

# **FY 2019 Performance Plan and FY 2017 Performance Report**

## **Overview**

The mission of the U.S. Small Business Administration is to maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and to assist in the economic recovery of communities after disasters. The Agency has organized its annual performance plan and report around its *FY 2018–2022 Strategic Plan*. To ensure accountability and track progress, the SBA has developed Agency Priority and Performance Goals to support its strategic goals and strategic objectives. The strategies, initiatives, programs, and activities that further them are bolded within each objective.

The SBA manages its performance through the development and analysis of executive dashboards that contain key metrics, rigorous data-driven quarterly performance reviews to discuss progress toward Priority and Performance Goals, and frequent reviews of strategies and initiatives by senior leadership. With an annual budget request of \$834 million including Stafford Act disaster funding in FY 2019, the SBA will support more than \$42.5 billion in small business loans, help facilitate 23 percent of all federal contracting dollars to small businesses, counsel and train more than 1 million small business owners and entrepreneurs, and support more than \$1 billion in loans to disaster survivors.

## **FY 2017 Progress Update**

The GPRA Modernization Act of 2010 requires an annual review of performance goals and strategic objectives. The SBA conducted its fourth annual strategic objective review of FY 2017 activities to assess long-term progress against the Agency's goals using performance data and other evidence. The senior leadership team reviewed a broad range of information, identified key successes, challenges, risks, and opportunities, and developed a summary of findings to guide future actions. The SBA consulted with the Office of Management and Budget in the summer of 2017 on its strategic objective review. A Progress Update for each strategic objective is incorporated into the FY 2019 Annual Performance Plan.

