U.S. Small Business Administration

SBA

Your Small Business Resource

SBA's FY 2008 Annual Performance Report

Helping Small Business Start, Grow and Succeed

The Annual Performance Report and the Citizens' Report are available at http://www.sba.gov/aboutsba/budgetsplans/serv_budget_links.html, or by writing or calling the contacts below.

Information about SBA's programs is available at:

www.sba.gov

SBA's plans and reports are available at:

http://www.sba.gov/aboutsba/budgetsplans/serv_budget_links.html

Para información acerca de los programas de la SBA:

http://www.negocios.gov

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performancereports@SBA.gov

Or, you may write to:

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Office of the Chief Financial Officer
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Washington, DC 20416

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(202) 205-6188

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PERFORMANCE AND ACCOUNTABILITY REPORT

for the fiscal year ended September 30, 2006 & 2007

2006

2007

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U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

January 16, 2009

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Madam Speaker:

I am pleased to present the U.S. Small Business Administration's (SBA) Fiscal Year (FY) 2008 Annual Performance Report (APR). The SBA's mission is to promote small business development and entrepreneurship through business financing, government contracting, and management assistance. The SBA also works with other federal agencies to reduce the regulatory and paperwork burdens on small businesses, and it serves as the government's long-term lender to homeowners, renters, and businesses affected by disasters.

The Chief Financial Officer Act of 1990 (P.L. 101-576), as amended by the Government Management Reform Act of 1994, requires the 24 major agencies of the Federal Government to prepare and submit audited financial statements to the Office of Management and Budget (OMB). In addition, the Reports Consolidation Act of 2000 (P.L. 106-531), authorizes those agencies to combine the audited financial statements with their annual performance management reports and submit them in a consolidated Performance and Accountability Report (PAR) to OMB and the Congress.

The OMB has approved participation by SBA in the pilot PAR project. Under this pilot, agencies submit an alternative to the consolidated PAR. This alternative reporting format consists of the Agency Financial Report, the Annual Performance Report, and a "Citizens Report."

The Agency Financial Report contains the Agency's audited financial statements and describes SBA's financial results over the past year. This report also highlights SBA's efforts to strengthen internal controls and reduce improper payments. It was submitted on November 15, 2008.

The enclosed Annual Performance Report contains information comparing SBA's FY 2008 actual performance with FY 2008 targeted performance goals. It also contains diagnostic analyses of these 2008 performance results and a description of SBA's plans to address any issues designated "High-Risk" by the Government Accountability Office. This data shows SBA's efforts in expanding its efforts in supporting the economic growth of the small business economy and improving its response to natural disasters. The data in this report has been verified by the Chief Financial Officer and the Agency Performance Officer for reliability and completeness.

The Honorable Nancy Pelosi
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As required under the pilot PAR project, SBA's FY 2008 Annual Performance Report will also be posted on our Agency's web site at www.sba.gov by February 4, 2009. The "Citizens Report" document, which summarizes the PAR and presents key findings for FY 2008 will also be available on the SBA website by that date.

I have been truly honored to lead the SBA and I invite you to visit the SBA online at www.sba.gov for more information about our Agency and its programs.

Sincerely,

Sandy K. Baruah
Acting Administrator

Enclosure

Overview

This FY 2008 Performance Plan lays out the activities that the SBA will undertake as it moves forward to expand opportunities for the nation's small businesses and to assist victims of federally-declared disasters. The goals, objectives and strategies outlined in this plan are guided by four core values:

- *Outcomes Driven* — The SBA will clearly define the outcomes it is targeting and ensure that its programs, processes and policies are aligned in achieving them.
- *Customer Focused* — The Agency serves people and will be responsive to their needs, both in the services it provides and in how they are delivered.
- *Employee Enabled* — SBA employees extend the hand of service to Americans every day, and the Agency must ensure they have the tools, training, and support they need to be effective.
- *Accountable, Efficient and Transparent* — The SBA has a bedrock obligation to the taxpayer to manage efficiently, invest capital prudently, and be open and honest about its results.

The four strategic goals outlined in this plan are not significantly different from those of recent SBA planning cycles. The Agency's core objectives of effectively supporting the nation's entrepreneurs and providing assistance to victims of disasters remain unchanged. However, the means for achieving these goals reflects the lessons learned through experiences in serving customers across the nation and from listening to, and working with, Agency employees at all organizational levels. The SBA's four strategic goals are:

Strategic Goal One — Expand America's ownership society, particularly in underserved markets.

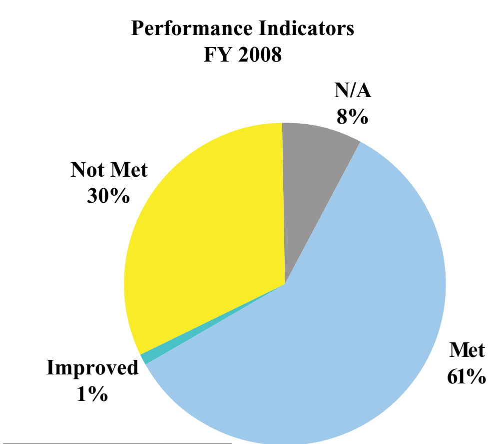
Strategic Goal Two — Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.

Strategic Goal Three — Improve the economic environment for small business.

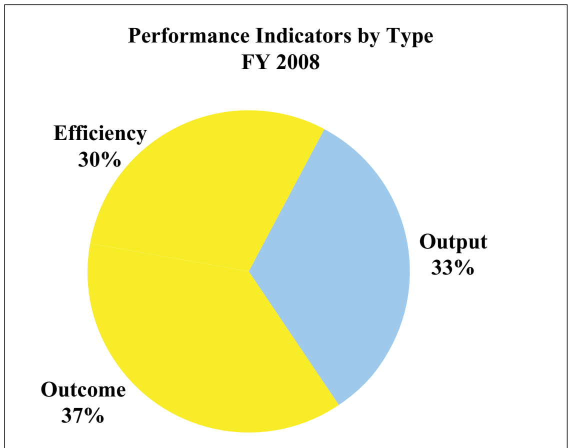
Strategic Goal Four — Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls.

As this plan reflects, the SBA continues to focus on the impact of its programs and its effectiveness in managing operations. The Agency is driving improvements in customer service and simplifying its programs to make them more accessible and more useful to small business owners.

Summary Performance Measure Indicators



	#	%
Met	53	0.61
Improved	1	0.01
Not Met	26	0.30
N/A	7	0.08
	87	1



	#	%
Output	29	0.33
Outcome	32	0.37
Efficiency	26	0.30
Total	87	1

Met	Improve	Not Met	N/A

Strategic Goal 1
Financial Assistance

Program	Performance Indicator	Type	FY 2008 Variance
7(a)	Loans Funded (#)	Output	-35%
7(a)	SB Assisted (#)	Output	-35%
7(a)	Under Served Markets - Lns Funded (#)	Output	-32%
7(a)	USM - SB Assisted (#)	Output	-32%
7(a)	Jobs Created/Retained (#)	Outcome	-25%
7(a)	Cost per Loan Funded ($)	Efficiency	-96%
7(a)	Cost per SB Assisted ($)	Efficiency	-61%
504	SB Lns Funded (#)	Output	-23%
504	SB Assisted (#) (1)	Output	-23%
504	USM - SB Lns Funded (#)	Output	-13%
504	USM - SB Assisted (#)	Output	-12%
504	Jobs Created/Retained (#)	Outcome	-20%
504	Cost per SB Loans Funded ($)	Efficiency	-42%
504	Cost per SB Assisted ($)	Efficiency	-26%
Int'l Trade	Loans Funded (#)	Output	4%
Int'l Trade	SB Assisted (#)	Outcome	8%
Int'l Trade	USM Assisted (#)	Outcome	13%
Int'l Trade	Cost per Loan Funded ($)	Efficiency	33%
Int'l Trade	Cost per SB Assisted ($)	Efficiency	35%
Microloan	Loans Funded (#)	Output	7%
Microloan	SB Assisted (#)	Outcome	7%
Microloan	Cost per SB Assisted ($)	Efficiency	14%
Microloan	Cost per Loan Funded ($) (1)	Efficiency	42%
SBIC	SB Assisted (#)	Outcome	8%
SBIC	USM - SB Assisted (#)	Outcome	14%
SBIC	Cost per SB Assisted ($) (1)	Efficiency	15%
SBG	Final SBG (#)	Output	-12%
SBG	Total Bonds (#)	Output	1%
SBG	USM- Final SBG (#)	Output	11%
SBG	Cost per Final SBG ($)	Efficiency	33%
SBG	Cost per Total Bid Bonds ($)	Efficiency	42%

Management and Technical Assistance

Program	Performance Indicator	Type	FY 2008 Variance
SBDC	Multi-Year Extended Engagement Clients (#)	Output	13%
SBDC	SB Created (#)) (1)	Outcome	112%
SBDC	Capital Infusion ($ Billion)	Outcome	44%
SBDC	Cost per Multi-Year Exended Engagement Clients (#)	Efficiency	11%
SBDC	Cost per SB Created ($) (2)	Efficiency	41%
WBC	SB Assisted (#)	Output	19%
WBC	Jobs Created/ Retained (#) (1)	Outcome	3%
WBC	SB Created (#) (1)	Outcome	18%
WBC	Cost per SB Assisted ($)	Efficiency	12%
WBC	Cost per Job Created/Retained ($)	Efficiency	10%
SCORE	SB Assisted (#)	Output	11%
SCORE	SB Created (#)	Outcome	-13%
SCORE	Cost per SB Assisted ($)	Efficiency	5%
DFWP	SB Educated (#)	Output	57%
DFWP	Programs Implemented (#)	Output	120%
DFWP	Cost per SB Educated ($)	Efficiency	53%

Contracting Assistance

Program	Performance Indicator	Type	FY 2008 Variance
7(j)	SB Assisted (#)	Output	-10%
7(j)	Cost per SB Assisted ($)	Efficiency	-14%
8(a)	SB Assisted (#)	Outcome	-1%
8(a)	Cost per SB Assisted ($)	Efficiency	-17%
HubZone	SB Assisted (#)	Output	N/A
HubZone	Annual Value of Federal Contracts ($ Billion)	Output	N/A
HubZone	Cost per SB Assisted ($)	Efficiency	N/A
HubZone	Cost per Federal Contract Dollar ($)	Efficiency	N/A
PrimeContr	Fed Contract Dollars Awarded to SB ($ Billion)	Output	N/A
PrimeContr	Jobs Created/Retained (#)	Outcome	N/A
PrimeContr	Cost per Job Created/Retained ($)	Efficiency	N/A
SDB	SB Certified (#)	Output	-1%
SDB	Cost per SB Certified ($)	Efficiency	15%

District Offices Support - All Assistance Areas

Program	Performance Indicator	Type	FY 2008 Variance
OFO/8(a)	Annual 8(a) Reviews (%)	Output	0%
OFO/DO C&T	SB Assisted - Counseling/Training (#)	Outcome	-13%
OFO/DO C&T	Cost per SB Assisted ($)	Efficiency	42%

Strategic Goal 2
Disaster Assistance

Disaster	Disasters Having Field Presence Within 3 Days (%)	Output	5%
Disaster	Loans With Initial Disbursements Within 5 Days of Loan Closing (%)	Output	4%
Disaster	Time to Process 85% of Home Applications (Days)	Output	40%
Disaster	Time to Process 85% of Business Physical Applications (Days)	Output	31%
Disaster	Time to Process 85% of EIDL Applications (Days)	Output	25%
Disaster	SB Sustaining Economic Injury That Remain Operational 6 Months After Final Disbursement (%)	Outcome	15%
Disaster	SB Sustaining Physical Damage Restored Within 6 Months After Final Disbursement (%)	Outcome	-1%
Disaster	Homeowners Restoring Their Homes Within 6 Months of Final Disbursement (%)	Outcome	-16%
Disaster	Renters Restored Within 6 Months After Final Disbursement (%)	Outcome	-19%
Disaster	Customer Satisfaction Rate (%)	Outcome	-10%

Strategic Goal 3
Regulatory Assistance

Advocacy	Research Publications (#)	Output	8%
Advocacy	Regulatory Cost Savings to Small Businesses ($ Billion)	Outcome	95%
Advocacy	Regulatory Staff with In-House Regulatory Flexibility Act Expertise (#) (1)	Outcome	51%
Advocacy	States Considering Legislative/Executive Regulatory Flexibility Action (#) (2)	Outcome	0%
Advocacy	Research Publications and Data Reports in Curricula (#)	Outcome	27%
Advocacy	Cost per $1 Million Savings ($)	Efficiency	57%
BGateway	Hours Saved (# in Millions)	Outcome	47%
BGateway	Customer Satisfaction (%)	Outcome	0%
BGateway	Referrals to Partner Sites per Month (%) (1)	Outcome	155%
BGateway	Cost per Hours Saved ($)	Efficiency	67%

Strategic Goal 4
Ensure Management Excellence

OCIO	IT Systems Availability (%)	Output	0%
OCIO	Unauthorized Network or Data Breaches (#)	Outcomes	-400%
OCFO	Unquailified Opinions for Audit Year	Outcomes	100%
OCFO	Number of Material Weaknesses (#)	Outcomes	100%

* Underserved markets represent small businesses in low to moderate income

Strategic Goal One – Expand America's ownership society, particularly in underserved markets.

