



# THE SMALL BUSINESS AGENDA

Growing America's Small Businesses  
To Win the Future

National Economic Council

MAY 2011



# Introduction

This report focuses on the vital role that America's entrepreneurs and small business owners play in strengthening the U.S. economy. The Obama Administration has put new initiatives and increased incentives in place to support small businesses – including seventeen tax cuts, improved access to capital and expanded support for high growth businesses – as they continue to out-compete, and out-innovate the rest of the world.

Over the past two and a half years, President Obama has enacted sweeping changes to support, reinvest, and revitalize America's economy in the wake of a major recession. As a result, large U.S. firms are now making powerful new investments, including building new facilities and buying new equipment.

With regards to job creation, however, we know that America's small businesses pack the biggest punch, creating two out of every three new jobs in the U.S. each year. These small businesses are the cornerstone of our communities. They are the source of pride for working families. And, every day, we see America's entrepreneurs continue to step out and take risks with new ideas in order to help us win the future.

This report details the many investments this Administration has made since January 2009 to support small businesses, investments that include: expanding access to capital, supporting startups and high-growth firms, training America's workforce, reducing barriers to entrepreneurship, increasing small business exports, and much more.

On that note, we would like to thank the following agencies for their contributions in preparing this report: the U.S. Department of Agriculture, the U.S. Department of Commerce, the U.S. Department of Defense, the U.S. Department of Health and Human Services, the U.S. Department of Homeland Security, the U.S. Department of Labor, the U.S. Department of the Treasury, the U.S. Department of Veterans Affairs, the Export-Import Bank of the United States, the General Services Administration, the National Aeronautics and Space Administration, the National Science Foundation, and the U.S. Small Business Administration.

More than ever, we are all committed to supporting entrepreneurs and small businesses as they create jobs and strengthen America's economy in the 21<sup>st</sup> century.

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# Table of Contents

Executive Summary.....	1
I. Small Business Tax Breaks.....	3
Legislation Committed to Supporting Small Businesses .....	3
Simplifying Tax Credits .....	3
II. Improved Access to Capital.....	6
Enhanced Lending Practices.....	6
Support for Underserved and Disaster Afflicted Communities .....	9
Increased Capital for Rural Businesses .....	12
New and Strengthened Development Programs .....	14
Listening to Small Businesses and Building on Success .....	16
III. Augmented Federal Contracting Opportunities .....	19
Presidential Interagency Taskforce on Federal Contracting Opportunities for Small Business and The Small Business Jobs Act of 2010.....	19
Federal Contracting Opportunities for Minorities .....	20
Increased Federal Contracting Dollars .....	22
More Efficient Government Contracting Procedures .....	25
Contracting Partnerships for Small Businesses .....	26
Meeting National Security Needs through Small Business .....	27
IV. Increased U.S. Exports through the National Export Initiative .....	33
The National Export Initiative Promotes Exports by Small Businesses .....	33

Improving Advocacy and Trade Promotion .....	33
Helping Minority-Owned Firms Export .....	37
Increasing Access to Export Financing .....	38
Joint Efforts .....	40
International Small Business Collaboration .....	40
Reduce Barriers to Trade .....	41
Robust Enforcement of Trade Rules .....	42
Macroeconomic Support for Expanded Exporting .....	43
V. Enhanced Development and Education Opportunities for Entrepreneurs.....	44
Development Programs for Entrepreneurs .....	44
Programs for Traditionally Disadvantaged Groups .....	46
Enhanced Regional Economic Competitiveness .....	49
Improving America’s Entrepreneurial Infrastructure .....	51
Educating Americans with 21st Century Skills and Create a World-Class Workforce .....	52
Educating Entrepreneurs and Small Businesses about Security Concerns .....	53
VI. Heightened Innovation and High Growth Support.....	56
The Startup America Initiative to Support America’s Entrepreneurs .....	56
The Startup America Partnership .....	58
Tools for Small Businesses with High-Growth Potential .....	59
The USDA Agricultural Research Service .....	65
Investments in Broadband Technology for Small Businesses .....	68
The Manufacturing Extension Partnership .....	71

Entrepreneurship Programs for Veterans .....	71
Science and Technology Directorate .....	72
VII. Strengthened Small Business Protection.....	75
The Dodd-Frank Wall Street Report and Consumer Protection Act .....	75
Credit Card Accountability, Responsibility, and Disclosure Act .....	75
The Affordable Care Act .....	75
Improving Regulations for Small Businesses .....	76
VIII. Conclusion.....	78

# Executive Summary

Small businesses are the engine of the American economy, having created 64 percent of new American private sector jobs generated in the past 15 years—**that's 40 million net new jobs** according to the Council of Economic Advisers. Recognizing this critical role that small businesses play in the U.S. economy, President Obama is committed to ensuring that small businesses continue to receive the tools and resources they need to address the challenges they face. These initiatives offer support to small businesses so they are able to bring the power of their ideas to the marketplace in ways that can catalyze and transform our economy, creating jobs through new innovations in products and services.

Since taking office in January 2009, President Obama has made enormous strides in supporting U.S. small businesses. Going forward, the Administration continues to champion our nation's vital small business resources. The Administration continues to emphasize serving all U.S. small businesses while placing additional focus on historically underserved communities including, minorities, women, veterans, and businesses in economically disadvantaged areas.

Small businesses encompass a wide swath of America—from “mom and pop” Main Street stores to young innovators dreaming of the next new Google. At the core of every small business is the entrepreneur. These entrepreneurs need the tools to make their dreams come true for they are the source of America's competitive advantage—to inspire and empower an ever greater diversity of communities and individuals to build great American companies.

Over the past two and a half years, the President and agencies across the Executive Branch have worked to implement policies and programs to help small businesses bridge the capital and market gap and encouraged public-private partnerships to support workforce re-training and entrepreneurship by:

- Supporting more than \$53 billion in SBA loan guarantees to more than 113,000 small businesses;
- Awarding more than \$221 billion in Federal contracts to small businesses (FY 2009 through April 30, 2011);
- Providing counseling, through SBA resource partners and other agencies, to more than 2 million entrepreneurs and small business owners;
- Awarding more than \$4.5 billion in research funding through the Small Business Innovation and Research Program during FY 2009 and FY 2010; and
- Streamlining Federal programs to help small businesses such as the Department of Defense's recent announcement to reduce the time to pay its small business vendors

from 30 days to 20 days—which will impact more than \$60 billion of goods and services it purchases from small businesses.

The Administration’s small business initiatives have been accomplished through the tireless efforts of the Executive Agencies of the Executive Branch, as well as through an ambitious legislative agenda. The capstone of this continuing support was the *Small Business Jobs Act of 2010* signed in September 2010, which is the most significant piece of legislation to help small businesses in over a decade.

Over the past two and a half years, the Administration has accomplished much in support of small businesses as set forth in this report, including:

- I. Expanded Small Business Tax Breaks**
- II. Improved Access to Capital**
- III. Augmented Federal Contracting Opportunities**
- IV. Increased U.S. Exports through the National Export Initiative**
- V. Enhanced Entrepreneurial Development and Education Opportunities**
- VI. Heightened Innovation and High Growth support**
- VII. Strengthened Small Business Protection**

This is the first time an administration has prepared a comprehensive report that covers small business efforts across the Federal Government. This report was prepared with input from the following agencies: the U.S. Department of Agriculture, the U.S. Department of Commerce, the U.S. Department of Defense, the U.S. Department of Health and Human Services, the U.S. Department of Homeland Security, the U.S. Department of Labor, the U.S. Department of the Treasury, the U.S. Department of Veterans Affairs, the Export-Import Bank of the United States, the General Services Administration, the National Aeronautics and Space Administration, the National Science Foundation, and the Small Business Administration.



# I. Small Business Tax Breaks

**Legislation Committed to Supporting Small Businesses.** The Administration is committed to providing small businesses key support through a series of tax breaks that combine increased capital, as well as providing key incentives for small business investment and growth. To date, the Administration has supported 17 direct tax breaks that support small business growth. For further information on tax breaks for small businesses, please visit [www.sba.gov/content/fact-sheet-tax-breaks-small-businesses](http://www.sba.gov/content/fact-sheet-tax-breaks-small-businesses).

- **From the American Recovery & Reinvestment Act (ARRA) Act, the Hiring Incentives to Restore Employment (HIRE) Acts, and the Affordable Care Act:**
  1. **A New Small Business Healthcare Tax Credit.** Starting retroactively to January 1, 2010, a new small business health care tax credit is in effect that covers up to 35 percent of healthcare premiums, with the top rate increasing to 50 percent in 2014. The IRS has notified over 4 million small businesses could be eligible for this tax credit, and small business owners can now find information on how to apply for a tax credit on the Department of Health and Human Services' (HSS) website; available here: <http://www.healthcare.gov/foryou/small/index.html>. Altogether, the Affordable Care Act invests \$40 billion over the next decade in tax credits that enable small businesses to invest, compete, and hire more workers.

About 4 million small businesses could be eligible for new healthcare tax credits if they provide health insurance. This includes Niedlov's Breadworks in Chattanooga, Tenn. Niedlov's owners, John and Angela Sweet have always wanted to provide health insurance to their employees. "It's something that I feel would make us a better employer and a more complete business," John said. When Congress passed the Affordable Care Act, John took a look at his options and studied the new tax credits. He decided that now was the time to provide health insurance to his full-time employees. "It won't be cost free, but it won't cost too much," John said, adding that even if it's only for a handful of people, it's important that, as a small business owner, he's able to provide benefits for his employees.
  2. **A New Tax Credit for Hiring Unemployed Workers.** This credit could provide up to \$10.4 billion in tax relief for businesses that hired recently unemployed workers by providing a tax credit equal to \$1,000 for each eligible employee through 2010 who was retained for more than one year.
  3. **Bonus Depreciation Tax Incentives to Support New Investment.** In 2008 and 2009, small businesses were able to recover the costs of capital expenditures faster than the ordinary schedule, by depreciating 50 percent of the cost in the first year.
  4. **75 percent Exclusion of Small Business Capital Gains.** Under the Recovery Act, 75 percent of capital gains from certain small business stock (up from 50 percent) can be

excluded from taxes if the stock is acquired after February 17, 2009 and before January 2011, and held for more than five years.

- 5. Expansion of Limits on Small Business Expensing.** The Section 179 deduction enables small businesses to deduct up to \$250,000 of the cost of machinery, equipment, vehicles, furniture and other qualifying property placed in service during 2009. The limit would have been \$133,000 without the extension in the ARRA.
  - 6. Five-Year Carryback of Net Operating Losses.** Small businesses with deductions exceeding their income in 2008 were able to use a new net operating loss tax provision to get a refund of taxes paid in prior years. This provision enables small businesses with a net operating loss (NOL) in 2008 to elect to offset this loss against income earned in up to five prior years. Typically, an NOL can be carried back for only two years.
  - 7. Reduction of the Built-In Gains Holding Period for Small Businesses from 10 to 7 to Allow Small Business Greater Flexibility in Their Investments.**
  - 8. Temporary Small Business Estimated Tax Payment Relief to Allow Small Businesses to Keep Needed Cash on Hand.**
- **From the Small Business Jobs Act:**
    - 9. Zero Taxes on Capital Gains from Key Small Business Investments.** Under the Recovery Act, 75 percent of capital gains from certain small business investments were excluded from taxes in 2009 and 2010. The Jobs Act temporarily eliminated these taxes altogether in 2010, providing an immediate incentive for increased investments in small businesses.
    - 10. The Highest Small Business Expensing Limit Ever– Up to \$500,000.** Building on provisions in the Recovery Act and HIRE Act, the Small Business Jobs Act increased the amount of investments small businesses could immediately write off in 2010 and 2011 to \$500,000 for qualifying investments and raised the total phase out limit to \$2 million, providing an immediate tax incentive for them to expand and create new jobs.
    - 11. An Extension of 50% Bonus Depreciation.** The Jobs Act extended, as the President proposed in his FY 2011 Budget, a 50 percent “bonus depreciation” provision that encourages businesses to invest in plants and equipment by accelerating the rate at which they can deduct capital expenditures.
    - 12. A New Deduction for Healthcare Expenses for the Self-Employed.** Building on the Affordable Care Act, the jobs bill allows self-employed entrepreneurs to deduct the cost of health insurance in 2010 for themselves and their family members in calculating their

self-employment taxes, providing a significant tax cut this year for entrepreneurs purchasing health insurance for themselves and their families.

**13. Tax Relief and Simplification for Cell Phone Deductions.** The Small Business Jobs Act changed tax rules to simplify deductions for business cell phones—making it easier for small business owners to receive deductions that they are entitled to without burdensome documentation.

**14. An Increase in the Deduction for Entrepreneurs' Start-Up Expenses.** The Small Business Jobs Act temporarily increased the amount of start-up expenditures entrepreneurs can deduct from their taxes from \$5,000 to \$10,000, offering an immediate incentive for aspiring entrepreneurs to invest in starting up a new small business.

**15. A Five-Year Carryback of General Business Credits.** Building on temporary Recovery Act measures, the Small Business Jobs Act allowed certain small businesses to “carry back” their general business credits to offset five years of taxes—providing them with an instant tax break—while also allowing these credits to offset the Alternative Minimum Tax, reducing taxes for these small businesses.

**16. Limitations on Penalties for Errors in Tax Reporting That Disproportionately Affect Small Business.** The bill changed, beginning in 2010, the penalty for failing to report certain tax transactions from a fixed dollar amount—which was criticized for imposing a disproportionately large penalty on small businesses in certain circumstances—to a percentage of the tax benefits from the transaction.

- **And from the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act:**

**17. 100 Percent Expensing.** The agreement includes the President’s proposal—made effective September 8, 2010—to temporarily allow businesses to expense 100 percent of their investments in the last quarter of 2010 and in all of 2011, potentially generating more than \$50 billion in additional investment in 2011, which will fuel job creation.

**Simplifying Tax Credits.** The Treasury Department is working on a set of regulatory reforms to the existing New Markets Tax Credit, which the Administration is proposing to expand from \$3.5 billion for 2011 to \$5 billion for 2012 in its FY 2012 Budget proposal. These reforms will make it easier for community development entities to attract private sector funds for investment in startups and small businesses operating in lower-income communities. The reforms, which are expected to go into effect later this year, will relax the reinvestment requirements for community development entities investing in certain operating businesses.

## II. Improved Access to Capital

**Enhanced Lending Practices.** America's preeminence in generating innovative new companies depends on open and well-functioning credit and capital markets. During the financial crisis and recession access to capital dried up, particularly for small firms. As our economy recovers, some small businesses have continued to struggle to access capital to maintain operations or grow. The Administration has been focused on addressing these shortfalls and barriers since taking office. Through new legislation and initiatives, the Obama Administration has achieved enhanced lending practices for small businesses. Now, agencies and private lenders can meet small businesses' needs better than ever, with improved loan turnaround times, more points of access, increased loan volumes, and increased loan sizes.

- **Significantly Increased Small Business Administration (SBA) Small Business Loan Volumes.**

- **Recovery Act Loans.** The Recovery Act implemented reduced fees for SBA's two largest loan programs, 7(a) and 504, and also raised the guarantees on SBA's 7(a) loan program. These loan enhancements engineered a significant turnaround in SBA lending at a critical time. As of September 30, 2010 SBA approved \$22.6 billion in Recovery Act loan guarantees, which supported \$30.4 billion in lending to small businesses. From February 17, 2009 to September 30, 2010, weekly SBA loan dollar volumes rose more than 90 percent in the 7(a) and 504 programs, compared to the weeks preceding ARRA's passage. Overall, more than 70,000 small businesses received SBA loans with Recovery Act enhancements.
- **Small Business Jobs Act.** Following the passage of the Small Business Jobs Act of 2010 in September, which extended 7(a) and 504 loan enhancements, weekly loan volumes rose and reached a high of approximately \$2.2 billion. This represents the highest weekly lending level since the SBA began tracking weekly loan volumes. As of December 31, 2010 SBA approved more than \$10 billion in Jobs Act loan guarantees, which supported more than \$12 billion in lending to small businesses. Since enactment of the Jobs Act, SBA 7(a) and 504 programs have assisted more than 19,000 small businesses in FY 2011.
- **Loans to Minorities, Veterans, and Women.** From January 2009 to April 2011, SBA has supported approximately 28,000 minority-owned businesses with more than \$10.33 billion in lending support, approximately 10,000 veteran-owned businesses with almost

**Total Number of SBA Loans Made to More than 113,000 Small Businesses**

From January 2009 to April 2011, SBA has supported more than \$55.6 billion in lending to more than 113,000 small businesses, including more than \$42 billion in loans with reduced fees and higher guarantees made possible through the American Recovery & Reinvestment Act and the Small Business Jobs Act.

\$2.5 billion in lending support, and approximately 25,000 women-owned businesses with more than \$5.76 billion in lending support.

- **Increased Points of Access.** Central to the turnaround in SBA lending has been increased outreach to, and participation by, lending partners across the United States. As a result, SBA has helped increase the points through which small businesses can access SBA loan programs. In FY 2010, more than 3,000 financial institutions made a 7(a) loan, a 27 percent increase since FY 2008, including nearly 1,300 lenders that had not made an SBA loan since FY 2007.

In 2002, Rob Hatch and his wife Tara founded Anemometry Specialists in Alta, Iowa, which provides wind resources assessment for wind farms. Many lenders had not yet realized the economic potential of wind energy in Iowa, so Rob and Tara financed the company on their credit cards. In 2009 a \$70,000 SBA loan made possible by the Recovery Act helped Rob and Tara continue to expand the company. They expect the expansion to add an additional five jobs in 2011.
- **Expanded SBA Loan Sizes.** The Jobs Act fulfilled the President's pledge to permanently increase SBA loan limits, helping ensure that small businesses that are in a position to expand and create jobs have access to the capital they need. The Jobs Act increased the maximum 7(a) loan size from \$2 million to \$5 million, increased the maximum 504 loan size from \$2 million to \$5 million for regular projects and from \$4 million to \$5.5 million for manufacturing projects, and increased the maximum Microloan size from \$35,000 to \$50,000. The Jobs Act also temporarily increased working capital loans from \$350,000 to \$1 million. In the first three months, these expansions supported over 1,200 loans totaling over \$2.6 billion in loans that previously wouldn't have been awarded.
- **Support for Small Business Commercial Real Estate.** The President called for and signed into law a key program that will help small business owners refinance their existing owner-occupied commercial real estate loans through SBA-guaranteed programs (the 504 Refinance Program). This program will help small business owners who are current on their mortgage payments but whose banks might not reset the terms of their loans and who thus face balloon payments. This program is currently being implemented and will provide up to \$15 billion in lending support over two years. Allowing access to SBA guaranteed mortgage refinancing options will help businesses avoid foreclosure, keep their doors open and save hundreds of thousands of jobs.

In Cleveland, Ohio, Miceli Dairy Products plans to break ground on a \$16 million to \$20 million expansion of its operation that will add 60 workers to its 138-employee work force within five years.

Those plans became a reality when the company was approved for a \$5.49 million 504 loan. The loan is one of the largest in the program's history, and was made possible by new provisions in the Small Business Jobs Act.
- **Provide Small Businesses with Access to Credit.** In his FY 2012 budget, the President proposes \$165 million to support more than \$15 billion in additional 7(a) loan guarantees

that will help small businesses operate and expand in the coming year. The President's Budget also supports measures to strengthen financing programs for small business owner-occupied commercial real estate and equipment through Certified Development Companies; leverages early-stage mezzanine investment financing through Small Business Investment Companies; and provides Microloan funding to emerging entrepreneurs through non-profit intermediaries.

- **Export Import Bank of the United States (Ex-Im).** Following the credit crisis of 2008, substantial segments of the small business export sector were abandoned by the private sector. Chief causes could be found in the retreat from trade credit insurance by major insurers, the rising operating cost of lending for banks, and the prospects of higher credit losses. In response, Ex-Im has created a new program for the small business exporter.

- **Reinsurance.** During 2010, Ex-Im negotiated a \$75 million reinsurance agreement with a major insurer who had increased the minimum size of allowable transactions and exited several foreign markets. Ex-Im is negotiating reinsurance deals with three additional insurers to make sure that future market volatility does not leave U.S small businesses without coverage.

Planson International (New Gloucester, ME) is a woman-owned small business that exports Dell computers, software, and accessories to developing countries under UN, USAID, and NGO contracts, specifically for aid, humanitarian and development projects. The company uses a \$1.5 million working capital guaranteed line of credit with Bank of America.

Planson received a \$3 million contract with the UN Development Program and Sudan to supply equipment for the January 2011 referendum. However, as the exports were destined for Sudan, Ex-Im Bank was prohibited from providing its guarantee for the financing due to sanctions under Section 908 of the Trade Sanctions Reform and Export Enhancement Act. Ex-Im Bank staff worked with the State Department and the White House in obtaining a Presidential Waiver, signed by President Obama on November 19, 2010, which permitted the transaction to go forward.

- **Creating a New Small Business Lending Fund (SBLF) to Support Community Banks Lending to Small Businesses.**

The President requested a new Small Business Lending Fund that was enacted in the Small Business Jobs Act. This created a \$30 billion initiative that encourages lending to small businesses

by providing low cost capital to qualified community banks with assets of less than \$10 billion. Through the SBLF, community banks and small businesses can work together to help create jobs and promote economic growth in local communities across the nation. The program provides community banks with an incentive to expand loans to small businesses. The largest incentives will go to banks that do the most to increase their lending—rewarding performance, not promises. Treasury recently began accepting applications, and all SBLF investments will be completed by September 27, 2011. To date, Treasury has received applications from over 250 institutions totaling more than \$6 billion in funds

requested. Treasury expects to complete initial funding under the program in the first quarter of FY 2012, and will continue thereafter to fund institutions on a rolling basis.