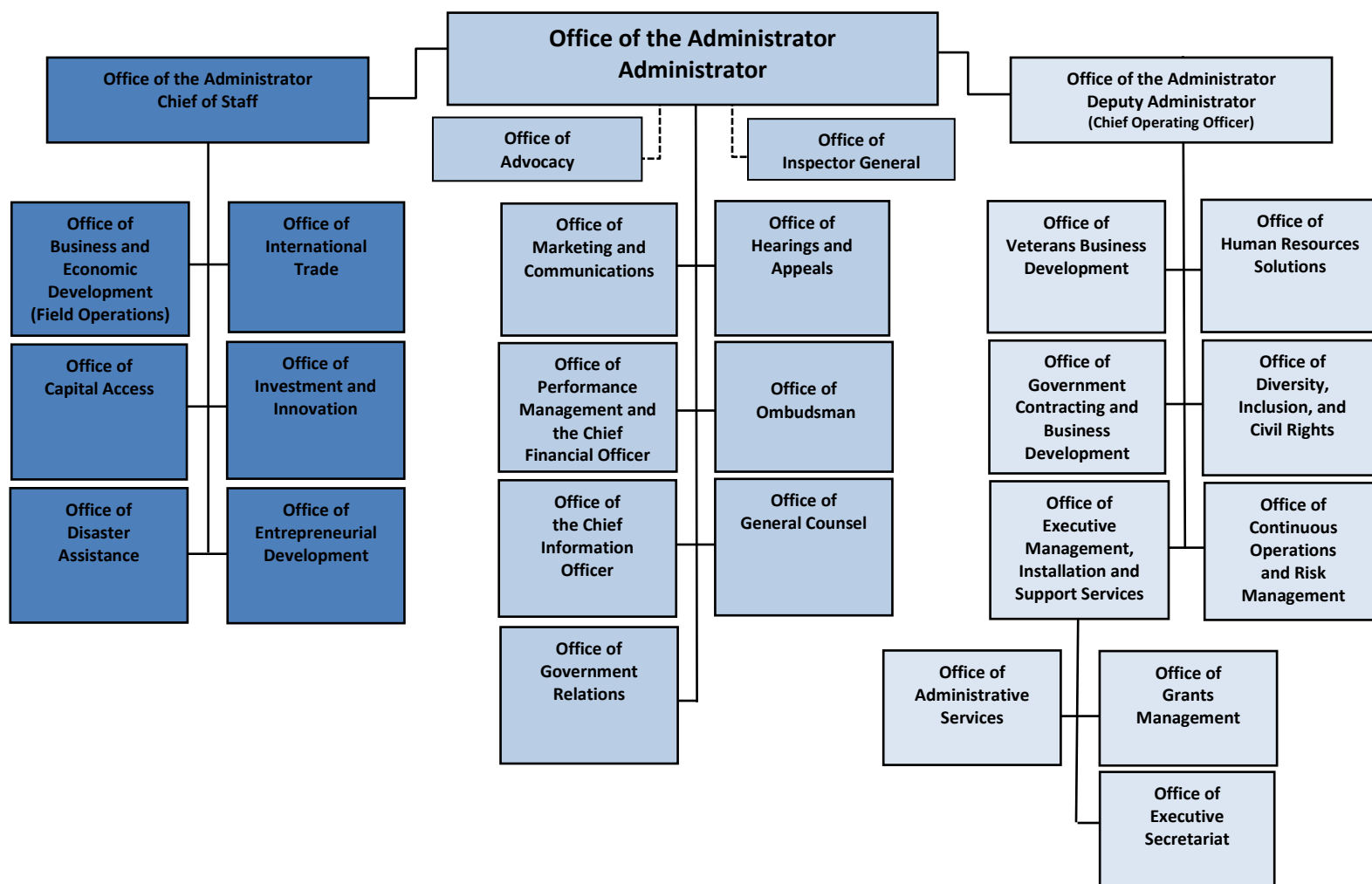
## **Evidence and Evaluation**

The SBA recognizes the importance of evidence and evaluation to understand and improve the efficiency and effectiveness of SBA programs and operations. Rigorous evidence allows leadership to make sound decisions about program strategy, policy, and resources. Evidence comes from a variety of sources, including program evaluation, performance data, audits, and traditional research. Furthermore, evidence and evaluations have been used to develop the *FY 2018–2022 Strategic Plan* with citations in each of the strategic goal and objective sections. Where evidence is weak or nonexistent, the SBA will support program evaluations to build evidence.

To continue building and using evidence, the SBA has established a centralized program evaluation function and developed an enterprise learning agenda (ELA) to help programs achieve their priorities and foster an environment of continuous learning. The ELA is a 5-year plan that identifies priorities based on SBA's four strategic goals where evaluations could provide insights about program effectiveness, progress toward outcomes, or test pilot initiatives. The evaluation team held discussions with programs across the Agency to identify questions that could be explored through evaluation and if answered could improve efficiency and effectiveness. The SBA selected four evaluations to complete in FY 2018. Managers will use the result of these evaluations to inform management decisions and to identify areas where further evidence is needed to improve outcomes for small businesses.

Through FY 2019, the SBA will continue to develop and refine its program evaluation and evidence framework, initiate and coordinate more evaluations, and build evaluation capacity through its Performance and Evaluation Community of Practice which shares best practices and methods across program offices. The SBA plans to initiate new evaluations, which will continue to build a suite of evidence from which to better inform decisions. The SBA will present evaluation findings to senior managers, create implementation plans to carry out recommendations for performance improvements, and publish evaluation results to support transparency.

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**FY 2016–2017 Agency Priority Goal:** By September 30, 2017, provide access to capital for small businesses through 2,500 active lenders in SBA’s 7(a) loan program

**Strategies:**

1. Increase capital provided to small businesses and emerging markets when conventional credit is not available
2. Supplement investment capital to small businesses that have inadequate supply
3. Strengthen and expand the network of lenders offering SBA products
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2. Simplify access to federal contracting; attract and educate small businesses on contracting opportunities
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**FY 2016–2017 Agency Priority Goal:** By September 30, 2017, support more disadvantaged small businesses by increasing the number of approved 8(a) certifications by 5 percent each fiscal year

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2. Drive value and focus on the consistent use of information and technology as strategic business assets
3. Mature SBA’s approach to information technology governance to ensure the best possible technology decisions to effectively drive results
4. Improve information technology organizational and workforce functions through workforce planning and competency development



## *Strategic Goal One – Support Small Business Revenue and Job Growth*

### **Strategic Objective 1.1: Expand Access to Capital**

**Performance Goal:** Increase the number of jobs supported through SBA capital assistance programs to 798,500 in FY 2019

**FY 2018–2019 Agency Priority Goal:** By September 30, 2019, increase the number of loans by 5 percent from the FY 2017 baseline to small businesses in socially and economically disadvantaged urban communities and rural areas (FY 2017 baseline of 24,833 for 7(a) loans, 504 loans, and microloans)