Small businesses represent an essential mechanism by which individuals enter the economic and social mainstream of American society. The needs of a small business change as the entity goes through the various stages of its lifecycle — from a possibility to a vibrant, successful business. Strategic Goal One represents the SBA's commitment to helping small businesses overcome the competitive opportunity gaps often faced by entrepreneurs. The SBA empowers small business entrepreneurs to take advantage of the opportunities the market offers by providing knowledge, skills and technical assistance; access to loans and equity; and contracting opportunities either directly or through its partners. While SBA programs benefit all small business entrepreneurs, the Agency places particular emphasis on groups that own and control little productive capital and have limited access to markets.

Strategic Goal One has three Long-Term Objectives:

LTO 1.1 — Improve access to SBA programs and services by small businesses to drive business formation, job growth, and economic activity.

LTO 1.2 — Support entrepreneurship in markets with higher poverty and unemployment, and in our military community.

LTO 1.3 — Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.

Financial Assistance — Having access to capital when needed, and under the right conditions, is vital to the success of small businesses. This need changes as a business goes through the various stages in its lifecycle. The financial vulnerability of a small business may make SBA financial assistance a vital component at any given time. The SBA has structured its programs to fill the financial gap as determined by differing financial markets and the various stages of a small company's lifecycle. The SBA provides loans through its 7(a) loan, 504 loan, and Microloan programs, as well as equity and mezzanine financings through its SBIC program. The Agency has placed its focus on providing financing assistance that is effective and at the lowest possible cost to the taxpayer. The Surety Bond Guarantee program, assists small businesses in obtaining required bonding in the construction, supply, and service sectors by guaranteeing between 70 and 90 percent of the value of the bond issued to the small business by a surety company.

Management and Technical Assistance — One of the roles of the SBA is to help small businesses avoid negative consequences, including business failure and bankruptcy. Businesses fail for many reasons and, although it is the reason most often cited, inadequate financing (i.e., insufficient cash flow or initial start-up capital) is only one of those reasons. Businesses also fail because of inadequate short- and long-term planning, inadequate market research, ineffective marketing, incomplete or deficient strategy or vision, and inadequacies in the management team, among other reasons. The SBA, through its management and technical assistance programs, addresses these potential pitfalls. It helps small businesses get off to a good start; increases their chance of becoming established, employment-generating businesses; and it helps existing businesses to prosper and grow.

One of the Agency's main objectives is to continue to improve the quality of the management and technical assistance data collected so that it can better measure the services that it provides and the outcomes resulting from those services, and so it can better target its assistance to address the needs of its small business clients. Having complete, consistent and accurate data is the first requirement for measuring the effectiveness and efficiency of SBA assistance.

Contracting Assistance — The SBA offers already-established businesses opportunities to sell products and services to the federal government. Purchases by military and civilian agencies amount to more than $340 billion a year and include everything from complex space vehicles to janitorial services and cancer research. In sum, the federal government buys just about every category of commodity and service available.

Two of the main contracting assistance programs are 8(a) and HUBZone. The 8(a) program is a business development program that offers a broad scope of assistance to socially and economically disadvantaged firms. The HUBZone program, a contracting assistance program whose primary objective is job creation and increasing capital investment in distressed communities, was designed from its inception as an electronic-based program. This design maximizes its utilization of resources.

Financial Assistance

The SBA helps make capital available through financing partners to small businesses who might not otherwise obtain financing on reasonable terms and conditions. The SBA offers financial assistance through loan guaranty and investment programs. Except for the Disaster loan program, the Agency does not make direct loans to businesses, but rather guarantees loans made by its partners (lenders, certified development companies, and microlending institutions). The guaranty allows business owners to obtain funds that they would not otherwise be able to obtain. The SBA also provides surety guaranties for surety bonds.

The financing programs are currently delivered through four offices within the Office of Capital Access (OCA): Financial Assistance, International Trade, Investments and Surety Guarantees. The focus of the OCA is to balances the need to make capital available to small businesses with the need to provide appropriate monitoring and oversight to ensure that tax dollars are used most effectively and wisely. The OCA works to ensure that financial assistance products provided to small businesses meet their needs, particularly the needs of underserved markets, and that operational processes are streamlined and efficient, with adequate controls to protect the taxpayer from unnecessary losses, and that the Agency's partners receive excellent customer service.

The Office of Capital Access is presently re-organizing to better meet the changing environment surrounding providing services to the small business community. These changes address key issues facing the OCA, including the need to strengthen and expand its capacity to even more effectively manage the risks posed by financial assistance, investment and other programs, and the need to continue reform efforts to balance resources needed for operational support work in lending centers and at headquarters. The OCA is addressing these challenges and instilling a performance culture throughout its program offices by re-aligning current resources and adding strategic new positions.

The reorganization expands leadership in three areas: risk management, financial program operations, and centralized management support. The program offices are expanding to include two additional offices, an Office of Risk Management and an Office of Financial Program Operations in addition to the current five offices. Staff will be added in the central Office of Capital Access to facilitate prioritization and coordination of resources and information across program offices.

The newly-established Office of Risk Management will set risk management goals and standards for functions across OCA program areas. This expansion enables increased focus and attention to developing a risk governance structure while not diminishing the ongoing oversight role of the office of Credit Risk Management.

The Office of Financial Program Operations whose functions are currently within the Office of Financial Assistance will become a separate office. This office maintains its responsibility for loan processing, servicing and liquidation and its sub-structure that supports accomplishing these functions.

Ultimately, the changes will help the SBA achieve its mission to provide important financing to creditworthy businesses unable to obtain financing through the conventional lending market, while balancing appropriate program integrity and oversight.

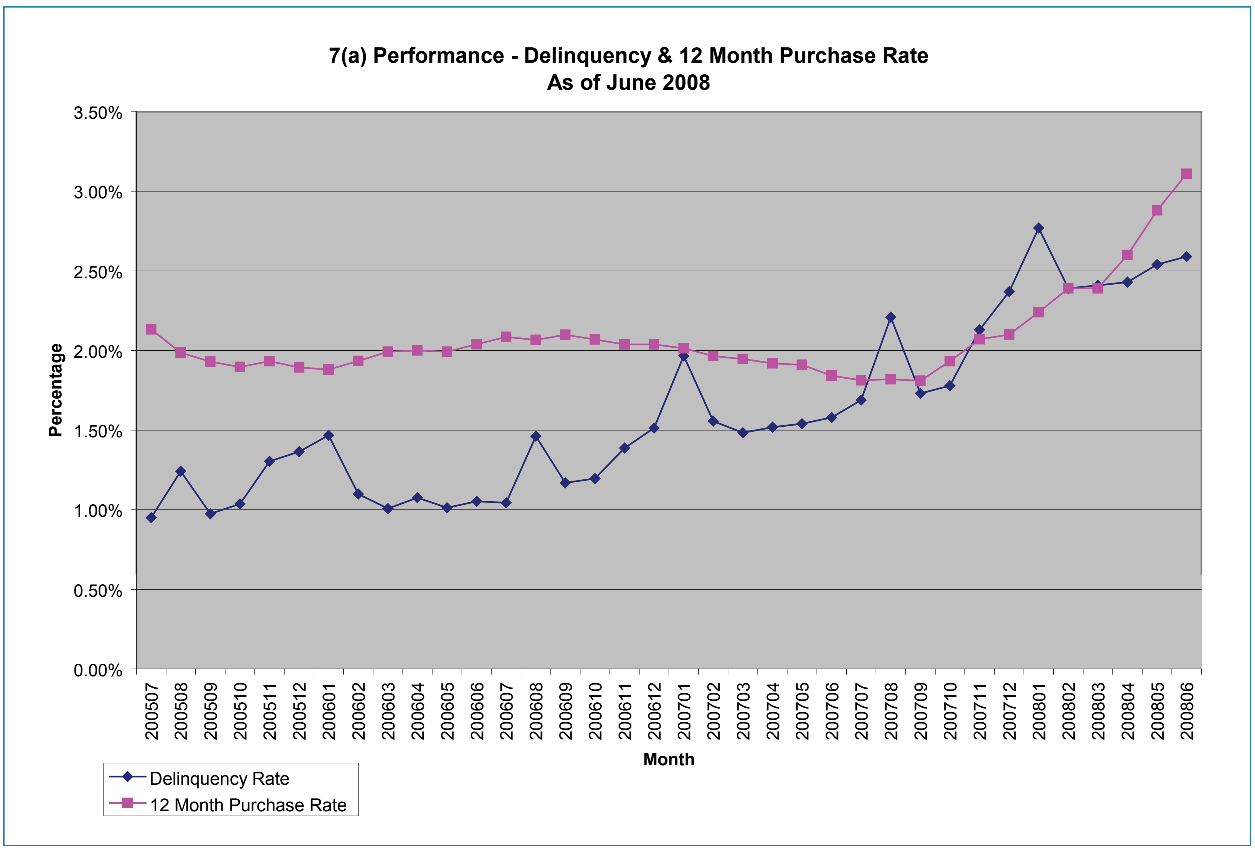
Small businesses are an important component of the nation's economy. A 2007 Office of Advocacy study shows that, in 2004, the small business share of the GDP in the 16 non-farm industry sectors ranged from 18 percent of the information sector to 85 percent of both the construction and other services. Over the 7-year period studied, the small business share of GDP held steady at around 50 percent.[1] In addition, start-up businesses help a state's economy grow. Another study held that "the most fruitful policy option available to state governments is to establish and maintain a fertile environment for new establishment formations."[2]

Financial Assistance and Financial Program Operations

Financial assistance is provided through three major loan programs: the 7(a), 504 and Microloan programs. The guarantied loan programs are largely provided through lending partners such as financial institutions, small business lending companies, credit unions and certified development companies (CDC). The SBA also makes direct loans to microloan intermediaries to support lending to micro-enterprises.