- **State Small Business Credit Initiative (SSBCI).** The SSBCI, which was funded with \$1.5 billion from the Jobs Act, will support lending to small businesses and small manufacturers. SSBCI is expected to help spur at least \$15 billion in lending to small businesses. Under SSBCI, participating states will use the Federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. SSBCI will allow states to build on successful models for state small business programs, including collateral support programs, Capital Access Programs (CAPs), loan participation programs, loan guarantee programs, and other innovative programs, such as state-sponsored venture capital programs. Existing and new state programs are eligible for support under the SSBCI. States are currently applying for program funds. To date the SSBCI has approved allocations to North Carolina (\$46 million), Michigan (\$79 million), California (\$169 million), Connecticut (\$133 million), Missouri (\$269 million) and Vermont (\$132 million). Please visit [www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx](http://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx) for more information.

**Support for Underserved and Disaster-Afflicted Communities.** The Administration is committed to developing economies and spurring entrepreneurs in all regions across the U.S.—through the good times and the bad. These programs are designed to aid those regions that need it most.

- **Community Development Capital Initiative (CDCI).** Treasury’s Office of Financial Stability launched CDCI to provide low-cost capital to depository Community Development Financial Institutions (CDFIs), including banks, thrifts, and credit unions. CDFIs are an important source of credit for small businesses in underserved communities. The program was designed to recognize CDFIs’ unique, mission-oriented focus and their success in reaching underserved communities. CDCI investments were made at a dividend rate of 2 percent. To encourage repayment, while recognizing the unique circumstances facing CDFIs, the dividend rate under CDCI is low initially and will gradually increase to 9 percent after eight years. CDCI completed funding on September 30, 2010. \$570 million was disbursed to 84 financial institutions in 26 states, the District of Columbia, and Guam.
- **Community Development Financial Institutions (CDFI) Fund.** Through monetary awards and the allocation of tax credits, the CDFI Fund helps promote access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally-based organizations to further goals such as: economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training). In FY 2010, the Administration requested and secured enactment of an increase in the budget of the CDFI Fund to

\$246,750,000 from \$107 million the prior year. Many of the CDFIs are providing microenterprise loans, small business loans and loans to non-profits working in some of the country's most distressed communities. Additionally, the CDFI Fund modified its application and compliance requirements under the New Markets Tax Credit Program to encourage more investments of equity in businesses. Furthermore, through the new SBA Community Advantage program, CDFI's are now able to lend to small businesses through SBA's 7(a) program.

- **Support for Capital Directly to Underserved Communities.** SBA is committed to expanding access to capital for small businesses and entrepreneurs in underserved communities so that it can drive economic growth and job creation. SBA loans are three-to-five times more likely than conventional, non-guaranteed, small business loans to go to women- and minority-owned small businesses, according to the Urban Institute. Recent studies have also demonstrated that small loan amounts are particularly important to these businesses. Moreover, underserved communities have been hit disproportionately hard by the recession. In addition to SBA's already existing loan programs, SBA added two new initiatives that are aimed at increasing access to capital for businesses in these communities. The Urban Institute report is available at: [http://www.urban.org/UploadedPDF/411596\\_504\\_gap\\_analysis.pdf](http://www.urban.org/UploadedPDF/411596_504_gap_analysis.pdf).
  - **Small Loan Advantage.** Small Loan Advantage offers more than 600 Preferred Lenders, including many of the nation's largest lenders, the opportunity to put 7(a) loans of \$250,000 and lower into the hands of small businesses and entrepreneurs through a streamlined application process, while also having the regular 7(a) Government guarantee of up to 85 percent. This will encourage increased availability of vital smaller dollar loans for small businesses in underserved communities.
  - **Community Advantage.** With the Community Advantage pilot, the agency will expand the points of access small business owners have for getting loans by opening this portion of SBA's 7(a) loan program to "mission-focused" financial institutions, including Community Development Financial Institutions, Certified Development Companies and non-profit microlending intermediaries for small dollar loans. The pilot offers the same streamlined application process and regular 7(a) guarantees as Small Loan Advantage and increases the number of available SBA guaranteed lenders focused on serving entrepreneurs in underserved communities.
- **SBA Council on Underserved Communities.** The agency's new Advisory Council on Underserved Communities, established in December 2010, consists of 20 members from across the country. Members will provide a critical link between SBA and small businesses in traditionally underserved communities. Members will reflect a variety of key sectors, including business owners, banking and finance, community development, nonprofit and academia.



- **Small Business Data Collection Initiative.** Limited collection of timely, relevant data on small business lending has made it difficult to isolate the recession's impact on small business access to credit and has made it more challenging to develop solutions to address problems that arise. As a result the SBA has taken a two pronged approach to Small Business Data Collection:
  - **Improved Data Advocacy.** The SBA has continually advocated for augmented data collection practices, much of which has been reflected in the Dodd-Frank Bill.
  - **Data Analysis.** The SBA continually aggregates and analyzes all available third-party small business data to best understand the market and key effects.
  
- **National Advisory Council for Minority Business Enterprises.** On November 3, 2010, U.S. Secretary of Commerce Gary Locke announced the members of the National Advisory Council for Minority Business Enterprises (NACMBE). This is the first Secretarial-level advisory council for minority-owned businesses in nearly 40 years. The Advisory Council will provide advice and recommendations to the Commerce Secretary on a broad range of policy issues affecting the minority business community as part of the Obama Administration's focus on creating new jobs and strengthening the U.S. economy. The Minority Business Development Agency (MBDA) hosted the inaugural meeting of the NACMBE on March 11, 2011.
  
- **Capital Support for Small Business in Declared Disasters.** SBA provides direct lending support in Federally declared disasters in the form of Economic Injury Disaster Loans and the deferment of existing loan balances. As of April 30, 2011, for FY 2010 and FY 2011 there had been 442 declared disasters and the SBA had provided \$274,323,100 in support to 2,808 small businesses. USDA Rural Development's Business and Industry (B&I) Guaranteed Lending Program provided \$57 million in lending support for businesses located in declared disaster areas in FY 2010.
  
- **Support during the Deepwater Horizon Initiative on the BP/ Gulf Coast Oil Spill.** Following the economic devastation of the BP / Gulf Coast oil spill, numerous Federal agencies leveraged their resource to support small businesses.
  - **Economic Solutions Team (EST).** The Economic Solutions Team, coordinated by EDA led over 20 assessment teams through the affected region to identify key issues. Furthermore, SBA chaired the small business working group of the EST, which provided key short-term and long-term recommendations for support, which ultimately included the roll-out of a Federal resource roadshow throughout the region
  - **MBDA.** The communities served by the MBDA were disproportionately affected by the catastrophic Gulf Coast oil spill. MBDA provided African-American, Cambodian, Hispanic, and Vietnamese fishermen and shrimpers with technical assistance in

rebuilding their businesses. MBDA Business Centers located in the Gulf Coast region (Alabama, Louisiana and Mississippi) successfully hosted multiple town halls listening sessions throughout Louisiana and Mississippi, engaged various chambers of commerce (African-American, Asian and Hispanic), trade associations, and community leaders in addition to providing business development training in an effort to support the minority businesses, entrepreneurs and communities in all aspects of their recovery.

- **DOC Initiative on Haiti Reconstruction.** Since the first moments of the disaster, MBDA has assisted the Obama Administration in rallying international support for Haiti's recovery, specifically with targeted outreach to the Haitian diaspora and other minority entrepreneurs and businesses that could assist with the medium- to long-term reconstruction efforts in Haiti.
  - **MBDA Strategy.** In Partnership with the Department of State, MBDA developed a trade and investment initiative designed to support the rebuilding of the Haitian small- and medium-sized business community while promoting the competitiveness of U.S. firms in Haiti reconstruction initiatives.

**Increased Capital for Rural Businesses.** The Obama Administration is committed to revitalizing growth across all sectors of America. This includes America's farmers and ranchers, a nationwide network of entrepreneurs and a vital part of the national economy.

- **Small Business Assistance to Farmers.** The Recovery Act provided immediate assistance to 2,875 producers who needed loans but were unable to obtain commercial credit from conventional lenders, including more than 600 socially disadvantaged producers and almost 1,200 beginning producers. These loans were used to purchase land, livestock, equipment, feed, seed, and supplies, or to construct buildings or make farm improvements, all of which spur growth in rural communities. In total, the Department of Agriculture's Farm Service Agency (FSA) issued nearly 37,000 loans in FY 2010, providing more than \$5 billion in assistance, including \$2.2 billion to 20,000 beginning or socially-disadvantaged producers combined. The Recovery Act also provided \$800 million to farmers and ranchers whose operations were at risk due to lost crops as a result of natural disaster. In addition, the safety net provided by FSA offered farmers a range of tools to help them weather unforeseen periods of financial difficulty, such as a fixed base of minimum financial assistance for income certainty, emergency and disaster payments, stabilization assistance during seasonal cash flow slumps, and payments to transition to new types of crops or reserve land for conservation purposes. More than \$11 billion was invested in FY

In Louisiana, a \$2.5 million B&I loan was used to restructure existing debt, purchase equipment, and provide working capital for a sausage and food products company.

B&I guaranteed loan funds help to create 42 jobs and save 75 jobs, and expanded this business' market for link Cajun sausage, dressing mix, roux, and other Cajun culture products to a national market.

2010 to provide a safety net for this critical small business sector that serves American households.

- **The Department of Agriculture’s Rural Business Service (RBS).** RBS programs directly support the financing of rural businesses, creating sustainable jobs and advancing economic development throughout rural America. USDA’s Business and Industry Guaranteed Lending Program improves access to capital for America’s rural businesses through providing lending support in partnership with both national and local community banks. Nearly \$3 billion in lending support was delivered in FY 2010. In FY 2010, USDA Rural Development’s Business programs included assistance in the B&I Program, which funded 1,030 projects for \$2.9 billion.

USDA provided A REAP loan guarantee to a company growing tomatoes year-round in a 25 acre greenhouse in Maine. The farm uses thermal blankets to reduce heat loss during Maine’s cold winters. USDA funding assisted with the purchase of a 6 Megawatt biomass boiler system that replace 90 percent of the fossil fuel used with the old boiler system. The company also was able to expand its permanent work force from 95 to 225 jobs.

In North Platte, Nebraska, Gary’s Super Foods wanted to operate a new grocery store with greater energy efficiency. With the REAP loan guarantee, Rural Development was able to offer the lender an 85 percent guarantee on 50 percent of the total project costs as well as a 25 percent grant. Today, a heat reclaim system captures the heat from the store’s refrigeration units and redistributes the heat through a duct work system to heat the building. Also, energy efficient T-12 lighting was installed. Since the opening of the store in early 2009, the business has realized a significant energy savings.

- **Rural Energy for America Program (REAP).** The REAP program provides loan guarantees and grants for a number of purposes that assist rural small businesses and agricultural producers with the cost of purchasing and installing renewable energy systems and energy efficiency improvements. The program can result in the creation of enough electricity to fuel an entire farm operation with enough left over to sell back to the grid- creating income in rural areas and helping to clean the environment. In FY 2010 REAP provided \$83,926,976 in grants that saved or created 1,996 jobs, while assisting 2,417 small businesses. REAP also provided \$72,998,504 in loans that assisted 382 small businesses.

In Adams County, Iowa, the RBEG program was used to help capitalize a rural revolving loan fund. Using its 2007 award of \$89,004, the fund assisted 3 businesses, created 5 jobs and saved 32 jobs. In 2008, a second grant of \$95,000 provided more capital for the fund. The plan included assisting a similar number of businesses and creating and retaining more jobs. In a county with a population of about 4,000 people, the 2007 activity on this funding amounted to increasing employment by 1 quarter of 1 percent.

In New Lebanon, Tennessee, a new culinary center was opened with help from the USDA. The 2,400-square-foot commercial kitchen and storage space opened early this year. Built from RBEG grants from the USDA and the Tennessee Agriculture Enhancement Program, the center is designed to help area small-business owners have a sanitary, affordable venue for mass-producing their products. The culinary center is intended to also provide a spot for local farmers with a surplus who want to make jams or sauces, and for students to learn about entrepreneurship and the business of culinary arts.

- **Rural Business Enterprise Grant (RBEG) Program.** The RBEG program facilitates development of small and emerging private rural business enterprises through flexible loan and grant authority to assist small businesses with their specific needs.
- **Memorandum of Understanding (MOU) between SBA and USDA.** The two agencies executed an MOU in April 2010 to encourage sustainable growth and development for rural businesses. Key elements of the agreement aim to improve coordination in the delivery and development of programs, improve opportunities for small businesses to start and grow, and increase the volume of business loans guaranteed by USDA Rural Development and SBA, all directly helping to increase capital to rural America.

**New and Strengthened Development Programs.** In order to provide small businesses with access to capital that they need to thrive, the Obama Administration has implemented new programs which allow innovative small businesses to further develop. These programs are particularly essential for small businesses in emerging sectors.

- **The Economic Development Administration (EDA).** EDA plays a leading role in the Federal economic development agenda by promoting competitive ecosystems for entrepreneurship and innovation through its Office of Innovation and Entrepreneurship (OIE), and preparing American regions for growth and success in the global economy. Examples of EDA programs include revolving loan funds, investment funds for innovation infrastructure, and university-entrepreneur partnerships.
- **i6 Challenge.** OIE's i6 Challenge was designed to encourage and reward innovative ideas that accelerate technology commercialization, new venture formation, job creation, and economic growth across the United States. In 2010, six i6 winners each received \$1 million, through Economic Adjustment Assistance Funds, and were eligible for up to an additional \$1 million in funding. Visit [www.eda.gov/i6](http://www.eda.gov/i6) for more information.

- **i6 Green.** In 2011, OIE will implement i6 Green in partnership with the U.S. Departments of Agriculture, Energy, the U.S. Environmental Protection Agency, the National Science Foundation, and Commerce’s National Institute of Standards and Technology and U.S. Patent and Trademark Office. i6 Green, with anticipated funding of over \$12 million, supported with Global Climate Change Mitigation Incentive Funds, builds upon the success of last year’s inaugural i6 Challenge. It promotes commercialization of technology through “Proof of Concept Center” methodology, which supports all aspects of the entrepreneurship process, from assisting with technology feasibility and business plan development, to providing mentorship and access to early-stage capital. i6 Green winners will demonstrate a clear, specific, and realistic approach to accelerating the movement of clean economy technologies to the marketplace, including technologies to advance renewable energy, energy efficiency, reuse & recycling, restoration and/or green buildings.
- **Regional Innovation Acceleration Network (RIAN).** Accelerating the development of high-growth, innovation-based firms is the hallmark of a 21<sup>st</sup> century economic development strategy. EDA’s OIE is working with the State Science and Technology Institute to create a national network of venture development organizations to build capacity for supporting innovation and entrepreneurship in distressed regions. Venture development organizations, such as JumpStart in Northeast Ohio and Ben Franklin Technology Partners in Pennsylvania, provide a variety of services

**i6 Challenge 2010 Winners**

**Atlanta Region:** The Global Center for Medical Innovation, a not-for-profit corporation, will implement three major initiatives to accelerate the development and commercialization of next generation medical devices and technology.

**Austin Region:** New Mexico Technology Ventures Corporation will develop an infrastructure for the successful maturation of technologies developed under the Small Business Innovation Research (SBIR) program into commercially viable enterprises.

**Chicago Region:** University of Akron Research Foundation and Austen BioInnovation Institute in Akron partnered to develop Innovative Solutions for Invention Xceleration. This project will increase innovation and minimize the time from ideation to commercialization of new technologies by bringing together world-class scientists, physicians, engineers, researchers, and entrepreneurs in the biomedical device/product and polymer science industries of northeast Ohio.

**Denver Region:** BioGenerator, Washington University in St. Louis, Saint Louis University, the University of Missouri at St. Louis, Donald Danforth Plant Science Center, St. Louis County Economic Council, and the St. Louis Development Corporation will advance bioscience technology commercialization through collaborative targeted pre-company translational research, company creation, and first funding, and build an entrepreneurial infrastructure that is market-based around the needs of existing bioscience firms and investors.

**Philadelphia Region:** Innovation Works, Inc. and Carnegie Mellon University will create the “Agile Innovation System,” to accelerate the commercialization of technologies being developed within the region’s universities and small businesses.

**Seattle Region:** The Oregon Translational Research & Drug Development Institute, the Oregon Nanoscience & Microtechnologies Institute, and the Oregon Built Environment & Sustainable Technologies Center are joining forces to create the first comprehensive, innovation infrastructure – the Oregon Innovation Cluster – to address gaps in the commercialization continuum for three broad industry/technology clusters.

that directly benefit small businesses, including access to capital, expert business assistance, and network development. In 2011, RIAN is identifying best practices, measuring economic impacts, and providing assistance to regions interested in establishing or establishing venture development organizations to support business development.

- **The Broadband Technology Opportunities Program (BTOP) and the Broadband Infrastructure Program (BIP).** The Recovery Act provided a total of approximately \$7 billion in grant and loan funds to the Department of Commerce's (DOC) National Telecommunications and Information Administration (NTIA) and the Department of Agriculture's (USDA) Rural Utilities Service (RUS) for projects that will increase access to and adoption of broadband service across America. All funds were awarded by September 2010 for projects that will be built by 2013. Over \$1.7 billion in funds were provided for small business projects. Additionally, many small businesses are project partners or vendors, and some of these projects target training in online resources for job searches, entrepreneurship, and small businesses issues. Beyond direct awards, small businesses will benefit indirectly from these projects through increased broadband availability for themselves and their customers. The potential commercial benefits to small businesses are clear, including more affordable access to information and job training for employees; improved access to partners, vendors, and suppliers; faster, more cost-efficient outreach to potential and actual consumers through websites, e-mails, and e-commerce; more efficient business management through cloud computing and other online tools; and access to regional, nationwide, or even global markets.

**Listening to Small Businesses and Building on Success.** The Obama Administration is committed to improving on its small business initiatives by continuing what works and cutting what does not. In addition to building on success, President Obama and his Administration will improve these efforts by listening to the people the programs are designed for—small business owners and leaders.

- **Federal Reserve Bank Small Business Lending Roundtables.** The Board of Governors of the Federal Reserve System hosted a forum in July 2010 entitled *Addressing the Financing Needs of Small Businesses* to share information and gather perspectives on how to best address the immediate and longer-term credit needs of small businesses. The forum followed a series of more than 40 small business meetings organized by the Federal Reserve System's Community Affairs Offices across the country to deepen our understanding of the financing challenges that small businesses currently face.
- **Treasury Department Small Business and Entrepreneurs Access to Capital Conference.** The Treasury Department hosted a March 2011 conference which explored access to capital for small businesses. Access to capital is vital to spurring investment in small and innovative businesses, promoting job creation, and fueling sustainable economic growth. A broad range of options to help small businesses access the capital they need to expand and grow were discussed.

- **Startup America Regulatory Roadshow.** Startup America is the White House initiative to celebrate, inspire, and accelerate high-growth entrepreneurship throughout the Nation. One core goal of the Startup America initiative is to reduce barriers that are hampering entrepreneurs' ability to start and scale their businesses. The White House, in partnership with the SBA, decided the best way to figure out which regulatory barriers were hindering entrepreneurs was to ask those who are directly affected so that entrepreneurs can help identify solutions as well. That's why during March and April 2011 Senior Administration officials have visited four cities and held roundtable discussions to ask entrepreneurs for their ideas on which Federal regulations and processes could be changed to foster greater entrepreneurship, innovation, and job creation. At the end of this series of roundtables, all the feedback and online comments will be used to create a list of the top suggestions. Administration officials will use this input to write a report to the President on how to best reduce barriers and continue to strengthen America's entrepreneurial spirit. The Office of Information and Regulatory Affairs is also committed to sharing the public's solutions with the agencies as it coordinates implementation of the President's Executive Order for regulatory review. The government has also created an online tool where anyone can submit, comment, and vote on the new ideas and proposed solutions they think are most important. The online tool can be found at: <http://reducingbarriers.ideascale.com/>.
- **SBA Listening Tour.** SBA has hosted a Small Business Jobs Act Listening Tour that will cover 13 cities and include tribal consultations. All key stakeholders—including small business owners, prime contractors, lenders, congressional staff and the procurement workforce—were invited to the events. The objectives of the tour are to provide information on SBJA provisions, receive input on key SBJA provisions and ensure SBJA implementation is a collaborative process with stakeholders.
- **Winning the Future Forum at Cleveland State University.** There are different kinds of small businesses all across America but at the core of every small business is the entrepreneur. These entrepreneurs need the tools to make their companies grow and their dreams come true because they are America's competitive advantage. This comparative advantage is unique because not only does it provide innovation but also inspiration and empowerment to an ever greater diversity of communities and individuals desiring to build great American companies. In order support this, the President and several members of his cabinet traveled to Cleveland State University in Cleveland, Ohio to hear from local small business owners, entrepreneurs, and non-profit organizations what exactly the Administration can improve upon to win the economic future. Conversations centered on the five central topics of access to capital, entrepreneurship, exports, workforce development, and clean energy.
- **The White House Business Council.** President Obama has re-launched the White House Business Council as part of the Administration's way to reach out to local small business owners and entrepreneurs. Specifically, the Administration will begin a series of Winning the Future Roundtables with American business that will send senior Administration officials to moderate discussions with local business leaders in at least 100 communities

across all 50 states by year-end 2011. This initiative also serves as a call to action by the President on the importance of supporting local job growth and economic investment. This initiative is coordinated by the White House Business Council. The Council encourages senior Administration officials to getting out of Washington to hear directly from American business leaders and entrepreneurs, and that the ideas they are hearing across the country are brought back to Washington, furthering the Administration's commitment to grow jobs and increase American economic competitiveness. Over 100 senior Administration officials are now members of the White House Business Council.