**FY 2016–2017 Agency Priority Goal:** By September 30, 2017, provide access to capital for small businesses through 2,500 active lenders in SBA's 7(a) loan program

**Objective Leads:** Associate Administrator for Capital Access and Associate Administrator for Investment and Innovation

**Objective Support:** Office of Business and Economic Development, Office of International Trade, Office of Entrepreneurial Development, and Office of Veterans Business Development

**Programs/Activities:** 7(a) Loans, 504 Certified Development Company Loans, International Trade Loans, Microloans, Small Business Investment Companies, Secondary Market Guarantee, Credit Risk Management

**Most Serious Management and Performance Challenge 4:** SBA Needs to Improve its Risk Management and Oversight Practices to Ensure its Loan Programs Operate Effectively and Continue to Benefit Small Businesses

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**Strategies:**

1. Increase capital provided to small businesses and emerging markets when conventional credit is not available
2. Supplement investment capital to small businesses that have inadequate supply
3. Strengthen and expand the network of lenders offering SBA products
4. Expand knowledge of SBA loans through its network of resource partners and field offices
5. Enhance oversight and risk management of lenders and SBICs and improve recovery of taxpayer assets

Access to capital is critical to the long-term success of America's small businesses. Many entrepreneurs or small business owners often do not have the same access to credit as larger businesses that can more readily take on a traditional loan from a bank. New entrepreneurs may not have a credit score that can guarantee them a loan, especially on a new or innovative product.<sup>1</sup> In addition, entrepreneurs in emerging markets<sup>2</sup> are more likely to be denied credit<sup>3</sup> and often rely on personal savings or credit cards to sustain their business.<sup>4</sup>

<sup>1</sup> *Access to capital among young firms, minority-owned firms, women-owned firms, and high-tech firms.* U.S. Small Business Administration Office of Advocacy, April 2013.

<sup>2</sup> Emerging markets replaces the former term of underserved markets and includes women-owned, minority-owned, and veteran-owned small businesses as well as businesses located in socially and economically disadvantaged communities, including HUBZone and rural areas.

<sup>3</sup> *Entrepreneurship in the United States.* IZA working paper No. 3130, October 2007.

<sup>4</sup> *Veteran-owned businesses and their owners – Data from the Census Bureau's Survey of Business Owners.* U.S. Small Business Administration Office of Advocacy, March 2012.



At the SBA, one of the top priorities is to provide access to capital to small businesses. The SBA ensures that gaps in commercial lending markets are filled and that small businesses across the country are well positioned to access credit. Through various programs and services, the SBA supports strategies that focus on providing reasonable credit terms and access to credit for minority-owned, women-owned, and veteran-owned small businesses and entrepreneurs. SBA's emphasis on new technology, streamlined loan processes, and focused outreach will continue to allow small businesses to start and expand.

**Progress Update:** During FY 2017, the SBA had a record year in dollars approved for the 7(a) loan program and a third consecutive year of increased lending for the 504 loan program. The SBA approved nearly 69,000 7(a) and 504 loans, supported more than 630,000 jobs, and provided more than \$30 billion in lending to small businesses. While the Agency made substantial progress, the SBA did not meet its FY 2016–2017 Agency Priority Goal to increase the number of active lenders as a result of continued bank mergers. The SBA ended FY 2017 with 1,978 active lenders or 78 percent of the target of 2,500. Regions 1, 5, 9, and 10 had the highest percentage of active lenders, while regions 2, 3, 4, and 6 had the lowest percentages. The SBA also exceeded its credit risk management analytical reviews target by 15 percent and made significant progress toward its risk mitigation management challenge.

