Excerpts - Helping Small Business Succeed
SBA Fiscal Year 2000 Annual Performance Plan

PART 1

This Part is a summary of the entire annual performance plan and summarizes SBA's statutory mission, general goals, and contextual framework for the Agency's FY 2000 initiatives. It also identifies several indicators of success by which we ultimately want to be held accountable, describes the two principal strategies to achieve our goals, presents FY 2000 budget highlights, and offers selected FY 1998 accomplishments. This annual plan addresses the two objectives of the Government Performance and Results Act (GPRA): Stewardship and Accountability, by describing the value of public sector programs for the taxpayer (identifying results) and by improving Agency internal management (focusing on performance).

Mission

The mission of the Small Business Administration (SBA) is to maintain and strengthen the Nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses and by helping families and businesses recover from natural disasters.

Every public sector organization's mission is defined in statute. SBA's authorizing legislation, PL 85-536, as amended, is called the Small Business Act, and describes SBA's mission as follows:

> "It is the declared policy of the Congress that the Government should *aid, counsel, assist, and protect*, insofar as is possible, the interests of small business concerns in order to *preserve free competitive enterprise*, to ensure that *a fair proportion of the total purchases and contracts* or subcontracts for property and services for the Government….*be placed with small business enterprises*, to ensure that a *fair proportion of the total sales of Government property be made to such enterprises*, and to *maintain and strengthen the overall economy* of the Nation."

General Agency Goals and Contextual Framework

SBA's Strategic Plan contains five goals and 19 objectives that continue to serve as the basis for our FY 2000 Annual Performance plan:

1. INCREASE OPPORTUNITIES FOR SMALL BUSINESS SUCCESS
    a) Increasing access to capital and credit
    b) Expanding small business procurement opportunities
    c) Enhancing entrepreneurial development assistance

2. TRANSFORM SBA INTO A 21ST CENTURY LEADING EDGE INSTITUTION
   a) Ensuring a strong internal control environment
   b) Identifying and managing risk
   c) Implementing effective oversight
   d) Managing with high quality information
   e) Delivering excellent customer service
3. HELP BUSINESSES AND FAMILIES RECOVER FROM DISASTERS
   a) Providing an expedited response to disasters
   b) Improving the quality of disaster loan underwriting
   c) Developing "paperless application and loan process"
   d) Improving the customer satisfaction of disaster loan applicants
   e) Making electronic funds transfer available to all borrowers
4. LEAD SMALL BUSINESS PARTICIPATION IN WELFARE-TO-WORK
   a) Using SBA programs, help small firms satisfy workforce needs
   b) Building strategic alliances to provide entrepreneurial training
   c) Providing good information to the public
5. SERVE AS A VOICE FOR AMERICA'S SMALL BUSINESS
   a) Representing small business in economic policy making
   b) Identifying opportunities in the changing economy
   c) Increasing opportunities through the use of technology

The SBA Administrator has stated her desire to position SBA and its customers for the future and to transform SBA into a 21st century leading edge institution - one that delivers sophisticated, efficient, and cost-effective services to the small business community. She wants SBA poised to address the major changes occurring in the marketplace on behalf of our small business constituents. Yet, we need to understand the goals, objectives, and strategies in the context of what the Agency and its small business customers must do to prepare for the economy of tomorrow by considering three phenomena: diversity, technology, and globalization.

Diversity. In the new millennium, businesses and their customers will be much more diverse – women, persons with disabilities, and minority-owned businesses will be important players. Demographers project that by the year 2050, there will be no more racial or ethnic majorities in America. Already, the face of the small business community is changing rapidly. Minority-owned businesses grew by 62 percent during the 1987-1992 period while the number of all firms only grew 26 percent. Women-owned businesses grew more rapidly than all firms over the same period at a rate of 43 percent. As we recognize the increasing diversity of the small business community we have to insist that this more diverse small business community has adequate and fair access to our programs and services.

Technology. Technological advances at an ever-increasing rate of change pose both opportunities and challenges for small business. Small businesses are at the forefront of technological change because they are nimble and close to the customer. The entrepreneurs who guide these companies are close to the technological environment and can reap the rewards of a profitable idea. On the other hand, small businesses that don't have the technological knowledge and other resources to keep up with or exploit new technologies, such as the Internet, will be at a competitive disadvantage. Small business must take advantage of technology to compete not only with businesses in their neighborhood or their state, but in other states - and other countries. SBA can play an important role in providing small businesses with information on how to access technology. Just as SBA must continue to help firms identify market opportunities and prosper in the new economy, SBA can also help small businesses cope with the pressures of technological change.

Globalization. Despite the vastness of the American marketplace, most of the world's markets for goods and services exist outside the United States. Representing 96 percent of all U.S. exporters and accounting for more than 30 percent of America's exports, small businesses that can find a niche in emerging export markets have a wonderful opportunity in the global marketplace. We must help these small firms take advantage of opportunities in an increasingly international marketplace. However, international trade presents complexities that are often difficult for small businesses to overcome – complexities such as inadequate finance, lack of information, and competition. As we prepare for the 21st century, we need to internationalize SBA to help equip the Nation's small businesses to succeed in the global marketplace. In light of the explosive power of computers and telecommunications, particularly the Internet, we are rapidly witnessing the creation of a world "without borders." Over the next 3 years, SBA will lead by developing new tools and services -- especially new export financing and export promotion products -- to help small businesses export to other countries. The Agency will also continue to develop special bi-national relationships with several countries whose markets provide great opportunities for American firms.

Indicators of Success – SBA Outcomes

As the engine for continued economic growth, small business success remains a primary policy concern of the Clinton Administration and the SBA. Small firms represent a significant portion of the Nation's productive capacity, produce constant innovations, offer opportunities for small firms that need it the most, and create jobs. Ultimately, SBA success is related to economic growth. Moreover, we can isolate factors that may contribute to economic growth and stem from a vibrant small business sector: increased numbers and growth of small businesses, which in turn produce net new jobs, revenues and taxes paid, and international competitiveness.

SBA helps small businesses to succeed to the extent that small business owners, particularly those "New Markets" who need assistance the most in the community, are aided, counseled and assisted through the efforts of SBA and their interests protected. Success is also achieved to the extent that SBA ensures that a fair proportion of Federal Government procurement and contracting go to small businesses and to the extent that the overall economy has been strengthened because of small business success. The true measure of success for SBA is the extent to which its activities result in:

- increasing the size of the small business sector;
- increasing the number of small businesses, particularly those owned by minorities, women, veterans, persons with disabilities, and those located in low and moderate income urban and rural areas;
- improving the economic viability of small firms and entrepreneurs, and
- ensuring equal opportunities for all to become entrepreneurs as well as contributing to the growth of the economy.

SBA will use the following indicators to measure its progress, define its success, and report to the President, the Congress, and the American taxpayer:

- Number of small businesses created, maintained, and/or expanded through access to capital and credit or through entrepreneurial development assistance;
- Number of small firms, particularly start-ups, women, minorities, low and moderate income rural and urban small firms, Native Americans, veterans, persons with disabilities and small exporters who access capital and credit, receive technical assistance, and secure government contracts and grants;
- Number of labor-ready pool of workers identified from among the public assistance rolls and linked to small business owners;
- Number of jobs created, investments made, revenues generated, and taxes paid from firms receiving SBA assistance;
- Percentage of Federal procurement (in dollars) going to small businesses;
- Timing and quality of response to natural disasters;
- Creation of a modernized, reinvented SBA, as reflected in expanded and improved delivery of service; modernized systems and processes; a workforce that is motivated, trained, and correctly assigned; improved risk management and program oversight; and
- Reduced waste, fraud and abuse in Agency programs.

The United States is enjoying one of the most robust economic growth periods of the modern era. The economy has created more jobs than other industrialized economies in the last decade. More than 14 million new jobs have been created in the United States since 1992. This extraordinary job growth has been fueled in part by a remarkable growth in small businesses. Indeed, many of the most important job creators among big businesses today were small companies only a few years ago, companies such as Federal Express, America On Line, Intel Corporation, Nike, Apple Computer and Compaq. In recent years, job growth has been synonymous with small business growth. If we hadn't had a vibrant small business sector in the United States, we would not have had such significant job growth.

Based on IRS projected 1998 tax returns, there are more than 24 million U.S. businesses. Of the 6 million businesses with employees, 99.7 percent are small. Only about 15,000 of the 6 million businesses with employees are considered big and have more than 500 employees.

SBA Outcome Measurement. SBA measures job creation and increased sales from Census/SBA longitudinal databases, client or trade association reporting, contracted surveys/evaluations, and derivative statistics. When an updated Census/SBA database on firms is available, SBA will be able to measure more effectively job creation and growth by firm size. For instance, between 1990 and 1995, this database indicated that 76.5 percent of new jobs came from small firms with less than 500 employees, and about 49 percent came from firms with less than 20 employees. Startups provided about a third of the new jobs.

A Price Waterhouse analysis[1] showed that between 1989 and 1994 firms with SBA guaranteed loans had a 11 percent larger growth in revenues and payroll than firms in the general business population. For firms receiving 504 loans, revenues increased 39 percent. Biennial impact assessments of the Small Business Development Centers (SBDCs) long term clients show that counseled firms have had double the growth rate in sales and jobs, compared to the general population.

For the 503/504 program, the calculation for jobs created/retained every year is based on the dollar amount of debentures sold and reported job data. A ratio of one job per $12,855 of debentures sold has been estimated using historical data. For the SBIC program, surveys conducted by the National Venture Capital Association and the Investment Advisory Council estimate that each $32,500 invested results in one job. For the microloan program, the overall performance since the inception of the program is 1.6 jobs created or retained by microloan recipients, who, on average, receive a loan of $10,000.

Major FY 2000 Strategies

The FY 2000 annual plan will continue to build upon the successes experienced in FY 1998 and FY 1999. Inspired by our vision for the SBA to help small

[1] Evaluation of the SBA Loan Programs, Warden Associates and Price Waterhouse, (February, 1998).

firms succeed, our efforts will revolve around two major strategies: (1) customer-driven Outreach to New Markets of small businesses, and (2) quality-focused Modernization and Reinvention of the Agency in a rapidly changing world.

Outreach to New Markets

In the new millennium, SBA will continue to face a number of challenges and consequent opportunities. Most notably, existing barriers in communities, in markets, and in populations prevent SBA services and products from reaching New Markets. We are witnessing an uneven distribution of resources, which is partially attributable to a lack of economic know-how in certain communities and demographic groups.

The booming economy, the advent of interstate banking, mega-mergers, and asset securitization mean that capital and credit are increasingly available to small business. At the same time, through our surveys and focus sessions with small businesses and research conducted by the Office of Advocacy, we have determined that this increased access is increasingly available primarily to the following groups:

- those with economic know-how,
- those able to approach investors for equity and a bank for a loan,
- those able to prepare and present a fundable business plan,
- those with established credit histories, and
- those with access to their own resources for collateral.

Large segments of the small business community, however, do not fall into these groups. SBA's Office of Advocacy has reported that the economic resources in America are unevenly distributed. Despite an unprecedented period of economic growth and prosperity, pockets of economic distress persist in our inner cities, aging suburban ring communities, rural areas and Indian reservations. Gaps also exist in the distribution of business ownership. Participation in business ownership by women and minority communities lags the representation of these categories of people in the general population. African-Americans, for example, comprise 12.6 percent of the population, but represent only 3.6 percent of the business ownership. Hispanics comprise 10.3 percent of American's total population, yet own only 5.6 percent of all businesses. Women own approximately 34 percent of all businesses but comprise a little over half of the general population. Assuming there is unmet demand in the minority business community, the SBA will work to eliminate the lack of capital as a reason for this gap.

Long term demographic trends point to an increasing diversity in the overall American population. Already, the face of small business ownership is changing: the number of women- and minority-owned firms are growing more rapidly than all firms in general. SBA has an obligation and an opportunity to expand its services to these populations.

The capital and credit markets are very volatile and rapidly changing. Capital is more plentiful in the world of lending today; whether for car loans, credit card loans, home loans, investment grade, and even small business loans, lending is becoming more like a commodity. The traditional world of "credit behavior" is changing, resulting in less personal interaction between lender and borrower. The ability to lend money faster, more cheaply, and more easily will determine who develops a competitive edge and control of market share. To take advantage of what is happening in the private sector, SBA must educate borrowers on how to access this ever-expanding type of commodity lending to ensure that those who are limited in some way, perhaps through size, skill, credit history, or location are not unduly disadvantaged.

In FY 2000, SBA will work to remove these barriers to access and this uneven distribution of resources to increase the economic know-how of individuals, by:

- Expanding counseling, training and mentoring for specific communities through SBA's programs and resource partners, including Women Business Centers (WBCs), Small Business Development Centers (SBDCs), One Stop Capital Shops (OSCSs), and Tribal Business Information Centers (TBICs).

- Increasing access to capital for both equity and debt through the continued funding and growth of SBA's existing capital and credit programs, and the development of new financial tools and programs, such as the New Markets Venture Capital initiative. For startup debt financing, we will expand the existing technical assistance programs, such as that provided through the Agency's Microloan program and initiate a pilot for rural areas.

- Through partnerships, information technology, and integrated service delivery, helping small business exporters access the international marketplace through improved access to information and trade leads; better and more accessible counseling, training, and education; and specialized export finance assistance.

- Working toward the creation of effective networks of minority and women operators and entrepreneurs in connection with the ACE-Net project , an Internet-based service that helps accredited investors to identify opportunities for equity investment on a nationwide basis.

To increase its outreach in FY 2000, SBA is requesting funds for:

1. Increasing authorization of the Women's Business Centers ($9.0 M);

2. Technical Assistance for New Markets Venture Capital SBICs ($30.0 M);
3. Standardizing fees and guarantees for more small general business loans under $150,000;
4. Increasing Technical Assistance for 200 microloan intermediaries ($32.0 M);
5. Increasing number of One-Stop Capital Shops ($10.0 M);
6. Improving outreach to Native American and Veteran-owned small firms ($1.6 M);
7. Increasing technical and managerial assistance and executive development for small disadvantaged firms ($5.0 M); and
8. Improving outreach to small exporters ($3.1 M).

Modernization/Reinvention of the Agency

The second major effort is to modernize and reinvent the Agency. SBA's way of operating has changed greatly over the past several years and will continue to change at a rapid rate. Yet, SBA's organization and the way it delivers its programs has not changed with sufficient speed and agility to meet the needs of its customers. For example, over 75 percent of SBA's loans will be made and serviced directly by our lending partners through the Preferred Lender Program(PLP), LowDoc, and SBA*Express* programs in FY 1999, and this is expected to increase in FY 2000. Section 8(a) contract approval is being delegated to the agencies. With a doubling of our portfolio in the past 6 years and increased reliance on partners, SBA needs enhanced systems of managing risk and Government assets.

SBA must continue to modernize organizationally, technologically, and administratively to meet the needs of its customers. We recognize the need to articulate our shared vision, define effective short and long term strategies, reinvent our systems, change our structure, and manage the workforce transition to meet the challenges of the new millennium. We are committed to changing our management culture, our organization structure, and the way we do business to reach out to New Markets and to improve the quality of our products and services. Through these changes, we will create a more entrepreneurial, customer-driven, modern and efficient Agency.

There are at least five *characteristics* of a modernized / reinvented SBA:

1. We will be more accessible to more of our customers, especially those that need our programs the most;
2. Using technology, we will deliver services and information that small businesses care most about;
3. Our information technology and overall computer systems will be upgraded and improved to support better management and decision-making;

4. Through an effective human resources transition program, our workforce will be well-trained, highly-motivated, and properly assigned to deliver better customer services; and
5. Our risks will be identified, assessed, better managed and controlled through improved internal controls and better oversight.

For the past 2 years, we have been moving aggressively to modernize the organization and will continue to do so, particularly in the following areas:

- Outsourcing. More than 75 percent of the 7(a) loans approved in this fiscal year will rely on credit decisions by our lending partners through the PLP, LowDoc, and SBA*Express*. We will also continue to deliver business development assistance through a broad network of business resource partners, including Senior Corps of Retired Executives (SCORE) and the Small Business Development Centers (SBDCs).

- Privatization and Centralization. We are conducting a pilot to privatize the servicing of 30 percent of our disaster loan portfolio and we have centralized 7(a) loan servicing and LowDoc, PLP, and SBA*Express* loans. We are also in the process of implementing an asset sales program to sell selected portions of our loan portfolio.

- Electronic Access. We are building additional applications to offer small businesses access to electronic commerce (transactional assistance), information, networking of "buyers" and "suppliers" (Franchise Registry, ACE-Net, PRO-Net, TECH-Net[2]), and education/counseling. Building on the experience of SBA*Express* and LowDoc, we plan to offer electronic lending with up to 400 lenders nationwide by spring 1999. We will unveil SBA *Export Express*, an automated tool to expand access to export working capital for small exporters; offer online registration for HUBZone small businesses; provide access to information and services for women through the women's online business centers; and create a tool kit to help small firms succeed in the international marketplace.

As an Agency committed to modernization, SBA will put its customers first, train and empower its employees, and create partnerships to expand outreach and increase efficiency. Under the Modernization Initiative, we are committed to two major goals. First, we intend to provide outstanding customer service by clarifying

[2] ACE-Net: The Angel Capital Electronic Network: an Internet based investment resource. PRO-Net: Procurement Marketing and Access Network: an Internet based search engine for contracting officers, a marketing tool for small firms and a "link" to procurement opportunities and information; TECH-Net:: Internet application for SBA's technology program; Franchise Registry: Internet based registry of franchises.

and redefining the core functions, transition the workforce to better serve small firms where they live and work, and expand electronic access to our products and services. Second, we plan to improve SBA management and systems by focusing on improved financial management, better internal controls and risk management, more extensive and effective oversight of lenders and business resource partners, and expanded use of technology.

Modernizing/reinventing customer service to serve small businesses in the new millennium will require SBA to redefine its new field role and core functions, use technology and telecommunications to offer information and services when and where small businesses need them, and re-shape the workforce through training, relocation, and incentive systems to meet these new requirements.

Evolving Role and Functions of the Field Office. Given our greater reliance on business resource partners and our commitment to reach out in non-traditional ways to minority and women-owned small businesses, the Agency is redefining its core functions. Globalization of markets, flattening of traditional management and organizational structures, and the explosive growth in information technology and computers have transformed both how and where we do business.

We are becoming coordinators and "navigators" to find and match financial and business development assistance for small businesses, rather than direct providers of goods and services. Currently the "SBA network" of business assistance includes more than 1,500 locations (excluding the 7,000 lenders that work with the Agency), e.g., SBDCs, SCORE chapters, BICs, OSCSs, Women's Business Centers, and USEACs,[3] to name a few.

Today, SBA field employees are focusing on outreach to different segments of the small business community, especially the New Markets of small firms that need help the most. We are also learning to do better marketing of products and services at the front end of the business assistance cycle and stronger oversight, more effective risk management, and evaluation of outcomes on the back end. It is important that SBA's field structure be closely aligned with its existing resource partners and that its field personnel are located where small business customers live and work and can gain easy access to the Agency and its services.

As part of its coordinating role, SBA must use new technology to deliver information and services and coordinate the efforts of Federal, state, and local agencies. Computing power and large databases are transforming every aspect of our business. We can be more efficient, empower our employees, and factor in

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[3] Business Information Center (BIC), One Stop Capital Shop (OSCS), US Export Assistance Center (USEAC)

customer needs and demands more effectively in our decision-making. The Internet, video-conferencing, and distance learning will allow the Agency to provide information and services to the business owner anytime, anyplace. Moreover, the explosive growth of information technology tools allows SBA to create "workspaces" rather than "workplaces" to serve businesses where they live. To coordinate the wide array of financial and business development assistance, the new SBA must rationalize its presence and those of its resource partners to match the businesses of the new millennium.

SBA's modernization plan includes a number of activities, principally:

1. Using the latest information and telecommunications technology to deliver services to any small business (more accessible to more of its customers), particularly those that need it the most, when and where they need it;

2. Upgrading its information technology and overall computer systems to include client databases, effective financial controls and lender oversight, activity-based and core accounting systems, and enterprise-wide information;

3. Training, motivating, and relocating its workforce to deliver services where the small businesses live and work; and

4. Identifying, assessing, managing and controlling its risks better through improved internal controls, better monitoring, and higher standards.

SBA is requesting funds to begin a number of initiatives to make the transition to a modernized, reinvented institution smooth and intelligent:

1. Support the continued development of telecommunications and Internet based products and services to support the National Partnership for Reinventing Government's ACCESS AMERICA[4] initiative by offering 24 hour, electronic service to small firms when and where they need it—on their terms;
2. Modernize Agency-wide information technology systems ($8.0 million);
3. Transition SBA's workforce through training and attrition incentives ($5.0 million);
4. Improve risk management, program oversight and internal controls;
5. Encourage and educate small businesses to use electronic commerce and accept credit cards ($2.0 million); and

[4] Published in a book called *ACCESS AMERICA*, this is Vice President Gore's vision of every school, hospital, business and home being electronically accessible to government by the year 2000.

6. Increase small business registration in PRO-Net and its use by private vendors and procurement officers to deliver Federal procurement projects to the desks of individual contractors ($0.5 million).

Assumptions

The following assumptions have been used in developing the Plan:

1. The Economy will grow at a rate equal to or slightly below the growth rate of the last 2 years, with continuing low unemployment and interest rates.

2. Several legislative initiatives are proposed that will affect SBA programs in FY 2000: (1) Standardization of fees and maximum guarantee for loans under $150,000; (2) Raise authorization level in SBIC program for debentures and participating securities; (3) Authorization for the New Markets Venture Capital Program; (4) Authorization for Pre-disaster Mitigation Loan Program; (5) Increase authorization for Women's Business Center Program; (6) Authorize payment of retirement incentives for early-out retirements, (7) Raise authorization levels for technical assistance in microloan program.

3. The Agency will continue to modernize and increase its reliance on its resource partners to implement its products and services.

4. SBA will receive $994.5 million in new Budget Authority in FY 2000, devoted to categories shown in the budget, and $19.1 billion in access to capital and credit for small businesses and victims of natural disasters.

5. A number of external factors will affect the achievement of SBA's goals in FY 2000, such as state of the economy, stakeholder and business resource partner cooperation, passage of supporting legislation (e.g., "buy-out" authority), and success of modernization/reinvention initiatives.

Highlights of FY 2000 Budget Request

In FY 2000, SBA is requesting $994.5 million -- $761.5 million in regular appropriations and $233.0 million in contingent/emergency appropriations. This compares to $820 million appropriated to the SBA by the Congress for FY 1999, including $719 million in regular appropriations and $101 million in contingent/emergency appropriations. This request supports the provision of $19.1 billion in capital and credit to small businesses and disaster victims, and provides the training, counseling, and business assistance to more than one million entrepreneurs and small business owners.

SBA's budget supports the following key components:

1) **Smaller businesses and New Markets**: While we promote the U.S. in the global marketplace, we cannot overlook the untapped potential right here at home: in distressed urban and rural areas. This budget makes a strategic commitment to our own untapped markets and helps us respond to what our customers really need.

2) **New equity programs**: To better serve our customers who need equity investments, we are offering a number of new initiatives:

   - More venture capital: the budget will support $2.4 billion in equity investments under the SBIC Program, compared to $1.4 billion in FY99.

   - A tax credit, worth 25 percent for investments targeted to New Markets communities. The tax credit structure encourages investments in vehicles that provide equity to "New Market" businesses; vehicles such as community development banks adventure capital funds.

   - New Markets Venture Capital Companies, which will be similar to our SBIC Program. They are on the cutting edge of where investments are going in the marketplace. The budget provides support for equity investments and adds technical assistance to firms located in low and moderate income areas - often these firms do not have the technical expertise that comes from running a business over a long period of time. The budget would support $100 million in investments through this program, and provides $30 million for technical assistance for these entrepreneurs.

   - LMI investments, which is a new funding mechanism to encourage equity investments in low and moderate income areas. The businesses must locate in low- and moderate-income areas or hire at least 35 percent of their workers from those areas.

   - More SBICs, particularly in America's rural and inner city communities through a series of outreach conferences planned for FY 1999. The first conference is in March in Chicago.

3) Our **New Markets initiatives** include several other items, including:

   - Mentor-Protegee Program: $3 million for BusinessLINC, a new initiative to encourage large businesses to work with small businesses as mentors.