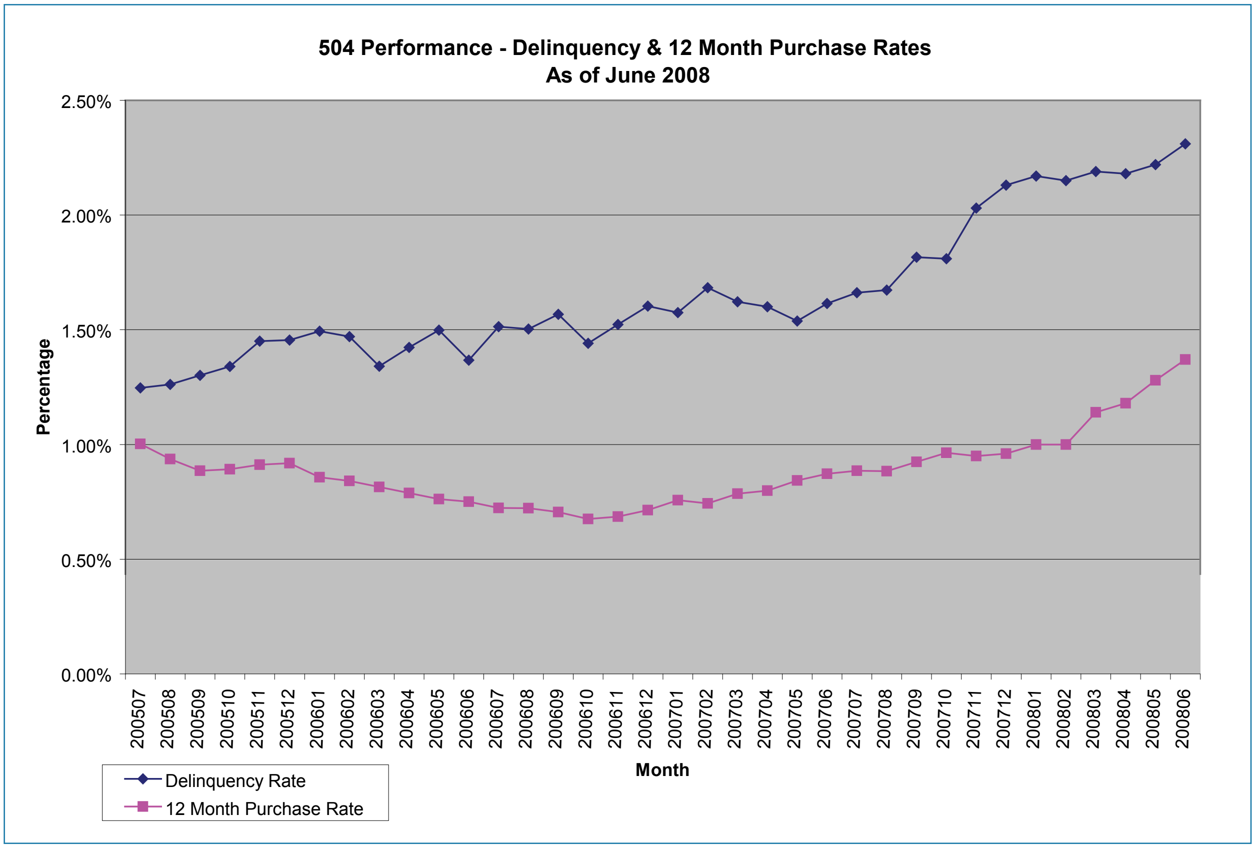
The process by which the SBA provides small businesses with opportunities for obtaining loans is supported by three major activities — processing, servicing, and purchasing loans. Processing includes reviewing and approving loans; servicing activities include loan collections and modifications; and purchasing is characterized by activities related to purchasing delinquent guarantied loans and coordinating the liquidation of collateral with lending partners. These activities are delivered through six centers located throughout the country that approve, service, and purchase SBA loans.

The SBA has centralized all disaster loan servicing activities in two centers, each responsible for servicing disaster loans for one-half of the country. Servicing activities include all loan collection and modification activities.



1 *The Small Business Share of GDP*, 1998-2004 by Katherine Kobe (April 2007). SBA Office of Advocacy-funded research contract SBAHQ-05-M-0413. The report may be found at www.sba.gov/advo/research/rs299tot.pdf.

2 *Small Business and State Growth: An Economic Investigation* by Donald Bruce et al (Feb. 2007). SBA Office of Advocacy-funded research contract SBAHQ-05-M-0410. The report may be found at www.sba.gov/advo/research/rs292tot.pdf.



When normal loan collection activities fail to restore a successful loan repayment plan, loans are transferred from the service centers to a third center, a nationwide loan liquidation center, for intensive workout or liquidation. This includes oversight of collateral and the referral of defaulted loans to the U.S. Treasury cross-servicing program for the Agency nationwide.

Consistent with the trends seen in the current economic environment, the performance of the SBA's loan portfolio began a declining trend beginning towards the end of FY 2007. As shown in the following charts, the SBA has seen an increase in delinquency and purchase rates in both the 7(a) and 504 programs, its two major credit programs. Between March 2007 and March 2008, the delinquency rate increased by 62 percent in the 7(a) program and 35 percent in the 504 program, while purchase rates increased by 22 percent in the 7(a) program and 45 percent in the 504 program. The Agency believes this trend is not indicative of weakness in its credit programs but reflect the broader economic conditions as well as challenges in credit and financial markets throughout the country. The declining trend has significant implications for both program fees as well as for loan operations. With increasing numbers of loans requiring action on the part of the SBA, significant pressure is put upon operations centers to mange the increase in loan related activity.

In the following pages, the 7(a) and 504 programs are presented separately (individual charts and narratives). These two programs are highly suited to a variety of small business owners and, in many cases, small businesses qualify for both types of loans. However, the SBA is interested primarily in ensuring that small businesses have access to capital regardless what programs are used. Therefore, the following chart shows the combined number of 7(a) and 504 loans funded.

7(a) and 504 Loans				
Loans Funded	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
7(a) and 504 Loans Funded Combined (#)	97,819	100,203	102,958	73,144

7(a) Loan Program

Through its 7(a) loan program, the SBA enhances the access to capital for small businesses. Improving access to capital often improves the chances that a small business can create or maintain employment, increase revenue and survive. The 7(a) loan program is the Agency's primary business loan program to assist small businesses to obtain financing when they do not qualify for conventional credit. It is particularly valuable to those underserved businesses that have traditionally had trouble accessing the conventional credit market. Its flexibility enables small businesses to obtain financing of up to $2 million for various business uses, with a loan maturity of up to 10 years for working capital and 25 years for real estate. The program had seen growth over the past years, including FY 2007, despite the rising interest rate environment. However, that growth has not continued into 2008 due to a number of factors, including the current economic environment, resulting in a lessening of demand by small businesses for credit, reduced creditworthiness of small business borrowers, and some tightening by banks of credit in the commercial lending area, reducing volume for commercial lending overall.

One initiative that the SBA intends to build upon to help reverse this trend is the expansion of the Small/Rural Lender Advantage initiative which was launched at end of FY 2007. It provides smaller SBA lenders a more streamlined way to process standard 7(a) loans up to $350,000 as a way to encourage them to consider doing more SBA lending. If the initiative proves successful in FY 2009, the SBA would like to make it available to all lenders in FY 2010 for smaller dollar loans that are made in underserved markets, regardless of the size of the lender. This will encourage lenders to make more of these more costly loans in the communities that need them most. These smaller dollar loans have fallen off in volume, in part because they are the costliest to make.

7(a) Loan Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
Loans Funded (#)	Output	88,845	90,483	92,553	64,514	99,494	-35%
SB Assisted (#)	Output	83,102	80,303	84,666	59,019	91,016	-35%
USM - Lns Funded (#)	Output	N/A	N/A	33,388	25,119	36,727	-32%
USM - SB Assisted (#)	Output	N/A	N/A	30,529	22,978	33,581	-32%
Jobs Created/Retained (#)	Outcome	662,133	790,170	864,947	649,271	864,947	-25%
Cost per Loan Funded ($)	Efficiency	$ 559	$ 461	$ 452	$ 865	$ 442	-96%
Cost per SB Assisted ($)	Efficiency	$ 881	$ 903	$ 843	$ 1,468	$ 911	-61%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 73,238	$ 72,485	$ 71,387	$ 86,626
Loan Making ($000)	$ 49,672	$ 41,741	$ 41,822	$ 55,793
Loan Servicing ($000)	$ 16,362	$ 17,190	$ 5,674	$ 6,672
Loan Liquidation ($000)	$ 7,204	$ 13,554	$ 15,146	$ 20,120
Lender Oversight ($000)	N/A	N/A	$ 8,745	$ 4,041

Variance Explanation

All 7 (a) loan program performance indicators have a FY 2008 negative variance of 25% or greater - The reason is that there has been a significant reduction in number of loans approved than was forecast due to the unforeseen downward trend in the current economic environment resulting in a lessening of demand by small businesses for credit, reduced creditworthiness of small business borrowers, tightening by banks of credit in the commercial lending area reducing volume for commercial lending overall, as well as the failure of some lenders.

FY 2008 Accomplishments

The SBA is actively reaching out to its lending partners through a Lender Relationship Management Initiative. The initiative both reminds lenders that the Agency continues to be available to guarantee loans to small businesses and works with lenders to provide good customer service to ensure that both the SBA's and the lender's operational needs are met. The Agency is taking this proactive step to inform lenders of the improvements made in its products, technology and processes that make its lending programs even more attractive during these challenging economic times. This initiative involves both headquarters and field personnel throughout the Agency. The initiative has increased the knowledge in the lender community of product offerings and operational requirements. The Agency is able to improve the effectiveness of its programs by maintaining closer contact with lenders, their needs and their perceptions of SBA, as a part of this initiative.

The SBA successfully established the Small/Rural Lender Advantage initiative in FY 2008 to improve access to SBA products for community lenders and increase their ability to assist underserved customers. S/RLA is not a new product, but rather a streamlined way for lenders with small SBA loan volume to gain experience with regular 7(a) lending. Features include a streamlined application and eligibility questionnaire to significantly reduce paperwork requirements, making the SBA's products and services more attractive to lenders and borrowers.

In FY 2007, the SBA embarked upon an initiative to update its Standard Operating Procedures governing 7(a) and 504 loan processing, servicing and liquidation and providing them it in a searchable format. This modernization initiative has proven highly successful in FY 2008. The first effort, a major revision of SOP 50 10 that describes the rules and policies to become a 7(a) lender or CDCs as well as 7(a) and 504 loan processing regulations, policies and procedures, has been completed and presents the Agency's policies in a much shorter and easier format to understand for its lending partners. This modernized edition is better organized by type of loan program, and is web-based and designed with searchable PDF technology, which has become the industry standard for large web-based documents.

The highly successful re-engineering of its National Guaranty Purchase Center (NGPC) in Herndon, Virginia allowed the SBA to surpass the key goal of the "Brand Promise Restored" Campaign that lenders would receive a decision on their guaranty purchase request within 45 calendar days of submission of a workable package. The center also eliminated a substantial backlog of pre-purchase reviews by the end of May 2008, as pledged at the launch of the BPR Campaign. The time to purchase a typical guaranty fell from more than 279 days at the beginning of September 2007 to less than 20 days by end of the campaign. In addition, the acceptable quality of guaranty purchase packages from the SBA's lending partners rose from less than 10 percent to more than 75 percent. A documented, standardized operations manual and review process were part of the re-engineering effort. As a result, the NGPC has doubled its productivity while improving the quality and effectiveness of the guaranty purchase review process. Lenders are paid faster, and their confidence in the predictability of the SBA guaranty has been restored. The NGPC continues to re-engineer other areas of its operation to gain further efficiencies and improve quality throughout the organization.

In addition to Herndon, center re-engineering and continuous improvement projects are under way in all of the SBA's loan processing, servicing and purchase/liquidation centers. By eliminating non-value added activities, the SBA is able to focus resources on those areas representing the most risk to the Agency, improve customer service and make sound business decisions driven by performance metrics that promote transparency and accountability. Work initiated in FY 2007, and continued in FY 2008 to implement performance management metrics and scorecards in all centers, will continue to be refined in FY 2009 and FY 2010 as key management tools for enhancing performance, quality, and accountability.

Workload in SBA service and liquidation centers has increased due to the substantial growth in the total loan portfolio over the last the last five years. As a result of this growth and the product life cycle of several newer loans products, in FY 2008 the Agency began to experience an increase the number of loan defaults, liquidation, and charge off activity. Higher defaults are a natural outgrowth of the large increase in new loan volume the SBA experienced since 2004, and are also likely exacerbated by the current state of the economy. Although new loan volume is down in FY 2008, the growth in loan servicing and liquidation transactions will persist for several years to come due to the growth experienced in the past several years.

Staffing in SBA centers was carefully reviewed during FY 2008 in order to ensure that adequate staffing was available to address the increases in volume. The SBA created balanced staffing models for all of its centers to model the impact of projected changes in workload and the impact on the ability of the centers to maintain continuity in all of their operations. By ensuring that there is adequate staffing to manage lending functions, the Agency is able to continue its efficient, timely, and quality level of service while performing at a higher level in the secondary functions vital to the center and ensuring the on-going quality and integrity of its loan programs. The models indicated that additional staffing is required to meet the incoming workload through FY 2009, and the SBA took immediate steps to reallocate staffing resources to meet those demands.

504 Loan Program

The 504 loan program serves small businesses requiring "brick and mortar" financing. A typical 504 loan project includes a loan secured from a private sector lender with a senior lien, and a SBA backed loan secured from a CDC in a second lien position. Thanks to particular features of this program, such as a statutorily-mandated job creation component, a community development goal, or a public policy goal achievement component, the program helps the SBA facilitate job creation and meet the Agency's mission to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses. As with the 7(a) loan program, the 504 loan program receives much support from SBA field offices which promote the program and train lenders and small businesses on the program's features. After several years of growth in 504 lending, the Agency is experiencing a reduction in the number of 504 loans approved in FY 2008.

