBA issues certificates of competency on behalf of small firms if their ability to perform is challenged by contracting officers; and, if their eligibility is protested, determines whether or not firms fit the definition of “small business.”

The SBA worked this year with the public and private sectors to help make the federal procurement goaling process more transparent and easily understood, and to make contracting data more accountable and accurate. A broader understanding of the process will encourage acquisition agencies to award a larger share of their requirements to small businesses. This, in turn, will increase the revenue of the small business sector and the number of jobs that it will support.

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

The SBA also worked with other federal agencies to reduce errors in entering size information into the Federal Procurement Data System-Next Generation (FPDS-NG). Further, the Agency worked with the Integrated Acquisition Environment (IAE) to make changes in systems that will reduce the possibility of a vendor that is “large” being miscoded in federal contracting reports as “small.” These steps will increase the accountability and transparency of federal contracting activity.

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

During the year, the SBA finalized a rule requiring periodic recertification of size on long-term contracts to ensure accuracy in reporting, and to encourage agencies to pursue new small business sources. This regulation, which will increase transparency and accountability in contracting, is expected to be published early in FY 2007.

The SBA also developed functional requirements for the Electronic Procurement Center Representative (EPCR) system, and collaborated with the U.S. Department of Defense to design and develop it as part of the IAE. The EPCR will provide for capture of acquisition agencies’ requirement-specific pre-solicitation information and for automated review of “full and open” requirements. It will also permit the SBA to intervene in more acquisition processes earlier and more efficiently, thereby securing greater set-aside of requirements for small businesses. The system will capture past performance information for socio-economic procurement preference programs at the buying activity level, and will generate potential vendor lists under such programs.

During FY 2006, the SBA enhanced the skill sets of its contracting employees and the training opportunities available to them. Specifically, it extended the reach of teleconferencing to government contracting staff nationwide on a monthly basis. More important, the Agency conducted the first national training conference for this program in nearly a decade. The insights gained will help in planning future contracting program activities.

Gulf Coast Hurricanes

The SBA is committed to ensuring that small businesses located in the Gulf Coast area receive fair opportunities to help in the rebuilding effort. This effort has resulted to date in approximately \$3.2 billion in contract support awarded to small businesses, representing 31% of the total. The main components of this initiative have been:

- The SBA has assigned two employees on-site at the National Hurricane Contract Information Center to provide information to small businesses seeking Hurricane Katrina prime and subcontracting opportunities.
- The SBA has assigned one of its senior executives with Federal Government contracting and business development experience to coordinate the SBA's government contracting assistance.
- The SBA has engaged all Procurement Center Representatives around the country to work with federal agencies to identify procurement opportunities for small businesses in the affected area.
- On November 1, 2005, the SBA launched a special Business Matchmaking initiative to assist small businesses in Gulf states impacted by the hurricanes.

SUCCESS STORY

When the Big Contract Knocked, SBA Opened the Door

Oscar Quiles spent most of his professional life working in the sewing industry and learning everything about it. In 2003, he heard that a company in Sabana Grande, Puerto Rico that makes work uniforms was on the market. They were planning to shut down and sell the equipment. Oscar was about to make the owners an offer to buy the equipment. But, when he considered that 50 people would become unemployed overnight, Oscar had a change of heart. He called the owners and made a different kind of offer. "They agreed to sell the company and I agreed to keep those 50 people employed," Oscar says.

In February 2004, Pentaq Manufacturing Corporation was born, specializing in the manufacture of commercial military clothing, military uniforms and related products. The firm became a subcontractor for an Alabama-based vendor and for Caribbean Needlepoint, Oscar's family's business. The company had sales of \$790,000 in the first year. Oscar had no doubt that Pentaq had growth potential. He lacked, however, working capital to increase his production. That's when he visited the Puerto Rico Small Business Development Center for help in developing a solid business plan and a loan proposal he could take to the bank.