   - APICs, America's Private Investment Companies, which are modeled on the Overseas Private Investment Corporation. APICs will provide up to $1.5 billion to create incentives for the creation or relocation of large-scale businesses in inner cities and rural areas. HUD will fund the program that will be jointly administered by HUD and SBA.

- New Markets Lending Companies, a pilot program to bring in approximately 10 non-depository lending institutions that will make SBA-guaranteed loans under the 7(a) loan program targeted to New Market small businesses.

4) **Smaller loans**: This budget proposes raising the guarantee on small sized loans from 75 to 80 percent (loans of $150,000 or less). It also saves money by reducing the cost of small loans for the small business owner; by cutting the fee from 3 to 2 percent - they will save nearly $1,000. It will also reduce costs to banks by $300 in the first year (slightly less in subsequent years).

5) **More access to capital**: another record year of financial assistance -- $14.1 billion in lending through 7(a), 504, and microloans.

6) **HUBZones:** $4 million in proposed funding to implement the HUBZone legislation passed in the Small Business Reauthorization Act of 1997.

7) **Electronic Commerce**: $2 million to help small firms use electronic commerce to access government contracting opportunities, as so many larger firms do.

8) **Women's Business Centers**: $9 million for the Women's Business Center (WBC) Program - its highest level of funding ever. This will allow for a WBC in every State.

9) **One Stop Capital Shops**: $10 million to expand the network of One Stop Capital Shops - up to 20 additional One Stops in the Empowerment Zones.

10) **Modernization**: $13.0 million to transform SBA workforce and systems / processes.

Selected FY 1998 Accomplishments

The past several years represent an extraordinary time of change and achievement for SBA. Consistent with this Administration's initiative to work more efficiently and reduce costs, SBA has dramatically changed the way it does business.

GOAL ONE: *Increase Opportunities for Small Business to Succeed through Capital Access, Entrepreneurial Development, and Procurement Assistance.*

- **Financial Assistance**. SBA's major loan programs guaranteed a record $10.8 billion to small businesses in FY 1998, with $9 billion for 7(a) and $1.8 billion for the 504 program. SBA continued its privatization efforts in the 7(a) loan program by increasing reliance on lending partners for credit analysis, centralizing servicing of business loans in two centers that are now handling over 214,000 loans worth $25.5 billion, and reducing the response time of SBA LowDoc loans to 24 hours. The Agency also published proposed securitization rules, which will enable financial institutions to securitize the unguaranteed portions of SBA loans, providing additional capital to small businesses. SBA started a pilot program in which 20 Certified Development Companies are liquidating their own loans with SBA oversight. The microloan program recorded 1,091 loans amounting to more than $11 million this year, bringing the total since 1992 to more than 7,300 microloans totaling $75 million. The average loan creates 1.6 new jobs.

- **New Markets Initiative**. SBA implemented small loan programs to increase the loan volume in New Markets. Since 1992, SBA has tripled the number and doubled the value of loans for minorities. In FY 1998, SBA guaranteed more than $2.3 billion to minorities and signed partnership agreements with major local, state and national organizations to reach out and better serve the New Markets.

- **Small Business Investment Company (SBIC)**. SBA set licensing records with 31 new SBICs bringing $578 million of private capital into the program – more private capital in the past 5 years than in the prior 35-year history of the program. SBA also licensed the first two SBICs dedicated to women-owned / operated small businesses. During FY 1998, SBA achieved a record $3.2 billion in financings of 3,456 small firms, with 26 percent of the financing going to minority-owned firms.

- **Procurement.** SBA signed an unprecedented partnership agreement with the Big Three Automakers to increase subcontracting opportunities for minority firms by $3 billion over a 3-year period—a 50 percent increase over current levels. SBA also signed a partnership agreement with the Department of Transportation to achieve a 5 percent women's procurement goal and signed Memoranda of Understanding with 24 Federal agencies for delegation of contract authority for 8(a) firms. In FY 1998, SBA completed new rules to strengthen and improve the 8(a) minority business development program that creates a new mentor protégé program and makes it easier for small firms to form affiliations to compete for larger contracts. The Agency also continued to cut the time it takes to process an application for 8(a) eligibility from 208 days to 45 days. Finally, SBA is administering the Small Disadvantaged Business Certification and Eligibility program to provide set-aside contracts or price breaks to eligible small firms.

- **BusinessLINC.** SBA signed an agreement with Bell Atlantic to implement the BusinessLINC Protégé Network, which is a comprehensive on-line data base that provides immediate registration for both protégé opportunities and small business procurement opportunities through SBA's PRO-Net system.

- **Surety Guarantees**. SBA reduced both surety and contractor fees back to pre-May 1996 levels (i.e., the Surety fee was reduced from 23 percent to 20 percent of the surety premium; the contractor fee was reduced from $7.45 to $6.00 per thousand of the contract value). SBA guaranteed 10,445 bid bonds, valued at an estimated $2.3 billion, and 2,860 final bonds at $531 million.

- **Equity Capital.** SBA continued its development of ACE-Net, listing 64 companies and 650 investors on this equity financing matchmaking web tool.

- **HUBZones.** A final rule was published on June 11, 1998 for the HUBZone Empowerment Contracting Program. SBA developed a HUBZone website, which allows firms to simply type in their address and receive an immediate answer as to whether they are located in a HUBZone.

- **International Trade**. SBA worked with the governments of Russia, Mexico, Egypt, South Africa, Canada, and Argentina to create an environment for international business opportunities. SBA also led a trade mission to Ireland that resulted in millions of dollars in business deals for U.S. firms. SBA also signed an agreement with USAID to make trade leads more readily available to small firms.

- **Women's Business Center.** SBA rolled out the on-line Women's Business Center website in January 1998, which received over 2 million hits in 1998. The centers served 7,931 clients, an increase of 3,242 compared to the previous year.

- **One Stop Capital Shops (OSCS).** SBA's 16 OSCSs assisted 41,000 clients, created / retained 2,000 jobs and referred to lenders over 430 loans ($80 million).

- **Small Business Development Centers (SBDC)**. This year the SBDCs served nearly 550,000 small business clients, over half of whom were from New Markets. These small firms created an estimated 56,000 jobs, generated $5.5 billion in sales, and paid more than $340 million in taxes.

- **Business Information Centers**. Through its BICs, SBA helped nearly 120,000 small businesses to start, maintain or expand their businesses.

- **Service Corps of Retired Executives**. SCORE's team of 12,400 volunteers donated more than 1 million hours to provide more than 350,000 counseling and training sessions. SCORE's web site garnered 8.1 million hits in 1998.

GOAL TWO: Transform the SBA into a 21st Century Leading Edge Institution.

- **Agency Financial Statement**. SBA received an unqualified opinion on its financial statements for the second year in a row, the only Federal credit agency to achieve this distinction.

- **Modernization of Systems.** SBA continued to modernize its systems in loan program delivery, lender monitoring, portfolio management and loan accounting.

- **Asset Sales**. We are also implementing the Agency's asset sales program, which will include approximately $300 million of non-performing 504 and 7(a) loans.

- **Subsidy Rate Improvements**. SBA restored credibility and confidence in the accuracy of its subsidy rates.

- **Form Reinvention and Paperwork Reduction**. SBA developed the first standard authorization form in the 7(a) loan program – replacing 69 separate forms.

GOAL THREE: Help Communities Recover from Disasters.

- **Disaster presence.** SBA responded to a record 93 physical disasters in FY 1998. SBA provided effective field presence within 3 days of a disaster declaration, processed 77 percent of all applications within 21 days, and approved 30,154 disaster loans to individuals and businesses totaling $728 million. Over 5,700 disaster loans went to business owners, helping to save an estimated 235,000 jobs.

- **Quality Assurance Reviews.** SBA completed the first round of Quality Assurance Reviews of the area offices to establish a baseline and determine an acceptable quality level for disaster loan underwriting. Compliance rates were set for credit underwriting (97 percent) and loan documentation (95 percent).

- **Privatization of Loan Portfolio**. SBA implemented the mandate to contract out the servicing of approximately 30 percent of our disaster home loan portfolio.

GOAL FOUR: Lead Small Business Participation in Welfare to Work.

- **Welfare to Work (W2W)**. SBA produced a Satellite Conference held at 32 sites with approximately 2,000 participants. SBA also hired 20 W2W employees (Agency goal). Through its resource partners, SBA counseled and trained nearly 30,000 W2W participants to start a small business. Approximately 103,000 commitments were received from small firms to hire trained W2W participants , over half of the Agency's 3-year goal.

GOAL FIVE: Serve as a Voice for Small Business.

- **Advocacy and National Ombudsman.** SBA worked with the Patent Office to ensure that legislative reforms did not harm small business and helped several agencies improve their compliance with the Regulatory Flexibility Act. Also eight EPA Small Business Regulatory Enforcement Fairness Act (SBREFA) panels were held, resulting in significantly less onerous regulations for small businesses. Overall, Advocacy's regulatory work resulted in estimated savings to small businesses of $600-$700 million in FY 1998.

- **Y2K.** SBA developed an outreach and public relations campaign to educate small business owners, lenders, and others who interact with small businesses on the Y2K problem and ways to identify and solve Y2K problems. SBA partnered with major private and other public sector entities and held over 600 Y2K awareness events nationwide. SBA also made its 42 mission critical systems Y2K compatible, the first Federal agency to reach this milestone.

- **Research and Publications**. The Agency also published more than 20 economic research reports, including the *State of Small Business 1998, Small Business Lending in the U.S., Small Business State Profiles, Annual Report on Implementation of the Regulatory Flexibility Act, The White House Conference on Small Business Report, and Economic Indicators*. SBA also published *Small Business Growth by Major Industry: 1988-1995, the New American Evolution: The Role and Impact of Small Firms, Women in Business, Farm-Friendly Banks, Mergers and Acquisitions, An Analysis of the Distribution of SBIR Awards: 1993-1996, and Small Business Exporting*.

- **Regulatory Fairness Program**. More than 200 small businesses have filed comments, and almost 250 small businesses have testified in public hearings on regulatory enforcement. The information obtained from these sources will be used to evaluate Federal agencies and will be included in the second report to Congress due in February 1999. The RegFair web site has been visited by more than 150,000 small businesses, and the toll-free line has received 2,800 inquiries.

PART 2

This Part discusses job creation as a major SBA outcome in FY 2000 and lists performance goals and indicators that link to each of the five strategic goals of the Agency. It also summarizes major strategies and initiatives to achieve the performance goals, indicators to measure progress, FY 2000 budget highlights, selected FY 1998 achievements, external factors and possible mitigating factors that could impede the FY 2000 goals accomplishment, projected FY 2000 evaluations, analyses and surveys.

Job Creation as SBA Outcome.

In a newly released report[5], SBA's Office of Advocacy describes the importance of small firms to the American economy as follows:

- Small firms represent over 90 percent of all firms and more than half of the employees in the United States.
- As sources of constant technological change and productivity growth, small businesses are an integral part of the renewal process that defines market economies.
- By creating opportunities for women, minorities, and immigrants, small firms provide an essential mechanism by which millions enter the economic and social mainstream.
- The number of firms and their rate of growth is a function of the demand for small business goods and services, which is influenced by the state of the economy as, access to public and private sector procurements, and export markets.
- Job creation is a function of the demand for small business goods and services and the access to the necessary capital, technology, counseling and training to help the firm become successful.

Increasing access to markets creates opportunities for small business and by providing credit, counseling and training, SBA can help firms exploit these increased opportunities. The end result is small business growth and jobs. The number of jobs created is a function of a number of variables: state of the economy, SBA assistance, industry-specific characteristics, the age of the firm, the entrepreneurial talents and the commitment of the firm's owners, and the ideas for growth that the firm is willing to pursue. It is not easy to isolate the effect an SBA program, or set of

[5] "The New American Evolution: The Role and Impact of Small firms"

program services, has on job growth. Stated differently, it is extremely difficult to attribute a casual relationship between SBA programs and economic growth. We can, however, isolate factors that contribute to the outcome.

SBA's programs contribute to several major outcomes:

- increased number of small businesses,
- increased small business sales,
- increased number of jobs created by small business.

The table below reflects the growth of small businesses and employment over the last 10 years. Clearly the number of small businesses, number of persons employed and number of start-ups have increased. In fact, they have increased by over 20 percent during the past decade. Unfortunately, since 1995, we have not had access to Census data, making it difficult to track the changes in the number of small businesses, small firms with employees, and total number of employees.

Indicators for small businesses (in 1000's)

Year	**firms filing tax returns***	**small firms with employees ****	**# employed in small firms****	**# new small firms*****
1998	24121	n/a	n/a	n/a
1997	23567	n/a	n/a	885
1996	23295	n/a	n/a	842
1995	22555	5354	52653	819
1994	22056	5262	51008	807
1993	21578	5179	50316	780
1992	21230	5081	49201	737
1991	20439	5037	49003	726
1990	20439	5060	50167	769
1989	19506	5007	49354	745
1988	18979	4941	47915	733
% Change 1988 to 1997	+25%			+21%

*) source:IRS , 1998 projected. Includes all firms except farms and non-fiduciary firms
**) source: Census
***) source: Employment and Training Administration, Dept of Labor

Because of the absence of microdata on firms helped by SBA as well as information from firms not helped by SBA, it is difficult to isolate SBA's contribution to the observed changes during the past decade. Not only do we not have this type of data, but it is very expensive to generate. However, a new database developed by SBA and the Bureau of the Census should improve our ability to estimate/measure outcomes in FY 2000. The SBA/Census longitudinally linked establishment and enterprise microdata database (LEEM) by firm size[6] is suitable for analyzing job creation and job growth. This file, constructed thus far for 1990, 1994, and 1995, will soon be updated to include the entire period 1988-1996. It is the first officially sanctioned Census data to measure job creation on a dynamic basis. Between 1990 and 1995, this database indicated that 76.5 percent of new jobs came from small firms with less than 500 employees, and about 49 percent came from firms with less than 20 employees. Start-up firms provided about a third of the new jobs. The longitudinal database will also have a number of future uses, including the study of the economic impact of regulations. Several ongoing studies, which use this data, include analyses of the effects of mergers and acquisitions on small firms, as well as small business impact on rural economic development.

In addition to the time series linked data, SBA, in cooperation with the Bureau of the Census, has also developed a data base on firm size, available to use on a "snapshot" basis to study the growing or declining importance of small firms <u>by industry</u>. [7] By providing the distribution of firms by industry, it is also useful to understand differences among firms across different industries.

Studies of the relationship between SBA programs and small business growth (i.e., revenue and jobs) have had to make assumptions, even if data were available. Most studies have looked at the growth patterns over time for firms that have received some type of assistance from SBA. These studies have not looked at *what other forms of assistance the firm might have received from SBA* (such as training, loans, procurement assistance) or from others (lenders, other agencies, private sector). Most studies also disregard the growth plans of the firm and its entrepreneurial situation, although many do take into consideration industry/sector and age of firm. Other complications in measuring outcomes are how to measure effects from the state of the economy on a firm's growth, *independent of SBA programs*, and what to use as a control group.

SBA programs and job creation. A number of studies have attempted to estimate job creation effects of different types of assistance. These include the Price Waterhouse study of the effects of the 7(a) loan program and biannual impact study of the Association of Small Business Development Centers. In addition, some SBA programs estimate job creation from data that are collected from clients or trade associations, e.g. , Microloans , 504 program, and SBIC.

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[6] Alicia Robb, Preliminary Description of the Longitudinal Establishment and Enterprise Microdata (LEEM) File., Draft, July, 1998.
[7] For more details on the cross section data base, see "Small Business Growth by Major Industry, 1988-1995. " (U.S. Small Business Administration, August, 1998). Also available on the Web at sba.gov/advo/stats. Click under general reports.

Effect on sales and jobs of 7(a) and 504 loans. The Price Waterhouse study[8] looked at the performance of firms, which received SBA guaranteed loans in 1990, compared with similar data for a comparable group of firms from the same industries that did not get SBA loans. The analysis showed that between 1989 and 1994 established firms that had received SBA guaranteed loans had a larger growth of revenues and payroll than firms in the general business population.

For firms receiving 7(a) loans, the revenues increased 11 percent more (41 percent versus 30 percent) than for the comparison group. For firms receiving 504 loans, revenues increased even more, 39 percent. Unfortunately, it is not possible to estimate the effect of other important factors on revenue growth such as expansion plans, an energetic management, or membership in a high-growth industry.

Because the study's comparison group was not a true control, it is impossible to measure the true effect of the SBA loans in isolation of other factors. The study suggests, however, that firms receiving aid from SBA did better than businesses in general or in the same industrial sector (see table below). It is impossible, however, to determine what factor contributed to growth and to what degree.

The 7(a) and 504 program accounted for approved loans of $3.34 billion and $472 million respectively in 1990. The table below reflects growth between 1989 and 1994 for firms that received 7(a) or 504 loans in 1990, compared with SBA estimates of established small business firms that did not receive SBA credit assistance.

Comparison of SBA Client Firms with Small Businesses in General

Factor	**7(a) Clients**	**504 Clients**	**Comparative data**
Revenues	41%	69%	All firms reporting to IRS data: 3%
Payroll	54%	75%	SBA estimates: for firms < 20 employees : 11%; for all small businesses: 15%
Fulltime employees	36%	48%	SBA Small Businesses sector data: 3.5%
Parttime employees	28%	54%	SBA Small Businesses sector data: 4%

The Effect on sales and jobs of SBDC counseling. The same methodological problems affect the biannual studies of Small Business Development Centers (SBDC's). Firms counseled by SBDC's for more than 5 hours purported to have had a sales and jobs growth rate that exceeds that of the general business population.

[8] Evaluation of the SBA Loan Programs (Warden Associates, Inc and Price Waterhouse, LLP (Feb 25, 1998)

The latest SBDC impact study shows performance improvement for firms, which received 5 or more hours of counseling in 1994, in the year after receiving assistance compared with the weighted average changes in performance of all businesses in the 53 participating SBDC geographic locations. The table shows that counseled clients achieved substantial growth in sales and jobs from the year in which the counseling took place to the following year. The growth doubled that of US businesses on average. From the data, we cannot know the extent to which counseling contributed to the firm's growth. There are too many other factors influencing growth that are not controlled for by using the US business average growth rate as a comparison variable.

Growth Rates for SBDC Firms Receiving Long-term Counseling and US Business

Clients of SBDCs	**1990-91**	**1992-93**	**1994-95**
% Growth in average sales per business	7.8%	13.3%	16.6%
% Growth in average jobs per business	6.5%	12.1%	14.8%
US Businesses			
% Growth in average sales per business	1.1%	5.8%	6.0%
% Growth in average jobs per business	0.6%	2.6%	2.8%

Results of SBDC Study. A total of 68,500 new jobs are estimated to have been created in 1994 by SBDC clients which have received long-term counseling in 1993, and 93,000 new jobs in 1995 for clients receiving counseling in 1994. To conclude, we can say that SBA clients who receive 7(a) loans or SBDC counseling exhibit higher growth and job creation rates than businesses in general.

504 program job creation. For the 503/504 program, the estimate of jobs created/retained every year is based on the dollar amount of debentures sold. There is a time-lag between approvals and closings because most of these projects include construction for which the debenture is the take-out financing. Firms are required to provide the CDCs with annual reports, which include estimated job data. Based on this information, a ratio of one job per $12,855 debenture sold has been estimated.

SBIC job creation. The National Venture Capital Association and the Investment Advisory Council conducted surveys to determine job growth. Taking an average between these two surveys, SBA estimates that $32,500 invested contributes to the creation of one job.

Microloan job creation. SBA maintains a database on jobs created/maintained after a individual or firm has received a microloan. Data is available from October 1993. The table shows that there is some variability from year to year and that the overall performance since the inception of the program is 1.6 jobs created or retained per loan. The average loan size is about $10,000.

Indicator	10/93 – 9/98
Number of Microloans	7,269
Jobs retained	9,129
Jobs created	2,192
Sum jobs created / retained	11,321
Jobs created / retained per loan	1.6
Average loan size	$10,013

The above data can be used to indicate the contribution to job creation by the 504, SBIC and Microloan programs[9].

	FY1997	FY1998	FY1999	FY2000
Job creation 7(a)	NA	NA	TBD	TBD
Job creation: SBIC*	74,000	89,000	89,000	97,000
Job creation: / retention: 504	127,587	113,966	113,966	113,966
Job creation: / retention: microloan	1,784	1,745	2,080	4,480
Job creation: SBDC	N / A	56,000	N / A	N / A

*90% of investments are equity-type financings

Goal 1: INCREASE OPPORTUNITIES FOR SMALL BUSINESS SUCCESS

OBJECTIVE 1: **INCREASING ACCESS TO CAPITAL AND CREDIT**

STRATEGIC OBJECTIVE: In FY 2000, SBA will help small businesses contribute to the growth of the economy, as reflected in increased start-ups and new jobs, by providing approximately $ 18.2 billion in all credit and capital programs.

Anual Performance Goal 1: By the end of FY 2000, increase the aggregate number of 7(a) general business loans, Certified Development Company (CDC) loans, investment capital financing, export loans, Microloans, and surety bond guarantees and focus the distribution on new small business markets.

Annual Performance Goal 2: By the end of FY 2000, increase the number of start-up businesses receiving SBA assistance and increase the number of jobs created by small businesses receiving SBA assistance.

<u>SBA High Impact Agency Goal:</u> By FY 2000, SBA will achieve a doubling in annual export sales from $250 million to $500 million in the first year and sustained thereafter as a result of securing trade leads, export-related tutorials, and trade

[9] 7(a) loans do contribute to job creation. One indication is the number of loans to start-ups: FY 1997: 15,266; FY 1998: 15,191; FY1999: 17,200; FY 2000: 19.500.

finance from "electronic export assistance centers (Export Advisor)." This increased export activity will net approximately 15,000 new jobs and an estimated $45 million in additional income taxes paid to the U.S. Treasury.

Five principal programs contribute to increasing small business access to capital and credit: (1) the general business loan guaranty or 7(a) program, including export loans; (2) CDC or 504 program; (3) the Microloan program; (4) the Small Business Investment Company (SBIC) investment capital program; and (5) the Surety Bond Guarantee program.

BUSINESS LOANS

The projected targets of performance for 7(a), CDC, and Microloans are:

Performance Indicators	FY 1997 Actual	FY1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
7(a) loans	45,288	42,268	51,000	57,976	Loan Data Base
504 CDC loans	4,131	4,930	4,600	5,200	Loan Data Base
Microloans	1,115	1,091	1,300	2,800	Loan Data Base

The projected distribution of lending for New Markets is as follows:

Distribution of 7(a) and 504 loans	FY 1997 Actual	FY1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
Minorities[10]	10,616	10,897	11,589	12,784	Loan Data Base
Women	10,788	11,084	15,395	19,774	Loan Data Base
Veterans	6,606	5,912	7,395	8,834	Loan Data Base
Export Loans	448	431	550	700	Loan Data Base

Program level(in thousands)	FY 1997 Actual	FY 1998 Actual	FY 1999 Target	FY 2000 Target
7(a) Loans	$9.5B	$9B	$9.8B	$10.5B
Export Loans[11]	$158M	$165M	$232M	$298M
CDC Loans	$1.4B	$1.8B	$3.5B	$3.5B
Microloans (direct)	$7.5M	$10.8M	$30.6M	$60M
Microloans (guarantee)	$3M	$3.7M	$12M	$16M
Microloan (tech Assist)		$13.4M	$19.4M	$32M

[10] A breakout of projected loans to minority-owned business is as follows: African-American: 2,439 in FY 1999; 2,956 in FY 2000; Hispanic-American: 3,851 in FY 1999; 4,382 in FY 2000; Asian-American and Pacific Islanders: 4,834 in FY 1999; 4,937 in FY 2000; American-Indians and Alaska Natives: 465 in FY 1999; 509 in FY 2000.

[11] included in 7(a)

Major Strategies

General Business Loan Guarantees

- SBA will continue to review gaps in conventional private capital and credit markets to ensure that it is serving the appropriate small business customers. SBA will continue to improve its loan monitoring and portfolio analysis. A system of voluntary lender oversight will track the race and gender accomplishment of each lender on a state by state basis. SBA will closely monitor the submission of monthly guaranty lender reports for accuracy and compliance.

- SBA will provide a tool called "SBA *Export Express*" to increase the number of guaranteed export loans, by helping SBA lenders to determine quickly if an export transaction is creditworthy, and by assessing the soundness of the transaction in accordance with generally accepted business standards for trade financing.