504 Loan Program

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Lns Funded (#)	Output	8,974	9,720	10,405	8,630	11,185	-23%
SB Assisted (#) [(1)]	Output	7,629	7,569	9,708	8,084	10,436	-23%
USM - SB Lns Funded (#)	Output	N/A	N/A	3,695	3,544	4,065	-13%
USM - SB Assisted (#)	Output	N/A	N/A	3,449	3,332	3,794	-12%
Jobs Created/Retained (#)	Outcome	135,022	135,479	140,778	121,723	152,040	-20%
Cost per SB Loans Funded ($)	Efficiency	$ 1,581	$ 1,651	$ 1,540	$ 2,103	$ 1,477	-42%
Cost per SB Assisted ($)	Efficiency	$ 2,859	$ 2,830	$ 2,566	$ 3,118	$ 2,465	-26%

[(1)] FYs 2005 and 2006 totals for these indicators only include the data for existing businesses. Start-up business were not included. Starting in FY 2007, all Small Businesses Assisted are included.

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 21,812	$ 21,424	$ 24,915	$ 25,206
Loan Making ($000)	$ 14,190	$ 16,046	$ 16,028	$ 18,152
Loan Servicing ($000)	$ 5,452	$ 3,636	$ 2,590	$ 1,527
Loan Liquidation ($000)	$ 2,170	$ 1,742	$ 1,687	$ 3,011
Lender Oversight ($000)	N/A	N/A	$ 4,610	$ 2,516

Variance Explanation

All 504 loan program performance indicators have a FY 2008 negative variance of 12% or greater - The reason is that there has been a significant reduction in number of loans approved than was forecast due to the unforeseen downward trend in the current economic environment resulting in a lessening of demand by small businesses for credit, reduced creditworthiness of small business borrowers, tightening by banks of credit in the commercial lending area reducing volume for commercial lending overall, as well as the failure of some lenders.

FY 2008 Accomplishments

Re-engineering projects in the Citrus Heights Loan Processing Center reduced the turnaround time on 504 loan modification decisions from six days and over to three days or less on a consistent basis. In addition, policy improvements eliminated the need for SBA approval of certain actions normally processed by the center, freeing up resources for more value-added activities. Continuous process improvement of the activities that remain will allow the center to process more loans more efficiently.

The SBA introduced ETran, its direct electronic lender interface with the SBA that is widely used in the 7(a) program, into the 504 program to include 504 loan servicing actions. The Agency expects that ETran servicing will be particularly useful for the CDCs as there are often numerous minor changes to a 504 loan record just prior to loan closing. The Agency expects that all CDCs will have access to ETran before the end of FY 2008.

The Agency also re-engineered the 504 loan liquidation process in its two centralized locations, the Little Rock and Fresno servicing centers. The re-engineering leverages the efficiencies gained from centralizing the activity into a more performance-based environment where the emphasis is on timely, consistent and sound decisions to maximize recovery for the portfolio. The SBA's centers encourage participation with the CDCs in the liquidation process.

Microloan Program

Through the Microloan program, the SBA provides loans and technical assistance to intermediaries that provide very small loans to start-up and newly-established small businesses such as childcare centers needing small scale financing and technical assistance for start-up or expansion. Under this program, the Agency makes direct loans to nonprofit community based lenders (intermediaries) which in turn make loans to eligible borrowers in amounts up to $35,000. The microloans made by the intermediaries are not guaranteed by the Agency.

Microloan

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
Loans Funded (#)	Output	2,436	2,395	2,427	2,682	2,500	7%
SB Assisted (#)	Outcome	2,436	2,395	2,427	2,682	2,500	7%
Cost per SB Assisted ($)	Efficiency	$ 7,590	$ 6,626	$ 7,126	$ 6,860	$ 7,964	14%
Cost per Loan Funded ($) [1]	Efficiency	$ 1,584	$ 1,269	$ 1,536	$ 932	$ 1,608	42%

[1] Does not include the cost of Technical Assistance

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Resources ($000)	$ 18,489	$ 15,870	$ 17,294	$ 18,399
Total Loan Making ($000)	$ 3,859	$ 3,040	$ 3,727	$ 2,500
Loan Servicing ($000)	$ 387	$ 20	$ 312	$ 469
Loan Liquidation ($000)	$ 115	$ -	$ 157	$ 207
Technical Assistance ($000)	$ 14,128	$ 12,810	$ 13,098	$ 15,223

Variance Explanation

"Cost per SB Assisted ($)" has a variance of 13%. The reason is that the surge in microloan activities at the end of FY2008. As a result, the final numbers exceeded the goal, therefore since the costs did not increase, the Cost per SB Assisted improved.

"Cost per Loan Funded ($) has a variance of 25%. The reason is that the surge in microloan activities at the end of FY2008. As a result, the final numbers exceeded the goal, therefore, since the costs did not increase, the Cost per Loan Funded improved.

FY 2008 Accomplishments

The Microloan program is experienced a slight surge in activity at the end of last fiscal year. As late as early September 2008, the cumulative numbers had been running behind the prior year. Based on a surge in September, the final figures exceeded the prior year and the goal for fiscal 2008. This situation is attributed to the difficulty of obtaining regular bank financing. Currently, new microloan originations are running about 21% behind last year in terms of both number of loans and dollars loaned. This is attributable to the relatively strong performance during October-December 2007, and the weak conditions which have prevailed since October 2008. However, nearly 2,200 microloans are expected to be made to borrowers by year's end.

The program continues to be a major resource for entrepreneurial development and financing, especially among underserved communities. The SBA projects that the Microloan program will continue to effectively reach significant numbers of women and minorities with about 48 percent of its microloans going to businesses 51 percent or more owned by women, and about 53 percent going to minority-owned firms.

The SBA is strengthening the management of the Microloan program by conducting a top to bottom review of the program to identify opportunities for improvement. Additionally, the Microloan program is seeking to create greater transparency in the accounting and portfolio management of the loans to the program's intermediaries.

Credit Risk Management

The SBA works to maximize the efficiency of its lending programs by effectively managing program credit risk, monitoring lender performance, and enforcing lending program requirements. The Agency conducts a continuous risk-based, off-site analysis of lending partners through the Loan/Lender Monitoring System, a state-of-the-art portfolio monitoring system that incorporates credit scoring metrics for portfolio management purposes. In February 2006, Thomas H. Stanton, *Managing Information and Risk: Promising Practices of Federal Financial Systems*, sponsored by Deloitte and Touché USA, recognized this system as a promising practice in federal credit management.

With the implementation of the Loan/Lender Monitoring System and redesign of the on-site review process, oversight functions are focused on those 7(a) lenders, certified development companies, and microloan Intermediaries that pose the most risk to the SBA. In addition to overseeing lenders, the L/LMS provides policy, portfolio and program analysis. The Office of Credit Risk Management is divided into three teams: large lender oversight, small lender oversight, and program and policy analysis. The differentiation of lender oversight by lender size reflects the different forms of oversight needed for large lenders versus small lenders.

The Office of Credit Risk Management also assesses the quality of the overall SBA 7(a), 504, microloan, and disaster loan portfolios. The program's efforts not only help protect the interests of the taxpayer, but also help lending partners better understand how best to fulfill the requirements of the lending programs in a way that is mutually beneficial to lenders and the SBA. SBA lending partners are crucial to the overall success of these programs.

FY 2008 Accomplishments

Increased the Number of On-site Reviews — The implementation of the lender fee regulations enabled the Agency to increase the number of on-site risk-based reviews from 80 performed in FY 2007 to over 200 performed in FY 2008.

Improved Portfolio Analytics — The Agency undertook several initiatives that will assist in improving portfolio analytics to support lender oversight operations. A staffing analysis was performed to determine the appropriate effective level of staff resources the Office of Credit Risk Management needed to perform its function. As a result of the staffing analysis, the office revised its processes to make individual financial analysts responsible for lenders in specific geographic regions. This will improve the management of lender relationships within the Office of Credit Risk Management and allow the analysts to become more familiar with regional issues that may affect individual lender performance.

Developed a Communications Plan — In an effort to increase awareness of the risk management policies and procedures, a communications plan was created. The purpose of this plan is to improve understanding of the Office of Credit Risk Management's mission, objectives and oversight processes to increase transparency.

Enhancements to the Lender Loan Monitoring System — A rescaling was completed to address the Inspector General's concern about the "subjectiveness" of the SBA's former risk ratings scale.

Small Business Investment Company Program

The Small Business Investment Company program supports small businesses and the U.S. economy by providing private equity capital and long-term loans to small businesses. SBICs are privately owned and managed investment funds, licensed and regulated by the SBA. They use their own private capital plus funds borrowed with an SBA guaranty to make investments in qualifying businesses.

By increasing availability of venture capital to small businesses, the SBA is able to assist entrepreneurs during a critical phase of a company's establishment. SBICs make investments in small businesses that have exceeded the personal resources of the founder or the capacities of angels (private investors) but are often too small to merit the attention of the larger venture funds. In addition, unlike typical angel investors, SBICs provide strategic guidance to small businesses.

Due to deficiencies in the structure of the participating securities program, and the downturn in the stock market in 2001, the SBA estimates significant losses in that program. As a result, the participating securities program was not funded past FY 2004, and FY 2008 was the last year of leverage availability for the program. In order to help minimize the losses on the participating securities program, and to ensure the debentures program remains financially sound, the SBA has increased financial monitoring in the Office of Operations and the Office of Licensing and Program Standards.

In addition, since FY 2004, the SBA has focused on improving collections in the Office of Liquidations. As a result, since FY 2005, the recovery rate, as measured by total collections to average of beginning and ending leverage outstanding, has consistently exceeded subsidy model estimated recovery rates. (See the third performance measure in the Office of Management and Budget Program Assessment Review Tool at http://www.whitehouse.gov/omb/expectmore/detail/10009026.2007.html.)

SBIC

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Assisted (#)	Outcome	2,298	2,121	2,057	1,905	1,770	8%
USM - SB Assisted (#)	Outcome	781	729	721	632	555	14%
Cost per SB Assisted ($) [1]	Efficiency	$ 6,908	$ 7,152	$ 7,656	$ 9,010	$ 10,558	15%

[1] The formula for calculating the Cost Per Small Business Assisted was revised in FY 2006 to include only the cost of loan making. Previously, this measure was calculated using Total Administrative Resources.

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 15,874	$ 15,169	$ 15,749	$ 17,165
Loan Making ($000)	N/A	$ 3,648	$ 4,382	$ 2,489
Loan Servicing ($000)	N/A	$ 8,385	$ 8,459	$ 9,529
Loan Liquidation ($000)	N/A	$ 3,136	$ 2,908	$ 5,147

Variance Explanation

"USM - SB Assisted (#)" has a variance of 14%. The reason that we are over is that the goal was an estimate and reflected the anticipated impact of the termination of the participating securities program. However, the impact was less than expected. As the participating securities program was the largest component on the SBIC program and this was our first experience with a termination of this magnitude, we had little historical experience to guide our estimates.

"Cost per SB Assisted ($)" has a variance of 15%. The reason for this variance is that the goal for small business assisted was an estimate and reflected the anticipated impact of the termination of the participating securities program. However, the impact was less than expected. As the participating securities program was the largest component on the SBIC program and this was our first experience with a termination of this magnitude, we had little historical experience to guide our estimates. As a result of the underestimated goal for small business assisted in FY08, the actual Cost per SB Assisted in FY08 was under its FY08 goal.

FY 2008 Accomplishments

FY 2008 marked the 50th anniversary of the SBIC program. As a small business progresses through the stages of its life cycle, the type of capital required may include venture or mezzanine financing. The SBA meets these types of financing needs through the SBIC program, principally in the $500,000 to $5 million range. In FY 2008, the Investment Division assisted approximately 2,000 small businesses with over $2.2 billion of capital.

In FY 2008, SBA's Investment Division implemented the Office of Liquidation Standard Operating Procedures, revised in FY 2007 to address the specific needs of the participating securities program and help maximize recoveries. The Agency will continue to monitor these activities to ensure that recoveries continue to occur in an efficient and effective manner. As a result of these efforts, the SBA expects to exceed its recovery rate goal as identified in the Program Assessment Review Tool in FY 2008.