In 2005, Oscar obtained a \$150,000 SBA-guaranteed loan and a \$200,000 revolving line of credit. He identified a \$3.2 million contract with the Department of Defense to manufacture uniforms and tents for U.S. troops and, more importantly, he created 100 new jobs. Pentaq Manufacturing closed its books in 2005 with \$1.2 million in revenues. In September, Pentaq began production of the new universal uniforms U.S. soldiers will wear, a fact that Oscar is extremely proud of.



Strategic Goal 1

Subcontracting Assistance

Table 9.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the economic environment for small businesses					
Subcontracting Budgetary Resources ^a	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program (\$000)	\$6,104	\$3,408	\$3,149	\$2,825	\$3,712

^a Only cost data is shown for Subcontracting. Subcontracting uses the same indicators as Prime Contracting; however, performance data is not expected to be available until December 15, 2006.

Through Subcontracting Assistance, the Agency works with large prime contractors to increase substantive small businesses participation in the federal marketplace as subcontractors. To do this, the SBA monitors the establishment and execution of subcontracting plans on larger prime contracts; conducts prime contractor compliance reviews; provides training and technical assistance to prime contractors in developing small business sources; and reports and evaluates performance.

During FY 2006, the SBA used technology to improve the reach and effectiveness of its prime contracting and subcontracting programs. Under the aegis of the Integrated Acquisition Environment, pursuant to the President's Management Agenda for Electronic Government, the SBA deployed the Electronic Subcontracting System (ESRS). This system replaced submission of paper reports on subcontracting activity by prime contractors with electronic Internet-based reporting. This initiative increased the transparency, accountability and efficiency of the subcontracting reporting process. By automating these business processes and making reporting simpler and more reliable, the Agency will be able to better gauge the performance of prime contractors in making subcontracting opportunities available to small businesses under their subcontracting plans.

Subcontracting data for FY 2004 and FY 2005 is not yet available. The reason is that during FY 2006, under the auspices of the Integrated Acquisition Environment, the Agency implemented the ESRS for non-Defense agencies. The system superseded manual submission of individual and Summary Subcontracting Reports with Internet data capture and reporting. Accordingly, data has been migrated from several sources, delaying first-time reporting. FY 2004 and FY 2005 data is expected to be available by December 15, 2006.

Statutory Small Business Procurement Goals for Federal Agencies

The Federal Government purchases billions of dollars in goods and services each year. To ensure that small businesses get their fair share, statutory goals have been established for federal executive agencies. They are:

- Twenty-three percent of prime contracts for small businesses;
- Five percent of prime and subcontracts for small disadvantaged businesses;
- Five percent of prime and subcontracts for women-owned small businesses;
- Three percent of prime contracts for HUBZone small businesses;
- Three percent of prime and subcontracts for service-disabled veteran-owned small businesses.

In addition to the goals established, the Small Business Act 15(g)(1) also states that it is the policy of the United States that each agency shall have an annual goal that represents, for that agency, the maximum practicable opportunity for small business concerns.

The following table shows the goal performance of agencies across the government.