- SBA will continue its pre-qualification programs, which helps New Markets obtain capital by pre-qualifying them for SBA guaranteed loans.

Certified Development Company Program

- Another strategy to increase access to capital and credit markets is to streamline the 504 program. This will be based on the evaluation of the CDC liquidation pilot and on making regulatory changes to the Premier Certified Lenders Program (PCLP). SBA is revising its regulation to permit PCLPs to foreclose, litigate, and liquidate loans made under the 504 program. The SBA will also make changes regarding the PCLP loan loss reserve.

Microloan Program

- SBA will increase the volume of Microloans, which are very small loans ($25,000 and under) available to entrepreneurs traditionally considered "unbankable," largely due to their inexperience, credit problems, lack of assets, or small needs.

Major Initiatives for FY 2000

- SBA will increase the number of intermediary Microloan lenders from 117 to 200 by FY 2000. With the planned expansion and supporting initiatives, it is expected that the number of microloans will increase by more than 70 percent.
- SBA will continue its enhanced LowDoc program. This program provides loans up to $150,000, requires only one page of documentation, allows electronic application procedures, and uses credit scoring for faster loan processing.
- SBA will continue to implement SBA*Express* for loans up to $150,000, allowing lenders to use their own forms and credit evaluations, with SBA evaluating only the borrower's basic eligibility. This provides lenders with expedited processing and a greater flexibility in exchange for a lower guaranty (50 percent). SBA will

centralize the repurchase of SBA*Express* loans in Fresno, California to ensure that the repurchase policy is equitable and consistent across geographic areas.

Major FY 1998 Accomplishments

- SBA approved 42,268 general business loans for $9B (a decrease of 5 percent from FY 1997) and 4,930 Certified Development Company loans for $1.8B (an increase of 29 percent compared with FY 1997) in FY 1998.
- Approximately 75 percent of all loan approvals were outsourced to our private sector lending partners.
- SBA modified staffing and processing procedures in the LowDoc Processing Centers to achieve application turn around times of less than 36 hours.
- The loan limit for LowDoc loans was increased to $150,000 and a pilot electronic application process and credit scoring package was implemented.
- Field reviews were conducted at 58 Preferred Lenders and the files of 116 PLP lenders off site were reviewed.
- The currency rate for loans serviced by SBA's commercial loan servicing centers increased from 94.6 percent to 96.2 percent, due to SBA efforts to ensure that delinquent account is worked weekly.
- Financial advisors were engaged to coordinate the stratification and review of assets for the initial sales. In addition, SBA established a website for dissemination of information about asset sales to the public and our stakeholders.
- Transferred over 62,000 disaster home loans to a private sector servicing agent as part of a Congressionally mandated pilot.

Evaluations, Analyses and Surveys

- Evaluate the methodology for identifying economic impacts from loans made through the CDC program.
- Conduct a work flow study for the LowDoc Processing Centers to identify and recommend processing improvements to make the process more efficient.

EQUITY CAPITAL

Projected targets of performance for the Equity Capital Program are as follows:

Performance Indicators	FY1997 Actual	FY1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
New SBICs licensed	33	31	65	90	DLR*
Private capital licensed	$449M	$578M	$800M	$1.0B	DLR
$ invested in small businesses	$2.4B	$3.2B	$3.2B	$3.5B	Mgt Report
# of small firms invested in	2,731	3,456	3,400	3,700	Mgt Report
% firms 50 % minority invested in	26%	26%	28%	30%	Mgt Report
% firms 50% women invested in	8%	6%	7%	12%	Mgt Report

*) Division Licensing Report

Program Level	FY1997	FY1998	FY1999	FY2000
Participating Securities	$411M	$700M	$800M	$1.5B
Debentures	$446M	$480M	$600M	$800M
New Markets Venture Capital	-	-	-	$100M
New Mkts Venture Capital (tech. assist.)	-	-	-	$30M

Major Strategies

A major strategy for increasing SBIC program penetration of New Markets, such as women- and minority-owned businesses and those located in urban or rural areas, involves the licensing of SBICs specifically targeted to address these New Markets. Outreach workshops are being organized in FY 1999 to bring together investor and management groups interested in such targets to facilitate SBIC formations whose impact will be realized in FY 2000. A new investment category, LMI Investments, is being created to provide incentives for SBICs to address these New Markets.

A new program, modeled after the SBIC program but incorporating business assistance grants, has been designed to address the equity capital needs of very small companies in New Markets. It currently is referred to as the "New Markets Venture Capital Program" and will be authorized in FY 1999. If authorized, it will be launched in FY 2000 as a pilot program.

SBA will increase SBIC investments in women and minority-owned businesses and in New Markets by increasing local and regional bank participation in the program. Working with the Federal Housing Finance Board, SBA will seek to enlist broad participation in the program by members of the Federal Home Loan Bank system and will work with the bank regulatory agencies to further clarify and publicize the availability of Community Reinvestment Act credit for a bank's investment in an SBIC. SBA will continue to improve efficiency of SBIC program delivery through simplification, standardization, and application of technology.

Major Initiatives

- *A New Markets Venture Capital (NMVC) program.* To support the needs of small businesses in rural and urban areas for equity type capital, SBA proposes the establishment of this new program on a pilot basis in FY 2000. We anticipate the licensing of 10 to 20 NMVCs, requiring a program level of $100 million in FY 2000. The appropriation required to support this level is estimated at $15.0 million. Additionally, this program requires the appropriation of technical assistance funding to support these small businesses. This assistance would be paid to the provider over the life of the financing and would require an appropriation of $30 million in FY 2000 to fully fund the SBA's commitment.

- *LMI Investments.* SBA proposes to establish a new investment category for SBICs investing in businesses serving areas of Low and Moderate Income and high unemployment (LMI) zones and create regulatory and financial incentives to encourage SBICs to make such investments. An LMI investment would be an "equity-type" investment in a small business located in a designated LMI Zone or with 35 percent of its employees from such zones. SBICs would have greater flexibility in structuring LMI investments and have access to a new form of patient debenture leverage with which to fund them.

- *Outreach Workshops.* SBA is organizing six regional workshops in FY 1999. The workshops will focus on the investment opportunities afforded by small businesses located in the urban and rural areas, and on the mechanics of forming an SBIC to address these opportunities. The workshops will also be used to introduce the new LMI Investments category. They will be co-sponsored by the Federal Credit Insurance Corporations, the Federal Reserve System, the Office of the Comptroller of Currency, and the Office of Thrift Supervision.

- *Increase the level of SBIC participating securities to $1.5B in FY 2000.* Due to the implementation of the new 5-year commitment authority in FY 1998, and accelerating growth in new licenses, demand for this program has dramatically increased, allowing the program to match the investment needs of these SBICs.

- *Increase the level of SBIC debentures to $800M in FY 2000.* Demand for SBIC debentures has similarly increased with 5-year funding and new licensees. This funding allows the program to match the investment needs of these SBICs.

Major Accomplishments for FY 1998

- Implemented 5-year leveraged commitments (record $1.2 billion) of debentures and participating securities.
- Implemented "Just-in-time" funding of leveraged commitments using an automated processing system.
- Licensed 31 new SBICs bringing $578M of private capital into the program.
- Established working relationships with CRA bank regulators to encourage formation of community development SBICs.
- Reduced examination cycle for leveraged SBICs to 12.2 months and instituted electronic reporting of examination results.
- Licensed first two SBICs focused specifically on women-owned businesses.

Evaluations, Analyses and Surveys

The SBIC program currently collects from SBIC licensees economic data on the small business recipient of each new financing at the time of investment. The SBIC is then required to update that information each year as part of its annual report to SBA. It was intended that this data would provide the basis for an analysis of the program's economic impact. SBA will implement a study to evaluate the economic impact of the SBIC program, particularly focusing on employment generation, and develop measurement tools using the data currently collected.

SURETY BOND GUARANTEES

The projected targets of performance for surety bond guarantees are:

Performance Indicators	FY1997 Actual	FY1998 Actual	FY 1999 Target	FY2000 Target	Source/ Validation
# bonds issued to Contractors	16,313	13,305	14,300	14,700	MIS Report
#participating Surety companies	31	37	41	44	ADP report
$ amount of bonds by Participating Surety Bond companies[12]	$226.4M	$148M	$175M	$175M	MIS Report

Program Level (in thousands)	FY1997	FY1998	FY1999	FY2000
Appropriation for Revolving fund	$3,730	$3,500	$3,300	$0
Surety Bond Guarantee[13]	$1.767B	$1.672B	$1.672B	$1.672B

Major Strategies

The Surety Bond Guarantee (SBG) program is a public-private partnership that assists small contractors to obtain bid and final contract bonds to perform work for which they are qualified. Although they possess the knowledge, skills and ability to be successful, these contractors lack the required experience and financial strength to get bonding through standard surety channels.

The SBG program is delivered through the Prior Approval and Preferred Surety Bond (PSB) programs. Each of these programs serves a different segment of the contracting community. In the Prior Approval program, SBA must approve each surety bond guarantee agreement. PSB sureties are authorized to issue, monitor and service bonds without SBA's prior approval.

To increase contractor participation and raise the total number of surety bonds issued for small businesses, SBA will implement outreach efforts, increase the number of sureties participating and, through legislation, increase the maximum eligible contract amount, resulting in an increase in the average contract amount.

[12] Average size of bond contract: FY 1997: $203,593; FY 1998: $185,403; projected for FY 1999 and FY 2000: $195,000
[13] Authorized Program Level

Major Initiatives

- Undertake comprehensive outreach to make surety bonds available to small businesses located in HUBZones and underserved areas.
- Increase maximum contract amount from $1.25 million to $2 million.
- Implement electronic submission of surety bond applications and claims.
- Improve program oversight by increasing the number of surety audits and reviews and area office reviews that are performed each year.

Major FY 1998 Accomplishments

- 13,305 bid and final bonds guaranteed in FY 1998 versus 16,313 bid and final bonds in FY 1997.
- Recovered $6 million in claims paid in FY 1998, exceeding the $4.5 million recovered in FY 1997.
- $16.6 million paid in FY 1998 claims versus $13.8 million in FY 1997 claims.
- six surety audits, 2 surety reviews, and 1 area office review completed.
- five new sureties added to the program.

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Critical External Factors

Economic conditions strongly affect Surety Bond program production. If the economy remains stable, production will remain constant or decrease, but if the economy deteriorates, production will increase. The Surety Bond Program initiative to increase the maximum eligible contract amount from $1.25 million to $2 million requires a legislative change.

OBJECTIVE 2: EXPANDING SMALL BUSINESS PROCUREMENT OPPORTUNITIES

***Strategic Objective*: By the year 2000, SBA will help increase the share of Federal procurement dollars awarded to small firms to at least 23 percent.**

Annual Performance Goal 3: Increase the share of Federal procurement dollars awarded to small, women-owned, disadvantaged, and HUBZones small firms.

Annual Performance Goal 4: Increase the number and dollar volume of Federal contracts going to the 8(a) program and the success rate for businesses participating in the program.

<u>SBA High Impact Agency Goal</u>: Using electronic media, realize more than a 50 percent decrease in processing time for 8(a) eligibility and certification.

<u>SBA High Impact Agency Goal</u>: Over the next 3 years, expansion from 20.9 percent to 23 percent of the share of Federal procurement that goes to small businesses, with the share for small women-owned businesses rising from 1.7 percent to 2.5 percent, with an ultimate goal of 5 percent.

<u>SBA High Impact Agency Goal</u>: Creation of PRO-Net, a national directory of more than 200,000 small businesses accessible through the Internet, that permits firms to register electronically and offers a search tool for contracting officers, a marketing tool for small firms, and a link to government-wide procurement opportunities.

The projected targets of performance include the following:

Performance Goals and Indicators	FY1997 Actual	FY1998 Est[14]	FY1999 Target	FY2000 Target	Source/ Validation
% prime contracts for small firms	20.5	22.1	22.7	23	FPDS*
% of sub-contracts to small business	41.5	42	43	45	FPDS
% of procurement going to women	1.7	2.0	2.5	3.0	FPDS
% of procurement to small & disadvantaged	5.5	6.2	6.5	7.0	FPDS
# of firms certified as SDB eligible	N / A	4,900	30,000	30,000	SBA records
% of procurement to HUBZone business	N / A	N / A	1.0	1.5	FPDS
SBIR $ awards to women owned business	7.6%	*7.7%*	7.8%	7.9%	SBA records
SBIR $ awards to minority owned firms	10.4%	*10.5%*	10.6%	10.7%	SBA records
8(a) firm success rate**	42%	46%	50%	55%	SBA records
# Federal contracts through 8(a)	4,900	5,132	5,500	6,000	SBA records
$ value of 8(a) contracts	$6.4B	$6.5B	$6.5B	$7.0B	FPDS

* Federal Procurement Data System

** Defined as the number of businesses independently owned and operated three years after exiting the program

Program Level (in thousands)	FY 1997	FY 1998	FY 1999	FY2000
SBIR Technical Assistance	$0	$0	$1,000	$0
Small Disadvantaged Business (SDB)	N / A	$11,148	$11,852	$12,000
HUBZones	N / A	$2,000	$2,000	$4,000
PRO-Net (formerly PASS)	$364	$251	$500	$ 500
Electronic Commerce	N / A	N / A	N / A	$2,000
BusinessLINC	$0	$0	$0	$3,000

Major Strategies

Set higher small business procurement goals to stimulate an increased share of Federal procurement dollars awarded to small, women- and minority-owned firms.

[14] Estimate as of January 17, 1999

- Expand the use of Internet-based technologies, like PRO-Net, to educate and inform small businesses of Federal procurement opportunities. Will also encourage small businesses to take advantage of electronic commerce opportunities in marketing to the Federal Government and prime contractors to list subcontracting opportunities electronically.
- Work with the Office of Federal Procurement Policy to develop accurate sub-contracting data.
- Improve and strengthen the small business set-aside and the 8(a) business development program by implementing new affiliation rules to allow small businesses to compete on larger contracts and create a mentor / protégé program to encourage the formation of mutually beneficial business relationships capable of competing for larger contracts.
- Continue to qualify firms owned by Community Development Corporations to participate in the 8(a) program, expand the number of executive training slots available to 8(a) program participants and other eligible small firms, and certify socially disadvantaged businesses for price and evaluation credits.
- Help firms participate in Federal Research and Development opportunities and in the commercialization of innovations.
- Help 8(a) firms to develop their survivability skills by engaging in critical self-assessments and taking advantage of opportunities to improve the overall performance of their firms. Seek alliances with private sector corporations to both mentor 8(a) firms and provide contracting opportunities.

Major Initiatives

- Expand the SBA's women-owned small business initiative through increased conferences / workshops / MOUs with major Federal agencies.
- Implement regulations on Very Small Business (VSB) Pilot Procurement Program set-aside and educate district offices on the VSB Pilot Procurement process.
- Implement technology transfer initiative for small businesses and Historically Black Colleges and Universities (HBCUs) to expand small business participation in R&D projects funded by the Federal Government.
- Implement newly published regulations to strengthen and improve the 8(a) Business Development Program which has the following parts.
- Create a mentor / protégé program for 8(a) participants.
- Revise the rules for affiliation / ownership to create stronger firms.
- Relax the rules for joint ventures so a greater number of participants can enhance their skills and capabilities.
- Establish requirements for certifying socially disadvantaged businesses to receive price and evaluation credits.
- Implement HUBZone empowerment contracting program.

Major FY 1998 Accomplishments

- Expanded the number of registered firms in PRO-Net from 170,000 to 180,000.
- Reviewed 100 percent of the reported cases of contract bundling on SBA's Internet Contract Bundling Hotline.
- Administrator signed Big Three U.S. Automakers joint initiative so that more than 5,000 SDB can become eligible to receive management and technical assistance as well as service or supply contract or subcontract awards from GM, Chrysler and Ford or their large suppliers.
- Developed an Internet-based system that includes all SBIR and STTR awards since the beginning of the programs. This real-time, interactive database will serve as the chief resource for Federal Government contractors and private sector investors seeking technology oriented small firms.
- Conducted a study of the commercialization rate of innovations funded under the SBIR program.
- Provided 8(a) business development training to one third of the participants in the developmental stage of the 8(a) Business Development Program.
- Streamlined the award of 8(a) contracts by delegating contract authority to 24 Federal agencies.
- Increased, by 100 percent, the number of colleges and universities providing business development assistance to 8(a) firms under SBA's Executive Education Program.
- Reduced the average processing time for 8(a) certification to 45 days, half the stated requirement.

Evaluation, Analyses and Surveys

- Use surveys to track the rate of commercialization of SBIR innovations.
- Use data from the Federal Procurement Data System to ascertain achievement of government-wide goals aimed at ensuring that small, women-owned, and minority-owned businesses receive a fair share of Federal contracts.
- Use SBA 8(a) records, surveys and other external databases to measure agency efforts to build viable firms.

Critical External Factors

Several important factors contribute to the success of the Government contracting, minority enterprise development, and technology support programs: 1) interagency cooperation, especially among SBA, Office of Federal Procurement Policy (OFPP), major procurement agencies, SBIR/STIR offices and between SBA and (Minority Business Development Agency (MBDA); 2) balance between seemingly competing public policies, i.e. equity and representativeness versus efficiency; 3) implementation of the Adarand affirmative action provisions; 4) continued public support for preference programs; 5) expansion of technology usage for identifying procurement opportunities and outreach; and 6) sufficient resources available to implement an effective business development program.

The cooperation of the major procurement agencies in the Federal Government, particularly the Department of Defense is essential to the success of this program. Another important factor is the ability of the Agency to work with the Administration to balance the dual policy goals of streamlining Federal procurement and our support for small businesses. Also important is the success of the Administration in implementing the provisions of the Adarand ruling, particularly the certification of small and disadvantaged businesses and the development of effective business development features through an expanded management and technical assistance effort under section 7(j) of the Small Business Act.

OBJECTIVE 3: ENHANCING ENTREPRENEURIAL DEVELOPMENT ASSISTANCE

Strategic Objective: By the year 2000, SBA will increase the number of small businesses assisted from 1.0 million to 1.3 million.

Annual Performance Goal 5: Increase counseling and training to small businesses in general (through BICs, SBDCs, SCORE, WBCs, OSCS, USEACs) and to New Markets in particular (women, Native Americans, veterans).

Annual Performance Goal 6: Increase the number of jobs resulting in part from SBA resource partner training and counseling.

The projected targets for Entrepreneurial Development include the following:

Performance Goals and Indicators	FY1997 Actual	FY 1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
Export clients trained[15]	12,300	13,141	13,900	14,500	Reprts/ Eval
Export clients counseled[16]	14,645	9,957	10,450	10,900	Reprts/ Eval
Clients trained by SCORE	116,485	107,707	120,000	140,943	QR/ Sampl.
Clients counseled by SCORE	177,134	246,707	245,300	245,300	QR/ Sampl.
Clients trained by SBDC[17]	315,406	309,382	327,944	340,450	QR/ BEx
Clients counseled by SBDC[18]	240,804	237,655	242,408	243,567	QR/ BEx

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[15] SBDCdata

[16] SBDC and USEAC data

[17] Number of women/minorities trained: FY 1997: 150,501/32,443; FY 1998: 141,015/64,315; FY 1999 target: 149,500/68,200; FY 2000 target: 155,400/69,500

[18] Number of women/minorities counseled: FY 1997: 86,921/65,485; FY 1998: 88,019/42,172; FY 1999 target: 89,800/43,100; FY 2000 target: 91,600/43,900

Clients served in BICs	94,000	108,918	113,400	124,740	QR/ Sampl.
Clients served in TBICs	1,786	1,849	3,683	4,420	QR/ Sampl.
Clients served by WBCs	8,140	9,000	10,000	11,000	Biannual Rep.
On line requests for info	N / A	30,000	33,000	36,300	QR/ Sampl.
Clients served by OSCS	28,000	40,000	44,000	48,000	QR/ Sampl.

QR= Quarterly Report; BEx=Biennial Examination

Program Level/Initiative (in thousands)	FY 1997	FY 1998	FY 1999	FY 2000
SCORE	$3,300	$3,500	$3,500	$3,500
Business Information Centers	$500	$500	$700	$700
Native American Outreach	-	-	-	$1,000
National Women's Business Council	-	$350	$600	$600
Women Business Centers	$4,000	$4,000	$8,000	$9,000
WOBE Census	-	$1,000	$750	$790
7(j) Technical Assitance	$2,600	$2,600	$2,600	$5,000
One Stop Capital Shops (OSCS)	$3,100	$3,100	$3,100	$10,000
SBDC	$73,147	$70,070	$82,000	$62,000
Veterans Outreach	0	0	$750	$615

Major Strategies

US Export Assistance Centers (USEACs)

- Expand the Export Trade Assistance Partnership (E-TAP) program, which is an effective tool to provide better, more focused and measurable assistance to small businesses who wish to enter global markets. The E-TAP program consists of four elements: partnership, training, counseling and international trade shows or missions.
- Improve the integration of the services of the Department of Commerce, Eximbank, USAID, and SBA at the 19 USEACs, and use technology more effectively, e.g., Export Advisor and SBA *Export Express*, to help more exporters receive counseling, training, and financial assistance. In time, this will result in a doubling of export sales, with increased jobs and taxes paid.

Major Initiatives

- *Increase Technical and Managerial Assistance and Small Business Executive Development.* Funding for the Section 7(j) technical assistance program is requested at $5 million for FY 2000 to provide targeted technical and management development assistance to firms participating in SBA's 8(a) Program, firms located in areas of high unemployment or low income, HUBZones, Native American communities, and Alaskan Native villages.

- *Business Initiatives.* Expand the mentor protégé program resulting in 5,000 small businesses remaining in business, 7,500 small businesses increasing profitability and creating new jobs, and 2,500 new mentors recruited.

- *SBDCs.* Incorporate the Agency's strategic and annual performance plan specifics in the Request For Proposal (RFP) to change existing SDBC goals as a basis for renegotiating the FY 2000 agreement for FY 2000 between district directors and SBDC directors. Within the SBA assistance network, there has not been an adequate level of assistance available to small businesses to serve the growing needs of small exporters. SBA will identify SBDC locations where specialized exporting services and assistance to small businesses can be made available.

- *Women*'s *Business Centers*—($9 Million) SBA's Women's Business Center (WBC) program provides much needed services and support to women entrepreneurs in the start-up, growth and expansion of businesses. SBA will support 55-60 centers in FY 1999, allowing at least one center in every state. This increase in requested funding for FY 2000 will allow SBA to open up to 15 new centers and continue to support eligible existing centers.

- *One Stop Capital Shops (OSCS):* SBA will open 20 new shops through Round II of the Empowerment Zone Initiative by the end of FY 2000. These new OSCS sites will be designed to represent a model for program delivery in the 21st Century, integrating SBA products and coordinating with non-SBA delivery systems**.**

- *Increase Assistance to the Native American Communities- ($1M).* SBA continued to support 16 Tribal Business Information Centers (TBICs). With year end FY 1998 funding, SBA continued to provide support to these locations in FY 1999. However, it is recognized that an expanded level of assistance is needed in these communities. In FY 2000, with the requested level of $1 million, SBA will upgrade these sites with modern, state-of-the art computers and communications capability, ensure facilitators to provide direct technical and business development assistance to the communities, and coordinate access to all of SBA's services, programs, and resource partners, especially through the SBDCs.

- *US Business Advisor.* SBA agreed to be the executive sponsor for the *US Business Advisor* and will continue to lead an interagency task force to improve this multi-agency, portal for business to access government.

- *TradeNet's Export Advisor.* SBA is continuing to develop the *Export Advisor,* an Internet one-stop-shop for potential and export ready firms. Supported by the Vice President's National Partnership for Reinventing Government, the *Export Advisor* is a virtual Export Assistance Center. It will significantly expand the outreach of the 19 USEACs by using electronic media to improve export assistance service delivery for multiple Federal agencies, state and local governments, academia, counselors and trade specialists throughout the country.