# III. Augmented Federal Contracting Opportunities

**Presidential Interagency Taskforce on Federal Contracting Opportunities for Small Business and The Small Business Jobs Act of 2010.** In April 2010, President Obama signed a Presidential Memorandum in 2010 highlighting the need to provide small businesses opportunities in Federal contracting and establishing an Interagency Task Force on Federal Contracting Opportunities for Small Businesses. In September, the same month the Task Force recommendations were released, the President signed into law the Small Business Jobs Act. The SBA is implementing the recommendations as well as the Small Business Jobs Act provisions. The Task Force identified three key priority objectives with actionable recommendations:

- **Stronger Rules.** Insufficient guidance and gaps in current policy hamper the use of tools that provide contracting opportunities for small businesses. The Task Force recommended actions to strengthen and update policies where they are weak or outdated and to develop them where they are lacking:
  - **Set-Asides.** Update acquisition policies and regulations to provide clear guidance on small business set-asides for multiple award contracts and related tools.
  - **Contract Bundling.** Issue guidance clarifying practices and strategies to mitigate the negative effects of contract bundling on small businesses, where work that has been performed by small businesses is consolidated in a manner that makes it difficult for small businesses to compete for Federal contracts.
  - **Mentor-Protégé Programs.** Develop a Government-wide framework for small business Mentor-Protégé programs, in which large businesses are paired with small businesses to provide technical and financial assistance, and clarify the rules for small business teaming.
  - **Subcontracting.** Strengthen the requirements for small business subcontracting plans and enhance the electronic subcontracting reporting system (eSRS). The eSRS is one of a number of government-wide systems that the General Services Administration (GSA) manages on behalf of Federal agencies to support Federal acquisition activities.
  - **Agency Review.** Identify where focused efforts will likely have the most positive effect on increasing small business utilization in prime contracting.
  - **Insourcing.** Clarify the policies that address the rebalancing of the workforce and evaluate the impact of insourcing on Federal small business contractors.

- **Surety bonds.** Conduct a full review of the SBA Surety Bond program, the financial products it offers, and its current funding to determine if it is meeting the needs of small businesses.
- **A better equipped, more informed, and more accountable acquisition work force.** A lack of knowledge and agency accountability inhibits the Government’s ability to meet and exceed small business procurement goals on an ongoing basis. The Task Force recommended increasing the knowledge base and efficiency level of the procurement workforce and providing appropriate incentives and accountability for agencies to meet small business goals.
  - **Mandatory Training.** Strengthen the skills of the acquisition workforce by revising existing core certification; requiring training on small business contracting, procurement policies and regulations; and creating focused refresher materials for continuous learning.
  - **Accountability and Recognition.** Use meaningful “carrots and sticks” to create a greater sense of agency accountability for reaching small business Federal contracting goals.
  - **Sharing Best Practices.** Facilitate the identification and rapid adoption of best practices, across the agencies to maximize successful strategies.
- **Improved Outreach and Better Use of Technology and Data.** The current data systems in the Federal acquisition environment are cumbersome and not user friendly for many small businesses, especially for those who are new to the systems and trying to “get their foot in the door.” The Task Force recommended a one-stop shop for easier access to procurement information, as well as greater focus on the accuracy of procurement data.
  - **Improved Access to Business and Training Opportunities.** Enhance *FedBizOpps.gov*, the Government-wide point of entry on business opportunities, to also serve as a one-stop resource for annual requirements forecasting agencies’ prime contracting opportunities and for posting subcontracting opportunities. The website also hosts the outreach calendar of all Federal agency matchmaking and training events and a directory of online agency small business resources.
  - **Improved Access to Data.** Improve the accessibility and usability of small business procurement data in the Federal Procurement Data System (FPDS).
  - **Improve Data Quality.** Improve data quality related to small business contracting through use of validation rules and improved systems quality.

**Federal Contracting Opportunities for Minorities.** At a time when Americans are enduring the challenges of an economic recovery and elevated unemployment rates, MBDA has remained diligent in enhancing the growth and global competitiveness of the fastest growing segment of

the U.S. business community – minority-owned businesses. Along with the SBA and the Office of Management and Budget (OMB), MBDA was named as one of the official co-chairs of the Interagency Task Force, designed to assist Federal agencies in reaching their FY 2011 small business contracting goals while expanding minority business contracting opportunities.

- **American Recovery and Reinvestment Act.** Since its inception, MBDA has played an integral role in supporting minority-owned firms in American Recovery and Reinvestment Act (ARRA) efforts. These efforts include redirecting \$900,000 in program funding in 2009 to support ARRA efforts on the state and local levels. ARRA efforts also included working with key representatives at the Federal, state and local government levels to ensure minority businesses receive their fair and equitable share of ARRA contract opportunities.

- **Continued Support.** MBDA has continued to support contract and financing opportunities as ARRA winds down. MBDA led or participated in 112 of the total 300 Federally sponsored ARRA-related events and helped facilitate \$150 million in additional ARRA-related contracts for minority-owned firms on the state and local level.

Starks Contracting Company, Inc. is a veteran-owned small business contracting company primarily engaged in the construction of commercial and institutional buildings and appurtenances.

The company was originally established in 1933 as J. P. Starks Contractor and incorporated in 1967. The Biloxi, Mississippi-based company has been doing business with NASA's John C. Stennis Space Center for more than 30 years.

In November 2006, Starks was awarded a \$19 million construction contract to build a new Emergency Operations Center (EOC) at Stennis. The approximately 80,000-square-foot EOC consolidates the center's medical clinic, fire department, security services, energy management control system, and incident command post.

The EOC is on track to be Stennis's first Leadership in Energy and Environmental Design (LEED) project. LEED is a third-party certification program that is the national benchmark for the design, construction, and operation of high-performance green buildings.

The EOC showcases a state-of-the-art HazNet Emergency Management System developed through NASA's Innovative Research Program. The EOC is one of only nine Federal facilities certified StormReady, a designation given by the United States National Weather Service to communities and sites across the country that demonstrate severe weather readiness.

Starks won the contract over two large contractors in the full and open competition with a bid that was \$2 million less. This allowed Stennis to reinvest the cost savings in other Hurricane Katrina remediation work.

- **10,000 New Jobs.** During the first two years of the Obama Administration, MBDA reported that it facilitated nearly \$7 billion in total contracts and financings and, according to MBDA studies, the creation of over 10,000 new jobs
- **FY 2010 Results.** In FY 2010, MBDA reported that it assisted minority-owned firms in securing nearly \$4 billion in contracts and financing opportunities while helping minority-owned businesses create 6,397 new jobs, the highest level of performance in the history of the Agency

- **FY 2009 Results.** In FY 2009, MBDA assisted minority firms in securing \$3 billion in contracts and financing opportunities while helping minority-owned businesses create 4,134 new jobs

**Increased Federal Contracting Dollars.** The Administration continues to fulfill its commitment to being a good customer to our nation’s small businesses and is committed to ensuring an appropriate share of its contracting needs goes to small businesses.

- **More than \$100 billion to Small Businesses through Government Contracts.** Each year, the Federal Government spends about half a trillion dollars on goods and services and the SBA works to facilitate the maximum participation of small businesses in these expenditures, including those the SBA particularly targets businesses owned by women, certain socioeconomic groups, service-disabled veterans, and those in areas hardest hit by the economic decline. In 2009, the Government awarded small businesses almost \$100 billion in contracts—an increase in the dollar and percentage amounts over 2008 for the overall small business goal and every socio-economic goal. And to date, nearly \$11 billion in Recovery Act contracts have gone to small businesses. These dollars provided small businesses a much-needed boost to create and retain jobs and help revitalize our economy.

Like many small businesses, Hal Hays Construction, Inc (HHCI) relies on Federal contracts for much-needed revenue, and they noticed an uptick in contracts as soon as Recovery Act spending became available. The company used Recovery Act contracts, as well as SBA’s 8(a) and HUBZone programs, to expand its reach, grow the business, and hire new workers despite tough economic times. HHCI is working with new customers, like the Department of Transportation, and in new sectors of the economy. With contracts available throughout the country, Hal Hays Construction has been able to expand its geographic reach.

HHCI competed for and won several Recovery Act contracts, including an \$8.6 million contract to install solar panels on Alcatraz Island for the National Park Service, a \$7.2 million contract for work at Pearl Harbor for the Navy, and a contract to build roads in Redwood National Park for the Federal Highway Administration.

Larger contracts improved HHCI’s portfolio and helped the company compete with larger firms. Most importantly, the contracts have helped HHCI prevent layoffs and create jobs. With the new business the Recovery Act has brought in, Hays has retained 35 employees—and hired 30 more.

- **Meeting and Exceeding Federal Contracting Goals.** The Administration is committed to ensuring that 23 percent of Federal contracting dollars go to small businesses. Additional sub-goals seek to provide 5 percent of Federal contracting dollars to small disadvantaged businesses, 5 percent to women-owned small businesses, 3 percent to service-disabled veteran-owned small businesses, and 3 percent to small businesses in historically underutilized business zones (HUBZones). Under the Recovery Act, 32.62 percent of all Federal contracting dollars went to small businesses, and all sub-goals were exceeded.

### HUBZone Contracting In Action

After earning NASA's top three corporate honors in less than 2 years, Applied Geo Technologies (AGT) has distinguished itself as one of the most detail-oriented contractors in the industry. In fact, you might even call it their business strategy. "Continuous improvement is not just a buzz word with us," said Mike Miller, Interim President and CEO at AGT. "It's an operational mission that drives everything we do—from global administration and strategic planning right down to the pattern we mow in the grass."

With a cadre of operational services spanning commercial, aerospace, and defense concerns, maintaining such a consistently high level of success is no easy feat. "As our customers' needs evolve, so does our list of products, services, and even locations. But with each new venture, we're proud to uphold the values that have sustained us this far. Put the customer first, do it once, and do it right."

In many ways, AGT's ideals are no different than the organizations they serve. "NASA didn't become what it is today by resting on its accomplishments," added C.C. Fridlin, Director of Business Development at AGT. "With each new milestone came the motivation to push harder, learn more, achieve faster, and reach higher. We like to think we do the same."

Their record agrees. In the first quarter of 2010 alone, AGT earned both the prestigious George M. Low Quality Award and the John C. Stennis Space Center Contractor Excellence Award—two of the highest commendations for a space contractor.

The George M. Low Award is NASA's premier quality and performance honor, recognizing excellence and outstanding technical and managerial achievements in quality and performance on NASA-related contracts or subcontracts. As part of its tireless dedication to operational efficiency, AGT developed a quality built-in approach to contract work. The resulting changes included improvements in everything from process control to management oversight, as an attempt to reduce the risk of quality and/or performance issues at all levels. As a result, AGT delivered reductions in human error, increased scores for technical performance and timeliness, zero cost overruns, and an excellent safety record.

The Low Award comes on the heels of the coveted Stennis Contractor Excellence Award, which recognizes outstanding product and service performance for work related to the Center's laboratory services. Prior to that, AGT became the first resident agency at Stennis Space Center to receive the Occupational Safety and Health Administration Voluntary Protection Program "Star" status for safety implementations. AGT was also named the Center's Small Business Prime Contractor of the Year under NASA's Small Business Industry Awards program.

- **Increasing Opportunity for Women Owned Businesses.** The Women-Owned Small Business Contracting program, authorized more than ten years ago, was finally implemented by the Obama Administration this year. The rule is part of the Obama Administration's overall commitment to expanding opportunities for small businesses to compete for Federal contracts, in particular those owned by women, socially and economically disadvantaged persons and veterans. This rule identifies 83 industries in which women owned small businesses (WOSBs) are under-represented or substantially under-represented in the Federal contract marketplace. In addition to opening up more opportunities for WOSBs, the rule is also another tool to help achieve the statutory goal that 5 percent of Federal contracting dollars go to women-owned small businesses. SBA released the final Women-Owned Small Business Rule in October 2010 to cover WOSBs and economically disadvantaged WOSBs. In February 2011, SBA posted guidelines for

the program to [www.sba.gov/wosb](http://www.sba.gov/wosb). WOSBs can register to be eligible for contracts under the new rule by visiting online.

- **Increased Agency Accountability for Small Businesses and Underserved Communities through Updated Scorecard.** To hold agencies accountable for their individual goals, SBA released a new and more comprehensive contracting scorecard format in FY 2010 that improves the way small business contracting performance is measured across the Government. In addition, SBA and the Office of Management and Budget (OMB) are working closely with all procurement agencies to ensure accurate data collection.
- **National Grant Awards for MBDA Business Centers.** On April 1, 2011, MBDA announced \$7.8 million in funding for 27 MBDA Business Centers located across the country and Puerto Rico to operate 30 MBDA Business Centers, including new locations opening for the first-time in Cleveland, Ohio; Denver, Colorado; and Manhattan, New York. The strategic business consulting services provided by the MBDA Business Centers will generate increased financing, public and private sector contract opportunities and related awards to minority businesses, in addition to assisting minority-owned firms in creating and retaining jobs. The awards were made on April 6, 2011.
  - **2011 MBDA National Training Conference.** From June 20 – 24, 2011, in Houston, MBDA will host a conference for all of its Business Centers and staff to review Obama Administration priorities as well as Department of Commerce strategies and initiatives to strengthen the economy, create jobs and promote U.S. exports. In addition, the Conference will provide on-going business development training to MBDA’s Business Centers and to MBDA Business Development Specialists nationwide.
  - **29<sup>th</sup> National Minority Enterprise Development (MED) Week Conference.** In collaboration with the SBA, this national conference, scheduled for September 27-30 in Washington, DC, will provide minority business enterprises (MBEs) with access to the policymakers, program managers, financial lenders and procurement officers who are vital to their success. The MED Week Conference will include a Business-to-Business Expo to expand procurement opportunities and expects to exceed the 2010 B2B levels of \$30 billion in procurement opportunities and 1,500 conference attendees. MED Week will also provide greater focus on exporting opportunities and implement targeted networking sessions to enhance joint ventures and strategic partnerships.
- **GSA Mentor-Protégé Program.** GSA’s mentor-protégé program fosters long-term relationships between GSA prime contractors and small businesses to enhance protégés’ capability to win and perform successfully on GSA contracts and subcontracts. The new mentor-protégé program has already helped boost small businesses across the country with 55 agreements in place, including 31 with service-disabled veteran owned small businesses. In one example, a protégé received a \$3.5 million contract due to assistance from their mentor and the program. GSA is learning of more successes like this as we measure our first-year results. GSA plans to augment this program in FY 2011 with a tailored workshop

series. This program will benefit businesses of all sizes, with procurement benefits for both protégés and mentors.

- **Commitment to Transportation Infrastructure.** In his FY 2012 Budget President Obama laid out a bold new plan for rebuilding and modernizing America's transportation infrastructure—combining new investments to renew and expand our nation's roads, railways and runways with a long-term vision for the future. This plan will bring jobs to our economy now, be fully paid for and not add to the deficit over time, and increase our nation's growth and productivity over the long-term. This will provide increased contracting opportunities for U.S. Small Businesses.

**More Efficient Government Contracting Procedures.** In addition to offering increased Federal contracting opportunities to small businesses, the Obama Administration is committed to making contracting procedures more efficient. This means small businesses will be able to spend more time working on the project and less time applying for the project.

- **Elimination of Programmatic Inefficiencies for Federal Contracting.**
  - **HUBZone.** The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to Federal procurement opportunities. These preferences go to small businesses that obtain HUBZone certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas. The HUBZone Program implemented new processes in FY 2009/FY 2010 to minimize waste, fraud, and abuse and to reduce the subsequent certification backlog. This new approach minimizes the number of ineligible firms obtaining certification, but resulted in an increased amount of work required to review each application. As a result, HUBZone built up a large backlog of applications, which has since been reduced. The SBA also performed more than 1,200 site visits of HUBZone firms to enhance the program's integrity and ensure that the program serves the vital needs of eligible small businesses.
  - **Revised 8(a) Regulations.** The 8(a) Business Development Program is an important resource for small businesses seeking business-development assistance. Named for Section 8(a) of the Small Business Act, this program was created to help small and disadvantaged businesses compete in the marketplace. It also helps these companies gain access to Federal and private procurement markets. SBA recently conducted the first major review of the 8(a) regulations in ten years. New regulations, which were drafted after gathering over 2,500 comments from small businesses and stakeholders were finalized and released in February 2011. The new 8(a) regulations strengthen tools such as the mentor-protégé program and ensure that benefits of the program flow to the intended recipients. For additional information please visit [www.sba.gov/content/revised-8a-regulations](http://www.sba.gov/content/revised-8a-regulations).

- **Stronger Oversight and Enforcement.** Working with its Federal partners, the SBA has taken multiple steps to strengthen oversight and enforcement to better ensure the benefits of Federal small business contracting programs are going only to eligible firms. Significant steps have been taken to strengthen certification processes, ongoing monitoring and oversight, and timely enforcement. These efforts are aimed at reducing the opportunities for abuse of these critical programs and aggressively pursuing fraudulent activity and ineligible firms.
- **Enhanced General Services Administration (GSA) e-Commerce Tools.** *GSA Advantage!*, [www.gsaadvantage.gov](http://www.gsaadvantage.gov), a Federal online shopping and ordering system, gives Government agencies access to over 18,000 vendor contracts, including 15,000 held by small businesses, and over 28 million products, services and solutions. The website, established in 1996, has been revamped with the latest and most widely used commercial technologies, enhanced search, and online ordering and payment features. Vendors can now post more detailed product and shipping information, videos, and high resolution pictures. Vendors and Government buyers can conduct direct online sales, streamlining and modernizing the way they do business. *GSA Advantage!* provides a wide array of small businesses, including women-owned, minority-owned, veteran-owned, and HUBZone firms, with new-and-improved marketing and sales capability to Government buyers. *GSA Advantage!* makes it easier for customers to compare prices from multiple vendors and to filter and find small businesses, enhancing their ability to make good purchasing decisions and increase small business sales. The site has close to 800,000 registered users and receives approximately 500,000 visits per day.

**Contracting Partnerships for Small Businesses.** Entrepreneurs across America have cited having a mentor as a necessity for a successful venture. These programs offer partnerships to build the relationships that will allow small businesses and new enterprises to continue to grow and create jobs.

- **Public-Private Sector Federal Contracting Partnerships.** Government Contracting Mentor-Protégé programs pair private sector companies with small businesses to provide technical and/or management assistance, financial assistance, subcontracting opportunities and opportunities for joint ventures. As part of the Small Business Jobs Act, the Mentor-Protégé program will now be extended to service-disabled veteran-owned small businesses, women-owned small businesses and HUBZone small businesses.
- **NASA Mentor Protégé Agreements.** There were 16 Mentor-Protégé Agreements from 2008-2010. The estimated dollars credited to the various mentors' subcontracting plans for all agreements is \$2,715,408. The total dollars that Mentors have subcontracted to protégés during their agreements from 2008-2010 is \$2,357,620.



- Partnerships with National Laboratories.** The Department of Energy (DOE) National Laboratories have robust subcontracting programs which create numerous opportunities for small businesses. Based on FY 2009 reporting (the latest available), in total, the Management and Operating (M&O) contractors subcontracted \$9.446 billion, of which 52.5 percent went to small businesses (\$4.959 billion). For the ten Office of Science laboratories, \$1.957 billion was subcontracted, of which \$949 million (or 48.5 percent) was subcontracted to small businesses. Each year, the Office of Science negotiates small business subcontracting goals with each of its laboratories. These goals include small business subcategories such as veteran-owned small businesses, service-disabled veteran-owned small businesses, HUBZone small businesses, small-disadvantaged businesses, and women-owned small businesses. DOE's M&O contractors use various sources to locate qualified small businesses to satisfy their subcontracting needs, including SBA Dynamic Small Business Search, Central Contractor Registration, Sub-Net, email solicitations from small businesses, and the annual DOE Small Business Conference. In the last two years, the DOE M&O contractors have exceeded their small business contracting goals, ensuring that more than 50 percent of their subcontracted dollars went to small businesses.
- MOU with Department of the Navy (DON).** The SBA and DON are working collaboratively to help reach the Administration-wide goals of greater energy efficiency from sustainable energy sources and reducing energy consumption. As the first initiative under the MOU, in October 2010 the Navy unveiled a centralized portal aggregating current green procurement opportunities. At launch, approximately 25 percent of the green procurement opportunities were set-asides for small business. Over the longer term, the SBA is committed to creating a dynamic, entrepreneur-friendly, green procurement portal that builds upon the Navy's work and is an online platform that allows entrepreneurs to more easily navigate the Federal Government.

**Meeting National Security Needs through Small Business.** Over the past two fiscal years, the Department of Defense (DOD) has awarded \$127.9 billion and over 2 million contract actions to small businesses, representing more than half of all Federal spending with small businesses. The nation's small businesses add vitality to the defense industrial base, are a key driver of innovation, and contribute vitally to meeting the continuing and complex needs of the DOD.

**DOD Innovation in Payment Regulations**

Recently, in collaboration with the Administration, the DOD changed its prompt payment regulations to provide for paying all small businesses as quickly as possible. Previously, the Defense Federal Acquisition Regulation Supplement (DFARS) extended this accelerated payment policy only to those businesses that were considered small and disadvantaged. DOD changed the regulations so that all small businesses could receive payments as quickly as 10 days after submitting an invoice, rather than having to wait for 30 days. Because the DOD payment systems need to be modified to accommodate this change, accelerated payment will be implemented on a phased basis as payment systems are updated. DOD procures over \$60 billion a year of goods and services from small businesses, so this is a significant win for the small business community. As a result of this change, thousands of small businesses across the country will be able to leverage this accelerated cash flow to meet payroll, invest in new technologies, and create jobs.