**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the most serious management and performance challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority. Within each management challenge is a series of recommended actions to resolve it.<sup>5</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 1.1a: Most Serious Management and Performance Challenge 4**

<b>Challenge 4: SBA Needs to Improve its Risk Management and Oversight Practices to Ensure its Loan Programs Operate Effectively and Continue to Benefit Small Businesses</b>		
<b>Recommended Actions</b>	<b>Completion Date</b>	
	<b>7(a) Loans</b>	<b>504 Loans</b>
<p>1. Monitor and verify implementation of corrective actions to ensure effective resolution prior to close-out.</p> <p>2017 Achievement: The SBA continued its robust corrective action process to follow-up on existing review findings. The SBA conducted nearly 200 assessments and implemented its comprehensive risk plan with an update to a white paper delivered to the Inspector General.</p>	<p>September 30, 2017</p> <p>Implemented</p>	<p>September 30, 2017</p> <p>Implemented</p>
<p>2. Demonstrate that information from the portfolio risk management program is used to support risk based decisions and implement additional controls to mitigate risks in SBA loan programs.</p> <p>2017 Achievement: The SBA implemented its comprehensive risk plan process. The risk plan proposed additional authority for a new regulation that increased the ability to manage secondary market</p>	<p>September 30, 2018</p>	<p>September 30, 2018</p>

<sup>5</sup> For more information on the Management Challenge, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017).



sales. Supervisory actions undertaken included two enforcement actions proposed due to the risk-based review, and a revision of PARRiS/SMART methodologies. The SBA also finalized its Lender Oversight Committee Charter.		
<p>3. Develop an effective method of disclosing and tracking loan agent involvement in SBA business loan programs.</p> <p>2017 Achievement: SBA One has been updated to allow lenders to submit automated SBA form 159. The automated SBA forms improve the quality of the data collected. The SBA reviewed protocols for PARRiS/SMART methodologies to ensure file reviews include checking for required 159 forms and submission to appropriate centralized tracking, if required.</p>	June 30, 2018	June 30, 2018
<p>4. Update regulations (13 CFR Part 103) regarding loan agents to provide effective enforcement procedures.</p> <p>2017 Achievement: Upon review by the current Administration this proposed rule was withdrawn.</p>	January 30, 2018	January 30, 2018
<p>5. Implement a loan agent registration system, including the issuance of a unique identifying number for each agent.</p> <p>2017 Achievement: The SBA reviewed HUD's National Mortgage License System (NMLS) unique identifier process as a mode for collecting a unique identifier. HUD implemented its unique identifier under the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act.</p>	June 30, 2018	June 30, 2018

**Figure 1.1b: Most Serious Management and Performance Challenge 6**

<b>Challenge 6: SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers</b>		
<b>Recommended Actions</b>	<b>Completion Date</b>	
	<b>7(a) Approvals</b>	<b>7(a) Purchases</b>
<p>1. Reassign responsibility for final approval of disputed denial, repair, and improper payment decisions from the Office of Financial Assistance (OFA) to the Office of Credit Risk Management (OCRM) to ensure an adequate and timely resolution of disputes.</p> <p>2017 Achievement: To improve timeliness of resolutions, the SBA revised its dispute resolution process and established a process to prioritize the review of disputed denial, repair, and improper payment decisions. The Office of Financial Program Operations (OFPO) also established a specialized team to reduce the inventory level of disputed denial cases.</p>	N/A	<p>September 30, 2017</p> <p>Implemented</p>

<p>2. Demonstrate that corrective action plans are effective in reducing improper payments in the 7(a) Loan Program.</p> <p>2017 Achievement: The SBA took actions to accurately report and reduce improper payments for 7(a) loans. The SBA now collects, tracks, and monitors all corrective action plans for 7(a) loan approval and guaranty purchase center operations.</p>	September 30, 2018	September 30, 2018
<p>3. Ensure that centers are appropriately staffed with qualified resources that are appropriately trained and supervised and that the quality of the Center resource deliverables is appropriately balanced against their production requirements.</p> <p>2017 Achievement: The SBA routinely issued training recommendations on a monthly and quarterly basis based on improper payment event identifications. Training recommendations were tied to operational errors and improper payments. The SBA refined the recommendation template and supporting data to enhance the 7(a) loan approval and guaranty purchase center operations training curriculum.</p>	September 30, 2018	September 30, 2018

Table 1.1a shows progress toward the Agency Priority Goals. The FY 2018–2019 Agency Priority Goal will focus on socially and economically disadvantaged urban communities and rural areas, while the FY 2016–2017 Agency Priority Goal focused on maintaining active lenders in the 7(a) SBA lending network.

While the recruitment of lenders will no longer be an Agency Priority Goal, the SBA will continue to promote and streamline processes to attract lenders; see Strategic Objective 1.1, Strategy 3 for more information.