In addition to its liquidation efforts, the SBA has focused on operational changes designed to ensure appropriate credit risk management practices and make the program more attractive to fund managers and investors. As part of this effort, the Agency has embarked on an enhancement of its data management functions via an extranet website to collect critical SBIC financial, investor, and capital information. The Investment Division awarded the contract in FY 2008 and expects to implement it in FY 2009.

New Markets Venture Capital Program

The New Markets Venture Capital program combines equity investing and hands-on technical assistance to foster new business growth and job creation in low-income areas. Businesses in these areas have traditionally lacked access to equity capital, and the program is helping to address this need. Through its unique combination of equity capital and no-cost technical assistance, New Markets Venture Capital companies offer entrepreneurs in low-income areas an enhanced opportunity to succeed.

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

The New Markets Venture Capital program is a small pilot program. The SBA will assess the future potential of this program as investment results become clearer.

International Trade Program

According to U.S. Department of Commerce data 97 percent of U.S. exporters are small businesses. The SBA estimates that in FY 2010 these businesses will account for over $600 billion in exports, equivalent to 29 percent of all U.S. anticipated exports. The SBA's Office of International Trade takes two approaches to enhancing the participation of small businesses in international trade. The first is a field-based export promotion and finance network of senior international trade specialists working in U.S. Export Assistance Centers. The second is policy-oriented collaboration with the government's international affairs agencies to advance U.S. international commercial, economic and diplomatic objectives.

Lenders are often hesitant to provide loans for export transactions because of the inherent degree of uncertainty and complicated characteristics of international trade. The SBA addresses these challenges by providing small businesses and lenders with training and technical assistance in order to facilitate access to capital. The Agency's network of export specialists at 18 U.S. Export Assistance Centers works closely with businesses and banks to deliver trade promotion and finance services.

The SBA also helps represent and advance U.S. interests with international organizations concerned with small business development and supports trade capacity building efforts as part of U.S. international trade agreements. The SBA's Office of International Trade also engages small business agencies in other countries to facilitate opportunities for small business linkages and exports.

International Trade

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
Loans Funded (#)	Output	2,638	3,082	2,767	3,090	2,975	4%
SB Assisted (#)	Outcome	2,484	2,851	2,513	2,908	2,702	8%
USM Assisted (#)	Outcome	N/A	N/A	1,007	1,248	1,108	13%
Cost per Loan Funded ($)	Efficiency	$ 2,047	$ 1,396	$ 1,900	$ 1,350	$ 2,013	33%
Cost per SB Assisted ($)	Efficiency	$ 2,174	$ 1,510	$ 2,092	$ 1,434	$ 2,216	35%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 5,400	$ 4,304	$ 5,258	$ 4,170

Variance Explanation

"USM Assisted (#)" has a variance of 13%. The reason that we are over is that the overall FY2008 actual international trade loan volume was up and the portion going to USM was up accordingly.

"Cost per Loan Funded ($)" has a variance of 33%. The reason that we are over is that the actual international trade loan volume was up in FY2008.

"Cost per SB Assisted ($)" has a variance of 35%. The reason that we are over is that the actual international trade loan volume was up in FY2008.

All of the above variances are relative to the increased loan volume that has significant impact on Underserved Markets and Small Businesses. Increased leveraging of loan-making by lenders through electronic processing has reduced the costs to SBA for underwriting and processing of such trade loans.

FY 2008 Accomplishments

In FY 2008 the SBA, through its Office of International Trade, approved over 3,000 loan guaranties to support small business exporters; trained over 3,200 lenders; counseled over 2,800 lenders; trained over 6,300 small businesses; and counseled over 4,500 small businesses.

The Agency took important steps to improve its international finance products, including the following:

- Issued new Export Working Capital Program SOP and Lender's Guide;
- Initiated a new policy designed to provide preferred lender status to the Export Working Capital program;
- Issued an updated EWCP loan authorization wizard;
- Conducted an international trade finance lender roundtable; and
- Created a marketing task force to ensure that products and services are available to both the lender and small business community, including a strong effort to enlist more participating lenders to provide working capital through the EWCP and Export Express loan programs.

The SBA coordinated the first Small Business International Trade Symposium in South Florida. This celebration of small business in international trade drew more than 400 people for a town hall meeting with the former Administrator Preston and Commerce Secretary Gutierrez, a small business exporter success story panel, a discussion on "What Free Trade Agreements Mean to Small Business," and a panel of local resource providers. Feedback was extremely positive. A second Small Business International Trade Symposium is planned for November 2008 in Washington, D.C.

The SBA participated in the Americas Competitiveness Forum. The presentation highlighted best practices to prepare micro, small, and medium-sized businesses to effectively engage in international trade. The ACF was hosted by the Commerce Department and the City of Atlanta.

During the September 2008 ASBDC Annual Conference, the Office of International Trade and the Trade Promotion Coordinating Committee conducted a six-hour training session for international trade technical assistance personnel (counselors and trainers) from the SBDC network. Those counselors/trainers who successfully completed this training were awarded TPCC Training Certification.

Surety Bond Guarantee Program

Under the Surety Bond Guarantee program, the SBA guarantees bid, payment, and performance bonds on contracts up to $2 million for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. The SBA guarantee gives sureties an incentive to provide bonding for eligible contractors and thereby increases a contractor's access to contracting opportunities. Under the surety guarantee, an agreement between a surety and SBA, SBA assumes between 70 percent and 90 percent of the loss in the event of contractor default.

Surety Bond Guaranties

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
Final SBG (#)	Output	1,680	1,706	1,617	1,576	1,800	-12%
Total Bonds (#)	Output	5,678	5,214	5,809	6,055	6,000	1%
USM- Final SBG (#)	Output	N/A	N/A	N/A	668	600	11%
Cost per Final SBG ($)	Efficiency	$ 2,906	$ 4,107	$ 4,283	$ 2,812	$ 4,196	33%
Cost per Total Bid Bonds ($)	Efficiency	$ 860	$ 1,344	$ 1,192	$ 732	$ 1,259	42%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000) (1)	$ 4,882	$ 7,006	$ 6,926	$ 4,431

(1) Administrative resources do not include funds appropriated for the contingent liability in the revolving fund.

Variance Explanation

"Final SBG (#)" has a variance of -12%. The reason is that the FY2008 goal used an estimated percentage to calculate the find bonds and FY08 goal turned out to be overestimated. Final bond targets were based on a percent of total bonds. The percent (30%) was calculated using an average of the previous three years of total bonds; however, in FY 2008 actual final bonds were 26% of total bonds or 12% below the target. Due the nature of the estimation process, SBA does not feel any adjustments are required to the program or to future targets at this time."

"USM – Final SBG (#)" has a variance of 11%. The reason is that the FY2008 goal used an estimated percentage to calculate the USM portion of the Find Bonds and FY08 goal turned out to be underestimated.

"Cost per Final SBG ($)" has a variance of 33%. The reason is that FY08 actual full costs were 41% below the original estimate resulting in the positive variance noted here.

"Cost per Total Bid Bonds ($)" has a variance of 42%. The reason is that FY08 actual full costs were 41% below the original estimate resulting in the positive variance noted here.

FY 2008 Accomplishments

In FY2008, SBA guaranteed 6,055 bonds. As a result, $538 million in contract revenue has been generated for small businesses, and approximately 5,075 jobs have been created. While it is difficult to predict the spread between bid and final bonds, the key is that total bond activity is experiencing an upward trend.

In FY 08, several program initiatives designed to strengthen the Agency's partnership with the surety industry were completed. A proposed rule was drafted to address needed program changes that will enhance productivity and efficiency. We also conducted an independent study of the program to: (1) identify the approximate size of the small business market for the program, (2) evaluate marketplace factors that influence surety and small business participation in the program, and (3) identify actions required to enhance program efficiency and effectiveness. The study concluded that the small business market is significantly larger than is currently being served, and major program adjustments are needed to reduce the paperwork burden on small businesses and surety companies that discourages their participation in the program. Additionally, the study confirmed that broad marketplace factors, such as upturns and downturns in the economy at large affect the demand for surety bond guarantees, but that the program serves a useful purpose in smoothing out cyclical changes. Overall, the study recommended that the program office identify and adopt best practices from the reinsurance industry as a way to overcome complaints that the program is too paper intensive. Finally, the program office published a new Field Office Operating Guide to standardize best practices within our field offices, and new metrics were adopted in FY 08 to promote improved customer service.

Management and Technical Assistance

Each year over 1.4 million small businesses and entrepreneurs utilize the expertise of the SBA and its resource partners — the Small Business Development Centers, the Women's Business Centers and SCORE — to establish or grow a small business. This assistance includes support for business and strategic plan development, planning and conducting market studies, implementing new technologies, accessing capital, and many other undertakings vital to the success of a typical small business throughout its lifecycle.

In the following pages, the Office of Entrepreneurial Development programs — Small Business Development Centers, Women's Business Centers, SCORE, Drug Free Workplace, and services - the Small Business Training Network — plus other SBA programs that provide management and technical assistance — the 7(j) program, Native American Affairs, Faith-Based and Community Initiatives, and Veterans Business Development — are discussed.

Small Business Development Center Program

As the SBA's largest non-financing program, Small Business Development Centers meet the counseling and training needs of more than 600,000 business clients annually. SBDCs deliver management and technical assistance to small businesses using an extensive business education network comprised of 63 lead centers that manage more than 950 service center delivery points throughout the U.S. and the territories, including the District of Columbia, Guam, Puerto Rico, American Samoa and the U.S. Virgin Islands. SBDCs focus on providing marketing, financial and business planning services through counseling and training. Special emphasis areas include manufacturing, procurement, technology transfer, disaster recovery, technology, market research, and international trade.

Small Business Development Centers exist from a unique mix of SBA funding combined with state and private sector resources. By providing grant funding across the country, the SBA fosters economic growth of small businesses. These small businesses in turn foster local and regional economic development through business revenues generated and job creation and retention.

SBDC

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
Multi-Year Extended Engagement Clients (#)	Output	N/A	N/A	44,242	50,807	45,026	13%
SB Created (#) [1]	Outcome	N/A	N/A	7,331	12,730	6,000	112%
Capital Infusion ($ Billion)	Outcome	N/A	N/A	3.4	3.6	2.5	44%
Cost per Multi-Year Extended Engagement Clients (#)	Efficiency	N/A	N/A	$ 2,288	$ 2,190	$ 2,453	11%
Cost per SB Created ($) [2]	Efficiency	N/A	N/A	$ 13,810	$ 4,983	$ 8,404	41%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 105,593	$ 103,007	$ 101,241	$ 111,288

(1) The original projection for Small Businesses Created was implemented before it was measured using EDMIS. The FY 2008 and FY 2009 goals were reduced to reflect a more realistic goal based on the data analysis from EDMIS

(2) Prior to FY 2008, the SBDC program used full program budget dollars to calculate this metric. To better represent the program results, only program funding attributable to assisting nascent entrepreneurs is used in the calculation. This percentage is determined annually by the percentage of the client base that consists of nascent entrepreneurs. In FY 2008, the percentage of nascent entrepreneurs was 57%, which has also been applied in developing the FY 2009 & FY 2010 targets.

Variance Explanation

"Multi-Year Extended Engagement Clients (#)" has a variance of 13%. The program received an unexpected $10M increase in funding for FY 08 which we feel increased capability resulting in serving more clients than the original target goals promulgated under the lesser funding amount.

"SB Created (#)" has a variance of 112%. The reason is greatly improved data collection and reporting plus the additional $10M increase in funding which was not anticipated. Expanded training to grantees on reporting methodology for SBDC counselors has greatly improved the quality of data collection in this category. In addition, improvements were made in the analytical methodology of computing this category in 08. Goaling and reporting for '09 and '10 should be much more closely aligned than in past years because of these enhancements.

"Capital Infusion ($ Billion)" has a variance of 44%. Given the state of the current economy, it is surprising that the program elicited these results for this credit category. When the goaling was developed for 08, SBA was experiencing a dramatic downturn in its new loan portfolio and 08 goals were adjusted accordingly. However, it appears that the program was able to continue to get credit to its clients despite some of the economic factors at play. It is anticipated, however, that 09 results will show that SBDC clients have been more drastically affected by the credit crunch.

"Cost per Multi-Year Extended Engagement Clients (#)" has a variance of 11%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

"Cost per SB Created ($)" has a variance of 41%. The variance indicates greater efficiency based on the increased funding amount resulting in an increase in the number of businesses created at a lesser proportion than anticipated.