- The *Veterans Outreach Program—($615,000).* In accordance with SBA's Reauthorization Act of 1997, SBA will continue outreach programs and provide enhanced business development assistance to the veterans communities, especially disabled veterans. With the requested funding, SBA will enter into grants and contracts to provide direct training and assistance to veterans, increasing their entrepreneurship and business ownership. SBA will develop a comprehensive guide to assist in the start-up and expansion of business by veterans. SBA will also facilitate the establishment of a network of veteran business owners who can provide assistance and mentoring to other veterans interested in small business

Major FY 1998 Accomplishments

SBDCs

- Trained 309,382 clients and counseled 237,655 clients.
- Initiated preliminary meetings to establish a native American SBDC which would serve individuals living on reservations. Discussions were held with Association of Small Business Development Centers (ASBDC) and the Native American and Entrepreneurial Network. A MOU is in preparation.
- Successfully negotiated modifications regarding the program with ASBDC.

Business Initiatives and SCORE

- Trained 107,707 clients and counseled 246,707 clients through SCORE
- Installed 14 new BICs, and assisted nearly 109,000 customers.
- Assisted 13 district offices to conduct "Crossings" technology seminars to educate small business on the value of using technology to remain competitive.
- Participated in creating new Mentoring Initiative, called BusinessLINC.
- Developed a new co-sponsorship with US Chamber of Commerce and IBM.

WBO

- Created the Online Women's Business Center (WBC), which offers anytime-anyplace access to business development help for women business owners.
- In FY 1998, there were 150,000 on-line visitors. This number is projected to increase to 165,000 in FY 1999, and to 181,500 in FY 2000.
- In FY 1998, there were 116 mentoring groups. This number is projected to increase to 128 in FY 1999 and to 141 in FY 2000.
- Developed a state by state online resource guide for new or existing businesses.
- Opened six new WBCs.
- Increased number of WNET mentoring programs from 116.
- Produced five conferences with Solomon, Smith, Barney (200 attendees per session) and three national telecasts with Edward Jones that reached 10,000

viewers each; published and distributed *Blueprint for Success: A Guide for Women Entrepreneurs* (with Salomon, Smith, Barney).

One Stop Capital Shops

- Serving 16 Empowerment Zone/Enterprise Communities as of January 1999
- Assisted approximately 40,000 clients, 25 percent of whom are minorities.
- Referred to lenders over 430 loans totaling over $80 million.
- Created or retained over 3,500 jobs

Office of International Trade

- As a result of the U.S./Ireland Partnership Initiative, 800 companies have relationships with counterparts in Ireland resulting in 49 business transactions.
  In FY 1998, there were 124 E-TAPS.

- SBA was established as a member of the Gore-Primakov Commission in Russia; the Gore-Mubarek Commission in Egypt; and the Gore-Mbeki Commission in South Africa. SBA received $100,000 from AID to work with the Egyptian government to define and establish parameters of future endeavors.

Veterans Affairs

- Awarded a contract to the Joiner Center at the University of Massachusetts to study the needs of small businesses owned by disabled veterans. This study will recommend entrepreneurial programs that SBA can implement for disabled veteran entrepreneurs.
- Developed better working relations between the SBA and Veteran Service Organizations, veteran advocate groups, the Department of Veterans Affairs (DVA), and the Department of Labor (DOL).
- Established of a SBA Veterans Task Force for Entrepreneurship to determine how to better meet the entrepreneurial needs of veterans. The Task Force made recommendations to the Administrator about possible changes and additions to SBA programs to better serve the needs of veteran entrepreneurs.

Native American Affairs

- Participated in interagency conference on "Building Economic Self-Determination in Indian Country."
- Issued $700,000 in contracts to provide counseling and training on Native-American reservations through the Tribal Business Information Centers.

Evaluations, Analyses and Surveys

- BIC managers will conduct a client satisfaction survey.
- Evaluate and improve methodology used to measure impact of SBDC program.
- The effectiveness of TBICs in the enhancement of economic development on Indian Reservations will be evaluated.

Goal 2: TRANSFORM SBA INTO A 21ST CENTURY LEADING EDGE INSTITUTION

Strategic Objectives: By the year 2000, SBA will improve the internal controls over its programs and operations by beginning to implement the COSO internal control system; and by the year 2002, the SBA will eliminate material weaknesses in these controls. By FY 2000, SBA will have established an integrated risk management system that accurately identifies and measures risk and allocates Agency resources appropriately to manage those risks, as verified by an independent outside entity.

Annual Performance Goal 7: Ensure a strong internal control environment, identify and manage risk, reduce cost (through increasing productivity, reducing defaults, increasing recoveries, shifting risk to resource partners), ensure customer satisfaction, and act promptly on OIG recommendations.

The projected targets of performance for this goal are shown in the table below. Charge-offs are expected to increase as a direct result of asset sales. As bulk sales are completed, the residue balances will be charged off. These loans will be taken off our accounting records when final transfers are made to investors.

Performance Goals and Indicators	FY1997 Actual	FY1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
COSO-based audit	N / A	Set plan	Assess internal controls	Fin Statement audit & internal ctrl assessment	CFO report / Audit
Net cash collected as % of 7(a) loans purchased	22.2%	21.9%	22.5 %	23.0%	loan system / audit
7(a) Purchase rate *	2.23%	2.26%	2.06%	1.96%	loan audit
7(a) Charge-off rate**	1.31%	1.09%	1.52%	1.48%	loan audit

***** Purchase rate is defined as the gross dollar value of loans purchased during the year as a percentage of the average value of outstanding loans for the fiscal year for 7(a) general business loans.

**Charge-off rate defined as the dollar value charged off as a percentage of the average purchased portfolio during the year.

Modernization of Management and Information Systems

Over the next 5 years, SBA will undertake an Agency-wide systems modernization effort. Under this initiative, we will completely overhaul our programmatic, financial and management information systems and processes. In the first phase, we are focusing on improving program management systems with a particular emphasis on upgrading lender oversight and credit risk management. In the second phase, we will continue to work on the lender database and address modernization needs in our financial management and accounting systems. In the third phase, we will review management systems for the procurement and entrepreneurial development programs and complete efforts to provide all of SBA's programs with a shared client database.

The table below gives the milestones for the different major projects:

Project	FY1998 Actual	FY1999 Target	FY2000 Target
Technology and Systems Infrastructure	Project Report- "Information Technology Architecture(ITA)/ Existing Environment	-Technology Policy Guidance -Develop Systems Modernization Blueprint -Project Report-ITA To Be, Gap Analysis and Implementation Plan	Implement Plan
Lender Oversight and Credit risk management	-Developed Loan Monitoring System Project Plan - Established initial risk mgt database	- Benchmarked best practices - Complete other seven planning steps - Electronic Guaranty Applications - Implement new Lender System	-Implement Loan Servicing System -Implement online Loan Funds Control System
Modernize Financial Mgmt and Accounting Systems	-Developed CFO vision for financial mgt system -Developed Disaster vision	- Disaster Assistance BPR - Develop requirements for CFO and ODA - Market research for COTS accounting packages	- Implement Loan Accounting System
Program Management Systems	-Developed ED* technology vision - Developed GC/MED technology vision	-Implement electronic ED for some programs -Implement electronic SDB system	-GC and MED BPR - Complete implementation of ED's system
Electronic Commerce	6 lenders used Internet to submit FA$TRAK applications	50 Lenders do electronic commerce (LowDoc, PLP)	400 lenders use Net for all loan programs
Data quality	Determine quality by survey	-Develop agency-wide data quality guidance -Develop Data Quality Plan for Loan Monitoring	Data quality plans developed for other systems development

* ED is Entrepreneurial Development, SDB is Small Disadvantaged Business; GC is Government Contracting; MED is Minority Enterprise Development; BPR is Business Process Reengineering

Resources- program levels	FY 1997	FY1998	FY 1999	FY2000
Systems Modernization		$8M	$8M	$8M

Major Strategies

Strong internal control. SBA will improve its internal controls using the standardized methodology established by the COSO (Committee of Sponsoring Organizations of the Treadway Commission). The COSO framework assesses the effectiveness of the entire internal control structure of the organization, provides a foundation for understanding internal controls, and provides a methodology with which entities can assess their internal control systems and make improvements to them. The Agency's internal controls are an essential management process to attain its strategic plan goals under GPRA and to accomplish its mission objectives.

Using the principles of COSO, SBA has developed its "Management's Assessment Process" where management and work team judge the effectiveness of the business process in place, analyze the risk involved in achieving business objectives and establish action plans to improve internal controls. Within available resource constraints, the Agency's internal controls will be monitored and evaluated by management and Agency auditors for accuracy of financial information, compliance with laws and regulations, and efficiency of operations in achieving mission and operational objectives.

Risk Management. The Agency will establish a risk-management function as part of its internal controls that evaluates the different nature of risks that the organization faces and ensures that the organization's resources are applied appropriately to manage these risks. Risks facing the SBA include credit risk, interest rate risk, fraud risk, economic risk, management and operational risk, compliance risk, counter-party risks, and political risk. Through improved understanding and active management of its risks, SBA can assure effective management of its programs and reduce potential taxpayer losses.

Loan Servicing Centers. SBA has completed a loan servicing centralization process and established a loan liquidation center for disaster loans. Based on efforts to improve commercial and home loan servicing, a number of goals have been set. To improve commercial loan servicing, SBA will increase loan receipts to more than 15 percent on all SBA serviced loans, review 100 percent of all delinquent accounts each week, and reduce turn around times on all servicing actions to 2 days.

Asset Sales. The Agency is in the process of implementing an asset sales program to sell selected portions of SBA's portfolio. The program is intended as a long-term credit management tool and not merely a short-term method to liquidate SBA assets. By prudently conducting asset sales that make financial sense, it will be possible to refocus limited staff and resources to other areas within the Agency. We expect that an outcome of the asset sales program will be opportunities for participation by small businesses and by small disadvantaged and women-owned businesses, both as contractors to conduct the program and as purchasers of Agency assets.

Improved Portfolio Management. In FY 1998, SBA developed a comprehensive modernization plan. This plan, to be carried-out over multiple years and in phases, will serve to guide the SBA's process and systems modernization into the 21st Century. Phase I of the plan, partially funded by the Congress in FY 1998 at $8 million, will begin the definition and development of the loan monitoring component of the system. Future phases will address the financial management and non-credit programs of the SBA. The planned system will have the following features:

- Applications and other SBA contacts with its customers will be automated, taking advantage of Internet and other electronic processes, whether they start with a borrower, lender, resource partner or SBA employee. The systems will facilitate and add value to the process.
- Initial information will build a central database to minimize future information gathering and to "link" services provided to SBA's customers to produce a client profile of SBA services and assistance.
- All data and information needed for program delivery, management, accounting, reporting, oversight, and decision making will be captured. Thus, productivity of the user will be increased.
- The total project is anticipated to cost approximately $40 million. SBA received $8 million in FY 1998 and $12 million in FY 1999. A partial summary of the system functionality includes:

  a) lender and portfolio management and oversight;
  b) loan and other non-credit program delivery;
  c) core accounting, including payments and collections;
  d) cost accounting to support GPRA;
  e) administrative support processes, such as personnel and procurement;
  f) client tracking; and
  g) performance measurement and monitoring.

Improve Lender and Borrower Oversight. The chief components of SBA's lender oversight are 1) accurate, more user-friendly information from lender and loan databases; 2) systems improvements that allow for electronic transmission and timely analysis of useful information, building on the 'best practices' of other public and private entities, benchmarking lender performance, and reengineering business processes; 3) performance standards that are clear -- such as the capital requirement embedded in SBA's new securitization proposal; and 4) training -- for district office staff to ensure consistent application of our performance standards, for those examining and supervising the Small Business Lending Companies (SBLCs), and for the depository institution examiners whose work will be an important component of SBA's lender oversight.

Management Information Systems for Decision-making. SBA will improve its information architecture to ensure that the mission of serving small businesses and entrepreneurs is fulfilled. SBA will continue to apply state-of-the-art technologies and build on industry best practices and will review its management reporting systems to ensure that managers receive timely, accurate, and useful information.

Continue Support for the Office of Inspector General (OIG). The OIG budget request for FY 2000 is $11 million, in a separate appropriation. SBA faces increased risk due to significant reductions in the Agency’s budget that are occurring at the same time that the size and scope of its programs are increasing. The OIG’s workload, as measured by SBA portfolio dollars at risk, has risen 69 percent over the last 6 years. In contrast, OIG authorized FTE levels have increased only 14 percent during that time. At the requested level of resources, the OIG will need to prioritize audit, investigation, and inspection efforts to SBA’s most vulnerable operations and programs, and reduce its oversight of the disaster assistance program. Within resource constraints, the OIG plans to provide some level of oversight to such new Agency initiatives as the HUBZone program, GPRA performance validation, implementation of improved internal controls, asset sales, and new information systems.

Management Issues

In January 1999, the Office of the Inspector General (OIG) identified for the Congress issues judged to be “the most critical” management issues facing SBA. Below are the issues and a discussion of what steps have been taken.

<u>Business Loans</u>: Holding lenders more accountable for errors in loan processing and servicing; holding borrowers more accountable for misuse of funds; maximizing recoveries in servicing and liquidation.

SBA has:

- Established a Risk Management Committee for SBA with representation from across the Agency including the Offices of Capital Access, Inspector General, Chief Financial Officer, Chief Information Officer and General Counsel. The

Committee meets on a monthly basis and, at present, is focusing on identifying data from the Agency's loan accounting and lender monitoring systems to be used by key officials in managing risk.

- Restructured the Office of Financial Assistance organizationally to clarify authority and responsibility for each of SBA's loan programs.

- In restructuring its SBA*Express* program *(formerly FA$TRAK)*, the Agency established controls on participation based on a minimum 93% currency rate of lender portfolio. The Agency also implemented a centralized purchase process for SBA*Express* loans consistent with recommendations of the SBA's Inspector General. This centralization of purchases, although limited to a single program, will allow the Agency to test purchase centralization as a vehicle for improving lender oversight and the overall safety and soundness of the 7(a) program.

<u>Fraud Deterrence and Detection</u>: Continuing emphasis on fraud deterrence and detection as greater reliance is placed on resource partners.

SBA has:

- Delegated from the Office of the Inspector General to the Office of Capital Access responsibility for examining the Agency's Small Business Lending Companies (SBLCs). Established and implemented a new SBLC examination program to assure their safety and soundness. Initiated the recruitment for staff and began the drafting of regulatory changes to emphasize risk-weighted capital requirements.

- Fully implemented an aggressive Preferred Lenders Program (PLP) review process. As part of this process, the Agency has established an Office of PLP Review in Kansas City, hired staff and contracted with the private sector for additional support of this effort. This review includes verification that the PLP lenders are following SBA's regulations and procedures. It specifically addresses elements identified by SBA's Inspector General as areas of non-compliance by PLP lenders. The first cycle of reviews will be completed by March 30, 1999.

<u>Minority Enterprise Development</u>: Reducing the concentration of 8(a) contract dollars from a relatively small number of companies; more effectively enforcing SBA rules precluding excessive subcontracting; improving the monitoring of 8(a) companies.

SBA has:

- Issued new program regulations on June 30, 1998 which featured a new § 124.509 concerning non 8(a) business activity targets. This new formula is expected to reduce excessive concentration of contracts by requiring greater mix of both federal and commercial sector awards for 8(a) companies. The range of non 8(a) business activity targets are focussed at participants in the transitional stage and range from 15% in Year one of the transitional program term to a high of 55% in year five.

- Added a review procedure during the participants' annual plan submission process, which will focus on addressing matters pertaining to compliance with the 50% rule. Additionally, we have taken steps to issue a procedural notice addressing the concerns raised in the GAO report. This report brought to our attention the need to focus on the permissible uses of consultants and to address how they should be treated under the subcontracting rule in affect for 8(a) program participants.

- Is improving the monitoring of 8 (a) companies. As part of our process improvements and re-engineering efforts, we are changing our compliance review procedures to incorporate an improved monitoring method. This improvement will feature a random in-depth audit of a percentage of the portfolio on an annual basis. Participants will be informed of this new procedure. They will be advised that the procedure will incorporate an expedited termination feature.

<u>General Management</u>: Developing and Implementing a program-based cost accounting system; Improving information systems controls; Rationalizing the Paperwork Reduction and Privacy Acts with the GPRA to permit effective measurement of outcomes.

SBA has:

- Embarked on a multi-year, estimated $40 million systems modernization program that will permit better data collection and analysis. The new system will provide much more risk management data, and will provide a far better tool for SBA to evaluate individual loan, individual lender and overall program performance.

- As part of the design of the new system, SBA is looking at what industry leaders (Freddie Mac, Fannie Mae, Nationsbank FDIC, OMB and OCC) are doing and modeling its system on their best practices.

- The systems modernization project began in June, 1998 and is scheduled for completion in May 2001. SBA is following the technology investment mandates of the Clinger-Cohen Act and the requirements of P.L. 105-135, the Small Business Reauthorization Act of 1997, to ensure that our projects are implemented at acceptable costs, within reasonable time frames, and contribute to tangible improvements in our mission performance.

Major Initiatives

- *Improved Risk Management, Oversight and Internal Controls.* To fulfill its fiduciary responsibility to the Administration, the Congress and most importantly, the American taxpayer, SBA will lead the Federal Government in the area of risk management, oversight and internal controls. Starting in FY 1998, SBA's Office of Capital Access established a risk management committee and during FY 1999 will further define and refine its roles and responsibilities. In FY 1998, SBA established a COSO project team, and began the process of identifying the specific plans and steps to be taken in FY 1999-2001 to implement a COSO-based system of internal controls within the SBA. The goal is to have all material issues addressed by FY 2002. Also, beginning in FY 1998, SBA started a systematic review of its PLP and SBLC lenders using SBA, other agency and "outsourced" resources to improve its lender oversight and loan performance review efforts.

Major FY 1998 Accomplishments

- *The Agency's Year 2000 Y2K efforts.* The Agency had performed Y2K assessments on all of its 42 mission-critical systems with 100 percent renovated, validated and implemented. Full scale integrated Y2K testing is scheduled to begin early in the first quarter of FY 1999 with all systems expected to be verified and fully operational before the March 31, 1999 deadline. The FY 1999 budget request included amounts for renovation of non-mission critical systems and a fourth quarter contingency or "triage" operation, as well as funds to replace a remaining 10-12 percent of desktop computers and related hardware devices that are not fully Year 2000 capable. This FY 1999 effort will ensure the success of the broader Y2K conversion effort and verify the combined operation of the many separate applications that have been revised to operate in the Year 2000 and beyond.

- *COSO*. The SBA finalized its plan to implement COSO in FY 1999 and FY 2000, contingent upon availability of required resources.

- *Cost Allocation*. The SBA completed a cost allocation study in FY 1998 to allocate its FY 1997 actual administrative obligations to the major Project Program Accounts (PPAs).

- *Loan Monitoring.* In 1998, SBA developed a modernization plan for its loan systems. The plan has been partially funded by the Congress to begin definition and development of the loan monitoring system. A partial summary of the system functionality includes: (1) fully automated application process; (2) lender and portfolio management and oversight; (3) core accounting, including payments and collections; (4) cost accounting to support GPRA; (5) administrative support processes, such as personnel and procurement; (6) client tracking; and (7) performance measuring and monitoring.

- *SBA centralized debt collection centers.* These were established to improve the efficiency and effectiveness of servicing and collection of debt owed the Federal Government by SBA borrowers. Under the Debt Collection Improvement Act of 1996, Treasury was to designate certain debt collection centers to service debt for the Government. SBA is working closely with the Treasury to receive designation as one of these debt collection centers to allow it to continue to service its own debt and possibly that of other Agencies.

- *Loan Servicing.* SBA awarded a contract to a private company for the servicing of 30 percent (approximately 60,000 loans) of the portfolio of disaster home loans.

- *Risk Management.* In FY 1998, SBA established a Capital Access Management Committee that meets monthly to identify, assess and develop a plan to address loan program risk factors. The primary focus of the committee was to analyze the performance of SBA guaranteed loans using performance benchmarks of currency, delinquency, defaults (guaranty purchases), liquidation and losses. Analysis over various time periods will be used on aggregate basis, by loan program and also by lenders to identify negative trends, determine the underlying reasons for the trends and to make policy or procedural changes to minimize their effect on the Agency. The trend analysis will continue in FY 1999 and FY 2000, and additional data elements necessary for effective risk management will be identified for collection from lenders and borrowers. Systems changes will be made to facilitate the data collection process.

- *Interagency Cooperation*. SBA has established a working relationship with the Federal Financial Institutions Examination Counsel (FFIEC) to explore avenues of interagency cooperation. Through this agreement, FFIEC has agreed to provide SBA with (1) legal consultation in assessing SBA's regulatory and statutory framework and advising on potential legislative changes that may be useful in supervising SBA's lending partners, (2) consultation and training for SBA staff on how to conduct on-site examinations and will permit SBA staff to accompany FFIEC's examiners on selected inspections, (3) guidance on some of FFIEC's tools for off-site surveillance. SBA has already benefited from the support of FFIEC members in formulating an examination manual for SBLCs and in writing new securitization regulations.

- *SBLC oversight.* SBA has signed a Letter of Intent with the Farm Credit Administration (FCA) to enter an external agreement. Under this agreement, FCA will review existing SBLCs; recommend changes where necessary in training for SBA employees involved in lender oversight; advise SBA on the SBLC

Examination Manual, examination methodology and oversight policy; and provide on-the-job training in examination processes and techniques to SBA employees. The SBLC examinations began at the end of September 1998 and are expected to conclude in April 1999.

SBA is in the process of drafting new legislation for its SBLCs. These changes would allow for the retention of examination fees to pay for examination and oversight contracts similar to the SBIC program. SBA has also begun to examine and draft possible regulatory changes for SBLCs that are consistent with the risk resulting from the expected increase in activity of these lenders as the use of securitization expands. SBA has hired a private consultant with regulatory experience to advise and assist in the drafting of these new regulations.

- *Benchmarking.* SBA has also contracted with a private consultant to assist the Agency in identifying existing lender oversight models and trends in both private and public industries and defining the infrastructure and process requirements of these approaches exploring the means by which SBA can leverage the expertise and knowledge of bank regulators while maintaining consistency between SBA's bank and non-bank lending partners, assessing SBA's means to control oversight costs through effective off-site monitoring, and determining the appropriate organizational structure for lender oversight.

- *Asset Sales.* SBA completed a plan in FY 1998 for a comprehensive program for bulk asset sales. This plan and other essential information were placed on the internet and are accessible to the public through SBA's home page. SBA also began the procurement process for private sector contractor support, including a program financial advisor, transaction financial advisors, due diligence firms and legal counsel. SBA anticipates scheduling two asset sales prior to the end of FY 1999. SBA expects to schedule at least two additional sales in FY 2000 if the results of the initial sales are beneficial to the Agency.

Goal 3: HELP BUSINESSES AND FAMILIES RECOVER FROM DISASTERS

Strategic Objective: By the year 2002, SBA will ensure that in 98 percent of disasters, effective field presence will be established within 3 days of declaration if appropriate, 80 percent of loans will be processed within 21 days, and 95 percent of initial disbursements will be made within 3 days of receipt of all closing documents.

Annual Performance Goal 8: In FY 2000, SBA will continue to provide an expedited response to disasters to help businesses and families recover, maintain the quality of disaster loan underwriting, and make electronic funds transfer available to all disaster loan borrowers.

SBA High Impact Goal:* *By the year 2002, using telephone-registration, the SBA will eliminate all disaster home loan paper work until loan closing. Depending on the level of disaster activity, as many as 100,000 applicants a year may be relieved of burdensome and duplicative paperwork.

For disaster home loan servicing, SBA intends to improve the currency rate to 95.2 percent and maintain the delinquency rate at 2 percent.

The projected targets of performance for Disaster Lending are as follows:

Performance Indicators	FY1997 Actual	FY1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
Field presence within 3 days of declaration	95%	100 %	98%	98%	State/FEMA/ Media
Loans processed within 21 days	87%	77 %	80 %	80%	ALCS
Disaster Home Loans: Currency rate Delinquency rate	 92.5% 3.9%	 94.3% 1.9%	 95% 2%	 95.2% 2%	 Mars data

Program level (in thousands)	FY 1997 Actual	FY1998 Actual	FY 1999 Budget	FY2000 Request
Disaster Loan Program	$960,809	$639,184	$1,131,950	$934,234

Major Strategies

SBA will coordinate with FEMA and other Federal, state and local officials as appropriate to ensure that SBA's field presence is established in the disaster area within 3 days of a declaration. It will recruit, employ and train sufficient staff to ensure that loans are processed within 21 days of receipt and that initial disbursements are made within 3 days of receipt of all closing documents. In cooperation with SBA's regional/district offices, the Agency will meet with local bankers to emphasize bridge lending to businesses.