**Table 1.1a: Socially and Economically Disadvantaged Lending and Active Lender Priority Goals**

FY 2018–2019 Priority Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Loans to Small Businesses in Socially and Economically Disadvantaged Urban Communities and Rural Areas	Target	N/A	N/A	N/A	N/A	N/A	Baseline	26,075	26,075
	Actual	N/A	N/A	N/A	N/A	N/A	24,833		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA established an FY 2018–2019 Agency Priority Goal that supports greater outreach to socially and economically disadvantaged urban communities and rural areas. Each year the SBA will increase the number of loans to small businesses in these locations through continued training and lender outreach.									

FY 2016–2017 Priority Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Active Lending Partners Providing 7(a) Loans	Target	2,700	2,800	2,850	2,850	2,400	2,500	2,100	2,100
	Actual	2,476	2,345	2,244	2,163	2,045	1,978		
	Variance	-8%	-16%	-21%	-24%	-15%	-21%		
<b>Additional Information:</b> The continual bank mergers impacted the number of active lending partners providing 7(a) loans in FY 2017. This trend is evident by the SBA approving the transfer of more than 60 portfolios due to mergers in FY 2016 and FY 2017.									

Table 1.1b provides results and targets for the performance goal that tracks the number of jobs supported from 7(a) loans, 504 loans, microloans, and SBICs.

**Table 1.1b: 7(a) Loan, 504 Loans, Microloan, and SBIC Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by 7(a) Loans, 504 Loans, Microloans, and SBICs	Target	559,900	639,100	651,850	664,650	679,400	692,900	798,500	798,500
	Actual	653,581	663,454	699,499	831,269	789,654	761,954		
	Variance	17%	4%	7%	25%	16%	10%		
<b>Additional Information:</b> Continuation of the streamlining process has a positive impact on jobs supported.									

***Strategy 1: Increase capital provided to small businesses and emerging markets when conventional credit is not available***

SBA's loan guaranty and Microloan programs play a critical role ensuring access to capital for small businesses that cannot obtain it conventionally. When a small business cannot qualify for a loan under conventional credit standards, SBA's loan guaranty programs provide the necessary capital to entrepreneurs. The SBA will promote and develop its 7(a) loans, 504 loans, and export loan guaranty programs to best meet the needs of varying markets and entrepreneurs. The SBA will continue to promote and use the direct microloan program to spur small-dollar lending through microloan intermediaries to the smallest of businesses. As an area of focus, the SBA will support greater outreach with entrepreneurs in emerging markets with its FY 2018–2019 Agency Priority Goal that will further expand lending to socially and economically disadvantaged urban communities and rural areas.

The **7(a) Loan** program is the Federal Government's primary small business loan program, assisting small businesses in obtaining financing when they are unable to obtain traditional credit. The SBA guarantees a portion of each loan (ranging from 50 to 90 percent) that participating lenders make to eligible small businesses. The 7(a) loan program enables small businesses to obtain financing up to \$5 million with loan maturities up to 25 years for various business uses, including startup and growth funding that in turn increases employment, provides services to communities, and expands the local tax base. Maintaining a high volume of active lenders from one fiscal year to the next creates a consistent pipeline of SBA loans for small businesses. Included in 7(a) are the Community Advantage Pilot Loan Program and International Trade Loan program loans. More information about these loans will be identified later in this strategy.

Table 1.1c displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.1c: 7(a) Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 93,610	\$ 75,390	\$ 66,578	\$ 63,013	\$ 75,791	\$ 82,173	\$ 81,585	\$ 84,526

Table 1.1d provides the targets and results for the 7(a) loan performance indicators.