FY 2008 Accomplishments

FY 2008 saw some major improvements relative to financial and programmatic oversight of the SBDC network. Statutorily, the SBA is required to perform financial and programmatic reviews on a biennial basis. Thus, given 63 funding recipient organizations, 31 or 32 networks receive a financial and/or programmatic review annually.

In FY 2007-FY 2008, the Agency completed a re-engineering project that revised the methodology and frequency of financial examinations while still meeting the legislative mandate. The revised financial review process, frequency and extent of examination, is based on a risk model developed in consultation with the SBDC community, the Association of Small Business Development Centers, and the SBA. An SBDC's score on the model determines its level of risk and the appropriate extent of oversight necessary, ranging from limited documentation submissions to complete, onsite examinations. The new process is intended to reward those networks that demonstrate good financial management of their funding and encourage others to achieve a higher level of financial performance.

The Office of Small Business Development Centers re-engineered the management of the SBDCs with an increased focus on performance management. SBA field functions were addressed to make the field's role commensurate with its capabilities, and OSBDC program managers assumed a more proactive role in looking at individual network performance and working with SBDC state/region directors regarding that performance. Site reviews are now based more on need, service delivery, and level of performance instead of traditional compliance factors.

A business counselor certification process began in FY 2008. Scheduled to be completed in FY 2011, this certification is being developed to provide quality assurance across the national network of SBDCs as to the level of counselor capability and services being delivered to clients. This project is being developed and implemented in collaboration with the Association of Small Business Development Centers. Some individual SBDC networks have taken an active role as well.

Drug Free Workplace Program

The Drug Free Workplace program requires the SBA to award grants to eligible intermediaries to provide financial and technical assistance to small businesses seeking to establish Drug Free Workplace programs. The grantees are also expected to educate working parents on how to keep their children drug free. As part of the program, the SBA also awards contracts to Small Business Development Centers to provide information and assistance to small businesses with respect to establishing Drug Free Workplace programs.

DFWP grantees are expected to educate 1,450 small businesses on maintaining their programs. It is anticipated that 165 programs will be implemented in FY 2009.

Drug Free Work Place

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Educated (#)	Output	5,150	531	2,731	2,280	1,450	57%
Programs Implemented (#)	Output	1,029	62	453	363	165	120%
Cost per SB Educated ($)	Efficiency	$ 201	$ 2,194	$ 311	$ 476	$ 1,023	53%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 1,033	$ 1,165	$ 849	$ 1,085

Variance Explanation

"SB Educated (#)" has a variance of 57%. There is no way to predict how many small businesses will request education on a DFWP. We provide a "best estimate" based on previous years' performance information, However that has not proven to be a good predictor of future performance.

"Programs Implemented (#)" has a variance of 120%. There is no way to predict how many small businesses will implement a DFWP. We provide a "best estimate" based on previous years' performance information, However that has not proven to be a good predictor of future performance.

"Cost per SB Educated ($)" has a variance of 53%. This variance is tied specifically to the variance in the number of small businesses educated.

FY 2008 Accomplishments

During fiscal year 2008, the DFWP grantees have:

- Financially assisted 1,682 small businesses;
- Technically assisted 1,703 small businesses;
- Small businesses have implemented 155 complete drug free workplace programs;
- Small businesses have implemented 208 partial drug free workplace programs; and
- Educated 2,280 small businesses.

Women's Business Ownership

The Office of Women's Business Ownership manages the Women's Business Center program whose mission is to provide quality counseling and training services to women entrepreneurs, especially those who are socially and economically disadvantaged. The program does this by reaching out to these targeted populations through 113 WBCs located throughout the U.S. and its territories. The WBCs provide training and counseling on such topics as writing a business plan, cash flow management, and other basic business functions.

The WBC program provides initial grants for a five-year period; and has historically given those who successfully complete this initial funding phase, an opportunity to receive sustainability grants for an additional five years. However, in 2007, Congress passed a bill providing for permanent 3-year renewable funding for all graduating WBCs, whether from the initial phase or from the sustainability phase. In three years, the sustainability grants will be phased out, leaving the initial 5-year grants and the continuous 3-year renewable option.

WBC grants are continued or new grants are awarded depending on the availability of funds and based on recipients' ability to demonstrate the following: milestone achievement, sound grant management practices (both financial and programmatic), sound financial systems, ability to meet match requirements, demonstrate successful market penetration in their target market, alignment with their host organization's mission, and be in compliance with their cooperative agreement as outlined by the Office of Women's Business Ownership.

WBC

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Assisted (#)	Output	144,316	129,373	146,828	159,879	134,733	19%
Jobs Created/ Retained (#) [1]	Outcome	9,442	6,879	632	650	632	3%
SB Created (#) [1]	Outcome	N/A	N/A	618	727	618	18%
Cost per SB Assisted ($)	Efficiency	$ 163	$ 170	$ 139	$ 143	$ 162	12%
Cost per Job Created/Retained ($)	Efficiency	$ 2,495	$ 3,203	$ 32,329	$ 35,051	$ 38,926	10%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 23,555	$ 22,033	$ 20,432	$ 22,783

[1] Prior to FY2007, the SBA collected the number of Jobs Created/Retained from the WBCs through annual reports for which SBA had no way to verify the data. SBA now collects the information through EDMIS which is tied to the Form 641 Counseling records for each counseling session. While this number does not include impact data from training, it is an accurate reflection of the impact from counseling.

Variance Explanation

For all Variances except "Jobs Created/Retained"- The current Entrepreneurial Development Management Information System was first used beginning in FY2006. At the time of establishing FY2008 goals, FY2007 data was still being entered into EDMIS and therefore the goaling process was the best estimate based on 2006 data. FY2009 goals should be more accurate targets as the system has more data that can be used for estimates.

"Jobs Created/Retained ($)" has a variance of 3%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

FY 2008 Accomplishments

In FY 2008, the Office of Women's Business Ownership went through a complete re-engineering process. The effort included the conversion to a payment system housed at the Department of Health and Human Services. This system allowed grantees, through an automated electronic system, to access their funds within 24 hours. This was a huge undertaking and required an enormous effort to migrate each grantee into the new system.

Staffing within the Office of Women's Business Ownership was realigned to better serve WBC grantees. Program managers were assigned SBA regions for which they have daily responsibility for oversight and management of the WBCs within their regions, working with the respective district offices. In addition, a financial team was assembled with oversight responsibility of the grants function. At the very end of FY 2008, a grants management specialist position was filled to oversee the entire grants function. These accomplishments were acknowledged by the SBA by presenting OWBO with one of the Agency's first Continuous Improvement Awards.

Finally, OWBO has begun a serious examination of all WBCs within the portfolio to assess risk and to take corrective action, including termination, of any WBCs that are in violation of their cooperative agreement by non-performance, lack of matching funds, or have demonstrated fraud, waste or abuse of federal funds through on-site financial examinations.

Entrepreneurship Education

SCORE

The Office of Entrepreneurship Education manages the national SCORE program and is the education, information and outreach office for the Office of Entrepreneurial Development.

SCORE mobilizes the experience and expertise of 11,000 business professionals who volunteer to assist entrepreneurs and emerging small businesses participating in America's ownership society. Distinct in the federal government as the only volunteer business advisor and mentoring program, SCORE adapts its structure and services to meet the needs of small businesses in changing economic conditions.

SCORE

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Assisted (#)	Output	403,724	308,710	336,411	360,559	325,389	11%
SB Created (#) (1)	Outcome	N/A	N/A	1,082	943	1,082	-13%
Cost per SB Assisted ($)	Efficiency	$ 46	$ 55	$ 29	$ 29	$ 31	5%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 18,507	$ 16,932	$ 9,799	$ 10,609

(1) In the FY 2009 CBJ and the FY 2010 OMB Submission, the target (for the FY 2007 Actual and the FY 2008 Goal) was incorrectly identified as 19,732. That number did not represent "Small Businesses Created". We have since corrected the FY 2007 Actual and the FY 2008 Goal to reflect the correct actual and goal of 1,082. We will receive the FY 2008 actual January 15, 2009.

Variance Explanation

For all Variances except "Cost per SB Assisted"- The current Entrepreneurial Development Management Information System was first used beginning in FY2006. At the time of establishing FY2008 goals, FY2007 data was still being entered into EDMIS and therefore the goaling process was the best estimate based on 2006 data. FY2009 goals should be more accurate targets as the system has more data that can be used for estimates.

"Cost per SB Assisted" has a variance of 5%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

FY 2008 Accomplishments

In FY 2008, SCORE launched a unique website for the age 50-plus entrepreneur market on www.score.org. SCORE also revamped and enhanced the young entrepreneur online community website. The new online training workshops have been very successful. Two new entrepreneurship series were launched in locations around the country: *Business Disaster Preparedness* in partnership with Hewlett Packard, and *Speed Mentoring* in partnership with American Express OPEN. SCORE's online cyber counseling provides access to more than 1,500 business advisors with 800 business industry and functionality skill sets. SCORE's website in FY 2008 featured a business center, two newsletters on business trends and assistance, and has unique entrepreneurial communities for minorities, women, manufacturing and rural businesses.

The Office of Entrepreneurship Education led the Agency's Emerging 200 Underserved Markets initiative. The Emerging 200 initiative identified 200 inner-city businesses in 10 host cities across the country that demonstrated a high potential for growth and provided them the network, resources and motivation required to build a sustainable business of size and scale within a designated inner-city geographic location.

The SBA Emerging 200 initiative enabled the participating small businesses to engage in an intensive curriculum focused on developing a winning expansion strategy for their business, including options for capital access and contracting. Participants also had the opportunity to work with experienced mentors, attend workshops and develop connections with their peers, city leaders, and financial community.

The following cities were selected to participate in the SBA Emerging 200 initiative for 2008: Boston, Baltimore, Philadelphia, Atlanta, Memphis, Chicago, New Orleans, Albuquerque, Milwaukee and Des Moines.

The Office of Entrepreneurship Education also oversees the Office of Entrepreneurial Development's Economic Impact Study. The sixth year of this longitudinal impact study was conducted to assess the continued impact of resource partner services. It examines three key indicators of success: (1) client value added measures which measure the clients' perceptions of the services provided; (2) managerial and marketing operations/implementation measuring the extent clients implemented changes to their managerial and marketing operations; and (3) economic impact measuring the change in clients' business revenue and employees based on the face-to-face counseling received and new business starts.

The Small Business Training Network

Consistent with its mission to inform and educate, the Office of Entrepreneurship Education provides a virtual campus for small businesses - The Small Business Training Network (SBTN). SBTN currently offers more than 26 free online courses. Greater than 10,400 clients each week register for SBTN courses. In FY 2008, this resulted in more than 500,000 small business clients enrolling and benefiting from SBTN online training. In addition, Small Business Training Network online courses, which are available to all resource partners and SBA District Offices, significantly improve how, when and where SBA customers are served. Targeted courses provide the ability to create and deliver meaningful training plans that support small businesses in underserved markets and address very specific client needs, such as helping entrepreneurs navigate and survive these tough economic times.

FY 2008 Accomplishments

OED exceeded its internal performance goals for the number of clients registering for SBTN courses by 112 percent. Twelve new courses were added to the SBTN catalog of offerings, and multiple other offerings were improved. In addition, assessment tools were created and launched to evaluate client needs and lead them to targeted online training. Approximately 350,000 clients have completed such assessment tools.

7(j) Program

The SBA is authorized, under Section 7(j) of the Small Business Act, to enter into grants, cooperative agreements or contracts with public or private organizations that can deliver management or technical assistance to individuals and enterprises eligible for assistance under the Act. This assistance is delivered through the 7(j) Management and Technical Assistance program to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment, or low-income or firms owned by low-income individuals.

Under the 7(j) program grants, cooperative agreements or contracts are awarded to qualified service providers who have the capability to provide business development assistance to eligible clients. Program funding is not available to finance a business, purchase a business or use as expansion capital for an existing business.

Assistance under the 7(j) program may be given for projects that respond to needs outlined in a solicitation announcement or for an unsolicited proposal that could provide valuable business development assistance for 8(a) and other socially and economically disadvantaged small businesses. Assistance may include accounting and marketing services, feasibility studies, marketing/presentation analyses and advertising expertise, loan packaging, proposal/bid preparation, industry specific technical assistance, and other specialized management, training and technical services. Additionally, an executive education program is offered for owners and senior officers of 8(a) firms to take part in intensive week-long training sessions.