- **Better Buying Power.** As outlined in a September 14, 2010 memorandum from Under Secretary of Defense for Acquisition, Technology & Logistics Ashton Carter to the acquisition workforce, entitled “Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending,” DOD has directed several recent actions to increase contracting opportunities for small businesses. The first is to increase the role of dynamic small business in defense marketplace competition by emphasizing small business utilization in subcontracts through weighting factors in past performance and in fee construct. The second is to increase small business participation in providing services and when using Multiple Award/IDIQ contracts.
- **Office of Small Business Programs Oversight.** The military departments and defense agencies are already implementing the oversight program, and the DOD Office of Small Business Programs is developing a best practices guide for procurement officials. All acquisitions for services exceeding \$1 billion are also being reviewed by the DOD Office of Small Business Programs to ensure full maximum opportunities for small businesses.
- **Defense Logistics Agency.** The Defense Logistics Agency is mining its buying data to increase contracting opportunities for Service-Disabled Veteran-Owned Small Businesses. The Agency, through its analysis, has found more than 4,400 National Stock Numbers of items it buys that can be set aside for small businesses owned and operated by service-disabled veterans. Additionally, the Agency has worked to expand its pool of Service-Disabled Veteran-Owned Small Businesses that might be able to contract with the Department of Defense. One part of the organization identified over 300 potential business partners by studying the Central Contractor Registration and matching up publicly available codes with these small businesses. Another Agency office telephoned over 150 potential Service-Disabled Veteran-Owned Small Businesses to discuss their capabilities. If the small businesses were unable to participate in procurements under the cognizance of the office making the calls, the Agency provided relevant contract information to other parts of the Defense Logistics Agency where the businesses might find opportunities.
- **Collaboration with Department of Homeland Security’s (DHS) Office of Small and Disadvantaged Business Utilization (OSDBU).** FEMA routinely participates in DHS’s vendor outreach sessions and its annual industry day conference. As part of FEMA’s overall mission, small businesses receive expert advice, support and counsel from FEMA’s Small Business Specialist to help them understand FEMA’s mission and its acquisition process. Moreover, FEMA participates in numerous small business conferences throughout the nation.
  - **FEMA’s Industry Liaison Program.** FEMA’s Industry Liaison Program arranges meetings between small business “sellers” and potential FEMA “buyers” as part of FEMA’s frequently held industry days at which small businesses learn about upcoming acquisitions and how to compete for them.

- **FEMA’S Local Business Transition Team (LBTT).** FEMA has established a team-based approach for converting large contracts to small local businesses in a Presidentially declared disaster area. The LBTT was piloted in the aftermath of Hurricanes Ike and Gustav and is now an established program within FEMA. The LBTT implements Section 307 of the Robert T Stafford Act and Part 26 of the Federal Acquisition Regulation.
- **Voluntary Private Sector Preparedness Accreditation and Certification Program (PS-PrepTM).** This DHS program, coordinated through FEMA, seeks to raise the level of preparedness throughout the private sector by providing a way for private sector entities to voluntarily take important preparedness actions. The program gives private sector entities the opportunity to certify their conformance to DHS-adopted disaster preparedness and/or business continuity standard. The small business aspect of the program will establish separate classifications and methods of certification for smaller entities, to provide more affordable and accessible alternatives in the process of certification.
  - **DHS is working with public and private entities** that offer preparedness programs and activities to develop a nationwide network of organizations that will provide a variety of low cost educational tools and technical assistance to support small businesses in improving preparedness and reaching conformance to an adopted standard. FEMA’s Citizen Corps works with state, territorial, tribal and local Citizen Corps Councils to promote inclusion of small businesses in community planning and preparedness through partnerships with community preparedness organizations and programs.
- **US Coast Guard (USCG) Outreach.** The USCG achieved unprecedented success with awards to small and disadvantaged business in FY 2010, exceeding all socioeconomic goals. The USCG operates 48 contracting offices located throughout the country, including Hawaii and Alaska, and it has maintained a “grass roots” connection to the small business communities that surround its offices. This strategy consistently delivers results, and FY 2010 was the best year ever. More than 43 percent of the dollars contracted by the USCG were awarded to small businesses; more than 15 percent to small disadvantaged businesses; nearly 7.5 percent to SBA 8(a) certified businesses; more than 6 percent to woman-owned small businesses; more than 5 percent to HUBZone businesses; more than 6 percent to veteran-owned small businesses; and more than 3.5 percent to service disabled veteran-owned small businesses.
  - **Vendor Outreach Sessions.** The USCG as a component of DHS, actively participates in monthly vendor outreach sessions to educate small businesses on contracting with the USCG, and to provide information on current and future opportunities. The USCG attends 10 vendor outreach sessions per year in the Washington, DC area, and at least two additional vendor outreach sessions in other regions of the country. For example, in FY 2010, the USCG attended a vendor outreach session in Texas to support companies in the Gulf region. In FY 2011, the USCG intends to attend vendor outreach sessions in Boston, MA and San Diego, CA.

- **Information Technology Outreach.** With the establishment of the USCG Command, Control, Communications, Computer, and Information Technology (C4IT) Directorate, the C4IT Chief of Contracting sponsored an industry day in July 2010 to introduce the C4IT mission and needs to the small business community. Over 300 companies attended and received information on the C4IT structure, points of contact, and upcoming opportunities.
- **U.S. Citizenship & Immigration Services (USCIS) Contracting Office.** USCIS Contracting Office awarded \$165 million to small businesses through government contract awards in FY 2010 (approximately 20 percent of eligible dollars). This includes approximately \$81 million to small disadvantaged business. To date in FY 2011 USCIS has awarded \$78 million and 25% of total dollars to small businesses and are on track to exceed DHS Small Business goals.
  - **Participation in SBA Matchmaker Events.** The USCIS Contracting Office regularly sends representatives to participate in SBA Matchmaker events in VT and the Northeast SBA region. The most recent event, held in February 2011, was attended by two Contract Specialists and over 50 Small Business vendors.
  - **One-on-One Meetings.** The USCIS Small Business Specialist and Contracting Office team periodically schedule face-to-face meetings with Small Business vendors as requested to assist in matching Small Business capabilities with agency needs.
  - **DHS Competition and Acquisition Excellence Award for FY 2009.** In FY 2010, the USCIS Contracting Office was honored with the FY 2009 DHS Competition and Acquisition Excellence Award, “Promoting and Achieving Competition by a Team,” which focused on expanding competition exclusively in the small business area of 8(a) and Service-Disabled Veteran-Owned Small Businesses (SDVOSB).
- **U.S. Immigration and Customs Enforcement’s (ICE), DHS, Office of Acquisition Management.** ICE’s Office of Acquisition Management delivered more than \$470 million to small businesses through Government contracts in FY 2010. Overall, 37.4 percent of all eligible dollars were awarded to small business firms. This included approximately \$177 million to small disadvantage businesses, approximately \$63.6 million to 8(a) firms, approximately \$88.8 million to service disabled veterans owned small businesses, approximately \$143.5 million to women-owned small businesses, and approximately \$14.7 million to HUBZone firms. The ICE small business specialist is directly involved in the acquisition strategy for any procurement exceeding \$10 million for the anticipated period of performance.
  - **The ICE Small Business Specialist** conducts vendor outreach sessions with the small business community on a weekly basis. Program and acquisition staff members

participate in the meetings and provide small firms with vital information concerning ICE contract opportunities.

- **Small Business HUBZone Conference.** The ICE Office of Acquisition Management recently held its first Small Business HUBZone Conference. A total of 52 industry representatives attended the event, which included participation by the DHS Director of Small Business, Customs and Border Protection Small Business Specialist, and ICE Contracting Professionals. Companies who specialized in program management support services and Information Technology support services were invited, as the majority of eligible services procured by ICE are in those categories. Vendors had an opportunity to meet with Government technical panels and discuss their capabilities. The event was well received and will assist ICE in its efforts to increase opportunities to HUBZone companies.
- **Face-to-Face Small Business Meetings.** The ICE Small Business Specialist periodically schedules face-to-face meetings between Small Business vendors and ICE Personnel who have expertise in the vendors' core competencies, in order to match Small Business capabilities with agency needs.
- **US Secret Service, DHS.** The Secret Service awards a large number of contracts to the small business community. The Secret Service participates in monthly vendor outreach sessions with DHS for small businesses providing information on doing business with DHS agencies, and information on current and future contracting opportunities at the Secret Service.
- **Customs and Border Protection (CBP), DHS.** In 2010, CBP's Office of Trade Relations expanded CBP's trade outreach capabilities through the use of new methods, including webinars and webcasting, to reach out to small and medium-sized businesses. These free webinars are a way for our stakeholders to get information on key CBP issues impacting trade.
  - **Webcasting.** CBP has also started to use live webcasting to allow members of the trade community with constrained budgets to participate in CBP outreach events such as the CBP Trade Symposium. For more information please contact [private.sector@dhs.gov](mailto:private.sector@dhs.gov).
- **DHS National Protection and Programs Directorate's Office of Infrastructure Protection's Contingency Planning and Incident Management Division (CPIMD).** Over 33 percent of all Readiness contract support is provided by small business. Small businesses provide the following:
  - **Contract Support to Assist Building a Formal Information Management Training and Exercise Program.** The target audience for training and exercises includes multiple DHS components, as well as Federal, state, and Critical Infrastructure and Key Resources (CIKR) private sector partners. The estimated annual throughput of participants attending Infrastructure Protection readiness events is well over several hundred each

year. Infrastructure Protection must train and exercise all these CIKR partners to better understand and execute their incident management roles which include maintaining situational awareness, assessing and analyzing CIKR data, sharing pertinent information internally and externally, and responding to requests for information and assistance. While each Infrastructure Protection Division is responsible for execution of training to meet the day-to-day functional requirements of the division, the IP Readiness fills the capability gap for incident response.

- **Contract Support to Assist in Building a Formal Exercise Program with Infrastructure Protection’s Partnership Outreach Division’s (POD) Programs and Information Sharing Office.** POD’s Programs and Information Sharing Office has developed a specific requirement to develop and exercise Standard Operating Procedures (SOP) for establishing sector-specific Information Sharing Environments (ISE). As the five SOPs are completed within each sector, the SOPs will be validated through a discussion-based, tabletop exercise, with an after action report / improvement plan being developed to identify strengths and areas for potential improvement.
- **DHS Infrastructure Security Compliance Division (ISCD).** Within the Chemical Facility Anti-Terrorism Standards regulatory framework, ISCD frequently interacts with a range of businesses from very large to quite small. ISCD doesn’t have a specific program dedicated to this interaction, but we tailor our everyday interactions to assist any stakeholder that needs help in achieving compliance, which frequently includes the owners of small businesses in the regulated community.
  - **Results.** The Inspections and Enforcement Branch has utilized six different small businesses for over \$900,000 in procurements.
  - **Leveling the Playing Field.** In keeping with Office of Procurement guidance, ISDC sought to access small businesses in a reasonable portion of ISCD’s normal procurement actions, including conducting a Sources Sought Notice to see if small businesses could respond to a procurement request for technical chemical engineering support.

## IV. Increased U.S. Exports through the National Export Initiative

**The National Export Initiative Promotes Exports by Small Businesses.** On March 11, 2010, the President established the National Export Initiative (NEI) by Executive Order to help meet his goal of doubling U.S. exports over 5 years to create millions of jobs. Small businesses face particular resource hurdles, limiting the ability of many to participate in global trade. For example, small and medium enterprises (SMEs) are more likely to need external financing to undertake an export transaction, a particularly daunting task with the tightening of credit markets. In addition, SMEs face insufficient knowledge of foreign markets, in contrast with larger firms' access to market intelligence and direct presence in targeted foreign markets. Finally, SMEs face higher real and perceived risks of exporting. They have fewer resources to address trade barriers, and they are less likely to have a diversified foreign customer base.

The NEI addresses these challenges through five key priorities:

- Improving advocacy and trade promotion,
- Increasing access to export financing,
- Reduce barriers to trade,
- Enforcement of trade rules, and
- Promotion of strong, sustainable, and balanced growth.

In 2010, the first year of the NEI, exports contributed significantly to the United States' overall economic recovery. U.S. exports of goods and services totaled \$1.83 trillion, supporting 10.3 million jobs.

**Improving Advocacy and Trade Promotion.** Under the National Export Initiative, the Export Promotion Cabinet and Trade Promotion Coordinating Committee agencies have increased their efforts to help U.S. companies export around the globe. For example, the Administration developed an enhanced client intake registration form on [www.export.gov](http://www.export.gov), the Federal government's export assistance web portal. The form enables agencies to more accurately identify new-to-export and new-to-market U.S. companies and refer them to the most appropriate Federal resources for personalized service. Once registered, companies will also receive a free three-month subscription to the U.S. Census Bureau's USA Trade Online and be positioned to receive customized marketing information in the future.

In 2010, the Obama Administration helped U.S. small businesses export for the first time or expand into new overseas markets through a number of programs:

- Department of Commerce (DOC) Trade Missions and Trade Support.** In 2010, the Department of Commerce coordinated 35 trade missions to 31 countries with 401 participants and \$2 billion in anticipated export successes. Small businesses represented 79 percent of all trade mission participants from 2008 to 2010. The International Trade Administration’s U.S. and Foreign Commercial Service led this effort, with support on specific trade missions from the Department’s Economic Development Administration and Minority Business Development Agency.
- Economic Development Administration Trade Events.** EDA, the U.S. and Foreign Commercial Service (USFCS) and the *Invest in America* program (IIA) partnered to promote the Obama Administration’s NEI, as well as Foreign Direct Investment (FDI) in the U.S., through international trade and investment events. By facilitating delegations drawn from regional innovation clusters, EDA is aiding U.S. communities in promoting their regions as attractive places to do business, while also helping U.S. companies identify new international export partners. The first trade event was to Hannover, Germany in April 2010 and took advantage of Hannover Messe, the world’s largest industrial automation tradeshow. A second event, a trade mission, was to Lyon, France (leveraging the Pollutec tradeshow) and to Brussels, Belgium from November 28-December 4, 2010.

  - **New Trade Events.** As these missions have succeeded in generating export and FDI leads for participants, the Department plans to continue the trade event program, with events being planned in 2011 for early April to Hannover Messe again and to Montreal, Canada in May. The Montreal event will focus on the aerospace industry.
- USDA Trade Shows.** Trade shows are one of the most effective tools to successfully link U.S. small businesses to foreign buyers of agricultural products. U.S. pavilions at international trade shows create national identity and visibility for all U.S. exhibitors. In CY 2010, USDA supported U.S. Pavilions at 27 international trade shows in 19 countries. As a result, nearly 1,000 exhibitors, most of which are small and medium sized businesses, reported \$179 million of on-site sales, and over \$1 billion of estimated 12-month sales. U.S. companies introduced over 6,000 new-to-market products, and made close to 16,000 serious business contacts at those shows. On average, 70 percent of the companies participating in these shows were small companies.

Interface Associates, Inc. (Irvine, CA) is a manufacturer of balloons used for heart surgeries and the equipment used to make the balloons. Interface employs 124 people, and its annual sales are \$20 million, 60% of which are international. Interface sought Ex-Im Bank’s assistance in 2010 when both its private-sector insurer and its foreign receivables lender left the export finance arena. The solution was a \$2 million Ex-Im Bank guaranteed working capital line of credit through Silicon Valley Bank.
- USDA Reverse Trade Missions.** USDA made increasing the number of reverse trade missions a major focus in 2010. This campaign brought more than 2,400 foreign buyers together with U.S. small businesses as part of more than 240 such trade missions.



- **The Export-Import Bank of the United States (Ex-Im).** Developed largely in concert with the most forward thinking corporations, banks, and insurance companies, Ex-Im has intimate knowledge of legal systems, accounting standards, bank protocols, country risk, buyer credit risk and market conditions in all of these countries. Ex-Im brings that knowledge to small businesses, many of whom, have no other way of obtaining it. Ex-Im also brings the ability to finance the exporter as well as the exporter’s foreign buyer. In order to expand the accessibility of this value, Ex-Im has initiated the following:
  - **Bank and Broker Training:** Ex-Im has quadrupled its training team and is expanding its bank and broker training options to include monthly trainings around the country, including onsite with banks. In addition to the DC-based main 3 day session, Ex-Im is creating a one-day, two-day and 1 and 2 hour sessions. The options include a system of regular webinars.
  - **Establishment of Veterans Outreach:** In 2010, Ex-Im created the new position of Veterans Outreach Coordinator. The purpose is to reach out to all veterans and veterans groups and to connect export finance opportunities with their knowledge of foreign cultures, peoples and businesses.
 

Q-Lab Corporation (Cleveland, OH) manufactures test chambers and surfaces, and provides testing services. Its weathering products and services are used by material scientists and technicians in numerous industries. The company has 60 employees. Q-Lab has been an Ex-Im Bank policyholder since 2000, with total shipments to date totaling over \$23 million, \$3.4 million in the past 7 months alone. Exports are concentrated in Asia; Hong Kong is the top market.
  - **Direct Calling on Minority and Women-Owned Exporters:** In order to expedite communication with Minority and Women-Owned Businesses, Ex-Im has established a “smart data-base” program. The program, which includes data from TPCC agencies, is designed to support direct outreach to Minority and Women-Owned exporters through systematic cold calling by experienced Ex-Im Bank export finance officers. While targeting the use of Ex-Im’s trade credit insurance, the officers are also incentivized to refer the exporters to the appropriate DOC and SBA functions as reflected by the exporter’s needs.
  - **Website.** In order to simplify and direct the inquiries to the Ex-Im 800 number and email contacts, Ex-Im revised its small business website. Instead of directing the inquiry to a product or a department, the site directs the client through a quick triage to get to the information that he or she would want in the normal conduct of developing a product or service for export. For more information please visit, <http://www.exim.gov/smallbusiness/>.
- **The Market Development Cooperator Program (MDCP).** This DOC program is designed to expand U.S. exports and supports the President’s National Export Initiative. The MDCP provides Federal financial and technical assistance to trade associations, chambers of commerce, and other industry groups that are particularly effective in reaching and

assisting SMEs. MDCP partnerships help to underwrite the start-up costs of competitiveness-enhancement projects, which these groups are often reluctant to undertake without Federal Government support. Since the program began in FY 1993, MDCP award winners have generated more than \$3 billion in exports. When all projects funded between 1993 and 2009 are completed, the private sector will have invested more than \$80.2 million to increase global competitiveness as a result of the U.S. Government's \$29.3 million expenditure.

- **USDA Technical Assistance for Specialty Crops (TASC) Program.** Due to an extensive outreach effort by USDA in 2010 targeting the U.S. horticultural industry, the TASC program allocated more than \$7.3 million (a record) in FY 2010 to 26 organizations representing hundreds of small businesses. TASC works to open, retain, and expand export markets for U.S. specialty crops.

- **National Outreach Campaign.** In the 2010 National Export Initiative Report to the President, the Export Promotion Cabinet recommended a national outreach campaign to inform and engage small businesses in exporting. In 2010 and 2011, federal agencies have embarked on a number of coordinated outreach events to achieve this goal:

- **USDA SME Links to Canada.** In September, USDA hosted a major event for U.S. small and medium sized businesses in Canada. USDA staff highlighted the central role that Canada and small businesses play in NEI success, encouraging expanded small business outreach in that market. In Toronto, FAS presented an overview of NEI at the “Canada Concepts,” an annual strategic planning seminar for U.S. agricultural trade groups, including State Departments of Agriculture.
- **Global Access for Small Business.** On January 13, 2011, Ex-Im Bank launched Small Business Global Access in partnership with the National Association of Manufacturers, the U.S. Chamber of Commerce, and several financial institutions Ex-Im is sponsoring more than 20 *Global Access* forums for small businesses around the country in 2011. They bring exporters together with bank lenders, insurance brokers, other TPCC agencies and Ex-Im export finance specialists for one-on-one training in Ex-Im Bank

Evergreen Building Products Association (EBPA) and Vanport International Inc.

EBPA consists of building materials manufacturers, distributors, and service providers representing wood and non wood building materials. The association is based in Tacoma, WA but has members throughout the U.S. EBPA focuses on energy efficiency and earthquake resistant building technologies. EBPA is helping U.S. firms find customers in China's second- and third-tier Chinese cities by leading technical seminars and trade missions. EBPA organizes an annual U.S. pavilion at a China green building show. It identifies potential buyers for U.S. products, influences China building codes and standards, and provides market information to U.S. firms.

Through EBPA's award and MDCP's match of \$297,000, Vanport International, Inc., developed nine new customers in China. These new customers regularly buy \$500,000 to \$700,000 in wood products each month. The Oregon-based company has created or maintained at least 48 jobs due to sales to these new customers in China.

finance and insurance products. Members of Congress are engaged in co-sponsoring many of these events. Over 2,000 small businesses are targeted to attend during in 2011. In addition, to help meet the ambitious goals of *Global Access*, Ex-Im is also holding several webinars throughout the year and has developed a new small business portal on the Bank's website.