2005 PRIME CONTRACT GOALS ¹⁴													
AGENCY	SB Goal % of Total Prime \$	SB Achieved	8(a) Goal % of Total Prime \$	8(a) Achieved	SDB Goal % of Total Prime \$	SDB Achieved	SDB Goal % of Total Prime \$	WOSB Goal % of Total Prime \$	Women Achievement	HZ Goal % of Total Prime \$	HZ Achievement	SDVOSB Goal % of Total Prime \$	SDVOSB Achievement
Department of Agriculture	45.00%	49.53%	5.00%	3.29%	5.00%	8.30%	5.00%	5.00%	5.31%	3.00%	9.10%	3.00%	0.60%
Department of Commerce	44.80%	51.96%	6.11%	6.11%	10.35%	15.53%	7.80%	7.80%	9.63%	3.00%	2.20%	3.00%	1.27%
Department of Defense	23.00%	24.57%	2.60%	3.24%	3.10%	6.63%	5.00%	5.00%	3.00%	3.00%	1.94%	3.00%	0.49%
Department of Education	23.00%	9.20%	4.00%	1.13%	1.00%	3.01%	5.00%	5.00%	2.50%	3.00%	0.23%	3.00%	0.08%
Department of Energy	5.50%	4.11%	2.20%	0.85%	1.00%	1.35%	5.00%	5.00%	0.57%	1.50%	0.19%	1.50%	0.21%
Department of Health and Human Services	30.32%	29.40%	5.50%	4.20%	11.12%	9.05%	5.05%	5.05%	5.30%	3.03%	1.80%	3.00%	0.51%
Department of Homeland Security	23.00%	46.63%	2.50%	2.94%	2.50%	7.57%	5.00%	5.00%	4.53%	3.00%	2.05%	3.00%	0.48%
Department of Housing and Urban Development	38.13%	63.56%	6.09%	18.73%	7.07%	37.20%	15.03%	15.03%	24.30%	3.00%	6.74%	3.00%	1.52%
Department of Justice	31.50%	34.63%	3.70%	2.20%	12.00%	5.18%	5.00%	5.00%	6.40%	3.00%	1.15%	3.00%	0.78%
Department of Labor	26.00%	33.68%	4.84%	2.95%	5.20%	11.20%	5.20%	5.20%	5.28%	3.00%	1.33%	3.00%	0.83%
Department of State	40.00%	35.32%	7.00%	2.17%	7.00%	13.29%	5.00%	5.00%	6.23%	3.00%	0.16%	3.00%	2.01%
Department of the Interior	56.14%	55.24%	8.26%	11.41%	8.91%	21.67%	5.47%	5.47%	8.97%	3.13%	8.96%	3.00%	1.09%
Department of the Treasury	24.25%	36.88%	9.00%	2.40%	5.00%	7.78%	5.60%	5.60%	6.66%	3.00%	0.48%	3.00%	0.28%
Department of Transportation	38.00%	44.57%	9.34%	9.36%	6.00%	12.68%	5.00%	5.00%	6.64%	3.00%	4.18%	3.00%	0.83%
Department of Veterans Affairs	27.00%	28.45%	4.00%	5.16%	4.00%	4.00%	5.00%	5.00%	4.67%	3.00%	3.29%	3.00%	2.15%

Strategic Goal 1

2005 PRIME CONTRACT GOALS ¹⁴												
AGENCY	SB Goal % of Total Prime \$	SB Achieved	8(a) Goal % of Total Prime \$	8(a) Achieved	SDB Goal % of Total Prime \$	SDB Achieved	WOSB Goal % of Total Prime \$	Women Achievement	HZ Goal % of Total Prime \$	HZ Achievement	SDVO SB Goal % of Total Prime \$	SDVO SB Achievement
Agency for International Development	44.25%	N/A	1.23%	N/A	24.56%	N/A	5.00%	N/A	3.00%	N/A	3.00%	N/A
Environmental Protection Agency	27.00%	33.70%	6.30%	4.76%	3.00%	12.00%	5.00%	4.65%	3.00%	1.01%	3.00%	0.20%
General Services Administration	43.00%	34.95%	5.00%	5.43%	8.00%	10.73%	5.00%	6.19%	3.00%	4.06%	3.00%	1.20%
National Aeronautics and Space Administration	16.16%	14.44%	3.69%	3.21%	3.00%	6.47%	5.00%	2.08%	3.00%	0.28%	3.00%	1.12%
National Science Foundation	23.00%	36.50%	2.50%	7.24%	2.50%	18.20%	5.00%	14.80%	3.00%	1.96%	3.00%	4.38%
Nuclear Regulatory Commission	28.00%	36.69%	4.00%	9.55%	4.00%	13.35%	5.00%	8.17%	3.00%	1.72%	3.00%	0.00%
Office of Personnel Management	19.90%	34.14%	2.20%	0.25%	3.40%	6.03%	5.00%	15.97%	3.00%	0.05%	3.00%	0.13%
Small Business Administration	60.00%	72.10%	20.00%	29.12%	16.00%	53.70%	10.00%	18.75%	3.00%	6.04%	3.00%	0.50%
Social Security Administration	33.50%	35.92%	8.50%	6.73%	5.80%	10.12%	5.00%	5.21%	3.00%	2.13%	3.00%	0.42%
Statutory (or SBA Assigned Goals)	23.00%		2.50%		2.50%		5.00%		3.00%		3.00%	

14 USAID is still in the process of entering their FY05 data into FPDS-NG, therefore this report is not a complete reflection of their small business achievement. USAID is working diligently to enter their data.