7(j)

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Assisted (#)	Output	2,107	2,317	2,486	2,021	2,244	-10%
Cost per SB Assisted ($)	Efficiency	$ 1,479	$ 988	$ 1,344	$ 2,365	$ 2,081	-14%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Acual
Total Administrative Resources ($000)	$ 3,116	$ 2,289	$ 3,340	$ 4,780

Variance Explanation

"SB Assisted (#)" has a variance of -10%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

"Cost per SB Assisted ($)" has a variance of -14%. The reason is the cost of the program increased while the actual SB assets (#) went down.

FY 2008 Accomplishments

During FY 2008, the SBA continued to provide technical assistance to 8(a) firms and other 7(j) eligible firms utilizing 7(j) funding. Also, as part of the individual business development plan, the 8(a) Business Development Assessment Tool provided an assessment of program participants' management and technical assistance needs and recommended training. Using 7(j) funds, the SBA provided management and technical assistance training including Cost Pricing Levels I and II, Financial Management for Small Businesses, Managing Success in the 8(a) Business Development Program as well as providing all the 8(a) firms in the developmental stage with a publications highlighting the most successful graduated 8(a) firms and the insights from the former 8(a) chief executive officers.

Veterans Business Development

Through its Office of Veterans Business Development (OVBD), the SBA complies with it's responsibility, pursuant to statute, to provide "special" and "full consideration" to veterans and enhance successful small business ownership of veterans by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated Agency initiatives and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and discharging active duty personnel. This is accomplished through enabled SBA district office veterans business development officer initiatives, through OVBD-developed and distributed materials, websites and partnering, through management of regional Veterans Business Outreach Centers, through direct guidance and assistance to agency veteran customers, through inter-agency assistance with other federal partners, and through enhancements to intra-agency programs targeting to and usability by the entrepreneurial military and veterans communities.

FY 2008 Accomplishments

OVBD enhanced veteran, service member and reservists business ownership opportunities through the following activities. The Associate Administrator conducted 69 major media interviews on behalf of the agency to increase public awareness of SBA programs and services for veterans and Reserve component members of the U.S. Military.

OVBD provided e-based assistance to 11,104 veterans and reservists seeking entrepreneurial, financial and procurement guidance and direction. Email requests are instrumental in identifying specific assistance veteran, service-disabled veteran and Reserve component members seek, while supporting OVBD's program and policy development role for the agency. In response, OVBD developed a PowerPoint module on DOD Procurement Technical Assistance Centers which was distributed to SBA veteran's business development officers for use in presentations and district office outreach and training events, and OVBD developed a service-disabled veteran federal procurement officer "Letter Packet" for use in securing enhanced procurement opportunities in the federal marketplace. OVBD provided 207 public presentations and training events both individually and through large group presentations to enhance veterans and external understanding of and access to SBA programs and partners to improve access to broader federal procurement opportunities, initiatives, and programs for veterans and for service-disabled veterans in compliance with Executive Order # 13360. OVBD also provides referrals to SBA district offices and SBA resource partners for locally based training and service delivery workshops and assistance where veterans live.

OVBD continued distribution of requested veteran's entrepreneurial resource material "Kits" to state offices of the DOD National Committee for Employer Support of the Guard and Reserve, to DOD military family support centers, to state National Guard Adjutants Generals, to state departments of veterans affairs, to all SBA program and partner offices, and to some 75 veterans serving organizations. In FY 2008 more than 52,629 "Kits" were requested by and distributed to resource partners nationally.

OVBD continued producing and distributing the *VETGazette* and Vet News/Business Opportunity alerts to more than 44,000 veterans, Agency employees and veteran's organizations to provide timely relevant information on federal procurement opportunities and other programs for veterans and transitioning active duty personnel participating in the Department of Labor and the Department of Defense Transition Assistance Program.

OVBD expanded its District Office-Veterans Outreach Initiative by providing competitive opportunities for SBA veteran's business development officers through their District Directors to secure OVBD funding for specific outreach coordination and training events and conferences for veterans to start, grow or restart small business concerns. In FY 2008, OVBD provided $58,050 to 17 SBA district offices for this targeted outreach, coordination and assistance. Through this initiative, and through OVBD material-supported (but non funded) initiatives, the veteran's business development officers build relationships with and coordinate outreach and training with hundreds of local partners, while reaching 34,244 veterans, discharging service members and reservists. Each year this program has grown and continues to operate at a cost of less than $2 per veteran customer reached and engaged.

OVBD hosts, funds and manages the SBA's Advisory Committee on Veterans Business Affairs to achieve their statutorily required meetings and annual reporting to Congress, the President, the Administrator, the Associate Administrator for Veterans Business Development and other U.S. policymakers. In FY 2008, OVBD managed the process of establishing this important Advisory Committee as a permanent SBA Advisory Committee.

OVBD continued to develop, update and provide veterans business web and resource guides, fact sheets, PowerPoint presentations, frequently asked questions, first steps to selling to the government, and pre and post mobilization business planning guides for reservists, veterans, service disabled veterans and discharging service members.

The OVBD funded Veteran Business Outreach Centers conducted their second annual Customer Satisfaction Survey in FY 2008. The centers survey two percent of their total of 54,817 veteran customer populations. The Survey revealed that 85 percent of the clients using the centers were satisfied or highly satisfied with the quality, relevancy and timeliness of the assistance provided; clients evaluating the centers gave 85 percent ratings for the training programs provided and 85 percent ratings for program evaluation; and the combined ratings for both training and program evaluation equated to an overall satisfaction rating of 85 percent. In FY 2008, the five centers provided counseling assistance, training and directed referrals to more than 54,800 veteran and reservists small business owners and entrepreneurs nationally.

In FY 2008, OVBD enhanced procurement opportunities across the federal marketplace specifically for service-disabled veteran-owned small business and veteran-owned small business. In implementing the requirements of the Presidents Executive Order No.13360, OVBD provided enhanced tools, one-on-one and group counseling and training, increased outreach, and provided specific guidance to other federal agency procuring offices and personnel. OVBD staff worked specifically with service-disabled veterans, their organizations and with SBA field personnel to improve government-wide opportunity and performance. In FY 2007, the number of federal agencies that achieved the three percent goal grew from three to ten agencies. Final FY 2008 data is not yet available.

In FY 2008, OVBD continued to assist other external and internal Agency partners in development of specific initiatives affecting veteran, service disables-veteran, Reserve component member, and discharging service member entrepreneurs with information and assistance. Examples included development and support of the Pilot "Army Advantage Fund" special recruitment initiative for the Department of the Army. OVBD updated the veteran's entrepreneurship chapters for the on line DOL Turbo TAP program and for the DOL TAP Seminar Facilitation Manual. OVBD participated on the DOL-VETS Advisory Committee on Veterans' Employment, Training and Employer Outreach and the DOL Office of Disability Employment Policy "America's Heroes at Work" Committees, bringing the perspective of veteran's entrepreneurship to the federal Veterans employment programs arena. The office developed program materials and program recommendations for Inclusion in the DOD "676 Committee" Report to Congress, and participated on the DOD Commission on the National Guard and Reserve Working Group, as well as the DOD Advisory Committee to the Yellow Ribbon Reintegration Program (YRRP) being developed and implemented for Reserve component members, veterans and their families. Internally, OVBD worked with the SBA Office of Native Affairs in development of a special outreach initiative targeting SBA assistance to Native American veterans; and OVBD assisted the SBA Office of Field Operations in developing special outreach initiatives targeted to veterans and reservists. OVBD assisted the SBA Office of Small Business Development Centers in the design and implementation of their new Veterans Assistance and Services program, and in their annual program SBDC announcement/agreement. OVBD also continues working with the DOD Office of the Assistant Secretary for Reserve Affairs, the Independent SBA Office of Advocacy and the U.S. Census Bureau in developing special data set runs to help determine the economic effects of Title 10 activations on self-employed Reserve component members of the U.S. military.

OVBD outreach, coordination, ombudsman responsibility and program and policy development resulted in a record number (more than 200,000) of veterans, service-disabled veterans, reservists, discharging service members, their family members, and external program partners utilizing SBA services and programs in FY 2008. These accomplishments were attained while operating within an extremely constrained program budget. However, other high-profile program and policy responsibilities were not met due to imposed funding constraints. These unmet responsibilities included expanding the number or Veterans Business Outreach Centers, conducting mandated studies, improving/creating a special loan program for veterans, and expanding SBA participation in the DOL/DOD Transition Assistance Programs nationally for hundreds of thousands of service members and their families discharging annually from voluntary military service.

Faith-Based and Community Initiatives

The Faith-Based and Community Initiative helps the Federal Government Coordinate a national effort to expand opportunities for faith-based and other community organizations and to strengthen their capacity to better meet the social needs in America's communities. It also creates a level-playing field for faith-based and other community organizations so that they can work with the government. Although nonprofit community organizations have long performed a critical service by helping people in need, they have often encountered obstacles to providing federally-funded services. To facilitate their involvement in federal programs within constitutional parameters, the President launched the Faith-Based and Community Initiative in 2001.

SBA's Center for Faith-Based and Community Initiatives was established by Executive Order in 2004.The Center's main goal is to develop and coordinate outreach efforts to disseminate information on SBA programs through faith-based and other community organizations, particularly in underserved and economically distressed areas. Many faith-based and other nonprofit organizations support economic and community development. By working with these organizations, the SBA and its resource partners can more effectively reach entrepreneurs and small businesses to inform them of the wide range of SBA financial and technical assistance programs available.

FY 2008 Accomplishments

The Center continued its effort with the Office of Field Operations whereby SBA district offices partner with local faith-based and other community organizations to conduct outreach to entrepreneurs and small businesses and inform them about SBA programs and services. Much of this outreach focuses on reaching people in underserved communities and contributes to achieving the Agency's Strategic Goal One: "Expand America's ownership society, particularly in underserved markets… that have significantly higher unemployment and lower income levels than the Nation's averages."

In FY 2008 the district offices, in partnership with faith-based and other community organizations, held 4,502 meetings and workshops and provided information on SBA programs to 218,679 individuals.

Between FY 2005, when the district offices began reporting quarterly on their outreach activities, and FY 2008 the number of individuals who received information about SBA products and services and related instruction and training through meetings and workshops held in cooperation with faith-based and other community organizations doubled.

Separate data collection for faith-based and secular organizations began in October 2007. In FY 2008, the percentage of meetings and workshops conducted with faith-based organizations was 15 percent of the total outreach with community organizations.

The Center continued to work with program administrators to include appropriate guidance on equal treatment and religious freedom principles in the Agency's grant program announcements and cooperative agreements with its resource partners.

The Center collected the data requested by the White House Office of Faith-Based and Community Initiatives on participation of faith-based and other community organizations, including educational institutions, in the Women's Business Center Program. Seven of the 112 FY 2008 funding recipients are identified as faith-based organizations.

The Center implemented a Large Community Organization Outreach Test, which is designed to strengthen partnerships with larger faith-based and other community organizations, and to develop more efficient methods of outreach for underserved markets. Five district offices are participating in the test: Boston, Philadelphia, Atlanta, Albuquerque and Los Angeles. The test will evaluate new strategies of outreach to bring SBA services to first-time entrepreneurs, start-ups and existing small businesses. Given positive results, the best practices of the test will be communicated to all SBA field offices and integrated into the Agency's operations, goals and strategic plan.

The Center continued to implement strategies to expand the participation of grassroots faith-based and other community organizations in the provision of SBA programs and services. Because federal regulations restrict the provision of SBA financial and technical assistance to for-profit small businesses, these strategies focus on the participation of these organizations in outreach to the entrepreneurs and small businesses in their communities. The Center worked with the Office of Communications and Public Liaison and the Office of Disaster Assistance to include faith-based and other community organizations in the SBA's Disaster Information Network, which was created to provide SBA field offices and headquarters with ready access to disaster stakeholders. This effort contributes to the Agency's Strategic Goal Two, "Provide timely financial assistance to home owners, renters, nonprofit organizations and businesses affected by disaster."