- **New Markets, New Jobs: NEI Small Business National Tour:** The Export Promotion Cabinet has embarked on a multi-city export outreach campaign organized by the Department of Commerce, intended to reach over 3,500 small and mid-size companies to promote the NEI. Participating agencies include the Departments of Commerce and Agriculture, SBA, USTDA, Ex-Im and USTR.
- **ExporTech Program.** For the past 4 years, the Department of Commerce's Manufacturing Extension Program (MEP), housed within the National Institute of Standards and Technology, and U.S. Export Assistance Centers (USEACs), housed within the International Trade Administration, have helped manufacturers increase their exports with the ExporTech program. The program assists manufacturers in developing an international growth plan, and provides experts who vet company plans and connect the companies with Federal, state and local organizations that can help them move quickly beyond planning to actual export sales. ExporTech is deployed nationally as a collaboration between MEP, USEACs and other partners, including District Export Councils, State Trade and Economic Development agencies, Export-Import Bank, SBA and the Appalachian Regional Commission.

**Helping Minority-Owned Firms Export.** In support of the President's National Export Initiative to double U.S. exports, MBDA is focused on helping minority-owned firms to export. Minority-owned firms are already twice as likely to export compared to non-minority-owned businesses. Helping our economy grow requires access to foreign markets and improving the ability and competitiveness of minority-owned companies to sell to these markets.

- **Trade Events.** MBDA has increased promotion of trade events and international trade fairs with minority businesses, such as the Commerce Secretary's Trade Mission to India and the Hannover Messe International Trade Fair in Hannover, Germany. In addition, MBDA is partnering with the International Trade Administration (ITA) to train Business Development Center staff on counseling minority business enterprises on exporting, developing referral relationships with ITA's U.S. Export Assistance Centers, and partnering with the Overseas Private Investment Corporation (OPIC), Export-Import Bank and the U.S. Trade and Development Agency (USTDA) to open the global marketplace for products and services from the minority business community.
- **Continued Support.** MBDA will continue to encourage its database of minority entrepreneurs to participate in the global marketplace by developing a global strategy

for business development and by leveraging the natural advantages of MBEs on the international stage.

- **DOC Task Force on China.** MBDA has played a leadership role in the Commerce Department's efforts to engage the People's Republic of China. MBDA understands the importance of exports to America's economic recovery and job creation and the need to connect small and medium-sized businesses with foreign buyers in order to assist them in selling more of their products overseas and hiring more workers in America.
- **CommerceConnect.** CommerceConnect is a U.S. Department of Commerce initiative launched by Secretary of Commerce Gary Locke in October 2009 to make businesses more competitive and create jobs by better integrating the Commerce Department's business services. MBDA has aggressively supported this initiative by providing senior staff members to assist with the development and rollout of this initiative in the field.
  - **New Pilot Locations.** MBDA will continue to support CommerceConnect's mission of assisting businesses at every point of their life cycle by training all MBDA Business Centers to be CommerceConnect service providers. This action will add 30 additional sites to the CommerceConnect network.

**Increasing Access to Export Financing.** Access to credit remains a major issue for exporters, especially small businesses. The trade finance agencies –SBA, Ex-Im Bank, and USDA – have taken steps to expand or maximize the use of their export credit programs.

- **Increased Trade Support through the Small Business Jobs Act.** The Small Business Jobs Act provides for increased SBA support for small business exports. Select provisions include:
  - **A Permanent Export Express Loan Program.** The Export Express pilot loan program became a permanent program with 90 percent guarantees for loans up to \$350,000 and 75 percent for loans up to \$500,000.
  - **Permanent Higher Loan Limits for Export Working Capital Program (EWCP) and International Trade Loans.** The Act significantly increases the maximum loan sizes for EWCP and International Trade Loans to \$5 million.
  - **State Trade and Export Promotion (STEP) Grants Pilot.** The law authorized \$30 million per year for the next three years in competitive grants for states to assist business owners to expand their exporting.
- **A Winning Track Record.** Since FY 2005 SBA has supported more than 15,000 international trade-related loans worth over \$4 billion and has trained and counseled in excess of 30,000 small businesses on international trade topics.

- **New Services from the Export-Import Bank of the United States.** In 2010, the Ex-Im Bank generated \$5.0 billion in authorizations for small businesses up from the \$3.2 billion in 2008. These represent over 20 percent of total Ex-Im authorizations. Small business approvals have numbered over 85 percent of all authorizations, rising from a total of 2328 in 2008 to 3091 in 2010. In 2011 the Bank is on track for a 20 percent increase to \$6 billion. In addition to its traditional Short, Medium, and Long Term Loan, Guarantee and Insurance products for exporters and their buyers, Ex-Im has initiated the following programs:
  - **Supply Chain Finance.** Devised as a new product in 2010, the Supply Chain Finance facility enables small business suppliers to large exporters to borrow at reduced rates, minimize their need for borrowing, maximize cash flow, and more precisely manage their risk. Ex-Im has already approved about \$500 million in these facilities for suppliers to two large U.S. exporters which will make credit available to over 1,000 of their small business suppliers.
  - **Express Insurance.** Designed in 2010 specifically for small businesses, Express Insurance reduces the time frame and the complexity of insurance that small businesses obtain to protect their export receivables from foreign buyer and country risk. The application is reduced by half, the product is simplified and the target turnaround time for a quote is 5 days. The product is has already been finalized and is expected to generate over \$250 million in authorizations a year once fully deployed.
- **USDA Support for SMEs.** USDA market development programs support the efforts of U.S. companies, including small businesses, to build and maintain commercial markets overseas for hundreds of food and agricultural products. USDA’s partners in developing trade at the state level specifically focus on supporting small and medium sized business export efforts. In CY 2010, through its partnerships with State Departments of Agriculture, USDA allocated \$29.1 million to 802 small U.S. agricultural companies to carry out promotions of their branded products around the world. These programs are some of the initiatives and tools designed for U.S. small businesses to increase their presence overseas.

Dan’s Fish, Inc. (Sturgeon Bay, WI) has grown to be Wisconsin's largest exporter of Great Lakes fish and caviar, selling primarily to Sweden Finland, and Estonia. Founded in 1994, this 15-person company utilizes a \$500,000 Ex-Im Bank insurance policy together with a \$500,000 SBA Export Working Capital loan to fund its working capital needs. In policy year 2010, they reported exports of \$3.3 million as compared to \$2.2 million in exports the previous year.

- **USDA Trade Facilitation Desk.** In response to concerns of U.S. agribusinesses, including small businesses, USDA launched a Trade Facilitation Desk (TFD) to help clarify and identify the documentation required to successfully export food and agricultural products. The TFD serves as an “ombudsman” and key point of contact for exporters, small and large, seeking assistance and guidance on our trading partners’ import requirements. The TFD also provides assistance with shipments that are detained at port of entry, including expeditious outreach to foreign governments and U.S. regulatory agencies to minimize the costs associated with detention of the shipment.
- **USDA Export Credit Guarantee (GSM-102) Program.** The GSM-102 Program provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products. In CY 2010, the GSM-102 Program facilitated the export of approximately \$3.2 billion in agricultural products. In continued efforts to expand knowledge and use of the GSM-102 Program, USDA implemented a “contact the exporter” procedure benefitting small, new-to-export firms. This procedure offers assistance in using the program and introduces firms to a contact person, who can provide necessary information for successful program usage.

**Joint Efforts.** USDA also increased its efforts to reach small, new-to-export businesses in collaboration with other U.S. Government export finance partners. USDA staff participated in joint seminars and conferences with the Ex-Im Bank, the SBA, and the DOC. These joint efforts have enhanced interagency coordination on export finance and ensured that conference participants (including exporters and financial institutions) are made aware of the full gamut of U.S. Government export finance opportunities.

**International Small Business Collaboration.** The Obama Administration understands that it is difficult for small businesses to make connections overseas. These programs help to remedy that problem.

- **Middle East Partnership Initiative.** SBA Office of International Trade received a 2008 Middle East Partnership Initiative (MEPI) grant from the State Department to assist women owned small businesses in the Middle East. The SBA has currently signed MOU’s for collaboration with Oman, Bahrain, and Tunisia. SBA is moving forward and helping build programs in the three countries that support small business through counseling and capital initiative modeled on SBA’s successful programs.
- **SBA International Visitors Center.** The SBA International Visitors Center works closely with foreign dignitaries and business leaders to provide key information on the U.S. economy and SBA’s unique support structure for small businesses. In FY 2010 the office met with over 1,000 visitors from 115 countries, 452 of the visitors from China. Additionally, the office has met with over 900 visitors from 42 countries thus far in FY 2011 (as of 4/30).

- **Russian Federation MOU.** SBA signed an MOU with the Russian Federation Ministry of Economic Development in March 2010 for bilateral cooperation on issues related to Small and Medium Enterprises.

**Reduce Barriers to Trade.** Under the National Export Initiative, the Administration has made a renewed effort to reduce barriers to overseas markets, particularly overseas. Tariff barriers, burdensome customs procedures, discriminatory or arbitrary standards, and lack of transparency relating to relevant regulations in foreign markets present particular challenges for our SMEs selling abroad.

- **New Assistant U.S. Trade Representative for Small Business.** On January 21, 2010, Ambassador Kirk designated an Assistant U.S. Trade Representative for Small Business, Market Access and Industrial Competitiveness. This new attention to small business issues will enhance work on market access and industrial competitiveness issues.
- **Pending Free Trade Agreements.** The Administration has resolved outstanding issues with the pending trade agreements with Korea, Panama and Colombia, and is working in cooperation with Congress to secure approval of these landmark agreements as soon as possible. These agreements will open these important markets to U.S. exporters by lowering duties on many U.S. exports, and addressing non-tariff barriers that impact many small businesses.
- **Trans-Pacific Partnership.** The Trans-Pacific Partnership (TPP) is a key initiative through which the Administration seeks to advance the United States' multi-faceted trade and investment interests in the Asia-Pacific region, by negotiating an ambitious, 21st regional trade agreement. In addition to the high-standard, market opening elements of current U.S. trade agreements, the TPP will feature cross-cutting issues not tackled in previous trade agreements including strengthening small and medium-sized enterprises through greater participation in international trade.
- **Commerce's Trade Agreements Compliance Program.** Since the start of the NEI, the Department of Commerce's Trade Agreements Compliance Program has initiated 91 investigations of foreign trade barriers affecting small business, and successfully resolved 53. Examples include removing the burdensome and non-transparent Chinese certification requirements affecting a York, Pennsylvania, specialty refrigerator company, and ensuring that Chile provides procedures for all U.S. companies to obtain advance rulings on customs matters, increasing predictability which is particularly useful to resource-constrained small businesses.
- **Protecting Intellectual Property Rights (IPR).** The DOC has undertaken numerous activities to assist SMEs to protect and enforce their IPR, both in the United States and abroad. The DOC launched [www.stopfakes.gov](http://www.stopfakes.gov) to enable businesses to file complaints, concerns, and

questions about IPR-related trade problems, which are answered within ten days by a trade specialist from the Office of Intellectual Property Rights. The DOC also established the 1-866-999-HALT hotline answered by U.S. Patent and Trademark Office (PTO) IPR experts, who work with the Office of Intellectual Property Rights to help businesses secure and enforce their IPR through international treaties.

- **Russian Federation / New Strategic Arms Reduction (START) Treaty.** New START Treaty represents the most significant arms control agreement in nearly two decades was passed in a bipartisan fashion. In doing so, the Government has strengthened American leadership on non-proliferation issues, reinforced our relationship with a vital ally, and made our country safer. As a part of this relationship “reboot”, SBA signed an MOU with the Russian Federation on SME collaboration

**Robust Enforcement of Trade Rules.** The Obama Administration is fully aware that efforts to enhance U.S. commercial competitiveness and to maximize the potential of U.S. exporters can be thwarted by market distorting unfair trade practices of foreign governments and firms. Ensuring that U.S. companies and workers have the opportunity to compete on a level playing field is thus critical to advancing business competitiveness in the U.S. and abroad, and is a key component of the NEI.

The Administration actively monitors foreign government compliance with trade agreements to which the United States is a party and pursues enforcement actions, using dispute settlement procedures and applying the full range of U.S. trade laws when necessary.

- **Antidumping and Countervailing Duty Laws:** At the end of 2010, Commerce’s Import Administration (IA) maintained approximately 300 antidumping (AD) and countervailing duty (CVD), covering over 120 products from 40 countries. Roughly 36 percent of these orders are on products from China.
- **Counseling SMEs about Recourse from Unfair Trade Laws:** Small and medium size enterprises (SMEs) and their workers are a critical driver of growth and innovation in the U.S. economy. Because such firms are often unaware of the range of relief that the AD/CVD laws can provide to remedy trade distorting practices, IA’s Petition Counseling and Analysis Unit regularly advises SMEs about the recourse that the unfair trade laws can provide. In FY 2010, IA conducted over 100 of these types of counseling sessions with U.S. companies, over two-thirds of which were with SMEs. In addition, IA provided assistance to nearly 100 exporters facing foreign trade remedy actions. These companies include major U.S. manufacturers, small- and medium-sized exporters, and producers of key agricultural exports. Together, these firms employ more than 1.6 million Americans and have substantial operations in more than 35 states.



**Macroeconomic Support for Expanded Exporting.** In addition to U.S. productivity growth and export competitiveness, the most significant determinant of U.S. export growth over the next few years will be the economic growth of its trading partners. In the short term, working to sustain a strong global economic recovery is likely to deliver the biggest contribution to U.S. export growth. But this will require concerted and continued efforts by the United States and its G-20 partners to ensure that the global economy shifts smoothly to more diversified sources of economic growth. Over the medium and longer term, the composition of economic growth in the United States' trading partners will also be crucial to U.S. export growth. A broad range of countries need to take policy actions that reduce their surpluses by stimulating domestic demand (especially consumption), thereby increasing their demand for imports. Strong, sustainable, and more balanced global growth is crucial to U.S. export growth.

# V. Enhanced Development and Education Opportunities for Entrepreneurs

**Development Programs for Entrepreneurs.** In discussions with entrepreneurs across the U.S., the Obama Administration has learned that many times small businesses and entrepreneurs need mentors and partnerships in order to continue to grow. Building off those conversations, the President has implemented these programs to connect entrepreneurs with experienced individuals and organizations so they can further develop their business and create jobs.

- **SBA network of over 14,000 Counselors Provide Counseling and Training to U.S. Small Businesses.** Over 1.5 million entrepreneurs and small business owners were counseled or trained in FY 2010 through SBAs vast network.

- **SCORE, Counselors to America’s Small Business.** SCORE has over 11,000 volunteers that bring practical experience to small businesses and to entrepreneurs thinking about starting a new small business.

Pauline Lewis of Oovoo Design didn’t fully realize how life-changing one introductory class at the Women’s Business and Small Business Development Center in Springfield, Virginia could be when she signed up four years ago. Within weeks of taking the class, she quit her day job as a successful international market researcher and headed east on a backpacking trip through Vietnam. During her trip Pauline was invited to observe a women’s cooperative. “From the moment I stepped into the small house where eight women were sitting in an embroidery circle, I knew that I wanted to work with them. I knew right then and there that I would have a company that incorporated embroidery, for women by women.” The seeds of what she learned back in Virginia during her class at the Women’s Business Center started to take root in Vietnam and Oovoo Design was born.

Now, Pauline has successfully co-designed, marketed, and sold her unique handbags for seven seasons. She sells to over 500 boutiques, galleries, and museum stores. In addition to creating a niche market of hand-crafted artisan bags, Oovoo Design is a socially responsible company that continues to work with women’s cooperatives in Vietnam. Pauline plans to expand Oovoo Design into other product categories and work with women’s cooperatives in Cambodia and Laos.

- **Small Business Development Centers (SBDCs).** SBDCs provide free or low-cost assistance to small businesses using programs customized to local conditions. SBDCs offer counseling in marketing and business strategy, finance, technology transfer, Government contracting, management, manufacturing, engineering, sales, accounting, exporting, and other topics. SBDCs are funded by grants from the SBA and matching funds. There are more than 900 SBDCs with at least one in every state and territory.
- **Women’s Business Centers (WBCs).** WBC is a large network throughout the United States, offering women entrepreneurs, especially those that are socially or economically disadvantaged, comprehensive training and counseling to help them start and grow their own business. In FY 2010, four new WBCs were launched, bringing the total to 110

centers nationwide that offer training technical assistance, and advice that women entrepreneurs need.

- **Support for Veterans.** SBA provides extensive support for veterans through collaboration with Veterans Affairs for cross-training on veteran programs; All of this is through the Veterans Task Force.
- **Project GATE.** Project GATE (Growing America Through Entrepreneurship) was initiated in 2002 to emerging entrepreneurs create, sustain, and/ or expand their existing small business. Approximately 4,200 individuals in Maine, Pennsylvania, and Minnesota received GATE Program services in an experimental research project (importantly, the original project GATE was not limited to unemployment insurance recipients or even to the unemployed). Project GATE was found to increase the speed of business opening among participants, and to increase the longevity of their businesses, although it did not increase overall earnings when considering earnings from both self employment and wage and salary work. The program’s evaluation also concluded that its salutary effects were particularly strong among workers receiving unemployment insurance benefits, and suggested that the program could be replicated on a wider and cost-effective scale. However the program evaluation also noted tailoring the outreach to assess specific community interest and needs, and identifying existing community-based organizations with which to partner, would need to be a priority
  - **Project GATE II.** Project GATE II began in July 2008, with grant awards to four states – Alabama (\$1 million to serve 600 participants statewide), North Carolina (\$1.6 million to serve 720 participants in 9 rural counties), Virginia (\$1.9 million to serve 225 participants in Northern VA), and Minnesota (\$2 million to serve 500 participants statewide). Unlike Project GATE demonstrations (available to all applicants in the original demonstration sites), services under the new program were targeted towards dislocated workers. Two states (AL and NC) were selected to target services to rural dislocated workers while two other (VA and MN) targeted dislocated workers 50 years and older.
  - **Minnesota.** Minnesota participated in both Project GATE and GATE II. During both iterations, Small Business Development Centers (SBDCs) in both Minneapolis and Duluth connected GATE participants with SCORE counselors to serve as mentors towards the end of the training. One of the lessons learned was that these connections were more successful when participants were introduced to SCORE counselors earlier in the process. Mentoring is most effective at the point of business creation and initial start-up, when business owners have the greatest number of questions about bookkeeping, marketing, and other issues. Earlier integration of SCORE mentoring has been a focus in Minnesota during GATE II.
  - **Maine.** The locations served under the original Project GATE included three rural areas in Maine. At these locations, training was frequently delivered using distance-education techniques, including classes conducted via webinar and conference call. These services

were highly sought after and well-regarded, and could provide a model for providing training in remote areas, especially as the Administration presses forward with efforts to expand access to broadband internet in rural areas.

- **Virginia.** In Virginia, Project GATE II services are being offered as part of the full menu of resources available to dislocated workers (in this case, only those over 50). Virginia is also hosting “entrepreneur club” sessions for GATE II participants. These sessions allow participants to meet weekly to discuss their startups, building a sense of community and camaraderie. They have also invited local business owners to make presentations on topics such as taxes, insurance, marketing, etc. Attendance has been excellent to date.
- **North Carolina.** North Carolina is using local community colleges as the main service provider to deliver GATE II services to rural dislocated workers. The local workforce investment board (LWIB) refers dislocated workers interested in GATE II to the community college for classes. North Carolina has established an entrepreneurship training network within the state that leverages inexpensive community college training as the main focal point of the program. Enrollment in this program has far exceeded expectations.

**Programs for Traditionally Disadvantaged Groups.** These programs and initiatives offer traditionally disadvantaged socioeconomic groups resources to start or develop their own business.

- **Strengthening Programs that Reach Women Business Owners.** In October 2010, the SBA, National Women’s Business Council, and the White House Council of Women & Girls co-hosted the White House Women’s Entrepreneur Conference. Since then, SBA has continued regional events across the country to hear directly from women who are building and growing companies in many industry sectors. In 2010, after receiving extensive public comment, SBA published a final comprehensive rule implementing the statutorily-authorized program to create additional opportunities for women-owned small businesses to participate in Federal procurement. In 2009, women-

Jennifer Lynch, The Portland Smoothie Company

“As soon as I showed up to MCNW (MercyCorps Northwest) and enrolled in the foundations business class with 25 other people and began talking about my idea, all of a sudden it became more than just an idea. It became something that I could actually do.

I was living in New York and I had a career there until, just like everyone else, I got laid off. I needed a huge change in my life, so I left all that behind and came here to Oregon. I just decided that the little idea I had in my head for so long was maybe an idea I should act on. My highest sales day was on a really hot day in summer when I proved that I can handle it all on my own.

In the short term, I definitely want to grow the business and hire employees. In the long term, my larger goal is a Bed and Breakfast with a farm to table organic vegetarian restaurant.”

owned small businesses won \$16 billion in Federal projects and this new program will enable greater numbers of women-led companies to compete for potentially billions of Federal contracting dollars.

- **DOC Report on Women-Owned Businesses in the 21<sup>st</sup> Century for the White House Council on Women and Girls.** This report, issued October 2010, documents the changes in women-owned businesses over time, explores disparities in the characteristics of businesses owned by women as compared to those owned by men, and discusses potential reasons for these disparities and the different outcomes that are associated with them. The focus is on proprietorships, partnerships, or any type of privately-held corporation with one or more owners and publicly held companies are not included. This report is available for download at [www.esa.doc.gov/sites/default/files/reports/documents/women-owned-businesses.pdf](http://www.esa.doc.gov/sites/default/files/reports/documents/women-owned-businesses.pdf).
  - **Growth Rates.** The number of women-owned businesses has grown over time. Between 1997 and 2007, the number of women-owned businesses grew by 44 percent, twice as fast as men-owned firms, and, as found in *Women-Owned Businesses in the 21<sup>st</sup> Century*, they added roughly 500,000 jobs while other privately-held firms lost jobs. In part, this is because women-owned firms were more likely to be located in industry sectors that experienced employment growth, such as health care and education services.
  - **Minority Women-Owned Businesses.** Between the years 1997 and 2002, the number of businesses owned by minority women increased faster than those owned by non-minority women, with minority women-owned firms accounting for more than half of the increase in women-owned businesses.
  - **Size.** Women-owned businesses are typically smaller than men-owned businesses. Although women own 30 percent of privately-held businesses, these businesses account for only 11 percent of sales and 13 percent of employment among privately-held companies. Average sales/receipts for women-owned businesses are only 25 percent of average sales/receipts for men-owned businesses. However, women-owned businesses are concentrated in industry sectors where firms are typically smaller.
  - **Methods of Financing.** There are substantial differences in the financing utilized by women-owned versus men-owned businesses. Women start with less capital than men and are less likely to take on additional debt to expand their businesses. They are more likely than men to indicate that they do not need any financing to start their business. It is difficult to distinguish preferences from constraints in these data. For instance, women may encounter less favorable loan conditions than men. They may be less willing to take on risk by seeking outside capital.