To enhance the efficiency of disaster assistance, SBA will implement a standardized loan officer training curriculum; will conduct quality reviews in each Disaster Area Office; will begin the process of automating the disaster loan making process; and will review the current processes for required policy, organizational and procedural changes. SBA has set standards to improve and maintain the quality of disaster loan underwriting (i.e., 97 percent compliance) and disaster home loan documentation (i.e., 95 percent compliance). SBA and FEMA will also continue efforts to develop a joint loss inspection report to be used in a pilot test evaluate the results and make recommendations on their findings.

Major Initiatives

- Develop a paperless electronic application and loan process for home loans.
- Combine the SBA and FEMA inspection of disaster damaged property.
- Pre-disaster Mitigation Pilot Loan Program for small businesses in FEMA-designated "disaster resistant communities. " SBA would use up to $15 million of disaster loan program authority to assist non-farm small businesses, in communities participating in FEMA's "Project Impact" program, with low interest, long term disaster loans up to $50,000.
- In FY 1999, conduct a BPR study to determine the major activities and milestones for developing a paperless electronic processing of disaster home loans.

Major FY 1998 Accomplishments

- Approved 30,154 disaster loans for $728.1 million.
- Loan underwriting compliance rate for FY 1998 was 97 percent
- Loan documentation compliance rate for FY 1998 was 97 percent
- Disbursements by electronic fund transfer were 42 percent in FY 1998.

Critical External Factors

Helping businesses and families recover from disasters requires SBA to work closely with the Federal Emergency Management Agency (FEMA), as well as other Federal, state and local agencies. SBA must coordinate closely with FEMA to establish disaster assistance centers when natural disasters strike, provide expedited responses, cut paperwork, combine loss verification processes, and create on-going partnerships with voluntary agencies, business and industry in the disaster area.

Goal 4: LEAD SMALL BUSINESS PARTICIPATION IN WELFARE-TO-WORK

Strategic Goal: By the year 2002, SBA will help small businesses satisfy their workforce needs by linking them with 350,000 work-ready individuals who are making the transition from welfare to work, whether they become self-employed entrepreneurs or employees of small business.

Annual Performance Goal 9: In the year 2000, SBA will help small businesses satisfy their work force needs through education on hiring incentives, as well as support services and resources for hiring and retaining their new employees.

Performance Indicators for the Wefare-to-Work initiative include the following:

Performance Indicators	FY1997 Actual	FY1998 Actual	FY1999 Target	FY2000 Target	Source/ Validation
# of commitments by small firms to hire plus # on welfare counseled in entrepreneurship	12,800	103,460	64,000	36,000	Reports

Resources (in thousands)	FY1997	FY1998	FY 1999	FY 2000
Other funds		**$150**	**$125**	**$300**

Major Strategies

SBA will work with its resource partners to develop comprehensive community-based proposals in eight to 10 sites of greatest need, focused on helping small businesses overcome their labor shortages by accessing work-ready public assistance recipients. SBA will deliver information to businesses and help welfare recipients start their own businesses. SBA will assist and encourage small businesses to hire or mentor welfare individuals and to assist other businesses in following their example.

Major Initiatives

- Form partnerships with Government and non-profit service organizations to provide entrepreneurial training to welfare recipients in cooperation with SBA resource partners, the One Stop Capital Shops, SBDCs, and Women's Business Centers.
- Develop a pilot program to 1) train Native American welfare recipients who have the potential to become self-employed or start a business and 2) assist small businesses in meeting their labor shortages by helping them find job-ready workers from the Native American welfare pool.

Major FY 1998 Accomplishments

- Developed W2W Web Site (www.sba.gov/welfare), W2W Weekly E-mail Series, W2W database.
- Trained field managers and resource partners in Regions I, II, VII, and VIII.
- Developed strategic alliances with Federal agencies, trade associations, and constituency groups.
- Produced Satellite Conference with Vice President Gore and his Welfare to Work Coalition to Sustain Success with 32 sites and approximately 2,000 participants.
- Managed the selection of the Welfare to Work Entrepreneur of the Year, Small Business Owner of the year, and SBA Associate of the Year.
- Conducted the Welfare to Work Clothing Drive.

Critical External Factors

As a leader in the welfare-to-work initiative, SBA must coordinate its activities closely with the Departments of Health and Human Services (HHS), Labor (DOL), State and local social service agencies, and private sector entities. SBA's focus is on the work side of the equation, helping small businesses find a labor-ready pool of resources to succeed. Essentially, the key to success is the ability of the Agency to identify incentives for the small business community to hire from public assistance rolls, help the local community organizations find and prepare suitable potential employees (particularly with the historically low unemployment figures), and to elicit the support of community organizations and SBA resource partners to assist individuals on public assistance become productive workers or entrepreneurs.

Goal 5: SERVE AS A VOICE FOR AMERICA'S SMALL BUSINESS

Strategic Objective: By the year 2000, SBA will develop an analytical capacity to assess and measure the economic effects of regulatory, legislative, and other policy changes on small business and demonstrate material improvements for small businesses from these changes, promote regulatory fairness, and speak out on small business concerns.

Annual Performance Goal 10: Maintain accurate and current data on small business from the Bureau of the Census and other sources. Identify and disseminate information and research to policy makers and small business stakeholders on small business characteristics that are relevant to the formulation of public policy.

Annual Performance Goal 11: Identify and reduce barriers to access to capital for emerging small businesses and economically disadvantaged business owners.

Annual Performance Goal 12: Improve across-the-board Federal agency compliance with the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996;

Annual Performance Goal 13: Promote an understanding of small business rights in regulatory enforcement in the small business community and among regulators, and research and report to Congress on the Federal regulatory enforcement climate faced by small businesses nationally, and report to Congress and the Administration on Federal enforcement practices and their effects.

The projected targets of performance include the following:

Performance Indicators	**FY1998 Actual**	**FY1999 Target**	**FY2000 Target**	**Source/ Validation**
Number of reports	24	25	50	Publication
State exemptions for ACE-Net	27	42	50	reports
Number of Rules commented on/ SBREFA panel reports completed	98/8	97/7	98/7	Annual Reg Flex Report
# of reviews of regulatory proposal for small business impact	1675	2500	2,500	Report
# of agencies appointing RegFair compliance officials who are indep of enforcement activities	20	30	36	Certification from Agency Heads
Number of RegFair hearings held	10	10	10	Posted

Program/initiatives levels (in 1000s)	FY 1997	FY1998	FY 1999	FY2000
Advocacy Database	$654	$ 800	$800	$1400
Ombudsman and Regional Fairness Brds	-	-	$500	$500

Major Strategies

Identify Needs of America's Small Business and Craft Solutions

- Collect statistical data. Of great value has been the Office of Advocacy's data on job generation by small businesses, documenting that small business created and estimate of almost 80 percent of the net new jobs in the past 7 years. This data underscores the importance of small business to the economy and needs to be tracked over time to see how individual firms grow. This requires a new data base, work on which has begun in cooperation with the Bureau of the Census.
- Report to Congress on small business' contributions to the economy, including trends affecting those contributions.
- Using industry-by-industry microdata, ensure that regulations do not unduly burden small business and document the feasibility of less burdensome alternatives.
- Work with small business representatives, small business trade association executives, small business round tables that address specific regulatory issue areas, and with technical experts to identify emerging needs and to solicit feedback on specific regulatory initiatives
- *C*ontinue to focus Advocacy's research on identifying market and assessing how they are impeding small business survival and growth.
- Through the Office of Women's Business Ownership ensure that women's economic issues are addressed through the Interagency Committee on Women's Business Enterprise by leading a coordinated effort to increase capital and procurement access, improve data collection, develop entrepreneurship best practices and highlight women's contributions to the economy.
- SBA's Ombudsman and Regulatory Fairness Boards will identify small firm concerns about regulatory enforcement and develop recommendations on improving the national enforcement climate for small businesses.
-

Develop Empirical Data on Small Business; Analyze and Disseminate It to Decision makers[19]

- Improve the research and data bases needed by the Office of Advocacy so that it can fulfill the mission given to it by Congress to analyze the contributions small

[19] The importance of data is underscored by policy maker inquiries about the impact of mega mergers on small business as competitors or as suppliers; how technology is affecting the birth and growth of small business; how small business is faring under procurement reforms; what the patterns of small business growth will be as the nation enters the 21st century.

business makes to the economy, how it fosters competition, identify marketplace barriers to small business growth and the cost of regulation. SBA will also expand its capability to evaluate the impact and effectiveness of lending and technical assistance programs to ensure they are meeting their stated objectives.

- Continue Advocacy's work with the Bureau of the Census developing additional studies based on the new Longitudinal Establishment and Enterprise Microdata (LEEM) data base that will track the birth and growth of individual firms over time, providing unassailable data on job creation by small business.
- Work with the Bureau of Labor Statistics to implement a program so that Advocacy can generate establishment and enterprise data by firm size based on employment statistics by FY 2002. SBA will assist the Bureau of the Census in conducting an important survey to provide information to the Federal Government on women business owners.
- Identify and disseminate information and research developed by Advocacy to policy makers and small business stakeholders on small business characteristics that are relevant to the formulation of public policy. The strategy is to identify new data on small business and then use new technology to disseminate this information with ease of access to pertinent policy makers. This means increasing the availability of data, reports and links to other providers of Small Business data, research results and information via the Internet, CD-ROM and seminars.

Implement Regulatory Fairness

The 1996 SBREFA mandated processes to be followed by agencies which manage small business activities, processes that include, among others, outreach requirements, regulatory fairness boards, compliance policies and guides, and the creation of a Small Business and Agriculture Regulatory Enforcement Ombudsman. It also adopted significant amendments to the Regulatory Flexibility Act of 1980 (RFA), the major ones being the establishment of Small Business Regulatory Review Panels for EPA and OSHA regulations, judicial review of agency compliance with the RFA and confirmation of the Chief Counsel's authority to appear as "*amicus curiae*" in regulatory appeals.

A major thrust of the amendments was to ensure the participation of small business at the earliest possible stages of regulatory development, particularly with regard to EPA and OSHA regulations. Advocacy/SBA has led the way in implementing the Small Business Regulatory Enforcement Fairness Act (SBREFA). The Ombudsman, through the Regulatory Fairness Boards, is helping small firms/and or their representatives identify enforcement problems being encountered and is providing agencies with specific information so that the agency can resolve the specific problem or modify operating enforcement/compliance policies.

Advocacy has and will continue to play a significant role in EPA's and OSHA's Small business regulatory review panels, ensuring that small entities play a meaningful role in panel process and that their input is considered by these two regulatory agencies. Advocacy's participation in SBREFA panels is non-discretionary and is dictated by agency initiatives The key to effective participation, as experienced to date, is micro data to demonstrate the feasibility of less burdensome public policy alternatives .

Advocacy has conducted training sessions for over 500 Federal regulatory officials on their obligations under the RFA as amended by SBREFA. As a consequence of Advocacy's training sessions, agencies are consulting with Advocacy more frequently prior to publishing burdensome rules, or are incorporating elements of flexibility into rules based on formal comments filed by Advocacy.

Another strategy is selective and judicious use of amicus curiae authority in appeals brought by small businesses under SBREFA to establish legal precedents that stimulate even broader regulatory compliance with RFA. Advocacy has used this authority once and prevailed on the issues in the appeal. Advocacy does not expect to have to use this authority often but it is, nevertheless, a potent element in negotiations with agencies to comply with the RFA.

All of this activity directed at implementing "regulatory fairness" mandated by the RFA, has resulted in significant savings for small business- $700,000 – in just one fiscal year. Public policy objectives were not compromised and rules were fairer to small business.

The SBA Office of the National Ombudsman coordinates 10 Regulatory Fairness Boards, each comprising five small business owners who collect information on Federal regulatory enforcement. Among their public awareness programs are public hearings at which they take testimony from both sides of small business regulation: Government regulators and the small businesses they regulate. These hearings establish a public record, juxtaposing what agencies say are their enforcement practices and policies alongside what small businesses say they have experienced in enforcement actions.

Through a variety of outreach efforts, the National Ombudsman also seeks comments from small businesses, often on a confidential basis, and brings information to the attention of regulatory officials to promote fairness. Working with the Fairness Boards, the National Ombudsman reports to Congress on agency-by-agency compliance with SBREFA's provisions for fairness in regulatory enforcement. This report also details progress and problems in promoting fairness for small businesses and in urging Federal agencies to set as their primary enforcement objective the attainment of compliance, rather than the imposition of penalties.

Identify and disseminate information and research to policy makers and small business stakeholders on small firm characteristics relevant to the formulation of public policy

The strategy is to identify new data on small business and then use new technology to disseminate this information with ease of access to pertinent policy makers. This means increasing the availability of data, reports and links to other providers of Small Business data, research results and information via the Internet, CD-ROM and seminars. Small business data by firm-size is essential to regulatory agencies for use in performing regulatory flexibility analyses and in assessing regulatory alternatives as required by the Regulatory Flexibility Act (RFA). Currently, the Advocacy database, tabulated by Census, is the only Government data set that tracks economic trends by firm size on a year-to-year basis. Advocacy research has documented barriers to equity financing, the need for new laws to promote the development of small business benefit programs, among others. Statistical data continues to be the foundation for informed public policy development.

Evaluate regulatory enforcement activities of federal agencies government-wide

The RegFair Program is mandated by law to “annually report to Congress and affected agencies, evaluating the enforcement activities of agency personnel including a rating of the responsiveness to small business of each agency.” The 1999 Report to Congress evaluates Federal agencies in a number of regulatory areas: responsiveness to comments; participation at hearings; implementation of last year’s recommendations; as well as the regulatory rights notification.

Small Business Y2K Campaign

The SBA is focusing significant attention on the Year 2000 (Y2K) issue as it affects the Nation’s 24 million small businesses. Through an intensive public awareness initiative “Are You Y2K OK?” SBA is alerting the small business community to the Y2K problem. It is also providing small business owners with information to help them assess Y2K vulnerability, and to take remedial action. The SBA’s Y2K message is simple and threefold: first, prompt self assessment of vulnerability; second, timely action to remedy vulnerabilities and to test solutions; and third, staying abreast of developments. Through this message, SBA is encouraging the small business sector to address the Y2K matter in a rational, business-like manner.

The SBA developed its message internally early in FY 1998. It then tested and refined the message through a series of "focus groups" with key representatives from the information technology industry. Based on its experience in formulating and testing its message, SBA is mounting its "Are You Y2K OK?" initiative in partnership with the private sector and other Federal agencies. A key participant in the partnership is the Information Technology Association of America (ITAA). SBA is seeking to complement its efforts with resources from the private sector. A number of large firms have agreed to include SBA's Y2K message in their mailings and to print its articles in their publications. Additionally, SBA has established a Y2K website and a "faxback" facility

The SBA will communicate its message to the small business community through a variety of mechanisms. The Agency has developed and is distributing a number of Y2K public relations materials including articles, press kits, fact sheets, talking points, posters, bill stuffers, lapel pins, and camera ready artwork. In partnership with the private sector, SBA is engaging in an multi-tiered public awareness approach. At the National level, the Administrator, Deputy Administrator, and senior staff are making a number of highly visible public appearances to discuss Y2K. At the same time, SBA is initiating educational activities at local levels, conducted with SBA's resource partners, such as Small Business Development Centers and the Service Corps of Retired Executives. A number of coordinated national-local level awareness events and activities are planned. To ensure that the message is delivered consistently and continuously throughout the country, SBA has built Y2K reporting requirements into its management reporting system.

Over the coming 18 months SBA will "refresh" its message at least three times to ensure that the small business community is responding to the Y2K issue. At various points during this period, SBA will evaluate its effectiveness in communicating with its market.

Major Initiatives

- *Enhance Advocacy Data Collection, Regulatory Flexibility Analyses and Economic Studies.* The Office of Advocacy is the only office in the Federal Government responsible, by Congressional mandate, for evaluating the state of small business and its contribution to competition, as well as the impact of regulation on small business. Congress imposed additional regulatory and statistical responsibilities on the Office with enactment of the Small Business Regulatory Enforcement Fairness Act. As stated earlier, the regulatory work of the office resulted in an estimate $700k in savings to small business in one fiscal year. These savings are directly attributable to the use of microdata to demonstrate the public policy feasibility of less burdensome regulatory alternatives. Funds for this activity, which is expected to increase, are requested in the amount of $1.4 million to fulfill its statutory mandate.

- *Focus Groups:* The Office of Advocacy plans to hold 10 focus groups throughout the country, soliciting input from the best minds and experts on what small businesses can expect from trends in the economy. Research tells what is has or is happening. The focus groups will help *forecast* those issues that public policy makers may have to address.

- *Study mergers in selected industries.* In addition, the Office of Advocacy will try to find sponsors for a study of the small business impacts of merger activities in selected industries. The study will identify those issues that should be addressed by public policy.

- *Outreach.* The Office of the National Ombudsman reaches out to small businesses that have regulatory enforcement concerns, not only directly and through trade associations and the small business press, but also through Federal regulatory agencies, and through Congressional offices.

- The RegFair Program and National Ombudsman plans on improving the effective of the public hearings by focusing more directly on regionally identified problems facing small business.

Major FY 1998 Accomplishments

- Advocacy has already met its FY 1999 goal of reducing to 23 months the time needed by Census to report small firm data to Advocacy.
- Advocacy exceeded its FY 1998 goal of having 22 states adopt the accredited investor exemption - 26 states have adopted the exemption.
- Advocacy produced a record number of reports – 24 – on a wide range of issues that includes the merger activity of small businesses, women-owned businesses, banking studies, small business lending patterns of holding companies, micro-lending by banks, among others
- Advocacy has conducted training sessions for over 500 Federal regulatory officials on their obligations under the RFA as amended by SBREFA and has similarly trained trade association executives and attorneys representing small business clients. The focus of this effort has been to ensure Agency compliance with the law and outlining for small business the new options given to them for participating in the rule-making process.
- Advocacy's Annual report to Congress on Agency compliance with RFA.
- Completion of six Environmental Protection Agency SBREFA panels.
- First *amicus curiae* brief filed by Advocacy (The Court agreed with Advocacy's arguments and remanded the challenged rule to the Agency.)

- Ten Regional public hearings held by the Regulatory Fairness Program (RegFair) with testimony taken from more than 200 small business representatives and a dozen federal regulatory agencies, with transcripts posted on public web site.
- Ombudsman's Report to Congress on Reg Fairness with 10 recommendations for enforcement policy initiatives and an evaluation of agencies.
- Regional Regulatory Fairness Board members have been instrumental in developing Regulatory Fairness legislation at the state level. This was one of the methods by which the RegFair program had a significant impact beyond the Federal level by encouraging states to introduce their own legislation.
- The Fairness Boards and the National Ombudsman have requested Federal agencies to fulfill their statutory obligation of notifying small firms, at the time of regulatory enforcement and compliance, of the right to file confidential comments. Twenty-two of the 36 agencies have agreed to notify small firms.
- The National Ombudsman has worked directly with five agencies to improve level of communication and cooperation in achieving Regulatory Fairness goals. The Office met with these agencies to discuss internal agency implementation of SBREFA; follow-up on implementation of last year's recommendations; and comment review and response process.
- Adoption by 12 Federal regulatory agencies of a policy of informing small businesses at the time of enforcement of their rights under SBREFA.
- Agreement by 20 Federal regulatory agencies to establish a review process for handling appeals from enforcement actions, headed by an official appointed by the agency head and independent of the enforcement units

Advocacy Publication of:

- *State of Small Business: A Report of the President*
- *Fourth Annual Banking Study*
- *Bank Holding Company Study (3rd Annual)*
- *Micro-Business-Friendly Banks in the U. S. (3rd Annual)*
- *Small Business Growth by Major Industry*
- *The Impact of Bank Mergers and Acquisitions on Small Business Lending*
- *The New American Evolution: The Role and Impact of Small Firms.*
- *The Regulatory Flexibility Act: An Implementation Guide for Federal Agencies*

Critical External Factors

Serving as a voice for small business, reviewing Agency regulatory proposals for small business impact, and acting as ombudsman for regulatory redress requires close collaboration with major Federal regulatory agencies. In all, the Office of Advocacy monitors the regulatory proposals of approximately 20 regulatory agencies, as well as Administration and Congressional initiatives.

Part 3

Part 3 discusses a number of critical areas required to bring SBA into the 21st century as a modernized, reinvented Agency: cross-cutting programs, systems modernization, workforce transition, program evaluation, Federal credit measures, and Office of the Inspector General activities. To meet the demands of the new millenium, SBA will work more closely in partnership with a broad range of public and private sector organizations (cross cutting issues), improve its systems and processes to support the new functions (systems integration and data capacity), transition the work force (human resource management), improve its evaluation and program oversight, particularly using Federal Credit measures, and the Office of the Inspector General's Annual Performance Plan.

I. Cross-Cutting Programs

Innovation and Research Assistance

The Small Business Innovation and Research (SBIR) and Small Business Technology Transfer (STTR) programs promote commercialization of innovation and transfer of technology by the small business sector, arising out of Federal research and development. By statute, SBA is responsible for policy formulation, program monitoring, oversight, and reporting. The Agency also encourages broader participation in the processes of innovation and technology transfer by New Market firms, especially small disadvantaged and women-owned businesses.

SBA coordinates the SBIR and STTR programs with participating Federal agencies through: publication of government-wide pre-solicitation announcements, agency quarterly program managers, ongoing dialogue with program managers from the 11 participating agencies. The agencies participating in the SBIR program include Departments of Energy, Commerce, Defense, Agriculture, Health and Human Services, Education and Transportation, NASA, NSF, and EPA. The agencies participating in the STTR program include the Department of Defense, Energy, Health and Human Services, NASA and NSF.

Agencies and their Programs

Agency	Program Description
U.S. Small Business Administration, Office of Technology , **Small Business Innovation Technology Research**	Under the SBIR Program, 10 Federal agencies make competitive awards to small businesses aggregating 2.5% of their annual extramural research and development budgets. Phase I awards are made for up to 1 year, to a maximum $250,000, for investigation of the merit of an innovative concept. Phase II awards are made for up

(SBIR) Program	to 2 years, to a maximum of $750,000, for further development of selected Phase I projects. Phase III is commercialization of Phase II projects in the private sector, or thorough non-SBIR Federal funding.
U.S. Small Business Administration, Office of Technology , **Small Business Technology Transfer (STTR) Program**	Under the STTR Program, 5 Federal agencies make competitive awards to joint ventures between small businesses and non-profit organizations. Phase I awards are made for up to 6 months, to a maximum $100,000, for investigation of the merit of an innovative concept. Phase II awards are made for up to 2 years, to a maximum of $500,000, for further development of selected Phase I projects. Phase III is commercialization of Phase II projects in the private sector, or thorough non-STTR Federal funding.
U.S. Department of Commerce, National Institute of Standards and Technology, **Manufacturing Extension Partnership (MEP)**	MEP helps smaller manufacturers adopt and supply performance-improving technologies in response to intensifying domestic and international competition in manufacturing. It does this through a network of locally-based affiliated manufacturing centers involving Federal, state, and local governments; industry; and educational institutions.
U.S. Department of Commerce, National Institute of Standards and Technology, **Advanced Technology Program (ATP)**	ATP makes awards to new technology based firms and small businesses to support development of high-risk, enabling technologies that can be translated into new business opportunities, new industrial processes to improve productivity of U.S. producers, and new products and services for world markets.

International Trade Assistance

In 1993, the Clinton Administration, in line with the intent of the Export Enhancement Act of 1992, established the Trade Promotion Coordinating Committee (TPCC) to develop a new National Export Strategy and to coordinate the 19 agencies of the Federal Government involved in international trade. The goal was to act strategically to target export promotion and export finance programs to maximize their effectiveness and to avoid costly duplication and overlap.

Through the efforts of the TPCC—supporting high-level trade negotiations to providing a network of assistance for small firms—the US Government has a more coordinated program of targeting its resources and expertise to increase US exports. We know that good jobs, sustained economic growth, and stronger communities depend on our ability to compete successfully in the global marketplace. Given the increasingly deteriorating economic conditions in Japan, Asia, Russia, and most recently, Latin America, our strategic approach to helping small businesses take advantage of opportunities in the global marketplace will be essential to our continued economic growth.