Native American Affairs

The SBA Office of Native American Affairs is charged with providing assistance to American Indians, Alaska Natives, Native Hawaiians and the indigenous people of Guam and American Samoa. SBA loan guaranties and technical assistance services are available to members of these groups living in urban areas and certain rural communities. For Native Americans living in much of Indian Country, actual reservation communities where the land is held in trust by the U.S. federal government, SBA loan guaranties and technical assistance services are not available.

FY 2008 Accomplishments

Tribal Self Assessment Tool —- The Office of Native American Affairs hired a contractor to help develop a Tribal Self Assessment Tool and convene an Initiative Oversight Committee made up of approximately 30 individuals, mostly of Native American descent and coming from a wide geographic area. The committee is comprised of economists, lawyers, entrepreneurs, tribal leaders, corporate executives and leaders of not-for-profit organizations engaged in Indian Country. The group convenes for the purpose of providing oversight assistance to the contractor responsible for managing development of the Tribal Self Assessment Tool. Continuing initiatives include conducting TSAT workshops to train designated tribal members across Indian Country.

Interagency Agreement —- The Office of Native American Affairs entered into an interagency agreement supported by a memorandum of understanding with the Environmental Protection Agency for the purpose of developing a training program for SBA employees on working effectively with tribal governments.

Co-sponsorship Agreement —- The ONAA also entered into a co-sponsorship agreement with the American Indian Alaska Native Tourism Association for the purpose of supplying information on SBA programs and services to Native American entrepreneurs during the 10th Annual American Indian Tourism Conference.

Contracting Assistance

The strength of the nation's economy is fortified when competitive and innovative small businesses are able to participate in the federal marketplace and provide solutions to the many challenges facing the federal government. The SBA works to increase the breadth and strength of the national industrial base and the number of jobs supported by the small business sector through programs having to do with federal contracting. The Agency assists other agencies in taking advantage of the resource represented by small business, at the same time that small businesses grow stronger by benefiting from federal contracting opportunities.

The SBA provides contracting assistance through its prime contracting and subcontracting assistance programs. Each program has a very different objective, yet their missions complement one another.

8(a) Program

The SBA 8(a) Business Development program was created to assist eligible small disadvantaged business concerns to compete in the American economy through business development. An applicant firm must: (1) be a small business; (2) be unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States; and (3) demonstrate potential for success.

8(a)

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Assisted (#)	Outcome	9,458	9,600	9,536	9,122	9,180	-1%
Cost per SB Assisted ($)	Efficiency	$ 3,319	$ 3,081	$ 4,320	$ 5,701	$ 4,853	-17%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 31,387	$ 29,582	$ 41,191	$ 52,001

Variance Explanation

"SB Assisted (#)" has a variance of -1%. The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

"Cost per SB Assisted ($)" has a variance of -17%. The primary reason for this variance was the staffing increases that occurred at the district level in order to enhance the business development opportunities for existing 8(a) firms.

FY 2008 Accomplishments

The Agency embarked upon several initiatives in an effort to improve program delivery and ensure that the 8(a) Business Development program is relevant to a changing industry. Initiatives included improvement to the 8(a) and SDB application and the development of the electronic annual review process.

In FY 2008, the SBA awarded a contract to develop the Business Development Management Information System (BDMIS) based on the Business Process Re-engineering initiative. BDMIS is a comprehensive, integrated system that supports the activities of the Office of Business Development. It consists of the following components:

- Electronic 8(a)/SDB certification application;
- Electronic annual review/continued eligibility; and
- Various back-office functions (defined below).

The new BDMIS was deployed on July 28, 2008.

The Office of Business Development developed *Insight: Guide to the 8(a) BD Program*, which is a self-paced online training program (with an indexed guide) that explains the 8(a) eligibility criteria, 8(a) application process and the resources available to assist 8(a) firms. In addition, the Office of Business Development created an assessment tool for potential 8(a) applicants. The 8(a) Suitability Assessment Tool is a web-based, fully automated tool designed to help prospective 8(a) firms better determine if they are a good fit for the program. The tool serves as a self-paced filter governing the number and quality of new 8(a) applicants, based on suitability and eligibility criteria.

The Agency also developed an on-line self-paced training program designed to help small business clients understand and participate in federal contract markets. This web-based tool includes over 40 web links highlighting the best contracting resources and directly engages customers in the contracting process, specifically CCR and DUNS registration and federal business opportunity searches.

In an effort to ensure greater oversight as it relates to 8(a) contracts issued by procuring agencies, the SBA's Office of Business Development has revised the language in the partnership agreements (between SBA and the procuring agencies) to clarify roles and responsibilities. The revised partnership agreements specifically require the procuring agencies to monitor 8(a) firm's compliance with contract performance. Partnership agreements have been executed between SBA and 38 procuring agencies.

Prime Contracting and Subcontracting Assistance Programs

The SBA works to create an environment for maximum participation in federal government prime and subcontracting by small businesses, including businesses owned and controlled by socially or economically disadvantaged individuals, women, veterans (including service-disabled veterans), and small businesses located in HUBZones. The SBA advocates on behalf of small business in the federal contracting world and administers several programs and services that assist small businesses in meeting the requirements to receive government contracts, either as prime contractors or subcontractors.

By increasing contracting opportunities for small businesses under procurement preference programs and full and open competition, the SBA encourages more firms to compete in the federal marketplace and promotes awards of federal contracting dollars to such firms. Because of these efforts, more small businesses are able to compete for a share of federal contract opportunities, strengthening and diversifying the nation's industrial base, and supporting an increased number of jobs.

Prime Contracting

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual (1)	FY 2008 Goal	FY 2008 Variance
Fed Contract Dollars Awarded to SB ($ Billion)	Output	$ 75	$ 78	83	2 QTR 09	$ 85	N/A
Jobs Created/Retained (#)	Outcome	562,000	612,000	605,000	2 QTR 09	601,209	N/A
Cost per Job Created/Retained ($)	Efficiency	$ 27	$ 31	$ 33	2 QTR 09	$ 38	N/A

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 15,384	$ 18,853	$ 19,842	$ 24,260

(1) Data not yet available - FY 2008 actual data will not be available until 2rd quarter FY 2009.

FY 2008 Accomplishments

During FY 2008 the SBA improved the small business procurement scorecards for tracking the statutory goals and federal agencies' plans for meeting their proposed goals. For the first time, all chief financial office agencies have plans in place and are available to the public. This has increased transparency and accountability as well as the sharing of best practices for all to review and utilize.

Working with the Procurement Advisory Council, scorecard guidance was clarified.

The SBA hired additional procurement center representatives, increasing the number from 52 at the fiscal year beginning to 66 by the close. Training was conducted for all government contracting staff during the last quarter of the fiscal year. Additional training was provided to SBA's Procurement Center Representatives (PCR) 1102 workforce. PCR's are required to maintain Continuous Learning Points to sustain the 1102 Procurement Analyst certification.

A web-based internal performance management system was developed in conjunction with the Office of the Chief Information Officer.

The Offices of Government Contracting and Field Operations developed a working arrangement to ensure maximize effectiveness of use of district office and procurement center representative personnel. Procurement center representatives will concentrate on buying activities to maximize opportunities for small businesses and district offices will ensure necessary training opportunities to increase the small business contracting pool.

SBA completed a business case for the electronic procurement center representative (ePCR) system, a technology solution envisioned to improve the efficiency and effectiveness of the SBA's PCR function. As a web-based application, ePCR will increase PCR coverage of federal contracting activities and automate many of the business processes currently associated with the small business review of procurement requests and subcontracting plans. Once implemented, ePCR will provide SBA management with timely and accurate reporting to improve the effectiveness of PCRs and will aid federal agencies in meeting their small business goals, thereby supporting the SBA's mission to enable the viability of small businesses.

A comprehensive size review was initiated that included industry input. In addition, size adjustments were made for inflation, and fuel oil dealers' size standards were changed from revenue based to employee based because of the volatility of fuel prices. A comprehensive size standard review was initiated with draft proposed rule evaluating the size standards for the retail trade, other services, and food services and accommodations industries submitted to the Office of Management and Budget. .

Small Disadvantaged Businesses Program (Discontinued 9/30/2008)

The Small Disadvantaged Business program is intended to help small businesses be successful in the future. Companies just starting or in a growth stage can benefit from the wide range of services the SBA offers, such as support for government contracts, access to capital, management and technical assistance, and export assistance. The Agency's efforts help to build community-based small businesses which revitalize neighborhoods, create jobs and encourage economic growth. It uses a number of assistance intervention tools ranging from contract support to low interest loans for site acquisition, construction, and the purchase of new or upgraded equipment.

SDB (1)

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2008 Goal	FY 2008 Variance
SB Certified (#)	Output	968	734	474	789	800	-1%
Cost per SB Certified ($)	Efficiency	$ 1,667	$ 2,414	$ 2,605	$ 1,376	$ 1,618	15%

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 1,614	$ 1,772	$ 1,235	$ 1,086

(1) As a result of dicussions with OMB and DOJ, the SBA no longer certifies small and disadvantaged businesses on behalf of other agencies for the Small Disadvantaged Business Certification. The cost of staffing and the certifications process no longer exists at the SBA.

Variance Explanation

"SB Certified (#)" has a variance of -1% - The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.

"Cost per SB Certified ($)" has a positive variance of 15 % primarily due to the reduced budget level for FY 2008.

FY 2008 Accomplishments

The SBA certifies small businesses that meet specific social, economic, ownership and control eligibility criteria. Once certified, the firm is added to an on-line registry of SDB-certified firms, making them eligible for special bidding benefits. Certified firms remain in the online registry for three years. Contracting officers and large business prime contractors may search this online registry for potential suppliers. In FY 2008, the SBA approved 613 applications for Small Disadvantaged Business certification.

HUBZone Program

The HUBZone program provides Federal contracting assistance for qualified small businesses located in economically distressed communities, known as historically underutilized business zones or HUBZones. The objective is to increase employment, capital investment and economic development in these areas, which includes Metropolitan Area Census Tracks; Non-metropolitan Counties; Federally recognized Indian Reservations; difficult Development Areas and former military bases closed as a result of the Base Realignment and Closure Act (BRAC). The program provides for set-asides, sole source awards, and price evaluation preferences for HUBZone certified small businesses.

HUBZone

Performance Indicator	Type of Measure	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual [1]	FY 2008 Goal	FY 2008 Variance
SB Assisted (#)	Output	2,960	5,044	2,833	2Q 09	3,700	N/A
Annual Value of Federal Contracts ($ Billion)	Output	$ 6.1	$ 7.1	$ 8.5	2Q 09	$ 8.5	N/A
Cost per SB Assisted ($)	Efficiency	$ 2,625	$ 1,486	$ 2,389	2Q 09	$ 2,027	N/A
Cost per Federal Contract Dollar ($)	Efficiency	$ 0.0013	$ 0.0011	$ 0.0008	2Q 09	$ 0.0011	N/A

Budgetary Resources	Budgetary Obligations Incurred			
	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Total Administrative Resources ($000)	$ 7,769	$ 7,496	$ 6,767	$ 8,679

(1) Data not yet available - FY 2008 actual data will not be available until 2nd Quarter FY 2009.

FY 2008 Accomplishments

A search in the Dynamic Small Business Search showed that 10,772 certified HUBZone firms were listed on or before September 30, 2008. Although this is a healthy portfolio, representing various NAICS, the HUBZone program encountered several challenges. Specifically, a GAO audit, a GAO forensic investigation, and the Office of Advocacy report measuring the effectiveness of the program.

As a result of these challenges, the HUBZone program embarked on a complete analysis of the program. This included an independent audit to perform a sample inspection of its portfolio and a comprehensive business process re-engineering effort. The following improvements have taken place:

- The HUBZone maps, a web-based system that identifies qualified HUBZone areas, were updated. The update insures eligible firms the opportunity for Federal contracting assistance in the form of HUBZone set-asides, sole source awards, or price evaluation preferences in full and open competition.

- Procedures were put in place to minimize program risk by collecting additional supporting documentation of all HUBZone applications to support program eligibility. These procedures have improved internal control standards and enhanced the programs integrity by ensuring firms meet the HUBZone program criteria.
- A methodology for measuring the economic impact of the HUBZone Program was drafted and published in the Federal Register. The final version is expected to be finished and published in a Final Notice to the Federal Register in FY 2009. The methodology will assist in the determination of the programs effectiveness.
- The Business Process Re-Engineering (BPR) effort was deployed which will help create a roadmap to streamline the HUBZone program processes while maintaining program integrity.