- **Portraits of Women Business Owners.** The characteristics of self-employed women are similar to those of self-employed men. Compared to the non-self-employed, self-employed women and men are older, more likely to be married, and less likely to have children at home. However, women who are self-employed work fewer hours on average in their business than self-employed men.
- **Increasing Support for Veteran Small Business Ownership.** SBA launched an Interagency Task Force on Veterans Small Business development, including members from OMB, the Department of Labor (DOL), GSA, DOD, VA and Treasury, as well as four public members. SBA also launched, in partnership with Syracuse University, an in-depth small business counseling and training program for veterans and their families.
- **Support efforts to increase Youth Entrepreneurship.** SBA has launched effort in conjunction with the White House to focus on the needs of the young entrepreneurs to create a better environment for young business leaders. Specifically, the SBA is focused on learning their needs, and connecting them with our resources.
  - **Empowering Young Entrepreneurs NYC Event.** In conjunction with the White House Office of Public Engagement and Russell Simmons, SBA will host an event in New York City, to celebrate and promote the launch of a broader nationwide initiative focused on young entrepreneurs. The proposed agenda provides for a robust conversation of current resources, additional needs of this community, and an exciting launch of a broader initiative.
- **Emerging Leaders Program (formerly Emerging 200 or e200).** The Emerging Leaders Program identifies SMEs that show a high potential for growth. Through eight months of specialized training, the Emerging Leaders Program provides SMEs with the network and resources required to build a sustainable business and promote economic development within communities across the country. The majority of these businesses are drawn from underserved communities. Approximately 680 small businesses in urban and Native American communities have participated in this training since the initiative’s inception in 2008. The results of the Emerging Leaders initiative show nearly 60 percent have hired new workers, with over 500 new full-time employees created in 2009 alone. In addition, participants reported increased revenues over the past year, have leveraged nearly \$10 million in new financing, and 58

Lex Dominey, owner of the construction firm Rocket, Inc, participated in SBA’s 2008 Emerging 200 Training Initiative (e200), which he credits with, “Rocket’s survival during the worst economy for the construction industry since they started keeping track.”

“This class happened at a time when my industry was crashing—a serious contraction in construction volume occurring in every segment,” Lex said. “E200 really gave me a road map to expansion, understanding and learning. The feedback from the other CEOs added a different outlook. The financial section of the class gave me a financial dashboard that will allow us to manage with confidence our existing business and to understand what we need for expansion.”

percent of participating businesses have obtained Government contracts. The 2010 Emerging Leaders training cycle included over 300 small businesses enrolled in 22 cities across the country. The data results demonstrating the impact and outcomes of the 2010 graduates will be available in 2011.

- **Disability Employment Initiative.** The Department of Labor’s Employment and Training Administration and Office of Disability Employment Policy are collaborating to implement the Disability Employment Initiative within the public workforce system and its partners. Grants are awarded to states to build capacity for serving people with disabilities. Self-employment and entrepreneurship training was one of several strategies on which states could focus their efforts.

**Enhanced Regional Economic Competitiveness.** Competitive, high-performing regional economies are the building blocks of national growth. Regions have coordinated and focused their resources to accelerate Innovation, economic development, business development and workforce development around promising industry areas. This year, under leadership from the White House, Federal agencies are working together to support these regional partnerships, including the DOC’s Economic Development Administration (EDA), Manufacturing Extension Partnership program, and International Trade Administration, the Department of Education, the DOL and SBA. These initiatives were designed to develop and support regional innovation cluster programs across the Government:

- **The Jobs and Innovation Accelerator Challenge.** The Obama Administration has announced the Jobs and Innovation Accelerator Challenge (Accelerator Challenge), an initiative of 16 Federal agencies and bureaus to accelerate innovation-fueled job creation and economic prosperity through public-private partnerships. The Accelerator Challenge will offer, subject to the availability of funds, a combination of \$33 million in funding from three agencies and technical assistance resources from 13 additional agencies and bureaus to support customized solutions for approximately 20 competitively selected industry clusters in urban and rural regions across the nation and across all sectors. A competitive solicitation is expected to be announced in late May 2011. For more information please visit [www.eda.gov/InvestmentsGrants/jobsandinnovationchallenge](http://www.eda.gov/InvestmentsGrants/jobsandinnovationchallenge).
  - **Leveraging Private Investment.** Each Accelerator Challenge investment will serve as a catalyst for leveraging private capital in the regions from an array of sources such as foundations, financial institutions, corporations and other private sector partners. Through its unprecedented linking, aligning and leveraging of Federal resources and by building strategic public-private partnerships, the Accelerator Challenge will foster broad regional innovation, job creation, and global competitiveness.
  - **Outcomes.** Funds awarded to the winning applicants can be used to support and accelerate a range of measurable outcomes, including innovation, commercialization, business formation and expansion, development of a skilled workforce, job creation,

exports, sustainable economic development and global competitiveness in approximately 20 industry clusters that exhibit high-growth development potential. These successful clusters will promote growth that is inclusive of the region's population.

- **Focusing on Priorities.** This initiative represents the implementation of a number of Obama Administration policy priorities including:
  - **Acceleration** of bottom-up innovation strategies encompassing urban and rural geographies, as opposed to imposing “one size fits all” solutions from Washington.
  - **Reduction** of Federal programs silos and promotion of more coordinated Federal funding opportunities that offer a more efficient system for customers to access Federal resources.
- **Energy Regional Innovation Cluster (E-RIC).** DOE worked with six agencies to ensure its \$125 million Hub investment in Green Building research would support economic, business and workforce development in the winning region. Together, the agencies involved in this effort are awarding nearly \$130 million over 5 years for the Greater Philadelphia Innovation Cluster, which was selected for this project. The SBA provided over \$150,000 to its partner Small Business Development Center, which is working to include regional small businesses in energy efficient building projects.
- **SBA Innovative Economies Initiative.** SBA provided nearly \$6 million in funding to 10 regional economies across the country to help develop and grow small businesses in key industry supply chains. These Regional Innovation Clusters are working in focus areas that include, but are not limited to, smart grid, nuclear technology, hydrogen fuel cell technology, agriculture technology, flexible electronics and geospatial technology; and three of them focus particularly on technologies with defense applications, including aerospace and cyber security.
- **Clustering for 21<sup>st</sup> Century Prosperity: A Symposium.** Hosted by the National Academies and the Association of University Research Parks, this symposium discussed the best practices for public-private, cluster-based economic development. Presenters included Ginger Lew of the National Economic Council and John Fernandez of the EDA. A link to the proceedings is available at: [http://sites.nationalacademies.org/PGA/step/PGA\\_056081](http://sites.nationalacademies.org/PGA/step/PGA_056081).
- **Governor's Guide to Cluster-Based Economic Development.** The EDA, the DOL, and a variety of foundations funded a study by the National Governors Association to develop regional innovative strategies to accelerate the US economy in the face of global competition. The report is available at: [http://www.eda.gov/PDF/NGA\\_CLUSTERES.pdf](http://www.eda.gov/PDF/NGA_CLUSTERES.pdf).



- **Unlocking Rural Competitiveness through Clusters.** In a partnership with Indiana University and Purdue University, the EDA funded research to develop a model that can be used by America's rural communities. Indiana University and Purdue University used this funding to assess and maximize Indiana's regional economic advantages. Their work is available at: <http://www.ibrc.indiana.edu/innovation/>.
- **Enhanced Outreach through Website.** SBA has developed a new SBA website, which serves as a "one-stop-shop" for all SBA has to offer for small business support. Find the new and improved SBA website at: <http://www.sba.gov/>.

**Improving America's Entrepreneurial Infrastructure.** President Obama understands that the key to the U.S.'s historic and future economic success is America's unique culture of entrepreneurship. The U.S. has always been a place of great opportunity and offered great reward for those that took a risk and began their own enterprise. This is why President Obama is committed to making sure the U.S. Government does all it can to make starting businesses easier and remove barriers to growth.

- **National Advisory Council on Innovation and Entrepreneurship (NACIE).** Convened by the DOC to support President Obama's innovation strategy, NACIE develops policy recommendations that foster entrepreneurship and identify new ways drive economic growth and create jobs. Managed by EDA's OIE, NACIE strives to ensure that the United States remains the source of paradigm changing innovations and the companies that deploy them. Members of the active council include successful entrepreneurs, investors, and university and non-profit leaders. For more information, please visit NACIE's website at: [www.eda.gov/nacie](http://www.eda.gov/nacie).
- **Improving the Patent Process.** The U.S. Patent and Trade Office (USPTO) provides a 50 percent fee reduction, among other things, to small entity inventors and has an array of services designed for them. In addition, several "acceleration initiatives", for patents related to sectors like green tech, have benefited small businesses by significantly shortening the amount of time it has taken to receive a patent.
- **Department of Labor Supports Startups.** Currently, eight states—Delaware, Maine, Maryland, New Jersey, New York, Oregon, Pennsylvania, and Washington—have an unemployment insurance (UI) provision known as SEA, which waives regular work search requirements for claimants who are working full time to establish their own small business, instead providing them with a weekly SEA allowance. The program is available to workers who are eligible for UI and profiled as being likely to exhaust their UI benefits. Benefits equal to those they would have received under UI are paid out over 26 weeks using funds from the state's unemployment trust fund. During this time, the individuals are exempt from work search and availability requirements, but are required to participate in activities like entrepreneurial training and business counseling.

**Educating Americans with 21st Century Skills and Create a World-Class Workforce.** Only with strong educational foundations will Americans create the leading ideas of the 21st century and ensure that these ideas diffuse throughout the American workforce. On many metrics, however, including college graduation rates, America has slipped behind other countries. The U.S. must reform its education and workforce training systems to ensure Americans are qualified for the jobs of tomorrow. This imperative underpins the Obama Administration's focus on education reform in general and in science, technology, engineering, and math (STEM) education in particular. It is also imperative to extend STEM educational and career opportunities to women and minority groups that are underrepresented in these areas, so that all Americans can find quality jobs and lead our innovative economy in the decades ahead. When it comes to entrepreneurship, empirical data suggests the link is clear: the greater the amount of schooling, the greater the likelihood of forming a small business. Heads of households with some college are 3.3 percent more likely than those without college to be self-employed, while those with a bachelor's degree are 4.4 percent more likely to be self-employed, and those with some graduate level of training are 8.3 percent more likely to be self-employed.

- **The America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science (COMPETES) Reauthorization Act of 2010.** This Act authorized basic research, programs aimed at boosting science, technology, engineering and math education and other measures aimed at promoting U.S. innovation. Additionally, the Act is designed to leverage existing agency programs and promote inter-agency cooperation.
- **Race to the Top.** The Administration launched "Race to the Top," a program designed to spur systemic reform and embrace innovative approaches to teaching and learning in America's schools. Improvement to U.S. schools is vital to small businesses, since, as of 2009, less than 30 percent of the workforce had attained a bachelors degree or higher.
- **Post-9/11 G.I. Bill.** The Obama Administration is committed to funding and implementing the Post-9/11 G.I. Bill—a bill to give veterans and their families an opportunity to earn a college education.
- **Skills for America's Future Program.** This public-private partnership brings together businesses, nonprofits, and schools to train Americans for the jobs of a new century through the Skills for America's Future program, an initiative designed to have businesses and community colleges work together to match the work in the classroom with the needs of the boardroom. This is essential, given that 47 percent of the workforce's education level is between high school completion and some college or associate's degrees.
- **Improved Access to Higher Education.** The Obama Administration has invested in our community colleges, and reformed our student loan system by limiting payment to up to 10 percent of income, so that loan payment never overburdens students earning a college education

**Educating Entrepreneurs and Small Businesses about Security Concerns.** Although entrepreneurs are familiar with risks, they may not be familiar with these particular types of risks. These programs are designed to ensure that entrepreneurs and small business owners know how to best prepare and protect their colleagues and businesses in the event of an emergency.

- **DHS Office of Infrastructure Protection’s Protective Security Coordination Division (PSCD).** To support Infrastructure Protection’s mission, PSCD deployed 94 Protective Security Advisors (PSAs), including 87 field personnel deployed to 74 Districts in 50 States and one Territory to serve as critical infrastructure security specialists in local communities across the country. PSAs are liaisons between Federal, state, local, tribal, and territorial governments and the private sector, providing access to DHS infrastructure resources such as facility security and vulnerability assessments, threat information, training, and incident response support. PSAs conduct dedicated outreach to private sector businesses, large and small, to promote public-private sector relationships and information sharing.
- **DHS Bomb-Making Materials Awareness Program (BMAP).** DHS, in cooperation with the Federal Bureau of Investigation, developed BMAP to increase public and private sector awareness of homemade explosives (HME), a common terrorist improvised explosive device (IED) tactic. BMAP assists local law enforcement agencies through training to engage a wide spectrum of private sector establishments within their jurisdictions that manufacture, distribute, or sell products that contain HME precursor chemicals.
  - **BMAP Outreach Materials.** BMAP Outreach Materials are provided by law enforcement to local businesses, many of whom are small or independently owned, help employees more easily identify relevant HME precursor chemicals and other critical IED components of concern, such as electronics, and recognize suspicious purchasing behavior that could indicate bomb-making activity. BMAP simultaneously encourages stronger relationships between businesses and local law enforcement and reinforces the foundation of effective community safety and security.
  - **BMAP Products.** BMAP products consist of reference materials, hand-outs, and posters that specifically address pre-cursor materials and suspicious behavior, and detailed and industry-specific awareness and indicator guides. Also, IP maintains a catalog of training programs to develop awareness of terrorist threats to critical infrastructure among State, local, and private sector entities and educate participants on strategies for detecting and mitigating these threats. Since its inception, IP has provided training to over 32,200 state, local, tribal, territorial agencies and critical infrastructure owners and operators.
- **DHS Cybersecurity Education.** Through the Information Technology sector trade associations that are Sector Coordinating Council members, DHS has helped small

businesses learn more about national cybersecurity and infrastructure protection efforts and to examine risk from a sector perspective.

- **Office of Cybersecurity and Communications’ National Cyber Security Division.** The United States Computer Emergency Readiness Team (US-CERT) public website, [www.us-cert.gov](http://www.us-cert.gov), provides a number of different types of information that can be very useful to the small business community. For example:
  - **The National Cyber Alert System (NCAS)** provides Technical Cyber Security Alerts (security issues, vulnerabilities, and exploits for technical users), Cyber Security Alerts (security issues, vulnerabilities, and exploits for non-technical users, Security Bulletins (weekly summaries of new vulnerabilities), and Cyber Security Tips (advice about common security issues for the general public).
  - **Current Activity.** This section provides frequently updated summaries of high-impact security issues such as notifications of security updates by software vendors.
  - **Security Publications.** These publications offer both technical and non-technical papers on such topics as securing web browsers, avoiding email scams, cyber threats to mobile devices, and computer forensics.
  
- **SwA Forums and Working Group Sessions.** Four times per year, under the co-sponsorship of organizations within the DHS, the Department of Defense (DOD), and the National Institute of Standards and Technology (NIST), the SwA Forum and Working Group Sessions provide a “no-cost” public venue for participants to share their knowledge and expertise in software security while interacting and networking with key leaders in industry, government, and academia. The gatherings are unique in focus by bringing together a stakeholder community to protect the Nation’s key information technologies, most of which are enabled and controlled by software. The SwA Forum and Working Group Sessions are means for fulfilling the Open Government Initiative, reflecting the three principles of transparency, participation, and collaboration. The schedule for the upcoming SwA events and presentations from past SwA Forums are located at: <https://buildsecurityin.us-cert.gov>.
  
- **SwA “Build Security In” Web Site and SwA Community Resources and Information Clearinghouse (CRIC).** The Software Assurance Program prepares ad hoc analyses, briefings, reports, articles, briefings, web pages, white papers and supporting documentation. All of these resources are available for free on the “Build Security In” website, [www.buildsecurityin.us-cert.gov/bsi/home.html](http://www.buildsecurityin.us-cert.gov/bsi/home.html), and SwA Community Resources and Information Clearinghouse (CRIC) website, [www.buildsecurityin.us-cert.gov/swa/](http://www.buildsecurityin.us-cert.gov/swa/). Many advances are described in the SwA Landscape, the SwA Ecosystem, and the SwA Market Place. Software Security Assurance: A State-of-the-Art Report (SOAR) represents an output of collaborative efforts of organizations and

individuals in the SwA Forum and working groups. Moreover, SwA drafts, reviews, and SwA Pocket Guides which are available for free via this site.

- **DHS USCIS Verification Division.** U.S. Citizenship and Immigration Services (USCIS) Verification Division conducts extensive outreach to small businesses through business associations and other entities to provide education about the use of E-Verify and the Form I-9. So far in FY 2011, the Verification Division's Outreach Branch has participated in 64 events held in 24 states and D.C. to deliver live presentations, sit on panels, and staff exhibits about E-Verify. Most of these events have included small businesses.
  - **Webinars.** In addition, the Verification Division also reaches small businesses through webinars. So far in FY 2011, 162 webinars have been delivered to more than 4,800 participants. Four of these webinars were conducted in partnership with small business associations for their members. Verification also partners with associations and other Federal agencies to reach out to small businesses through their channels—e.g., websites, newsletters, and mailing lists.

# VI. Heightened Innovation and High Growth Support

**The Startup America Initiative to Support America’s Entrepreneurs.** The White House and several Federal agencies are coordinating on a project to give America’s entrepreneurs the tools they need to start more businesses. Startups and high-growth firms are a small part of the small-business community, but they create the lion’s share of new jobs each year and drive innovation and competitiveness. Startup America will strengthen access for entrepreneurs and firms with high-growth potential through a range of Government and private sector support.

- **\$1 Billion Impact Investment Fund.** SBA will provide guarantees of up to \$1 billion over five years to those funds that invest growth capital in companies located in underserved communities.
  - **Making an Impact.** The \$1 billion will include investing in economically distressed areas as well as those companies in emerging sectors such as clean energy. SBA will provide a match to private capital raised by these funds, partnering with private investors to target “impact” investments.
- **\$1 Billion Early-Stage Innovation Fund.** Early-stage companies face difficult challenges accessing capital, particularly those without the necessary assets or cash flow for traditional bank funding. For high-growth companies, the gap is particularly acute in the so called “Valley of Death,” an industry term for financing rounds between \$1 million to \$4 million.
  - **Leveling the Playing Field.** Over the past 4 years only 6 percent of all venture capital has been deployed in that stage, with 70 percent of the financings going to only three states, California, Massachusetts and New York. The Innovation Fund will target this gap and provide a 1:1 match to private capital raised by early stage seed funds.
  - **Built on Success.** Both of these funds will be built on SBA’s successful, market-based Small Business Investment Corporation (SBIC) program, which operates on a zero-subsidy basis with no added cost for taxpayers.
- **SBA/DOE Entrepreneurial Mentorship Corps.** SBA, in partnership with the DOE and the Advanced Research Projects Agency-Energy (ARPA-E), is funding four private business accelerators to implement a nationwide entrepreneurial mentorship program to assist up to 100 small businesses developing clean energy technologies.
  - **Doing What Works.** These four programs to be funded will be selected based upon a track record of success in providing mentorship assistance. The funds will be used to support a total of 100 clean energy startups across the country.

- **Seasoned Entrepreneurs.** These accelerators will provide intensive mentorship from seasoned entrepreneurs to a selection of the most promising new companies previously funded by DOE and ARPA-E.
- **Building on Momentum.** This pilot program is the first step in the development of a large, distributed network of entrepreneurs, mentors, and startup accelerators.
- **Mentorship Incubators for Veterans.** The Department of Veterans Affairs (VA), in partnership with SBA and the Department of Labor, will establish two of the first integrated business accelerators focused solely on helping our Veterans launch and sustain their own businesses.
  - **Interactive Website.** The first accelerator program offers an interactive website that provides a comprehensive roadmap for starting a small business and provides assistance in utilizing the diverse set of resources available to support Veteran entrepreneurs.
  - **Experienced Entrepreneurs.** The second program includes a business incubator facility, located in Waukesha, Wisconsin, where early-stage Veteran-owned businesses are mentored by experienced entrepreneurs and trained to develop the skills needed to build a successful business.
- **Improved Ability to Commercialize Federally Funded R&D.** The Department of Commerce, through the Economic Development Administration (EDA), the National Institute for Standards and Technology (NIST), and U.S. Patent and Trademark Office (USPTO) is implementing several initiatives to improve the nation’s ability to commercialize Federally funded research and development.
  - **University Commitments.** The National Advisory Council on Innovation and Entrepreneurship has provided policy recommendations and spurred greater efforts by university leaders to improve technology commercialization.
  - **Federal Lab Efforts.** EDA, in collaboration with the NIST and an interagency working group, has conducted a major study of Federal lab commercialization practices, which will be used to evaluate and disseminate best practices and improve results.
  - **i6 Competitive Grants.** EDA’s Office of Innovation and Entrepreneurship, through widespread interagency partnerships, expanded its successful i6 competitive grants program with i6 Green. i6 competitions are designed to encourage and reward innovative ideas that accelerate technology commercialization, new venture formation, job creation, and economic growth across the United States.