Small Disadvantaged Business Certification Program

Table 10.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the Economic Environment for Small Business.								
LTO	SDB Key Performance Indicator	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY 2006 % Goal Variance
1.3	Small Businesses Certified	Output	N/A	856	968	1,000	734	-27%

SDB Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program (\$000)	\$4,750	\$5,108	\$1,614	\$2,120	\$1,772

SDB Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Per Small Business Certified (\$)	N/A	\$5,967	\$1,667	\$2,120	\$2,414

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

Goals Not Met

Indicator: Small Businesses Certified		
Target	Result	Below Target by
1,000	734	-27%
Reasons for performance result		
Fewer small businesses were certified than anticipated because volume of incoming applications decreased and application processing slowed down due to new requirements for paper documentation. Small businesses see little value in SDB certification since the Price Evaluation Credit for civilian agencies expired. SDB certification is only valuable for subcontracting opportunities.		
Steps being taken to improve performance or targets		
The Program's annual targets were overestimated.		
Impact of result		
No adverse impact is expected.		

Strategic Goal 1

Business Matchmaking

Table 11.

Performance Statement Program Level Assistance Strategic Goal 1. Improve the economic environment for small business								
LTO	Business Matchmaking Key Indicators	Type of Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Goal	FY 2006 Actual	FY 2006 % Goal Variance
1.3	Small businesses assisted via pre-scheduled selling meetings (number)	Output	7,971	13,422	14,806	158,879	178,368	12%

Business Matchmaking Budgetary Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Total Program Cost (\$000)	\$434	\$4,622	\$5,585	\$5,111	\$5,526

Business Matchmaking Efficiency Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Actual
Per Business Assisted	\$54.4	\$344.4	\$377.2	\$32.2	\$31.0

It should be noted that, among procurement-related technical assistance efforts, Business Matchmaking provides unique opportunities for small businesses. Each matchmaking event offers individual counseling from SBA and its resources partners, training on how to do business with the government and the private sector, opportunities for small vendors to meet with federal and commercial buyers, and follow-up counseling.

In FY 2006, the SBA hosted a special matchmaking initiative in the Gulf Coast area to help small businesses devastated by the hurricanes by matching them with buying organizations throughout the country. In addition the Agency rolled-out its online matchmaking system nationwide. By hosting pre-scheduled appointments via the telephone, online matchmaking offers the same benefits to small vendors as do its regional events without the associated travel costs. Online Matchmaking also offers small businesses email updates, newsletters, webinars, and online counseling and workshops. The SBA has facilitated more than 40,000 one-on-one pre-scheduled appointments and, including its Gulf Coast efforts, is responsible for over \$700 million in contracts awarded to small businesses.

DID YOU KNOW?



What is the difference between 8(a) certification and SDB certification?

The 8(a) program is a business development program that offers a broad scope of assistance to socially and economically disadvantaged firms. SDB certification strictly pertains to benefits in Federal procurement. 8(a) firms automatically qualify for SDB certification.

Goals Exceeded

Indicator: Small businesses assisted via pre-scheduled selling meetings (number)		
Target	Result	Above Target by
158,879	178,368	12%
Reasons for performance result		
Due to two new components being added, the Gulf Coast BMM Initiative and the BMM Online being open to small businesses nationwide.		
Steps being taken to improve performance or targets		
A revised Goal for FY07 will be implemented.		
Impact of result		
No adverse impact is expected.		