Through SBA's involvement in the Administration's TPCC, small business has become a focus and SBA continues to participate in the overall efforts to improve coordination and stimulate long-term approaches to barriers impeding U.S. exports in emerging regions. Robert Rubin, Secretary of Treasury, identified four principal barriers to increased export sales, two of which SBA is addressing directly in its products and services: (1) Strength of the US economy; (2) Economic turmoil in Asia; (3) Inadequate access to trade finance; (4) Inadequate access to trade-related information and technical assistance. Other impediments include corruption, government-imposed obstacles related to export controls, and arcane licensing processes.

The TPCC strategy encourages a range of efforts to enhance overall technical assistance efforts, to include focusing on the small and medium-sized firms. Data from the Bureau of the Census shows that small firms account for 28 percent of total sales by manufacturing firms, but only account for 13 percent of total exports by manufacturing firms. If these firms contributed to our export profile the same that they contribute to our domestic economy and accounted for 28 percent of exports by manufacturing firms, they could have exported as much as $60 billion more in 1996. Even a 10 percent increase in exports of all small firms would lower our trade deficit by $18 billion, or 17 percent.

The TPCC outlines several strategies for increasing the number of small firms exporting and their total volume of exports. First, we need to provide a continuum of services to small businesses, using the entire network of US Export Assistance Centers (and 81 Department of Commerce export assistance centers that form the spokes to the 19 Hubs), Trade Information Center, District Export Councils, USDA's Foreign Agriculture Service and Small Business Development Centers. Second, we need to deliver programs to the business community, working hand-in-hand with the private sector in doing trade missions, matchmakers, product literature centers, trade fairs, and agent/distributor services. Third, we need to deliver more services over the Internet, continuing to develop the *Export Advisor* as an interagency, functionally-driven "virtual USEAC." Fourth, we need to improve our trade finance, completing work on SBA *Export Express* and supporting the growth of SBA's Export Working Capital and International Trade loan programs and EXIM Bank's harmonized export working capital loan programs.

SBA's Office of International Trade (OIT) is the only office in the Federal Government that **exclusively** targets small business clients for finance and trade promotion assistance. Its mission is to expand employment and income opportunities for small businesses through exports of U.S. goods and services**.** OIT delivers both financial and technical assistance programs to U.S. small business exporters through personnel located at 19 U.S. Export Assistance Centers (USEACs) nationwide.

Agencies and their Programs

AGENCY	DESCRIPTION
U.S. Export Assistance Centers (USEACs)	Combine the trade-promotion and export-finance resources of the SBA, Dept of Commerce, The Export-Import Bank and in some locations, the Agency for International Development, and the Department of Agriculture. Designed to improve delivery of services to small- and medium-sized businesses, USEACs work closely with other federal, state and local sources of export assistance. SBA has a critical role in these one-stop shops for export assistance, from export finance to counseling and market information and trade leads.
SBA: Export Counseling	SBA provides export counseling to new-to-export and ready-to-export businesses through its network of district offices, Small Business Development Centers and the Service Corps of Retired Executives.
SBA: Export Working Capital Program	SBA provides export working capital guarantees of 90 percent on transactions under $750,000 providing the small business exporter with much-needed short-term working capital.
DOC: The Trade Information Center and NTDB/STAT-USA	DOC operates a comprehensive information center for U.S. companies seeking information on Federal programs, activities and services that support U.S. exports including information on overseas markets and industry trends.
DOC: International Trade Administration	ITA assists U.S. exporters in locating, gaining access to and developing foreign markets and furnishes information on foreign markets open to U.S. products and services.
DOC: U.S. Export Assistance Centers	DOC is co-located with SBA at the USEACs where, in addition to counseling, they provide detailed, long-term export marketing and consulting services and offer U.S. exporters programs and services to gain entry to or expand export markets.
Export-Import Bank (Eximbank): Export Credit Insurance	Co-located with SBA and DOC at the USEACs, Eximbank provides a variety of insurance services to the exporter, including insurance for financing or operating leases, medium-term insurance, new-to export policies, insurance for the service industry, an umbrella policy and multi- and single-buyer policies.
Eximbank: Working Capital Guarantees	Harmonized with SBA, Eximbank provides working capital guarantees of 90 percent to exporters with transactions greater than $750,000
Eximbank: Direct and Intermediary Loans	Provides direct loans to foreign buyers of U.S. exports and intermediary loans to fund responsible parties that extend loans to foreign buyers of U.S. exports.
Department of Agriculture (USDA): The Market Promotion Program	Co-located with SBA, DOC and Eximbank, USDA's program is designed to encourage the development, maintenance and expansion of commercial export markets for U.S. agricultural commodities through cost-share assistance to trade organization for overseas promotions.
USDA: Ag Export Connections Program	Offers four low-cost services to help U.S. exporters make direct contact with foreign buyers: trade leads, the Buyer Alert newsletter, foreign buyer lists and U.S. supplier lists.

U.S. Agency for International Development	Through loans and grants, USAID enables public- and private-sector importers in developing countries to purchase U.S. products and services. SBA works with AID in assisting foreign governments to identify and implement SBA-like programs and services and disseminates information from AID regarding foreign procurement opportunities for U.S. small businesses.

Business Development Assistance

SBA is charged with providing business development assistance to firms owned by socially and economically disadvantaged persons through Federal contract set-aside programs and through cooperative agreements with service providers for management and technical assistance. SBA accomplishes this through its own products and services as well as through partnerships with other Federal, state and local agencies and the private sector. For example SBA is partnering with the Department of Commerce's (DOC) Minority Business Development Agency (MBDA) to offer assistance at Business Resource Centers where NationsBank provides the resource center and SBA and DOC provide the counseling and management assistance. SBA and DOC also co-sponsor the annual minority enterprise development national conference (MEDWEEK).

The SBA and DOC provide different products and services and focus on different market segments. SBA provides counseling and technical/management assistance to help small firms write business plans, apply for loans, compete for federal contracts, and run a business. SBA focuses on long-term competency-based skills and institution building. DOC provides services to minority businesses, regardless of size, and seeks to enhance the continued development of these firms by increasing their access to business resources and markets.

Agencies and their Programs

AGENCY	DESCRIPTION
SBA: Minority Enterprise Development	A business development program designed to assist socially and economically disadvantaged business persons gain access to the resources needed to develop small businesses and improve their ability to compete in the mainstream of the American Economy. All SBA lending and business development programs are available to 8(a) program participants. • *8(a) Business Development* - Utilizes the SBA's Section 8(a) contracting authority to provide business development assistance to minority- and other disadvantaged-owned firms through Federal contract set-aside programs. • *7(j) Management and Technical Assistance* -Authorizes the SBA to provide grants and enter into cooperative agreements with service provider for specialized assistance in accounting, marketing and proposal/bid preparation. Industry-specific technical assistance and

	entrepreneurial training also are available. • Minority Prequalification loan Program • Pro-Net Data base
Dept. of Commerce: Minority Business Development Program (MBDA)	Program designed to coordinate, promote and market Federal and private sector activities that help minority businesses grow. Agency funds organizations that provide management and technical assistance to minority entrepreneurs.
Dept of Transportation: Disadvantaged Business Enterprises (DBE)	Program designed to remedy discrimination of small businesses owned by women, minorities, and other socially and economically disadvantaged individuals in the construction industry. Program is characterized as neither a set aside program nor a quota program. Related programs: • Short-term Lending Program. Enables Minority Business Enterprises to obtain accounts receivable financing for transportation related projects at prime interest rates. • Bonding Assistance Program: Provides an opportunity for DBE/MBE/WBE to obtain bid performance, and payments bonds for transportation related contracts. • Liaison Outreach and Services Program to minority chambers & trade asso. The National Information Clearinghouse (NIC) grants internship programs in conjunction with HBCU's and Hispanic serving institutions.
All Defense & Selected Civilian Agencies (GSA, DOE, DOT, NASA) : Small Disadvantaged Business (SDB)	Set-aside programs designed to award certain acquisitions exclusively to small disadvantaged businesses.

Veterans Affairs

SBA's role is to increase opportunities for small business success for veteran-owned businesses, with an emphasis on service-disabled veterans. This goal is achieved by enhancing entrepreneurial development assistance and expanding small business procurement opportunities. Entrepreneurial development assistance consists of training, counseling, management assistance, education and mentoring in all the SBA program and external resource areas.

In the past, the Office of Veterans' Affairs partnered with the Department of Veterans Affairs, Office of Small and Disadvantaged Business Concerns to conduct business management briefings on the resources within SBA that help small business grow and become better able to do business with the Federal Government.

A new initiative is a the formation of a partnership between the Small Business Administration and the Department of Veterans Affairs and the Department of Labor to assist disabled veterans to become entrepreneurs by providing the necessary business development and financial assistance needed to start a small firm.

Agencies and their Programs

DVA: Office of Small & Disadvantaged Businesses	Provides seminars on Federal contracting opportunities to veteran-owned small businesses.
DOL: Office of Veterans Training and Education	Provides an outreach effort to veterans concerning employment and self-employment opportunities. Assists service disabled veterans in developing strategies to become self-employed by conducting feasibility studies.
DOL: Office of Transition Assistance	Provides counseling to separating veterans about civilian job opportunities.

Disaster Assistance

Helping businesses and families recover from disasters requires SBA to work closely with FEMA, as well as State and local agencies. The Federal Response Plan (FRP) describes the initiation, coordination, and implementation of the wide array of Federal disaster programs that provide assistance directly to individuals and families, businesses attempting to recover from the effects of a major disaster declared by the President.

Systematic coordination among agencies is necessary before and during a disaster to assure effective, efficient delivery of the array of recovery programs that can aid disaster victims. The Stafford Act assigns FEMA a coordination role- the interactive process by which multiple Federal assistance programs are reviewed, initiated, implemented, and delivered to address the unique needs of a particular disaster area. Interagency coordination is critical to promote efficient, consistent Federal action. It also helps avoid *ad hoc* decision making, funding initiatives at cross purposes, replicating effort (multiple damage assessments, inspections, environmental reviews), and duplicating benefits.

In a typical declared major disaster or emergency involving recovery programs, FEMA coordinates the processes that provide initial registration services for Disaster Housing, the Individual and Family Grant (IFG) program, and the SBA Disaster Loan programs, and coordinates other recovery programs. Registration and processing services include application-taking, determination of eligibility for Disaster Housing assistance, home inspection for verification of reported damages and needs, and referral of applications to the SBA and IFG program, as appropriate.

Disaster assistance programs for individuals, families, and businesses often overlap in their coverage and purpose. Section 312 of the Stafford Act requires that no person, business concern, or other entity receive Federal disaster assistance for any part of a loss that has been covered by any other program, insurance, or any other source. FEMA has established a policy and procedure, which outlines when duplication can occur, and describes procedures for preventing and rectifying duplication. This policy includes the concept of a sequence of delivery.

The delivery sequence establishes the order in which the major forms of overlapping assistance should be provided. The agency which has primary responsibility for delivering a certain type of assistance should provide that assistance first, and may do so without regard to other agencies with similar assistance which are lower in the sequence. The agency which disrupted the sequence must take the corrective action. Agencies are not prohibited from disrupting the sequence if doing so would affect the recovery of an applicant.

The sequence of delivery is:

- Voluntary organizations' emergency assistance; insurance proceeds (including additional living expense benefits);
- Disaster housing assistance, including rental assistance, funds for minimal repairs, and provision of housing units;
- SBA and USDA disaster loans;
- Individual and Family Grant awards; and
- Voluntary organizations pay "additional assistance" benefits.

Agencies and their Programs

Agency	**Program**
SBA: Physical Disaster Loans (Individuals)	Direct long term, low interest loans to homeowners and renters to repair or replace uninsured damages to real and personal property caused by disasters. Loan amounts limited to $200,000 to repair or replace real estate, and to $40,000 to repair or replace personal property.
SBA: Business Disaster Loans	Direct long term, low interest loans to businesses and nonprofit organizations. Loans provided to repair or replace uninsured property damages caused by disasters. Loan limited to $1,500,000.
SBA: Economic Injury Disaster Loans (EIDL)	Direct long term, low interest loans to small businesses and agricultural cooperatives. Loans are only available to applicants with no credit available elsewhere and the maximum amount of an EIDL loan is $1,500,000.
FEMA – Cora C. Brown Fund	Grants to disaster victims for unmet disaster-related needs.
FEMA – Hazard Mitigation Grant Program	Project grants to local communities, via State, to implement hazard mitigation plans and prevent future loss of lives and property.
FEMA - Individual and Family Grant Program.	Grants to individuals administered by the State. Objective is to provide funds for the expenses of disaster victims that cannot be met through insurance or other assistance programs.

HUD – Community Development Block Grant (CDBG) Program	Formula grants to communities. Preferred use of funding is for long-term needs, but funding may also be used for emergency response activities. States establish methods of fund distribution.
USDA / FSA – Emergency loans	Low interest loans to family farmers and ranchers for production losses and physical damage.
USDA / FSA	20 other disaster specific programs in the form of technical assistance, loans, loan guarantees, and grants.

Microloans

SBA has no MOU's between Agencies regarding the Microloan program. However, the Community Development Financial Institutions Fund (CDFI Fund) has a presidential mandate to coordinate Federal microenterprise programming. SBA does have a cooperative relationship with VISTA that enhances our intermediaries' and technical assistance providers' abilities to obtain VISTA volunteers for human resource needs.

Agencies and their programs

Agency	Program description
SBA: Microloan Program	The Microloan Demonstration Program assists women, low income individuals, minority entrepreneurs, and other small businesses which need small amounts of financial assistance. Under this program, SBA makes direct and guaranteed loans to eligible borrowers. SBA may also make grants under the program to intermediaries and other qualified nonprofit entities to be used for marketing, management and technical assistance to the program's target population.
Dept HHS: Partnership Program	The Demonstration Partnership Program (DPP) develops and implements new approaches in dealing with the needs of the poor, focusing on the causes of poverty. DPP grants, primarily to Community Action Agencies (CAAs), fund discernable, coordinated and replicable projects that provide for a greater self-sufficiency of the poor.
Dept HHS: Job Opportunities for Low-Income People Program	The "JOLI" Program demonstrates and evaluates methods of creating employment opportunities for low income individuals by providing technical and financial assistance to private employers. JOLI grant awards are made to nonprofit organizations to develop projects that will create new jobs and business opportunities for individuals on public assistance, create self-employment / microenterprise opportunities.
Dept HHS: Office of Refugee Resettlement Microenterprise Program	The Office of Refugee resettlement (ORR) microenterprise program targets refugees who are on public assistance and those refugees who possess few personal assets or who lack a credit history that meets commercial lending standards. The refugees typically have been in the U.S. for one or more years and have held entry-level jobs. Since ORR's inception in 1991, approximately 700 refugees have started businesses.
HUD: Self-	Moving to Work (MTW) is a demonstration program in which HUD and 24

Employment Demonstration for Public Housing Residents	public housing agencies (PHAs) design and test ways to give incentives to families to become economically self-sufficient, reduce the cost of housing assistance, and increase housing choices for low-income households. The 24 PHAs receive technical assistance and are granted considerable flexibility in determining how to use Federal funds. Of these, seven PHAs will participate in the "Jobs Plus Community Revitalization Initiative" to substantially increase employment among public housing residents.
HUD: Unemployment Insurance Demonstration Projects	The "Economic Development and Supportive Services Program" (ED/SS) provides grants to aid public and Indian housing authority programs that increase resident self-sufficiency and support independent living for their elderly and disabled residents. About 40 percent of public housing residents list welfare as their primary source of income. ED/SS seeks to help these families to move to work and achieve self-sufficiency.

II. SBA Evaluation Plan

SBA continues to be committed to increasing the level of oversight, performance monitoring, and program evaluation. As part of its effort to modernize processes and systems, SBA will continue to address OIG-identified management issues. We will use both internal and external reviews and evaluations to measure performance, hold managers accountable and report on results. Evaluation in this section is used in the broadest sense and encompasses performance monitoring, client survey methodology, Internet collection of customer information, GAO and OIG audits and inspections, and program evaluation.

Performance Monitoring. SBA conducts annual Quality Service Reviews of field offices and will to monitor its field and headquarters program goals. Both tools, using Agency data systems, will form the foundation for tracking the progress toward achieving the annual performance goals listed in Part 2 of this plan.

Client Surveys. Similar to a tool developed to followup with recipients of counseling services at Women's Business Centers, SBA plans to describe what happens to clients after being helped by one of our products and services. The standardized tool is being considered by other program managers as a means for evaluating the economic outcome of the programs. We also conduct customer satisfaction surveys for recipients of services from BICs and SCORE volunteers to improve services and measure results. Examples of future surveys include disaster loan recipients, SCORE clients, SBDC centers, National Advisory Council members, US Export Assistance Center customers, SBIR participants, and loan recipients.

Internet Collection. In developing Internet-based service delivery sites, SBA is planning to use electronic means to register firms and follow up with customer satisfaction surveys.

Audits. A number of program audits are listed in section VI under the OIG plan that will assess SBA performance.

SBA is also creating an Office of Policy, Planning, and Evaluation, which will be responsible for analyzing policy alternatives as well as evaluating programs and coordinating evaluation activities within the Agency. In addition, the Office will carry out analyses of different programs in order to determine efficiency and effectiveness. Planned SBA projects for FY 1999 and FY 2000 include:

FY 1999

- Develop a general methodology for evaluating SBA delivery systems
- Lead effort to design criteria / data specifications for new IT-systems
- Conduct evaluability assessments and do Requests for Proposals for outcome evaluation for BICS, SCORE, SBDC and WBC
- Design a Balanced Scorecard approach for internal management reviews
- Develop GPRA improved outcome and performance measures
- Evaluate USEACs
- Evaluate CDC pilot

FY 2000

- Evaluate Women's Business Centers
- Evaluate microloan technical assistance
- Evaluate loan asset sales
- Evaluate Disaster loan servicing contract
- Evaluate the 30 percent disaster loan servicing privatization
- Analyze LowDoc, SBA*Express*, micro lending, and asset sales
- Evaluate impact of SBIC financed companies
- Evaluate impact of procurement reform and bundling on small businesses
- Analysis of 7(a) pricing and demand
- Evaluate HUBZones

III. Reinventing SBA Systems and Information Management

Data quality and validity will become increasingly important to SBA as the Agency moves into the era of performance-based management and the digital workplace, where processes and transactions are carried out by participants at various levels over greatly reduced timeframes. To ensure that SBA systems employ reliable and accurate data, the Agency will implement practices and standards based on guidelines being developed by OMB, GSA and interagency groups such as the Electronic Privacy Initiatives Committee of the President's Management Council.

Data validity

Data validity will be improved in three ways:

1. *New Data Systems*. To ensure that SBA systems employ the most reliable and accurate data possible, the Agency intends to implement practices and standards based on guidelines and policies being developed by OMB, GSA and interagency groups such as the Electronic Privacy Initiatives Committee of the President's Management Council Data. Data validity, and the technical means to assure it, will be included as the screening criteria for IT systems and projects included in Agency reengineering efforts, or which are otherwise candidates for cost, risk and benefit screening by virtue of their status as major projects. The Agency's IT capital planning work processes will include data quality criteria as part of the technical reviews conducted by the Office of the CIO.

2. *Maintaining existing data systems.* As changes are made to existing systems data validity elements will be considered in order to ensure sufficient data quality.

3. *Performance analysis.* Data validity is tested when analyzing program efficiency and effectiveness. The new Office of Policy Analysis will be conducting performance reviews of a number of programs and analysis of data validity will be a natural component in these studies.

System Modernization

SBA is overhauling its program management systems with a particular emphasis on upgrading lender oversight and credit risk management as the first phase of this multi-year effort. Eventually the project will include significant upgrades to the SBA telecommunications network to support the transfer of data at faster speeds within and outside of SBA. Similar enhancements will be required to support the complex demands of the broad range of interfaces needed for data interchange with SBA's growing partner network. In FY 99, contracts for bench-marking best practices, reengineering business processes, alternatives analysis, and acquisition of software systems, technology infrastructure enhancements, and technical skills for system development and integration will be essential activities in establishing the foundation for subsequent work. The cohort of systems supporting Federal procurement opportunities for small, small disadvantaged (SDB), 8(a) and women-owned businesses, as well as the new HUBZones program will all benefit from the introduction of Internet-based technologies. These vastly redesigned systems will speed and simplify processes for obtaining program information, applying for participation and understanding eligibility for program benefits.

IV. Managing Workforce Transition

To prepare the Agency to meet the needs of small businesses in the 21st century, SBA must recruit and maintain an adequate, diverse, capable, and motivated staff that is:

- well- trained in the new core functions of the Agency,
- well-positioned to deliver exceptional customer service, and
- well-equipped to use the tools of the 21st century.

Currently, SBA plans to achieve this workforce transition in two phases:

1. In FY 1999, begin to construct competency models to determine appropriate skill requirements and conduct pilots to identify appropriate location and personnel levels to expand SBA and partnership assistance to small businesses at the community level;

2. In FY 2000, fund at the $5 million level skills retraining and cost of “buy-outs.”

Major Strategies

The Agency’s transition into the 21st Century will affect employment needs throughout the Agency. The major strategies are:

- Matching existing workforce with new locations – strategies include voluntary assignments, directed reassignments, and use of relocation bonuses.
- Developing/training employees to successfully perform new roles- strategies include competency modeling and core competency training.
- Attrition incentives include use of voluntary early retirement authority and seeking legislation to offer buyouts and the alternative form of annuity.
- Identifying and preparing new leaders- strategies include continued use of candidate development programs, and establishing an organizational development unit in the Office of Human Resources.
- Support efforts of the SBA Affirmative Action/Employment Focus Groups to lead the Agency to reduce the under representation of women and minorities
- Encourage solicitation of diverse pools of nominees and appointments to Agency advisory councils, Boards, Focus Groups which assist SBA offices in accomplishing its mission
- Through an ADR pilot, reduce and resolve manager/employee related disputes, before the become EEO complaints

Major Initiatives

Workforce Transition. The SBA staff will continue to emphasize the importance of having its workforce well-trained, motivated and located in the right geographic locations to perform its mission. Many of SBA's loan making, servicing and liquidation functions are now handled by its lending partners. Likewise, 8(a) approvals and other functions are being delegated to others. The changing structure of our service delivery and the new functions that are evolving will make the successful completion of our workforce transition even more critical. During FY 1999, we will develop competency models for core functions and support organizations. These will be used to identify the specific training that will be required to meet the challenges of the 21st Century.

During FY 2000, SBA will pursue the following:

a) Train the SBA workforce in the skills necessary to meet current Agency programs and responsibilities, and to meet customer needs for assistance ($3 Million).
b) Use retirement incentives, such as early-out and "buy-outs" to provide incentives for employees to retire who do not want to transition to the SBA of the 21st Century. This will require the enactment of legislation ($2 Million).
c) Effectively recruit and retain employees with the skills needed for the future.
d) Implement SBA's program to ensure diversity and equal employment opportunities through diversity awareness training, EEO counselor training, and piloting an Alternative Dispute Resolution program.

Competency Modeling

During FY 2000, we will identify the specific set of competencies required to perform key occupations successfully in the new SBA by linking the knowledge, skills, and abilities necessary for satisfactory or exemplary job performance.

Attrition Incentives

Request legislation to permit SBA to offer buyouts, more formally known as a Voluntary Separation Incentive Program, and to allow retiring employees the Alternative Form of Annuity which gives them the option to withdraw their CSRS retirement contributions for an actuarially reduced lifetime.

Succession Planning and Recruitment

Enhance SBA's ability to recruit, retain and develop employees for vital positions through use of both a senior executive and district director candidate development program, a new leader development intern program, the Presidential Management Intern Program, an extensive College Recruitment Program and the Worker Trainee Program.

Create Organization Development Unit in Human Resources

Sometimes organizational problems will not resolve themselves without outside intervention. HR has managed this process but it has not had either the organizational focus, or the resources to handle an agency in transition.

Timetable and Costs

During FY 1999-2000, SBA will develop competency models for its planned functions and support organizations, and based on these models, identify the specific training needed. We will then develop more accurate estimates of staff to be trained, relocated, and retired. Our current planning assumption is that modernization will require an investment of resources and be staff neutral in the short run (i.e., due to retraining, relocation, new functions), although savings may be achieved in the long run. Experience in the private sector shows that modernization, reinvention, and re-engineering—unlike downsizing or streamlining—does not result in savings in the short run. Based on results of modeling, pilots and business process reengineering contracts conducted over a 12 month period, i.e., January 1999- January 2000, SBA will implement its workforce transition component of the Modernization Plan.