- **Reducing Barriers Roundtables.** A series of eight “Empowering Entrepreneurs: Reducing Barriers” roundtables are being conducted – Durham, NC, Austin, TX, Boston, MA, Minneapolis, MN, Santa Clara, CA, Pittsburgh, PA, Atlanta, GA and Boulder, CO – to solicit direct feedback from high growth entrepreneurs to identify the most challenging regulatory hurdles they face.
  - **Better Communication.** A number of Administration officials will participate in these roundtables and meet with entrepreneurs to hear directly from them about what we need to fix to build a more supportive environment for entrepreneurship. Entrepreneurs who are unable to participate in one of the roundtables will have access to an online platform to submit ideas. That can be found at: <http://reducingbarriers.ideascale.com/>.
  - **Removing the Barriers.** Using the input from these events, the online submissions, and Government employees, the Administration will put together a list of the best ideas to streamline and simplify unnecessary barriers to America’s entrepreneurs and innovators.

**The Startup America Partnership.** In response to the President’s call to action to promote high-growth entrepreneurship across the country, leaders in the private sector are making commitments to educate the next generation of entrepreneurs, connect more entrepreneurs with high-quality mentors, foster more collaborations between startups and large companies, and accelerate research breakthroughs from the lab to the marketplace. The Startup America Partnership is an independent alliance of top entrepreneurs, investors, corporations, universities, foundations, and other leaders, joining together to grow the entrepreneurial ecosystems that support innovative, high-growth U.S. startups. Long-term commitments will include:

- **\$400 million in Private-Sector Commitments.** President Obama announced this new wave of commitments secured from more than 15 companies and organizations at Facebook headquarters. These commitments will deliver strategic and substantive resources that accelerate entrepreneurs starting and scaling companies. These new private-sector partnerships deliver more than \$400 million in value to U.S. entrepreneurs, building upon over 20 commitments already secured by the Startup America Partnership from companies like Intel and IBM.
- **Education.** The Startup America partnership will offer high-impact entrepreneurship education programs to more high schools, community colleges, and universities, reaching thousands of additional students.
- **Commercialization.** The partnership will work to clear the path to market for primary research in more universities, through a combination of regional ecosystem development, faculty engagement, and streamlined technology licensing.



- **Acceleration.** The Partnership aims to get results—fast—by replicating successful entrepreneurship accelerator programs in more cities and universities, by recruiting more experienced mentors to support more startups.

**Tools for Small Businesses with High-Growth Potential.** In 2010, agencies across the Federal Government worked together to identify tools for high-growth and high-impact firms and made recommendations for increasing the focus of innovation and research efforts to support commercialization of new technology. This increase in commercialization will give rise to new industries and the subsequent need for a skilled workforce, thus creating jobs.

- **Record Year for SBIC Program.** At a time when capital was scarce for small business, financing from the SBIC growth capital program increased 23 percent in FY 2010, providing a record \$1.59 billion to help small businesses grow and create jobs. The FY 2010 investment volume is the highest single-year volume in the 50-year

**Constant Contact (Waltham, MA)**

For small business owners that may lack the time or expertise to manage their own marketing campaign, Constant Contact offers e-mail marketing solutions that offer an easy-to-use and affordable way to keep in touch with clientele. Launched in 1998, Constant Contact has helped all types of small businesses create professional-looking email newsletters and online surveys.

In 2002, SBIC Hudson Venture Partners saw the potential of Constant Contact’s model when it invested \$2.3 million in the company and joined its board. With Hudson’s assistance, the company grew from just 27 employees to over 300 and eventually went public at a value of \$300 million.

history of the SBIC debenture program, achieved through an increased number of new SBIC licenses, decreased license processing times, and a dramatic rise in initial capital to new funds. Twenty-one (21) new SBIC licensees were issued in FY 2010, a 130 percent increase over the previous four-year average of 10 licensees per year. SBIC license processing time improved to just 5.8 months in FY 2010, a nearly 60 percent decrease from an average of 14.6 months in 2009.

- **Small Business Innovation Research (SBIR) 2.0.** The SBIR program is a set aside from the extramural research budgets of eleven participating agencies with over \$100 million in annual extramural research budgets. The program has provided early funding technology companies such as Qualcomm, Semantech, and Genentech. SBIR represents the single largest early stage investment tool in the Government, providing approximately \$2.5 billion annually to small businesses. The SBA is currently

**First RF Corporation & DOD SBIR**

First RF Corporation (Boulder, CO) developed a small multi-decade communications & electronic warfare antenna for high speed, high power electronics. This antenna allows for a single installation on vehicles to cover multiple bands and functions. The First RF antenna can be used in military applications for communication, sensors and countermeasures systems. On the commercial side, the antenna has applications in radio communications and sensors. This technology spearheaded the growth of First RF high volume production which now has over three dozen commercial products available and over 150,000 antennas sold to date. The commercialization for this technology has been over \$200 million in sales.

implementing SBIR 2.0 to reinvigorate the program in a way that makes the SBIR program more entrepreneur-friendly by:

- **Leveraging Best Practices.** SBIR 2.0 coordinates and raises awareness of best practices among agencies to improve the commercialization rates of SBIR awardees.
- **Strengthening Metrics.** SBIR 2.0 will strengthen performance measurement to ensure effective operation of the program.
- **Streamlining.** The new SBIR will be more user friendly for entrepreneurs through new initiatives to streamline and simplify the program.
- **More Public-Private Partnerships.** SBIR 2.0 will increase alignment with the private sector and fostering cross-agency partnerships.

#### SenTech Inc. & DOD SBIR

SenTech Inc., under the leadership of CEO Dr. Gervasio Prado and supported by the DARPA SBIR Program, developed a small, low cost, five-inch-diameter acoustic-seismic sensor array for detecting, identifying and tracking ground vehicles. It can be placed easily by hand or air-dropped by helicopter. The challenge was to develop advanced seismic processing techniques that would eliminate noise, use seismic signatures to identify passing vehicles, and also determine vehicle bearing, velocity and range. This work was successful, and these acoustic-seismic capabilities were extended and incorporated into various military platforms and applications. This project built upon an earlier success, funded by Sandia National Laboratories, which demonstrated that unattended acoustic-seismic ground sensors were effective for covert surveillance of military vehicles. The solutions to this challenge included electronics that significantly reduced power consumption, improved algorithms for detecting, identifying, and tracking multiple vehicles in convoys, and methods for summarizing information for satellite transmission. The DARPA funding extended these achievements.

- **Increased Funding for SBIR and Small Business Technology Transfer Programs (STTR).**

- **Department of Energy SBIR.** With the help of ARRA funds, DOE increased its funding of SBIR and STTR Phase I and Phase II awards by \$91 million to \$235 million in FY 2010. These funds permitted a supplemental solicitation that emphasized highly commercializable technologies. Examples of clean energy technologies funded include an innovative wave energy converter (Resolute Marine Energy) and a bio-based intelligent roof coating technology to reduce heating and cooling loads of buildings (United Environment and Energy).

#### National Institutes of Health SBIR

NIH committed approximately \$690 million in appropriated funds each year in FY 2009 to FY 2010 to its SBIR and STTR programs. NIH developed two ARRA programs specifically for small businesses, one to help early stage companies catalyze research in new areas and the other to help more advanced companies bridge the commercialization gap.

Additionally, small businesses competed well and received awards from other NIH ARRA programs that did not target small businesses. Overall, NIH awarded an additional \$317 million in ARRA funds to small businesses through all these programs over FY 2009 to FY 2010.

- **Advanced Research Projects Agency-Energy (ARPA-E).** A new DOE agency set up to promote and fund high-risk, applied, advanced energy technologies with breakthrough potential. Start-up companies and small business are often best structured to pursue such projects—large companies may find the high-risk projects unattractive, while universities may be more focused on basic research. In terms of funding to date, \$132 million, roughly 37 percent of ARPA-E funds, has been allocated to small businesses. ARPA-E remains engaged to help small businesses succeed after the award is made by offering resources designed to help companies overcome both technical and commercial challenges.

#### ARPA-E in Action

In a little over one year, six projects that received a total of \$23.6 million in seed funding from the Department of Energy's Advanced Research Project Agency – Energy (ARPA-E) have generated more than \$100 million in outside private capital investment. The six projects, which received between \$750,000 and \$9 million each in ARPA-E funding, focus on improving solar and wind energy technologies and advanced battery storage:

**1366 Technologies, Lexington, MA.** 1366 Technologies is a small startup developing a new way to make silicon wafers – a key component of solar panels – for 80 percent less than the current cost. The company received \$4 million investment from ARPA-E and since then has secured an additional \$33.4 million from investors and interested customers.

**Envia, Hayward, CA.** Envia Systems, in partnership with Argonne National Laboratory, received \$4 million from ARPA-E in December 2009 to develop lithium-ion batteries with the highest energy density in the world. They recently received an additional \$17 million in private investment led by General Motors.

**FloDesign, Wilbraham, MA.** FloDesign Wind Turbine received \$8.3 million from ARPA-E to accelerate the development of a new wind turbine inspired by airplane jet engines. ARPA-E funding helped FloDesign develop their new technology, recruit a stellar executive team, more than double its staff from 20 to 50 employees, and ultimately raise an additional \$27 million from private investors.

**SunCatalytix, Cambridge, MA.** Sun Catalytix, a start-up spun out of MIT, received \$4 million from ARPA-E to develop their technology for using sunlight to split water to provide affordable, highly distributed energy. They have since received an additional \$9.5 million in venture capital funds.

**General Compression, Newton, MA.** General Compression is developing fuel-free compressed air energy storage technology to enable low-cost grid storage and to help make intermittent renewable power (such as from solar and wind) fully dispatchable. The company received a small ARPA-E grant of \$750,000 to test an improved version of their technology with significantly higher efficiency and lower cost, which has been built and is now in testing. That allowed General Compression to secure over \$12 million in additional funding from existing and new investors.

**24M, Cambridge, MA.** Soon after receiving an ARPA-E award of \$2.55 million, scientists at MIT and A123 Systems spun out the technology to form a start-up, 24M, which received \$10 million in venture capital funds. The company is developing a new battery architecture that could take batteries for electric vehicles well beyond the performance and below the cost of lithium ion cells.

- **Government Reform for Competiveness and Innovation.** This is a government-wide review of rules and regulations announced by the President earlier this year in a Presidential Memorandum. The idea is that the United States cannot win the future with a government living in the past. Americans already do business in the information age, but the organization of the Federal Government has not kept pace. That is why the President has

assigned the Nation's first Chief Performance Officer who is responsible for the effort to create a plan for the restructuring and streamlining of the executive branch of the Federal government. The first focus of this effort will be on the executive departments and agencies and the functions that support one of our most important priorities increasing trade, exports, and our overall competitiveness. This reform aims to make the Federal government more efficient, which in turn, will streamline the ways small businesses interact with government.

- **DC-to-VC Summits on Investing in Healthcare Technology.** DC-to-VC events are targeted engagements between Federal leadership and venture capitalists, innovators, and entrepreneurs, focusing on how to address emerging opportunities while simultaneously improving our country's health through better, more efficient care delivery. Led by the Chief Technology Officer of the Department of Health and Human Services, in cooperation with the White House, the Office of the National Coordinator for Health Information Technology, and the Centers for Medicare and Medicaid Services (CMS) Innovation Center, an expanded series of workgroups and discussion roundtables have been launched during 2011 that build upon significant previous successes.
- **USDA's Rural Business Services' Biorefinery Assistance Program (Section 9003).** Section 9003 is administered through USDA Rural Development and directly supports the commercialization of new technology. The program provides loan guarantees of up to \$250 million to projects that develop new and emerging technologies for advanced biofuels. In general, these projects include technology that is being adopted in a viable, commercial-scale operation of an advanced biorefinery. Projects also include technology that has been demonstrated to have technical and economic potential for commercial application in an advanced biorefinery.
- **DHS and the US Army Medical Research and Material Command (USAMRMC).** These agencies are working to facilitate transfer of technology with the Maryland Technology Development Corporation (MD-TEDCO). MD-TEDCO will assist companies with technology development projects that meet the needs of DHS and/or USAMRMC. Typical awards of \$75,000 in support of technology development will be provided to eligible companies.
- **GSA Green Proving Ground Program.** The goal of GSA's Green Proving Ground Program is to help innovative American businesses compete and excel. GSA is harnessing the potential of innovative buildings technologies and practices that accelerate environmental efficiency. By evaluating and adopting new ideas and technologies, GSA will drive innovation in environmental performance across Federal Government buildings and help build the clean energy economy of the future. In one example, GSA pilot tested the effectiveness of digitally controlled, workstation-specific lighting technology ("Smart Lighting") from Newark, California-based start-up Lumenergi, in a 30,000 square foot space in GSA's San Francisco Phillip Burton Building. The Smart Lighting technology delivered a 40 percent lighting energy savings and the market potential demonstrated by the pilot engaged venture investment company GoodEnergies to support Lumenergi. In order to continue

identifying innovative technologies to test and adopt, GSA has issued an official Request for Information and is creating a registry of technologies and practices that optimize energy performance, protect and conserve water, enhance indoor environmental quality, reduce waste and environmental impact of materials, reduce greenhouse gas emissions associated with building operations, and promote integrated design.

- **National Science Foundation (NSF).** Created by Congress in 1950, the NSF was designed to promote the progress of science; to advance the national health, prosperity and welfare; and to secure National defense. For over fifty years the NSF has done just that, funding approximately 20 percent of all Federally supported basic research conducted by America's colleges and universities. Today, the NSF continues to fund innovative research that will lead to the development of breakthrough technologies, which create jobs and give America a more competitive economy.

- **Engineering Research Centers (ERCs).** A primary driver for the establishment of the ERC program by the National Science Foundation in 1984 was to facilitate the transfer of knowledge and technology developed out of the ERCs' research on next-generation engineered systems to U.S. industry. This focus on innovation was and still is at the heart of the ERC–industry partnership. That partnership has

yielded rich dividends. From 1985 through 2010, ERCs have produced 1,796 invention disclosures, had 642 patents awarded, granted 2,105 patent and software licenses, and spun off 151 firms with (as of late 2010) a cumulative total of 1,464 employees. Over the past 25 years, 48 ERCs have received roughly \$1 billion in funding from the ERC program. Successful ERCs are supported by NSF for 10 years; when they “graduate” from NSF support they are expected to attain self-sufficiency with funds from industry, academia, and other sources. Beginning with the newest generation of ERCs in particular (Gen-3), in 2008, there is a very specific focus on building and sustaining a culture that links discovery to innovation. This innovation culture, called the “ERC innovation ecosystem,” includes partnerships with ERC member firms to strengthen the ERC and streamline technology transfer. Small firms that join ERCs through cash and in-kind contributions benefit from membership in ERCs through access to new ideas, access to students, and access to the ERC's equipment for special projects. A particular emphasis is on forming translational research partnerships with small firms and SBIR Phase II awardees to accelerate the commercialization of high-risk ERC advancements; this activity is enabled by collaboration between the ERC program and NSF's Industrial Innovation and Partnerships Division. Finally, “innovation partnerships” are formed by ERCs with state and local-level organizations to stimulate entrepreneurship and job

Virent's Green Gasoline has received more than \$60 million in investor financing. Virent received SBIR funding from NSF to develop green gasoline (not ethanol) from plant sugars. Scaling up, they have since received tens of millions from major partners including Shell, Honda and Cargill. See the press release at: [www.gigaom.com/cleantech/shell-cargill-fuel-up-virent-with-46m/](http://www.gigaom.com/cleantech/shell-cargill-fuel-up-virent-with-46m/) announcing \$46 million in support of this Wisconsin-based startup.

More on the technology is available at: [www.nsf.gov/news/news\\_summ.jsp?cntn\\_id=112256](http://www.nsf.gov/news/news_summ.jsp?cntn_id=112256)

creation and enable technological innovation. This emphasis on partnerships between ERCs and small businesses has been extremely effective. Between 2006 and 2010, the percentage of ERC member companies that are small companies nearly doubled, from 23% to 44%.

- ERC research is divided into four broad technology areas, or clusters.
  - **Biotechnology and Healthcare.**
  - **Manufacturing and Processing.**
  - **Energy, Sustainability, and Infrastructure.**
  - **Micro/Optoelectronics, Sensing, and Information Technology.**
- **Accelerating Innovation Research (AIR).** To accelerate the process of innovation, NSF is undertaking two related, new activities. The first will encourage the translation of the numerous, technologically-promising, fundamental discoveries made by NSF researchers, while drawing upon and building the entrepreneurial spirit of the researchers and students. The second activity will foster connections between an existing NSF innovation research alliance (including consortia such as Engineering Research Centers (ERC), Industry University Cooperative Research Centers (I/UCRC), Partnerships for Innovation (PFI), Science and Technology Centers (STC), Nanoscale Science and Engineering Centers (NSEC), Materials Research Science and Engineering Centers (MRSEC) grantees) and other institutions, whose complementary focus will spur the development of discoveries into innovative technologies through collaboration. Both components of AIR aim to launch discoveries from basic research towards commercialization by preparing them to be developed by a small business. The two components of AIR operate at different scales: the Technology Translation Plan Competition involves single researchers or small teams (who later could start their own company), while the Research Alliance Competition involves NSF centers and multiple business partners.

A joint team of physicists and ophthalmologists from the NSF-supported Center for Ultrafast Optical Science at the University of Michigan and the university's Kellogg Eye Center developed a procedure that significantly improved LASIK surgery procedures. The improvement involves using an ultrafast laser to make clean, high-precision surgical cuts in the human cornea. Using the ultrafast laser instead of a mechanical blade enables surgeons to create a precise corneal flap. The femtosecond laser "scalpel" provides surgeons much higher precision and accuracy. The Michigan center was an NSF Science and Technology Center (STC) from 1990-2001; today, it's an interdisciplinary research center in the university's College of Engineering. The researchers' work has already benefited hundreds of thousands of people who have undergone vision correction procedures since 2001. Two members of the Michigan research team founded the IntraLase Corporation to commercialize the femtosecond laser technology. Advanced Medical Optics, Inc. agreed to acquire IntraLase for about \$808 million in 2007.

- **Technology Translation Plan Competition.** Technology Translation Plan Competition is an opportunity for Principal Investigators from academic institutions to support innovative ideas by translating fundamental science and engineering discoveries into commercial reality. The effort is meant to benefit the single faculty members, however, a small business may collaborate with the academic institution to augment the research capabilities of that institution.
- **Research Alliance Competition.** As far as the benefits to small businesses are concerned, the grant from this competition may be used to fund translational research necessary to bring a particular technology from the small business (or businesses) to market, or to fund infrastructure, such as a rapid prototype facility, that would enable technologies to be more rapidly commercialized. With such projects, the research alliance cannot partner with just one small business; it has to be more than one.

**The USDA Agricultural Research Service (ARS).** ARS is USDA's principal intramural scientific research agency. ARS obtains patents and licenses technology resulting from intramural research conducted by USDA. By policy of ARS, IP related to research tools is not protected so as to encourage scientific research. Further, patent protection is sought primarily to facilitate technology transfer (adoption of research outcomes) by U.S. businesses that must compete in global markets; typically, some degree of exclusivity is needed to protect further R&D investments by the private sector. Otherwise, alternative means of technology transfer are employed to reduce transaction costs that must be absorbed by the private sector and passed to the consumer. Annual Reports on USDA Technology Transfer typically illustrate that nearly half of the "downstream outcomes" related to adoption of research do not involve patents or licenses; read more at: <http://www.ars.usda.gov/Business/Business.htm>.

- **ARS Office of Technology Transfer (ARS-OTT).** ARS-OTT is assigned the responsibility for protecting intellectual property, developing strategic partnerships with outside organizations, and performing other activities that effectively transfer ARS research outcomes and technologies to the marketplace. ARS-OTT is centralized in policy and approval procedures, but maintains eight field offices to provide one-on-one customer service to ARS researchers. Consisting of about 45 personnel dedicated to facilitating technology transfer, OTT is organized into five sections:
  - **Administrative and Headquarters.** This branch oversees day-to-day operations, coordinates technology transfer policy development, and executes licenses and Cooperative Research and Development Agreements (CRADAs).
  - **Patents.** The Patent section consists of eight in-house registered patent agents. These agents provide strategic guidance to scientists in protecting IP, coordinate invention reports and Invention Disclosure Review Committees, prepare and prosecute patent

applications, and oversee any patent applications prepared by contract law firms for foreign patent rights.