V. Credit Program Performance Indicators

Based on a request from OMB, this section provides a technical discussion of SBA capital and credit programs and ways to measure their results. We have defined three categories of results that are used by credit institutions to measure success: (1) outputs, (2) outcomes, and (3) financial measures (efficiency and health of portfolio).

SBA's credit programs provide access to capital for small. They correct capital market imperfections (e.g., information failures, failure of competition, externalities) affecting the small business sector and promote the growth of small businesses that cannot obtain suitable bank financing or access the private capital markets.

These credit programs are designed to provide small firms with the long- and short-term financing needed to start, maintain, or expand a business. The largest credit program is the 7(a) general business loan guaranty program. It provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The program operates through private-sector lenders that provide loans guaranteed by the SBA.

The Certified Development Program (504) loan program provides long-term, fixed-rate financing through certified development companies (CDCs) to permit businesses to acquire physical assets to expand or modernize. The Small Business Investment Company (SBIC) program licenses private venture-capital firms to offer debt and equity financing. The Export Working Capital Program (EWCP) and

International Trade loans provide capital for small businesses involved in single or multiple export sales. The Microloan program provides up to $25,000 together with technical assistance to the micro enterprise.

SBA Credit Program Objectives.

1. Providing capital to small businesses when it is not otherwise available on reasonable terms.
2. Focusing capital access on New Markets of the small business community, i.e., Outreach to those that need it the most.
3. Providing improved access for small firms with small capital needs, i.e., in the range of $25,000 to $150,000 (e.g., LowDoc, SBA*Express*).
4. Increasing credit program efficiency, i.e., reduce administrative costs, increase recoveries and reduce defaults to an acceptable level (i.e., improve loan servicing, outsourcing, relying more on partners).
5. Increasing credit program effectiveness (outcomes and public policy goals), i.e., increasing number of start-ups, jobs, and sales revenue of SBA clients and improving survivability of small firms.

*SBA's Share of Small Business Financing***.** SBA's credit programs represent a relatively small percentage of the outstanding dollar volume of loans by banks and financial institutions to small businesses. Based on data from SBA's Office of Advocacy, the total dollar volume of loans back by SBA guarantees represents approximately 10 percent of total outstanding loans to small businesses.

SBA's share of business loans to small business (in billions of dollars)

Lender	**1995**	**1996**	**1997**	**1998**
Commercial and industrial loans to small business[20]	$98	$105	$112	$117
Commercial mortgages to small business [21]	$66	$67	$67	$71
Finance company loans to small business[22] (est)	$82	$75	$78	$84
Total loans and financings by banks and finance comp.	$246	$247	$257	$272
SBA outstanding guaranteed loans [23]	$24	$26	$29	$30
SBA guaranteed loans as % of outstanding credit [24]	9.8%	10.5%	11.3%	11.0%

Source "A Directory of Small Business lending in the US Reported by Commercial Banks," June 1995, June 1996, and June 1997. Editions published by the SBA Office of Advocacy.

[20] Based on the assumption that loans of less than $250,000 are small business loans.
[21] Op cit
[22] Op cit
[23] Includes guaranteed 7(a) loans, *LowDoc*, and 501-504 loans. Includes loans of up to $1 million.
[24] The estimate is an overestimate as credit provided by non-bank lenders is underestimated partly because of the rapid growth rate of credit card usage during the last couple of years and the securitized pool of loans in the private sector is not included

SBA Share of Equity Financing. SBA had an estimated 45percent share of the *number* of the venture capital market financings in 1998. The corresponding share for the *dollar* volume of venture capital financings was about 20 percent. Fiscal year numbers are used for SBICs while calendar year data is used for non-SBICs. The numbers do not include straight debt financings by SBICs, only the venture capital type financings, i.e. debt with equity and equity-only financings are included.

SBIC's Share of the Venture Capital Market

	FY1997/CY1996	**FY1998/ CY1997**
# Venture Capital Financings by SBICs	1,351	1,566
# Venture Capital Financings by Non-SBICs	2,136	1,852
Total	3,487	3,418
SBIC percent of total number of financings	38.7%	45.5%
$ of Venture Capital Financings by SBICs	$2.1B	$2.9B
$ Venture Capital Financings by Non-SBICs	$10.1B	$11.5B
Total	$12.2B	$14.4B
SBIC percent of total of dollar amount of financings	17.2%	20.1%

Source: For non-SBICs, the calendar year 1997 data comes from a survey by Venture One of San Francisco, which does not include SBICs. For non-SBIcs, the calendar year 1996 data comes from a study by Coopers&Lybrand, which may include some larger SBICs.

(1) Output Measures. Examples of outputs are:Loan volumes (i.e., the number and dollar value of guaranteed loans, disaster loans and export loans), the share of loans provided to specific borrower groups, customer satisfaction (i.e., the share of lenders satisfied with SBA products and services and the share of borrowers satisfied with their SBA guaranteed loan, its terms and the services of the lender providing the loan).

The table below shows that the number f loans and dollar volumes have increased for 7(a) and CDC / 504 loans.

Number of Approved Loans and Gross Dollar Volume by Loan Program

Year	**7(a)**		**Export Loans**		**SBIC***		**CDC 504**		**Microloans**	
	#	$	#	$	#	$	#	$	#	$
1998	42,317	9.0B	431	169,209	3,456	3.2B	4,930	1.8B	1,092	16.7M
1997	45,288	9.5B	447	158,267	2,731	2.4B	4,131	1.4B	1,115	11.1M
1996	45,845	7.7B	344	116,380	2,107	1.6B	6,884	2.5B	1,308	12.6M
1995	55,597	8.3B	338	123,964	2,221	1.2B	4,509	1.6B	1,543	14.7M
1994	36,480	8.2B	150	72,242	2,348	1.0B	3,873	1.4B	1,578	N / A

* For SBICs these are financings, i.e., equity and debt securities in addition to loans. Financings are made by the SBICs to the Small Business Centers.

SBA's 7(a) program is increasingly targeted to New Markets. For FY1999, the percentage of loans to minorities, women, veterans, and those with disabilities will increase because of increased outreach and improved loan products

Disaster Loans. The next table shows the number of loans and dollar volume for disaster loans to homeowners and businesses.

Number of Approved Loans and Dollar Volume for Disaster Direct Loans

Year	Home loans		Business loans		Disaster total loans	
	#	$	#	$	#	$
1998	24,374	$432M	5,780	$360M	30,154	$728M
1997	38,027	$627M	11,488	$511M	49,515	$1,138M
1996	27,542	$475M	10,280	$512M	37,822	$987M
1995	34,190	$674M	10,851	$543M	45,041	$1,217M
1994	99,181	$2,466M	26,680	$1,692M	125,861	$4,159M
1993	42,597	$862M	16,047	$811M	58,644	$1,673M
1992	15,263	$351M	8,143	$443M	23,417	$795M

The next four tables provide descriptive measures by loan recipient groups (minorities, women, veterans, etc) for four major credit programs. The measures for the 7(a) program in the next table document an increase in the proportion of loans to minorities, women, start-ups, and firms with less than five employees. These figures represent different attributes of our borrowers and the categories should not be added to come up with SBA's cumulative total.

Descriptive measures for 7(a) Guaranteed Loan Program

Year	% loans to minorities	% loans to women	% loans to veterans	% loans less than $100 000	% loans to high tech[25] firms	% loans to start-up firms*	% loans to firms with <4 employees
1998	24	24	13	53	2.0	36	41
1997	22	22	14	54	2.1	34	41
1996	20	23	15	62	1.9	33	40
1995	19	24	15	65	1.9	32	40
1994	19	20	16	37	2.1	24	33
1993	16	14	15	30	2.2	21	30
1992	15	14	15	31	2.2	21	N / A

Source: SBA loan data

*) The definition of start-up is firms less than or equal to 6 months old before 1997 and firms less than or equal to 24 months old since 1997

[25]Definition based on work done for the Office of Technology Assessment and National Science Foundation (NSF). Defines high-technology industries as industries with the highest direct R&D expenditures per dollar sales. See Bruce Phillips, "The Increasing Role of Small Firms in High-Technology Sector: Evidence from the 1980's," Business Economics, Jan. 1991.

For the 504 loan program (i.e.,long-term, fixed-rate financing for major fixed assets), there is a trend towards fewer loans under $100,000 and toward a larger share of loans going to minorities, women, veterans, start-ups, and firms with fewer than five employees.

Descriptive Measures for the 504 Loan Program

Year	% loans to minorities	% loans to women	% loans to veterans	% loans less than $100 00	% loans to high tech firms[26]	% loans to start-up firms*	% loans to firms with <4 employees
1998	15	17	9	8	2.1	21	11
1997	17	17	8	9	2.4	21	11
1996	15	14	7	8	2.3	20	9
1995	15	14	7	9	2.6	19	9
1994	12	12	7	10	2.4	16	8
1993	10	10	5	11	3.6	16	7
1992	9	10	6	11	3.3	17	na

Source: SBA loan data

*) The definition of start-up is firms less than or equal to 6 months old before 1997 and firms less than or equal to 24 months old for 1997

The measures for the SBIC program document an increase in the proportion of loans to startups, 50 percent women owned firms, and 50 percent minority owned firms.

Descriptive Measures for SBIC Program

Year	New SBICs licen-sed	New Private capital licensed	Dollars Inves-ted	Num-ber of Active SBICs	Total outstan-ding Value Loans and Financings	Total number of finan-cings	% Investments in startups (<1 year old) of total financings	% Invest-ments in 50% women-owned firms of total financings	% Invest-ments in 50% minority-owned firms of total financings
1998	31	$578M	$3.2B	318	$7.0B	3,456	30	6	26
1997	33	$449M	$2.4B	300	$5.1B	2,731	26	8	26
1996	22	$161M	$1.6B	282	$4.5B	2,107	37	na	na
1995	20	$307M	$1.2B	277	$3.9B	2,221	39	na	na
1994	35	$520M	$1.0B	280	$3.3B	2,348	40	na	na
1993	4	$10M*	$0.8B	280	$3.2B	1,992	37	na	na

Source: Division data processing report

*) Year before participating securities implemented.

[26] Op cit.

The following table for the Microloan program also documents an increase in the proportion of Microloans to minority owned firms.

Descriptive measures for Microloan program

Year	New Interme-diaries	Active Interme-diaries	Technical Assistance Dollars to Inter-mediaries*	Number of Microloans made by Interme-diaries	Dollar amount of Microloans made by Interme-diaries	Number of Loans to start--ups	% Loans to 50% women-owned firms	% Loans to 50% minority-owned firms
1998	13	117	16.4M	1,092	16.7M	35	45	41
1997	3	106	10.9M	1,115	11.1M	na	51	39
1996	5	103	11.9M	1,308	12.6M	39	46	42
1995	0	103	13.4M	1,543	14.7M	34	42	43
1994	10	93	8.6M	1,578	17.2M	41	43	37
1993	59	na	23.2M	663	6.9M	40	44	33

(2) Outcome Measures. Federal Government credit programs have an economic as well as a social purpose.

> "The Federal goal is to achieve a net impact that benefits society. … Net impacts assess the net effect of the program on intended outcomes compared with what would have occurred in the absence of the program….For credit programs, the first key to achieving any of these net impacts is outreach. In the spirit of the Federal role, programs need to identify borrowers who would not get private credit. They need to reach out to New Markets firms and neighborhoods. They need to encourage the start-up of new activities. They need to reach their legislatively targeted populations. Federal lending is often to higher-risk borrowers, or for higher-risk purposes. In order to assist certain target groups or encourage certain activities, credit may be extended for longer periods or at a lower cost to the borrower."[27]

For SBA, it is important to be able to document whether SBA's credit programs are achieving their intended purpose, i.e. contributing to the creation, survival, and growth of small business, which contributes to the growth of the economy. Many needs must be met to achieve success in small business, including capital, trained personnel, products, and market access. SBA serves several of these needs through providing credit, entrepreneurial assistance, and improved access to information and technical assistance. These are traditionally described as outputs, i.e., goods and services delivered.

[27] FY 1999 Budget of the U.S. Government, Analytical Perspectives, page 167.

While it is difficult to measure the impact of SBA guaranteed loans and assistance on the performance of borrower firms in terms of net new jobs, sales and taxes, the following outcome measures are relevant to credit programs:

- Increased number of start-ups,
- Increased percentage of borrowers still in business five years after receiving credit,
- Increased number of jobs, sales revenue and taxes paid by SBA's credit clients,
- Increased export sales as a consequence of export loans.

SBA's Disaster Program also has a strong social purpose. It is the Federal Government's disaster bank. The program helps homeowners and businesses to recover from disasters. It provides a critical source of economic stimulation in disaster-ravaged communities, helping to spur economic employment and stabilize tax bases. SBA has not yet developed specific outcome measures for this program.

Business Loan Program Job Creation Study. A Price Waterhouse study[28] looked at the performance of firms that received SBA guaranteed loans in 1990, compared with similar data for a group of firms from the same industries that did not obtain SBA loans. The analysis showed that established respondent firms receiving SBA guaranteed loans had greater revenue and payroll growth than a comparison group of firms in the general business population in the time period 1989 to 1994.

For respondent firms receiving 7(a) loans, the revenues increased 11 percent more (41 percent as compared to 30 percent) than for the comparison group used. For respondent firms receiving 504 loans, revenues increased by 39 percent. While the data is suggestive, methodological difficulties make it impossible to extrapolate to all 7(a) loan recipients or determine the net effect of the 7(a) program. SBA is seeking to develop alternative methods for estimating the impact on jobs and revenues.

CDC/504 Program and Job Creation. The estimate of jobs created / retained every year is based on the dollar amount of debentures sold. There is a time lag between approvals and closings because most of these projects include construction for which the debenture is the take-out financing. Firms are required to provide the CDCs with annual reports that include job data. Based on this information, a ratio of one job per $12,855 in debentures has been estimated.

SBIC job creation. The Association of Small Business Investment Companies and the Investment Advisory Council have each conducted a study to determine job

[28] Evaluation of the SBA Loan Programs (Warden Associates, Inc and Price Waterhouse, LLP (Feb 25, 1998)

growth. Taking an average of the results of these two surveys, SBA estimates that $32,500 invested results in one new job.

Microloan job creation. SBA maintains a database on jobs created/ maintained after an individual or firm has received a microloan. Program performance since October 1993 indicates that 1.6 jobs are created or retained per loan with an average loan size of $10,013.

The above data can be used to provide estimates of annual job creation by the 504, SBIC and Microloan programs contributed to by SBA .

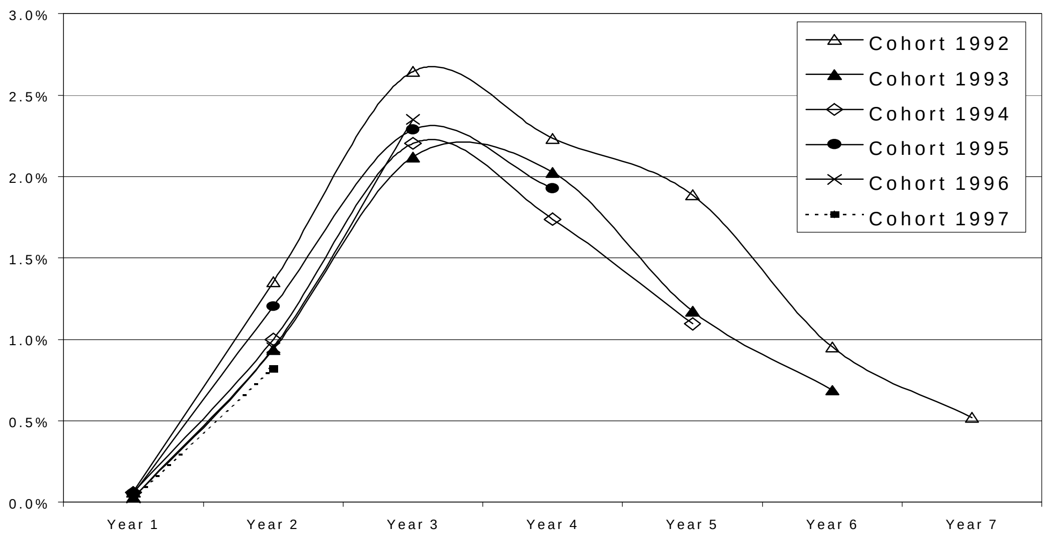
	FY1997	FY1998	FY1999	FY2000
Job creation: SBIC	74,000	77,000	83,000	83,000
Job creation:/retention: 504	127,587	113,966	113,966	113,966
Job creation:/retention: Micro-loan	1,526	2,070	2,080	2,800

(3) Financial Measures. This section uses three different types of measures: (1) loan default (purchase) and recovery curves, (2) portfolio measures, and (3) cohort measures. These measures are an attempt to implement some of the recommendations of the Federal Credit Policy Working Group to measure credit program performance.

The first type of measure is reflected in the actual default and net recovery (funds recovered net of costs) curves. These measures are important as they are major components of subsidy rates and represent factors the agency can affect to some extent. The second type of measure, portfolio measures, provides an overview of the status of the portfolio and can be easily analyzed for overall performance trends. The third measure, cohort measures, provides data for analysis of the performance of the individual cohorts up through FY1998.

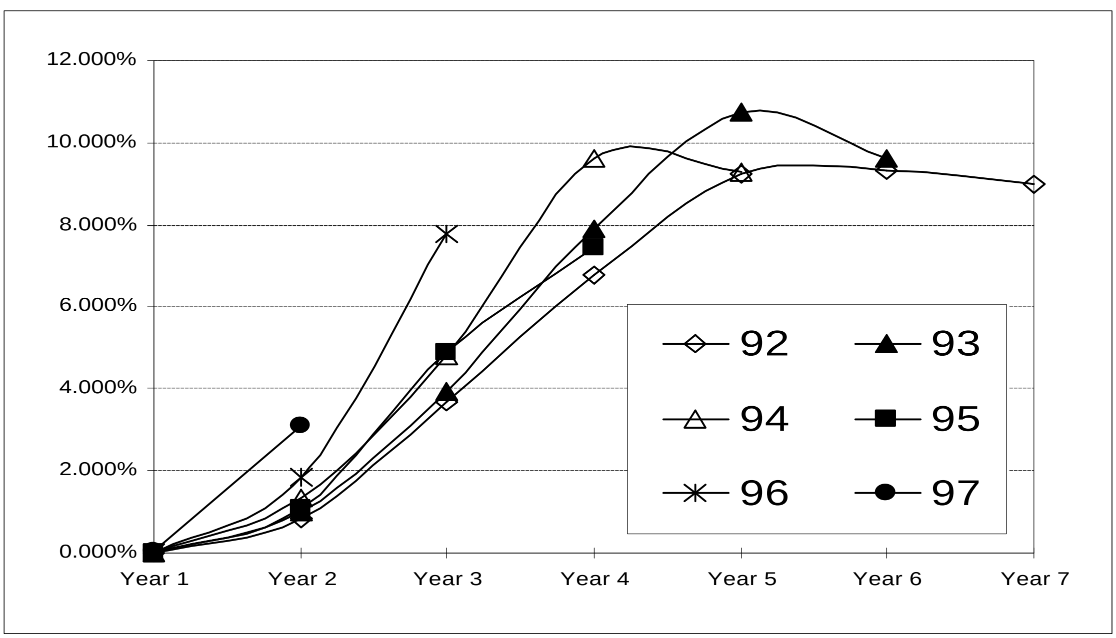
The following chart shows the purchase curve by cohort for the 7(a) program. The purchase rate is the percent of annual defaulted guaranteed loans in a cohort purchased from the lender for default compared to the total cohort dollar volume. Purchase curves have improved substantially between 1992 and 1993, after which performance has been relatively stable.

7(a) Loan Program Purchase Curves by Cohort



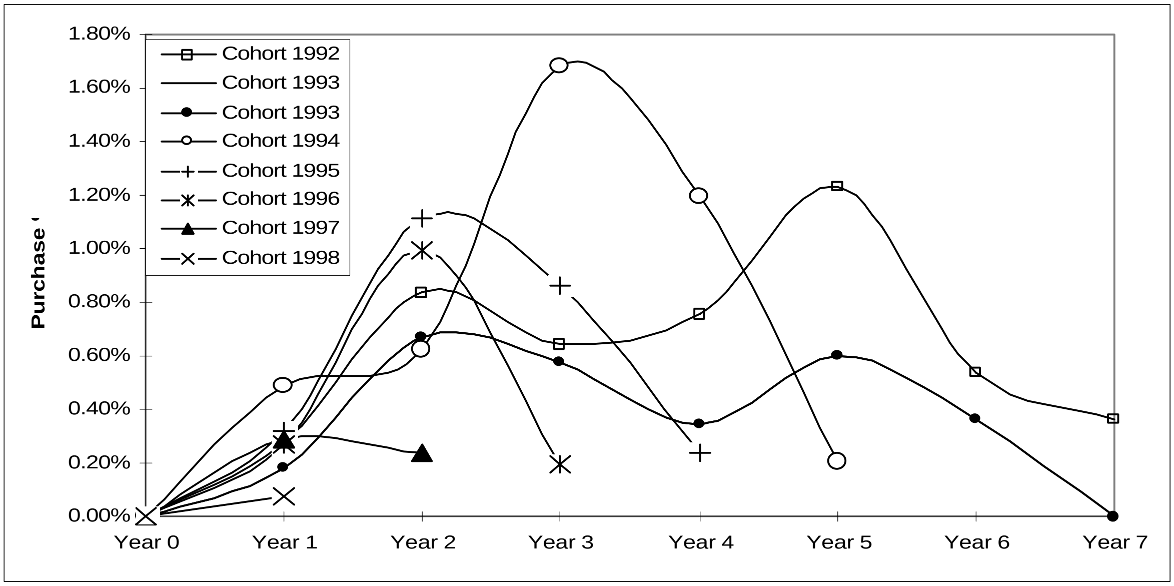
The next graph shows the cohort recovery curves for the 7(a) program. The recovery rate for guaranteed loans is the amount of annual recoveries (monies recovered due to loans sold or rescheduled) in a cohort expressed as a percentage of total cohort purchases. The graph indicates improvement for the 1996 and 1997 cohorts.

7(a) Program Cohort Recovery Curves



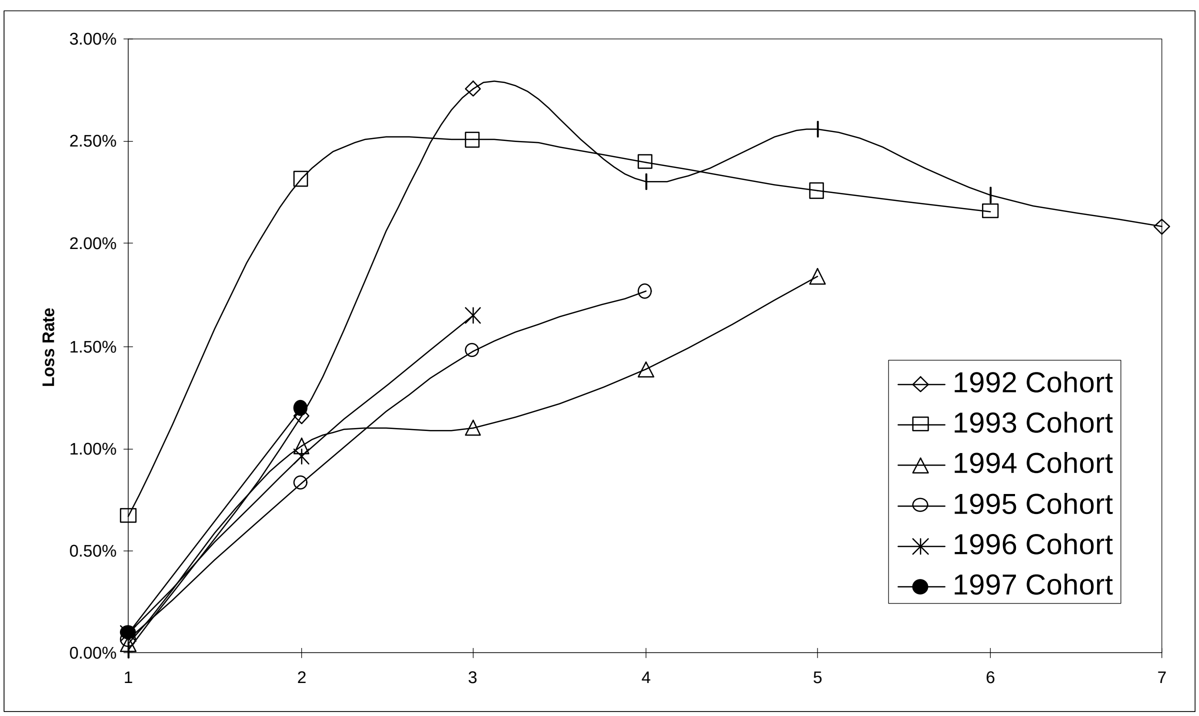
The next graph shows the cohort purchase curves for the CDC/504 program. It indicates continuous improvement since 1994.

504/CDC Purchase Curves by Cohort

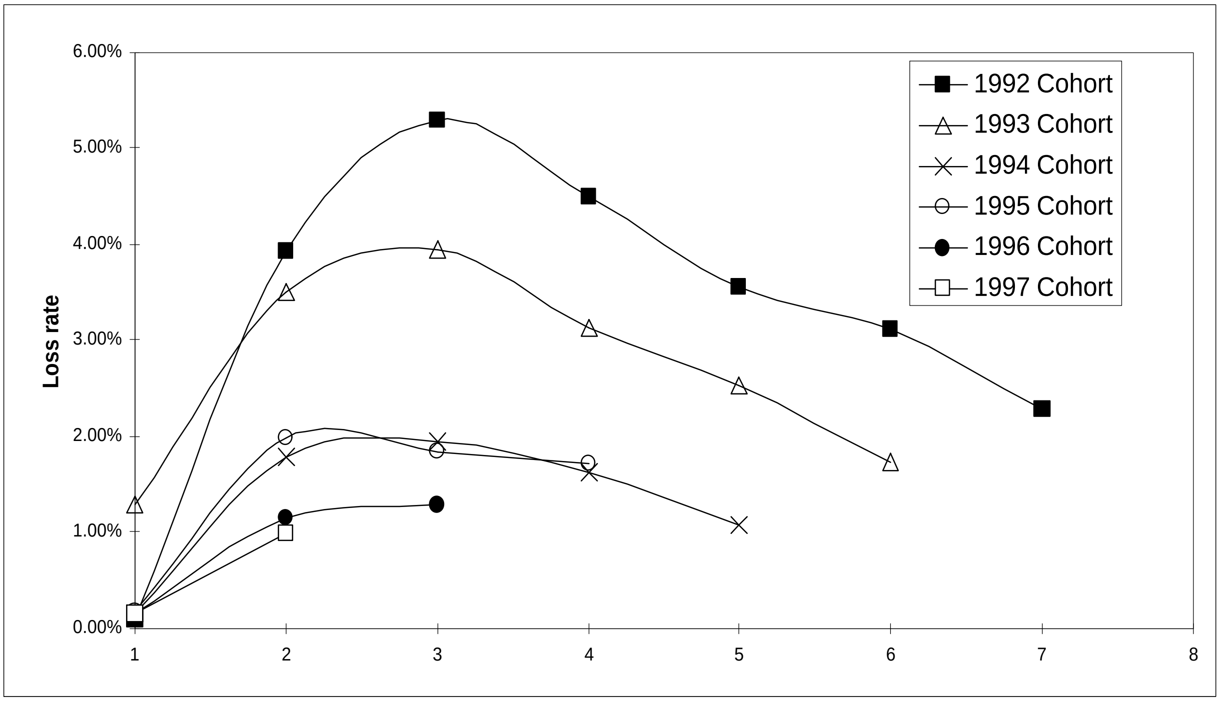


The Disaster loan program is a direct loan program. Instead of purchase and recovery rates, the Disaster loan program uses loss rates. Disaster loan cohort loss curves are shown in the next two graphs. The curves represent the percentage of cohort disbursed loans that are charged off 1,2, 3 or more years after disbursement. Performance has improved markedly for home loans beginning with the 1994 cohort. The disaster business loan loss curves show continuous improvement.

Disaster Home Loan Loss Curves by Cohort



Disaster Business Loan Loss Curves by Cohort



The following table reflects portfolio status at the end of each fiscal year. The table shows that 7(a) health is relatively stable; 504 currency rate is improving. Microloans exhibit very healthy portfolio and disaster rates are relatively stable.

Loan type	Fiscal Year	Loans out-standing	Current (30 days)		Deferred		Past Due and Default (>30 days)		In liquidation	
		$B	$B	%	$M	%	$M	%	$M	%
7(a)	1998	22.8	20.3	89.0	90.0	0.4	1255	1.8	1168	5.1
	1997	22.6	17.2	76.0[29]	84.7	0.4	4205	18.6	1106	4.9
	1996	21.1	19.1	90.4	60.5	0.3	794	3.8	1165	5.5
	1995	20.5	18.5	90.0	58.7	0.3	712	3.5	1188	5.8
	1994	17.6	15.8	89.5	60.9	0.4	535	3.0	1181	6.7
		$B	$B	%	$M	%	$M	%	$M	%
504	1998	7.6	7.5	97.9	3.0	0.0	15	0.2	736	9.7
	1997	6.7	6.5	97.4	6.0	0.1	28	0.4	147	2.2
	1996	5.4	5.3	96.8	21.0	0.4	87	1.6	602	11.1
	1995	4.3	4.1	95.5	3.3	0.1	8	0.2	86	2.0
	1994	3.6	3.4	94.8	2.1	0.1	9	0.3	92	2.6

[29] The currency rates for FY 1997 are not representative, as there were problems with the monthly reporting system.

Loan type	Fiscal Year	Loans out-standing	Current (30 days)		Deferred		Past Due and Default (>30 days)		In liquidation	
		$M	$M	%	$M	%	$M	%	$M	%
Micro	1998	44.5	42.0	94.4	0	0	2.0	4.3	0	0
-loans	1997	43.2	41.5	96.0	0	0	0.9	2.0	0	0
	1996	40.9	39.1	95.6	0.4	1.1	1.3	3.2	0	0
	1995	34.6	34.0	99.3	0	0	0.3	0.7	0	0
	1994	27.5	27.5	100	0	0	0	0	0	0
		$B	$B	%	$M	%	$M	%	$M	%
SBIC	1998	1,011.7							188.3	18.6
Deben-	1997	966.9							198.5	20.5
Tures	1996	1,018.7							271.8	26.7
	1995	1,142.5							438.6	38.4
	1994	1,119.9							462.7	41.3
SBIC	1998	889.4	na		na		na		0	
Part.	1997	709.9	na		na		na		0	
Sec.	1996	510.6	na		na		na		0	
	1995	227.9	na		na		na		0	
	1994	0	na		na		na		0	
		$B	$B	%	$M	%	$M	%	$M	%
Disaster	1998	6.9	6.0	86.5	97	1.4	310	4.5	529	7.7
	1997	7.2	6.1	84.9	136	1.9	441	6.2	505	7.1
	1996	7.0	6.0	85.7	152	2.2	439	6.3	405	5.8
	1995	6.7	6.0	88.3	116	1.7	377	5.6	293	4.4
	1994	5.4	4.8	88.7	117	2.1	229	4.2	269	4.9

Source: SBA Mars reports

The next table shows cohort loan performance for the 7(a) credit program through the end of fiscal year 1998. The loans that are current or paid-in-full (PIF) show how large a part of the cohort is "in good standing." Percentages are calculated in terms of disbursed loans. The percentage of loans in the categories Current and PIF, Past Due and Delinquent and Purchases add to 100 percent (except for rounding errors).

Charge-offs are a subset of purchases, because only the unrecovered portion of purchased loans is charged off. The debt recovery percentage rate can be estimated by the following formula (100 percent - charge-offs/ purchases*100). It should be noted that more recent cohorts have better performance because of their newly originated loans.

Portfolio measures for the 7(a) program and cohort year on 10/31/98

Loan type (Billions of dollars)	Cohort Year	Disbur-sed loans	Current and PIF		Past Due and Delinquent		Purchases		Charge-offs/ Write-offs	
		$	$	%	$	%	$	%	$	%
7(a) General Business. Does not Include SBA Express	1998	5.2	4.97	95	0.21	4	0.004	0	0	0
	1997	7.5	6.3	91	0.52	7	0.07	1	0.02	0
	1996	6.6	4.6	85	0.54	8	0.22	3	0.08	1
	1995	7.1	4.0	83	0.63	9	0.38	5	0.22	3
	1994	7.2	3.6	86	0.45	6	414	6	0.24	3
	1993	5.9	2.5	88	0.31	5	394	7	0.23	4
	1992	5.2	1.9	87	0.22	4	486	9	0.32	6
	1991	3.8	1.1	84	0.14	4	551	15	0.40	10
	1990	3.5	0.9	81	0.11	3	644	18	0.52	15

Source: SBA Mars reports

Subsidy Rates. The actual subsidy rates for each cohort is shown in the table below. Most of the rates have been reduced due to reductions in purchase rates, improvements in recovery rates, and increases in fees charged.

Program	FY1992	FY1993	FY1994	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000
7(a)	4.85	5.21	2.15	2.74	1.06	1.93	2.14	1.39	1.51
504	0.49	0.54	0.51	0.57	0.00	0.00	0.00	0.00	0.00
SBIC Debenture	14.29	15.40	16.25	14.65	15.46	3.19	1.94	1.38	0.00
SBIC Part Sec	Na	Na	9.00	8.90	9.00	3.29	2.20	2.19	1.80
New Market Venture Cap									15.00
7(a) Delta	Na	Na	Na	4.85	3.15	4.57	3.36	2.08	1.83
504 Delta	Na	Na	Na	1.20	0.57	1.01	0.72	1.29	1.13
Microloan Dir	17.00	15.95	10.15	19.61	15.69	8.86	10.31	9.54	8.54
Microloan Gty	Na	Na	Na	11.77	11.95	8,21	8.15	7.97	8.32
Disaster	33.93	20.58	22.99	31.54	28.08	20.02	23.46	22.36	22.50

Administrative Costs. The following table provides estimates of the unit costs for loan origination and servicing by credit program. The total costs by program activity were derived from a SBA cost allocation study. Dividing the total cost by the number of approved loans (for the disaster program, the number of applications), and the average of outstanding loans at the end and the beginning of the fiscal year, provides estimates of unit cost. SBA will have higher confidence in the validity and reliability of these estimates once an activity-based costing system has been implemented.

Administrative total and unit costs per function

Loan type	Function	1997 cost (1000s)	Unit cost	1998 cost (1000s)	Unit cost
7(a) Guaranteed	Loan making	$36,905	$815	$37,847	$895
Bus. Loans	Loan servicing	$19,665	$107	$21,720	$121
504	Loan making	$8,591	$2,080	$9,278	$1882
	Loan servicing	$3,932	$185	$4,050	$170
Disaster	Loan making	$92,739	$862	$84,404	$919
	Loan servicing	$40,312	$141	$36,288	$131

Source: Loan data system for approved loans, outstanding loans and liquidated loans; disaster data on loan applications. Costs determined by Cost Allocation Study for 1997, a SBA contracted study.

VI. OIG FY 2000Annual Plan

The Office of Inspector General (OIG) Strategic Plan for Fiscal Years 1997-2002 includes four goals. Three are based on the OIG mission stated in the Inspector General Act of 1978, as amended, and the fourth goal is directed at ensuring the economical, efficient, and effective operation of the OIG. OIG goals and objectives are primarily accomplished through investigations, audits, inspections, and other reviews. The planned use of FY 2000 resources by goal is outlined below.

Goal 1. Improve the economy, efficiency, and effectiveness of SBA programs through recommendations resulting from OIG oversight activities.

The OIG will devote an estimated 45 percent of its resources to this goal. The objectives for this goal include (1) identifying opportunities to reduce Agency costs; (2) ensuring that SBA programs are meeting goals, performance standards, and participant needs; (3) improving the accuracy of SBA accounting and management information; and (4) reviewing proposed legislation and SBA issuances to improve operations.

Priority areas for FY 2000 include the following:

- Oversight of new Agency initiatives such as HUBZones, GPRA validation, COSO internal controls, asset sales, and new information systems.

- Audits, inspections, and investigations in the business loan programs to meet the demands made by reduced SBA supervision and increased levels of lender responsibility.
- Continued oversight of the disaster loan portfolio.

- Audits in the Small Business Investment Company (SBIC), Surety Bond Guarantee (SBG) and Section 8(a) programs, and of procurement assistance and financial statements.
- Inspections to examine surety program performance measures, Section 8(a) program effectiveness and program overlap, and the field review process by the Office of Field Operations.

Goal 2. Reduce fraud and abuse in Agency programs and foster integrity in SBA personnel and its resource partners.

To support this goal, about 46 percent of the OIG's resources will be devoted primarily to (1) conducting investigations into allegations of program fraud; (2) auditing a sample of high risk borrowers and 8(a) program participants; (3) participating in SBA's training programs on fraud and corruption awareness; (4) encouraging 7(a) lenders in combating fraud through briefings and outreach contacts; (5) precluding persons not of good character from participating in SBA programs or employment; and (6) verifying fraud prevention procedures.

Goal 3. Communicate OIG findings, recommendations, and results to SBA stakeholders.

An estimated 4 percent of OIG resources will be used on reporting to Congress, SBA policy officials program managers, and other interested parties, and on processing Freedom of Information and Privacy Act requests.

Goal 4. Ensure the economical, efficient, and effective operation of the OIG.

Meeting this goal will require approximately 5 percent of OIG resources and will involve (1) exercising Inspector General subpoena power effectively; (2) providing support to all OIG components in financial and human resources, procurement, inventory, facilities and records management, and ADP systems; and (3) ensuring that OIG activities comply with Government and professional standards, and with OIG policies and procedures.

Performance Indicators	**FY 1998 Actual**	**FY 1999 Estimate**[1]	**FY 2000 Estimate**[1]	**Source / Verification**
Dollar Accomplshmnts	$37.9 M	$55.9M	$59.2M	Semi-ann rpt
Audit and Inspection Reports	33	32	32	SAR
Investigations Completed	92	114	110	SAR
Indictments / Convictions	81 / 58	71 / 66	69 / 63	SAR
Reviews of Legislation And Other Issuances	234	228	226	SAR

[1] Estimates are based on historical experience and full staffing levels. For example, because office-wide dollar accomplishments are subject to sharp fluctuations, estimates are based on a four-year average. Likewise, estimates of investigations completed, indictments/convictions, and reviews of legislation and other issuances are based on a four-year average.
[2] A number of FY 1998 indictments and convictions resulted from single cases with multiple subjects.

Major FY 1998 Accomplishments

- Completed audits have addressed business and disaster loans, loan liquidations, the LowDoc program, several Section 8(a) firms, CDCs, an SBDC, a Surety Bond Company, Agency financial statements, and "rebate and refund" disbursements.

- Inspections have focused on fraud detection in Agency programs, loan agents and the Section 7(a) program, the SBA*Express* pilot program, and assessing SBDC performance.

- The Investigations Division has continued to achieve success in false tax return cases and the Affirmative Civil Enforcement Program. By the end of FY 1998, the investigation of a now-defunct California loan brokerage firm had yielded 13 indictments.

Part 4

I. Summary of FY 2000 Performance Goals and Indicators

Strategic Goal	Annual Goal	FY 2000 Performance Indicators
1. Increase Opportunities for Small Business Success	1.1--Increase the aggregate number of general business loans, Certified Development Company (CDC) loans, equity capital, export working capital, and surety bond guarantees. **High Impact Agency Goal**: Increase export activities.	♦ Approve 57,976 7(a) loans 5,200 CDC loans, and 2,800 Microloans, 700 export loans. ♦ License 90 SBICs; license $1B in private capital; invest $3.5 B in 3,700 small businesses; 30 percent in companies that are 50% minority owned and 12 percent in companies that are 50% women-owned. ♦ Issue 14,700 surety bonds, support 44 surety companies, increase surety bond level to $175 M. ♦ **High Impact Agency Goal**: $500 M in export sales.
	1.2—Focus lending on the New Market segments of the business community.	♦ Approve loans to 12,784 to minority-owned , 19,774 women-owned and 8,834 veteran-owned businesses .
	1.3—Increase the number of start-ups and the number of jobs created by small businesses receiving SBA assistance.	♦ Assist 19,543 start-up firms with 7(a) lending
	1.4—Increase the share of Federal procurement dollars awarded to small firms. **High Impact Agency Goal**: Using electronic media, decrease processing time for 8(a) eligibility and certification; over three year period, increase the share of Federal procurement going to small businesses; expansion of PRO-Net	♦ Small business share of prime contracts 23 percent. Percent of subcontracts to small business 45percent. Percent of procurement going to women 3 percent, 7.0 percent for small and disadvantaged firms (SDB). ♦ 30,000 firms certified as SDB eligible ♦ 1.5 percent of procurement in HUBZone ♦ 7.9 percent of SBIR dollar awards to women owned business; 10.7 percent SBIR dollar awards made to minority firms. ♦ **High Impact Agency Goal**: 50 percent decrease in processing time for 8(a) eligibility and certification; increase the share of Federal procurement to women-owned businesses to 5% percent; increase PRO-Net to 200,000 firms.
	1.5—Increase the number and dollar volume of Federal contracts going to participants in the 8(a) program, and the success rate for participants in program.	♦ Increase success rate of 8(a) firms to 55 percent, 6,000 Federal contracts to 8(a) firms, $7 B in 8(a) contracts.
	1.6—Increase counseling and training to small businesses in general and to the New Markets in particular .	♦ Export firms trained / counseled by SBDC / USEAC: 14,435 / 10,865; Clients trained / counseled by SCORE: 140,943 / 245,300; Clients trained / counseled by SBDC: 340,450 / 243,567; Clients served by BICs: 124,740; firms served by TBICs: 4,420; Clients served by WBCs:11,000; On-line info requests 36,300; served by OSCS: 48,000.
2. Transform SBA into a 21st Century leading edge Financial Institution	2.1—Ensure a strong internal controls, identify and manage risk, reduce cost (through increasing productivity, reducing defaults, increasing recoveries, shifting risk to partners), ensure customer satisfaction, and act on OIG recommendations.	♦ COSO: Financial Statement Audit include internal control assessment ♦ Increase to 23 percent net cash collected from the guarantee loan portfolio already purchased by SBA. ♦ Maintain purchase rate of 7(a) loans at 1.96 %. ntain charge-off rate of 7(a) loans at 1.48%

	2.2-Transform SBA's information system capacity.	♦ Implement plan for system infrastructure. ♦ Implement Loan Servicing System; ♦ Implement online Loan Funds Control System; ♦ Implement Loan Accounting System; ♦ Reengineer GC and MED business processes; ♦ Complete implementation of ED system; ♦ 400 lenders use Internet for all loan programs; ♦ Develop data quality plans for other systems.
3. Help Businesses and Families Recover from Disasters	3.1-- Provide an expedited response to disasters to help businesses and families recover. **High Impact Agency Goal**: By the year 2002, eliminate all disaster home loan paperwork until loan closing.	♦ Effective field presence established within 3 days of declaration for 98 percent of disasters. ♦ Loans processed within 21 days of 80 percent of disasters. ♦ **High Impact Agency Goal:** By the year 2002, depending on the level of disaster activity, as many as 100,000 applicant a year may be relieved of burdensome and duplicative paperwork ♦ Disaster Home loan currency rate 95.2% and delinquency rate 2%
4. Lead Small Business Participation in Welfare-to-Work	4.1--Help small businesses satisfy their work force needs by making commitments to work-ready former welfare recipients and assist those former recipients who wish to become employed or start their own businesses.	♦ Business commitments to hire 36,000 former welfare recipients.
5. Serve as a Voice for America's Small Business	5.1—Maintain accurate and current data on small business from the Bureau of the Census and other sources. Identify and disseminate information and research to policy makers, small business stakeholders on small business characteristics that are relevant to the formulation of public policy.	♦ Generate 50 reports on job generation statistics, analyze trends in minority and women-owned businesses, analyze bank lending patterns and their impact on small businesses, study effect of bank mergers on lending to small firms.
	5.2 Identify and reduce barriers to access to capital for emerging small businesses and economically disadvantaged business owners.	♦ 50 State exemptions for ACE-Net.
	5.3 Improve across-the-board Federal Agency compliance with the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996.	♦ Number of Rules commented on: 98 / Number of SBREFA panel reports completed: 7 ♦ 2500 reviews of regulatory proposals for impacts on small businesses.
	5.4 Promote an understanding of small business rights in regulatory enforcement in the small business community and among regulators, and research and report to Congress on the Federal regulatory enforcement climate faced by small businesses, nationally, and report to Congress and the Administration on Federal enforcement practices and their effects.	♦ Thirty-six agencies appointing RegFair compliance officials who have functions separate from enforcement officials. ♦ 10 RegFair hearings held.

II Crosswalk

				SBA FY 2000 CROSSWALK							
	Programs/Office	FY 2000 request	Including Indirect Costs[2]	Goal 1.1: Access to capital	Goal 1.2: Procurement Opportunities	Goal 1.3: Dev't Assistance	Goal 2: Transform SBA	Goal 3: Disaster Assistance	Goal 4: Welfare to Work	Goal 5: Voice for Small Business	TOTAL
	Advocacy	4649	6018							6018	6018
Capital Access	CA Immediate Office	1363	1764	1764							1764
	Financial Assistance	4282	5543	5243			300				5543
	Investment Division	9224	11940	11940							11940
	Surety Guarantees	1144	1481	1481							1481
	International Trade	1234	1597	1597							1597
	Processing Centers	2938	3803	3803							3803
	Servicing Centers	3526	4564	4564							4564
	Review Center-Kansas City	801	1037	1037							1037
Entrepreneurial	ED Immediate Office	1336	1729			744			985		1729
Development	Business Initiatives	1102	1427			1427					1427
	Veteran's Affairs	438	567			567					567
	Women's Business Ownershi	1077	1394			1394					1394
	Small Business Dev't Center	1406	1820			1820					1820
	Native American Affairs	239	309			309					309
Gov't Contracting	GC/MED Immediate Office	1944	2517		1762	755					2517
MED	Government Contracting	12674	16406		16406						16406
	Minority Enterprise Dev't	4563	5907		2953	2953					5907
	Technology	872	1129		1129						1129
	Size Standards	583	755		755						755
Field Offices	Field Ops HQs	1924	2491	1245	523	274	125	249	6	68	2491
	Field offices	128654	166543	83271	34974	18320	8327	16654	416	4580	166543
Disaster	Disaster Loan Making	86000	111327					111327			111327
	Disaster Loan Servicing	30000	38835					38835			38835
Special	Portfolio Mgt/Lender Monit	8000	10356				10356				10356
Initiatives	Regulatory Fairness Board	500	647							647	647
	Advocacy Database	1400	1812							1812	1812
	GC/MED PRO-Net	500	647		647						647
	Small Disadvantaged Business	12000	15534		15534						15534
	HUB Zones	4000	5178		5178						5178
	USEAC	3100	4013	3371		642					4013
	BICs	700	906			906					906
	Veterans Outreach	615	796			796					796
	Women's Business Census	790	1023							1023	1023
	Women's Council	600	777			777					777
	Workforce Transition	5000	6473				6473				6473
	COSO project	300	388				388				388
	One Stop Cap Shops	10000	12945	3236	1942	7767					12945
Credit Programs	Business Loan Account	207976		207976							207976
	Disaster Loan Account	207400						207400			207400
Grants	SCORE grant	3500				3500					3500
	SBDC grants	62000				62000					62000
	Microloan Technical Assistance	32000				32000					32000
	New Mkt Venture Cap TA	30000				30000					30000
	7(j) Min Entreprise Dev't	5000				5000					5000
	GC/MED Business LINCS	3000				3000					3000
	GC/MED Electronic Commerce	2000			2000						2000
	Native Americans Outreach	1000				1000					1000
	Women's Business Centers	9000				9000					9000
SUM				**330531**	**83803**	**184952**	**25969**	**374465**	**1408**	**14149**	**1,015,276**
	Share			**33%**	**8%**	**18%**	**3%**	**37%**	**0.1%**	**1%**	**100%**
	Inspector General										11,000
										Total[1]	**1,026,276**

1) Total reflects obligations that include funding from estimate fee income, reimbursements, and New Budget Authority for FY2000 of **$994,518.**

2) Includes resources allocated to Executive Direction and Administration.