- **Licensing.** The Licensing section is made up of four specialists. Specialists negotiate licenses for IP developed by USDA scientists and monitor license performance.
- **Marketing.** The Marketing section develops, implements, and coordinates marketing strategies to facilitate available information to support technology transfer.
- **Technology Transfer Coordinators (TTCs).** ARS has seven TTCs strategically stationed across the United States who are responsible for facilitating the development and transfer of USDA technologies. They serve as liaisons with scientists, ARS managers, university partners, and the private sector. They also negotiate CRADAs and other technology transfer agreements.
- **ARS Success Demonstrated by the Nature of Technology Transfer Outcomes and Metrics with Small Businesses.** The ARS budget represents 1 percent of Federal R&D expenditures, yet routinely, ARS scientists receive at least 15-25 percent of the National Excellence in Technology Transfer Awards presented by the Federal Laboratory Consortium for Technology Transfer, attesting to the strong long-standing USDA culture of ensuring that research outcomes are delivered to end users in the agriculture sector. Metrics from FY 2010 show a strong focus on small businesses:
  - **115 of 197 (58%) active commercialization licenses** are with small businesses;
  - **125 other licenses** are with universities and institutions of co-inventors of USDA innovations, consolidating rights for subsequent licensing for commercialization; many—if not a majority (exact figures not available)—of the resulting sublicense agreements are also with small businesses enterprises;
  - **246 of 323 (76%) active licenses** are exclusive or partially exclusive;
  - **125 of 323 active licenses** have at least 1 product in the marketplace.
  - **In addition to licenses, 260 CRADAs** represent formal research partnerships, predominantly with U.S. small business (approx. 65%), to find solutions to high national priorities for agricultural industries and to facilitate adoption of innovation-based research outcomes for private sector commercialization. CRADAs convey the right to negotiate exclusive licenses by the partners without Federal Register notice.



- **Agricultural Technology Innovation Partnership (ATIP) Program.** ARS established the ATIP program in late 2007 to further enhance opportunities and likelihood that research outcomes arising from the 2,100 scientists at 100 U.S. locations will be adopted by the private sector for commercialization by businesses that may exist anywhere in the nation. The program was born from the recognition that Federal intramural R&D agencies were limited by mission and resources in the services they can provide to U.S. businesses. Consequently, ATIP was established to strategically form geographic partnerships with a select few, well-established economic development entities that excel in providing the complementary assets that ARS cannot.

- **The ATIP Program is comprised of Ten Economic Development Members.** Eight of these entities each serve as a portal anchored to an ARS Area, and a 9th Partner representing a national organization, the National Association of Seed and Venture Funds. ATIP “Associates” work in conjunction with a proximal Partner. Currently, there is one ATIP Associate. Partners and Associates become members of ATIP through a Partnership Intermediary Agreement (PIA) executed with the Office of Technology Transfer; seven of these entities became ATIP members in 2009-2010.

- **Members of ATIP.** Members include the Maryland Technology Development Corporation (TEDCO), Mississippi Technology Alliance (MTA), Wisconsin Security Research Consortium (WSRC), National Association of Seed and Venture Funds (NASVF), Georgia Research Alliance (GRA), Ben Franklin Technology Development Authority (BFTDA), Kansas Bioscience Authority (KBA), TechComm at the Center for Innovation, Arlington, TX, California Association for Local Economic Development (CALED), and the Center for Innovative Food Technologies, Toledo, OH (CIFT; an ATIP Associate with WSRC).

CrispTek is an example of the commercial viability of ARS-conceived food innovations. CrispTek’s ChoiceBatter line builds from ARS innovations to offer rice batter that absorbs less oil when fried and still maintains a crispy texture. The company was formed in 2007, entered into a licensing agreement with the ARS Tech Transfer Office in 2008, and entered into a CRADA with ARS in 2009. It signed an agreement in 2008 with a facility in Iowa to manufacture its products, and sold its first product in 2009. By August 2010, ChoiceBatter was being sold in over 400 stores across the US, including four major grocery store chains, and Year 5 sales are anticipated to be \$4.7 million.

Econsult estimates that the ARS-Crisptek partnership would potentially yield, on an annual basis, a significant total impact in the counties in which economic activity is taking place. Within the five counties where there is significant CrispTek economic activity, total annual potential economic impact reaches about \$8 million in output (i.e. expenditures), including about \$4 million in value-added (i.e. contribution to Gross Domestic Product), supporting about 100 jobs and about \$4 million in earnings (i.e. compensation). In CrispTek’s home county, Howard County in the State of Maryland, total annual potential economic impact reaches about \$3 million in output, including about \$2 million in value-added, supporting about 15 jobs and about \$1 million in earnings. Importantly, these annual potential economic impacts occur within a wide range of industries and are not narrowly distributed to just one or two sectors.

- **Promotion of entrepreneurship and small business development.** ATIP activities are directed toward innovation-based economic development with small businesses. In 2007, ARS provided a few issued patents to an entrepreneurship class at Howard Community College (MD); two of these resulted in exclusive licensing in 2009, following requisite Federal Register Notice. Currently, most ATIP members have formal links with entrepreneurship schools administered by universities and community colleges. In 2010, USDA began routinely providing issued patents and patent applications to these schools through ATIP members.

**Investments in Broadband Technology for Small Businesses.** Broadband technology is a necessary piece of American infrastructure. However, many areas of the Nation are not able to access this critical technology. These investments will help to remedy that problem and allow rural and small businesses better access to broadband in order to make their enterprises more efficient.

- **National Telecommunications and Information Administration’s (NTIA) Broadband Technology Opportunities Program (BTOP).** NTIA invested approximately \$4 billion in 232 BTOP projects benefitting every state, territory, and the District of Columbia. This BTOP portfolio of projects include:

- **123 Infrastructure Projects.** 123 infrastructure projects totaling \$3.5 billion in Federal grant funds to construct broadband networks;
- **65 Public Computer Center Projects.** 65 public computer center (PCC) projects totaling \$201 million in Federal grant funds to provide access to broadband, computer equipment, computer training, job training, and educational resources to the public and specific vulnerable populations; and
- **44 Sustainable Broadband Adoption Projects.** 44 sustainable broadband adoption (SBA) projects totaling \$250.7 million in Federal grant funds to support innovative projects that promote broadband adoption, especially among vulnerable population groups where broadband technology traditionally has been underutilized.

Trillion Communications, Inc. and its several small disadvantaged business partners received a \$59 million BTOP grant to construct over 2,200 miles of new fiber to complement an existing fiber network in an 8-county region in central Alabama. Since Trillion’s founding in 2001, this African-American owned company has grown too large to be considered a small business, but is committed to ensuring opportunities for small minority businesses. Trillion expects to contract with at least 30 small minority firms in the first round of project procurements and many more as the project progresses. In addition, the project’s resulting infrastructure will provide new or improved broadband service to nearly 3,000 businesses, 72,000 households, and 400 anchor institutions, including government facilities, schools and libraries, public safety entities, two Historically Black Colleges and Universities, and health care facilities.

- **Small Businesses Benefit.** Among BTOP’s many beneficiaries, small businesses will benefit not only through improved broadband services from BTOP-funded projects but also as BTOP awardees. Twenty-seven BTOP grant recipients are small businesses, of which three are socially and economically disadvantaged small business concerns (SDBs).
- **USDA’s Rural Utility Services (RUS).** RUS funds projects to increase access to broadband service in rural areas. These investments promote economic development, increase access to healthcare and educational opportunities, help create jobs, and increase rural viability. Telecommunication investments during FY 2010 include:
  - **\$2.5 Billion Invested in Broadband Infrastructure.** By using \$2.5 billion in Recovery Act funding authorized by Congress, USDA leveraged to provide loans and grants of approximately \$3.6 billion to construct 320 broadband infrastructure and satellite projects in 46 states and one territory.
  - **\$690 Million Invested in Communications Technology.** \$690 million in infrastructure loans to deliver improved communications technology, including broadband service, to meet the needs of homes and business in rural America

### **Rural Businesses and Broadband Technology**

The Great Lakes Bay Region and Thumb Area in Michigan were in need of broadband infrastructure to allow the community to compete in the global marketplace. In addition to lack of broadband services necessary for local businesses to operate, schools needed an internet connection for their students in the classroom and at their homes. Seeing these critical needs missing in the community, Zimco, a family-owned corporation, founded Air Advantage in June, 2002 to offer a broadband solution.

Initially, USDA Rural Development made two Community Connect Grants to Air Advantage: \$219,176 for Port Hope, Michigan and \$214,532 for Unionville, Michigan. The grants provided funding for a wireless infrastructure and community center with 10 computers in both communities where residents could access the Internet using high-speed broadband service.

As the business grew, Air Advantage applied to USDA Rural Development's Broadband Loan Program. In 2004, they received a low interest loan of \$1,500,000 to reach several Michigan communities followed by another loan in late 2005 for \$1,028,000 for additional Broadband expansion in the rural community of Frankenmuth, Michigan.

In 2009, USDA provided an additional loan for \$908,000, so Air Advantage could upgrade and expand its services.

In 2010, Air Advantage was selected for a Rural Development Broadband Initiatives Program (BIP) award under the American Recovery and Reinvestment Act; a \$32.3 million loan and a \$31.9 million grant. These funds will be used to extend broadband services to last-mile consumers in 13 counties that make up an area known as the Great Lakes Bay Region and Thumb Area.

On November 30, 2010, Air Advantage reported delivering broadband services to 4,943 customers in its 3,500 square mile service area using 350 miles of wireless network backbone. The 65 towers transmit information that reaches out to households, six hospitals, and 18 school districts where students have at least 17 distance learning courses at any given time. In addition, Air Advantage also provides service to 21 hospitals and medical facilities, 7 police service, 4 fire facilities, 4 ambulance services and 59 government office locations throughout 75 municipalities.

Students can do research and take distance learning courses without having to travel great distances. And, fifty or more students are now taking advantage of dual enrollment classes to take college and high school level courses at the same time. The program is possible because of broadband.

Businesses are also realizing the benefits that broadband offers. At least 20 Air Advantage customers living in remote Northern Michigan have eliminated long commuting times and enjoy the benefits of working from home 3-5 days a week.

Broadband throughout the region will improve because of the BIP loan and grant. The BIP award will fund additional broadband infrastructure which will pass 279,200 households, approximately 21,000 businesses, and 4,000 community institutions that include hospitals, libraries, universities, schools and government entities.

The project will create or save an estimated 142 jobs and may add many more as users are connected to the system and local businesses expand. Air Advantage is a proud recipient of the US Chamber of Commerce Blue Ribbon Small Business Award. This award is given to companies that have shown excellence in business history and commitment to customers, employees, and the community.

- **Broadband Initiative.** In collaboration with the Federal Communications Commission, SBA engaged SCORE (Counselors to America's Small Business), Women's Business Centers and

Small Business Development Centers to develop training content for materials to assist and advise small business entrepreneurs on improving business access and productivity through technology. These professional counselors within the SBA partner network also educate companies on the small business opportunities arising from developing and expanding broadband technologies. Small business opportunities exist in discovering and delivering the next generation of products and services.

- **The SCORE Broadband Consortium.** This group provides Internet and e-commerce mentoring, training and services to ensure success for entrepreneurs and small business owners. Consortium founders included AT&T, Best Buy, Cisco, Constant Contact, Google, HP, Intuit, Microsoft, Skype and Time Warner Cable Business Class. SCORE is distributing the broadband training curriculum to their partners in all of the 110 Women’s Business Centers.

**The Manufacturing Extension Partnership (MEP).** Accelerating opportunities to leverage and adopt technology is the key to long-term business growth and productivity for U.S. manufacturers. MEP serves as the connection between manufacturers and technology opportunities and solutions for growth in the global marketplace.

- **Leveraging Technology to Stimulate Business Growth.** In partnership with other agencies, organizations, universities and Federal labs, MEP provides a wide range of product development and commercialization assistance services to help manufacturers rapidly move new product opportunities and innovations into production and out into the market.
- **National Innovation Marketplace Builds Technology-Based Supplier Networks.** MEP also is connecting manufacturers to technology and business opportunities resulting in new markets and new innovative products necessary for high growth. In partnership with other organizations, the MEP program continues to pilot test the National Innovation Marketplace (NIM), which facilitates connections between technology requestors (OEMs), and potential suppliers, encouraging technology translation and adoption. Additionally, a group of partners is facilitating the building of high-growth technology-based supplier networks.

**Entrepreneurship Programs for Veterans.** The SBA has partnered with Syracuse University on three new training programs for America’s veterans and their families.

- **The Entrepreneurship Boot Camp for Veterans (EBV) with Disabilities.** EBV is designed to open the door to business ownership for our veterans. The program delivers entrepreneurship training through a one-year "boot camp" for service-disabled veterans of the wars in Iraq and Afghanistan who want to start or grow small businesses. This year, the EBV program is expanding to a total of seven business schools at universities around the country.

- **Women Veterans Igniting the Spirit of Entrepreneurship (V-WISE).** V-WISE will be open to women veterans beginning in May 2011. The program consists of a three day off-site training program, online training, and network support structures. Classes will be held in six cities, starting with San Antonio and Baltimore in 2011.
- **Operation Endure and Grow.** Operation Endure and Grow provides online and in-person business counseling, training, and mentoring to small business owners and entrepreneurs serving in the National Guard and Reserve. This program also extends to members of their immediate families.

**Science and Technology Directorate (S&T).** The DHS Science and Technology (S&T) Research & Development (R&D) Partnerships Group conducts extensive outreach efforts with members of the Homeland Security Enterprise (HSE) based on the strategic and programmatic needs of the Department and S&T.

- **S&T's Small Business Innovation Research (SBIR) Program Office within the Office of Public-Private Partnerships.** DHS is one of 11 Federal agencies that participate in the SBIR Program. Since 2004, the DHS SBIR Program Office has administered the Federally mandated SBIR Program to strengthen the role of innovative small business concerns (SBCs) in Federally funded research or research and development. Specific program purposes are to:
  - **Stimulate** technological innovation
  - **Use small businesses** to meet Federal R&D needs
  - **Foster and encourage participation** by socially and economically disadvantaged SBCs, and by SBCs that are 51 percent owned and controlled by women, in technological innovation
  - **Increase private sector commercialization** of innovations derived from Federal R&D, thereby increasing competition, productivity and economic growth
- **S&T SBIR Solicitations.** Two solicitations are released each year for which small businesses can submit proposals and compete for approximately \$15 million per year. More information can be found at: <https://sbir2.st.dhs.gov>.
- **SBIR Outreach.** The SBIR Program Office participates in two national SBIR conferences each year, approximately six regional and local conferences and workshops, and monthly vendor outreach sessions to provide the small business community an opportunity to discuss their capabilities and learn of potential procurement opportunities.

- **S&T’s Office of Public-Private Partnerships.** The Commercialization Office within the Office of Public-Private Partnerships actively reaches out to small businesses through conferences, workshops, panel participation, publications and pamphlets, and the “Full Response Package.” The Full Response Package contains a company overview template, which is a vehicle in which companies can describe their products, technologies, and services and how they align to the known capability gaps of DHS and its stakeholders. Companies may request a Full Response Package at [SandT\\_RDPartnerships@dhs.gov](mailto:SandT_RDPartnerships@dhs.gov). These overviews are put into a repository available to Program Managers within S&T to identify relevant technologies that may be applicable to current or future projects.
  - **Company Overviews.** Currently 54 percent of the company overviews received and 70 percent of the business contacts maintained are from small businesses. The Commercialization Office also provides detailed information for small businesses on various opportunities for engagement within S&T, establishing open communications between the public and private sectors.
  - **Public-Private Partnerships.** DHS S&T offers public-private partnership programs that provide opportunities to evaluate and certify products and services related to stakeholder needs. These clearinghouse programs create market differentiators for small business innovators and create other opportunities for strategic partnerships between private sector entities. This fosters entrepreneurship amongst small businesses and provides vehicles for independent review of products and services designed to meet stated requirements and identified potential available markets in the homeland security enterprise. More information can be found online at: [www.dhs.gov/xabout/structure/gc\\_1234194479267.shtm](http://www.dhs.gov/xabout/structure/gc_1234194479267.shtm).
- **Office of National Labs, Technology Transfer Office**
  - S&T and the Center for Innovation (CFI), Arlington, TX, recently entered into a MOU to work towards furthering research, product development, commercialization, and facilitating economic opportunities.
- **One Stop Career Centers’ Small Business Services.** One-stops are administered at the local level within parameters set by ETA and statute. Previous DOL reports on incorporating entrepreneurship services into those provided at One-Stops have discussed changing the culture of the workforce investment system and encouraging Local Workforce Investment Boards (LWIBs) to build partnerships and provide resources necessary to help job-seekers become entrepreneurs. In November 2010, ETA issued TEGl 12-10 to encourage support for entrepreneurship by states and LWIBs, to provide information about the public workforce system’s role in promoting entrepreneurship, and to describe innovative entrepreneurship programs in states and at DOL. The TEGl encourages them “to establish parameters for funding entrepreneurial and self-employment training”. Evidence has suggested that some DOL programs, including those that promote entrepreneurship, are more effective when

One-Stops are co-located with service centers for agencies like HHS or SBA. Small business assistance centers can more effectively service the unemployed and minority communities by co-locating with DOL one-stops. To find a One-Stop Career Center, visit <http://www.servicelocator.org>.



# VII. Strengthened Small Business Protection

**The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).** Dodd-Frank signed in July 2010, provided several key reforms to aid the financial system and help support U.S. small businesses.

- **Providing the Stability and Fairness Small Business Owners Need.** This legislation provides the stability and fairness small business owners need in U.S. financial markets, ensuring them access to credit and opportunities to grow their business and create jobs. It provides clear rules of the road for financial products and services and consolidates the now fragmented Federal regulatory authorities related to consumer financial protection into one agency to ensure fair, transparent and consistent enforcement of consumer financial laws and regulations. Lastly, it closes the loopholes that were exploited by competitors of community banks. Community banks are some of the strongest partners of small businesses and provide key points of access for capital needed to grow small business and create jobs.
  - **Creation of the Consumer Financial Protection Bureau (CFPB).** The Act creates the CFPB, which is dedicated to protecting consumer rights. An independent Bureau of Consumer Financial Protection will set and enforce clear, consistent rules for the financial marketplace. A single consumer bureau will set clear rules of the road and ensure that financial firms are held to high standards. (Small businesses outside the financial sector will not be regulated by the new consumer protection agency).
  - **Debit Card Reform.** New rules capping debit card “swipe” fees at the actual cost of processing the transaction will save small businesses millions of dollars annually.

**Credit Card Accountability, Responsibility, and Disclosure (CARD) Act.** The President signed the CARD Act in May 2009 to protect Americans, including U.S. small businesses, from unfair and deceptive credit card practices.

**The Affordable Care Act.** The Affordable Care Act, signed in March 2010, provides more affordable and more accessible health care coverage for families and small businesses.

- **Helping Provide Access and Reduce Costs for Small Business Healthcare.** The Affordable Care Act addressed one of the top concerns of small business: access to affordable, quality healthcare.

- **Tax Credits.** Small businesses are already benefitting from targeted tax credits that made insurance affordable for them. More than 4 million small businesses may qualify for tax credits to help them afford insurance.
  - **For the smallest businesses,** with 10 or fewer employees and average annual wages less than \$25,000, tax credits cover 35 percent of employer contributions for premiums. The tax credits are on a sliding scale, phasing out at a firm size of 25 employees and average wages of \$50,000.
- **Increased Accountability for Rate Hikes.** Insurance companies frequently charge higher premiums to small businesses and they have increased these premiums at high rates in recent years. In September, many states received \$1 million grants to strengthen their premium rate review process. Some states have already used these funds to more widely publicize rate increases and demand more actuarial justification for them. Beginning this year, states and the Department of Health and Human Services will be publicly posting information relating to many proposed rate increases that are 10 percent or higher.
- **Better Information.** Right now small businesses can compare local insurance coverage information on [www.healthcare.gov](http://www.healthcare.gov). Small business owners can log on to see what plans are available in their area. Users can determine their eligibility for different private and public coverage options.
- **Insurance Exchanges.** Starting in 2014, small businesses can shop for insurance in an exchange that will give them similar purchasing power as large businesses. Exchanges will offer more choices of high-quality coverage and lower prices. Small businesses will benefit from insurance with lower administrative costs compared to the choices available in the small business market today because they will be able to pool together. The non-partisan Congressional Budget Office has found that exchanges will lower the cost of health insurance by as much as 4 percent.

**Improving Regulations for Small Businesses.** President Obama is committed to listening to and working with small business in order to better understand where the Administration can improve regulations. In addition to the Startup America Initiative:

- **Regulatory Flexibility for Small Businesses.** The Office of Advocacy (Advocacy), at SBA is responsible for overseeing Federal agency compliance with the Regulatory Flexibility Act (RFA). As part of this oversight, Advocacy works closely with regulatory agencies to ensure they consider the impact of their regulations on small business before a rule becomes final. As part of this process, Advocacy is able to help the agency craft regulatory alternatives that accomplish the agency's objective while reducing the economic burden on small business. In FY 2010, Advocacy's involvement with agency rulemaking helped save small businesses nearly \$15 billion in foregone regulatory costs. For more information on Advocacy's work

and cost savings figures, please visit:

<http://www.sba.gov/sites/default/files/files/10regflx.pdf>.

## VIII. Conclusion

The United States of America was built through hard work and innovation. But each great idea, before it grows and becomes real, needs to have a home. Our Nation's small businesses are that home. From the "mom and pop" stores that just keep scaling up, to the two friends in a garage that invent the next big thing, the United States has been—and under the Obama Administration will continue to be—the premier environment for small businesses of all sectors and sizes to start up, grow, and succeed.

Over the past two years, the President and agencies across the Administration have worked to implement policies and programs to help small businesses to start and grow and have encouraged public-private partnerships to support workforce re-training and entrepreneurship. These have included providing tax cuts to help small businesses grow and create jobs, expanding access to capital for small firms, expanding entrepreneurship education and mentorship programs, strengthening and educating our workforce, identifying and removing unnecessary export barriers to help small businesses expand overseas, and investing in promising new clean energy technologies to support high-growth start-up companies.

Over the next two years, the President and his Administration will do even more to enact the legislation and build the best policies possible to help our innovators, entrepreneurs, and small business owners revitalize the economy. To do this, the Administration will come to you—the Americans all over the country that are building the businesses to house the next generation's great ideas. The Administration understands that coming together is just the beginning but that working together ensures success.