**Table 1.1d: 7(a) Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Billions of Dollars of 7(a) Loans Approved</b>	<b>Target</b>	13.2	14.5	14.8	15.1	21.0	24.3	26.0	26.0
	<b>Actual</b>	15.2	17.9	19.2	23.6	24.1	25.4		
	<b>Variance</b>	15%	23%	30%	56%	15%	5%		
<b>Additional Information:</b> The performance data represent the gross loan approvals at the close of the fiscal year. Improvements in 7(a) loan program delivery and reduced fees continue to make the 7(a) loan program feasible for lenders and available for small business applicants.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Assisted by 7(a) Loans</b>	<b>Target</b>	40,000	38,700	39,500	39,500	45,000	55,000	60,000	60,000
	<b>Actual</b>	39,022	40,574	45,730	55,742	57,083	62,430		
	<b>Variance</b>	-2%	5%	16%	41%	27%	14%		
<b>Additional Information:</b> 7(a) loan activity increased across all loan sizes, with the streamlined processing for loans under \$350,000 contributing to the increase in the number of small businesses assisted.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Jobs Supported by 7(a) Loans</b>	<b>Target</b>	470,000	547,200	558,100	569,300	580,100	591,000	600,000	600,000
	<b>Actual</b>	454,814	483,976	503,853	623,466	587,716	571,208		
	<b>Variance</b>	-3%	-12%	-10%	10%	1%	-3%		
<b>Additional Information:</b> 7(a) loan activity increased and the streamlined processing for loans under \$350,000 continues to support increases in the number of small businesses assisted.									

#### FY 2017 Accomplishments and Challenges

The SBA did not receive a credit subsidy appropriation for the 7(a) loan program, relying on lender-paid fees to support \$25.4 billion in 7(a) lending. This financing supported more than 571,000 jobs and assisted more than 62,000 small businesses.

The SBA published an update to regulations for both the 7(a) and 504 loan programs that streamlined rules and removed unnecessary and outdated requirements. The SBA 7(a) processing center saw increased application submission through the SBA One electronic platform. The platform provided significantly more data on 7(a) loans that enhanced program risk management, streamlined payment and reporting, improved efficiency of secondary market functions, and ensured that lenders had access to real-time data on their performance. Improvements in technology and continual process improvements in loan operation centers resulted in a 50 percent improvement in the turnaround time for 7(a) nondelegated loan applications to an average of 6 days.



In addition, small businesses in emerging markets that are socially and economically disadvantaged represent a higher percentage of small-dollar loan recipients because of challenges they face in obtaining financing from traditional commercial sources. Emerging markets in the 7(a), 504, and microloan programs included low or moderate income communities, businesses where more than 50 percent of the full-time workforce makes low-to-moderate income, or resides in low-to-moderate income census tracts, HUBZone, minority-owned businesses, women-owned businesses, veteran-owned businesses, and rural businesses.

To improve lender services and support, the SBA Office of Capital Access and the SBA Office of Business and Economic Development conducted lender relations specialist (LRS) training and prepared materials for new and existing SBA lenders. The trainings ensured a consistent message for SBA loan programs and products.

#### FY 2018 and FY 2019 Planned Performance

The SBA requests no credit subsidy appropriation for the 7(a) loan program and will rely on fees to support estimated lending, up to \$27.31 billion in FY 2018 and up to \$30 billion in FY 2019. In FY 2019, the SBA will introduce counter-cyclical policies in SBA's business guaranty loan programs and update certain fee structures to offset \$155 million in business loan administration. In FY 2019, the updated fee structure to offset administrative costs for the 7(a) loan program will include a 0.25 percent increase of the upfront fee on loans over \$1 million, and an increase of the annual fee to 0.625 percent on loans over \$1 million. Also in FY 2019, the SBA requests authority to provide the SBA with flexibility to further increase the 7(a) loan program level by 15 percent under certain circumstances. Such flexibility will better equip the SBA to meet peaks in demand while continuing to operate at zero subsidies.

In FY 2018, the SBA will continue to waive 100 percent of borrower up front guaranty fees on 7(a) loans, up to \$125,000; and waive 50 percent of borrower up front guaranty fees on all non SBA Express Program loans to veterans of \$125,001, up to and including \$350,000. In FY 2018 and FY 2019, the SBA will waive 100 percent of borrower up-front guaranty fees on SBA Express program loans to veterans.

The SBA requests an increase in the SBA Express program loan limit from \$350,000 to \$1,000,000. SBA Express loans have a 50 percent guaranty.

The SBA requests authority to cover the costs of the 7(a) Secondary Market Guarantee program by introducing in FY 2019 an annual fee not to exceed 0.05 percent per year of the outstanding balance of the pool certificates.

The **504 Certified Development Company Loan Program** is one of SBA's key economic development programs, providing plant, real property, and/or major equipment financing. This program statutorily mandates job creation, community development, or public policy goals such as manufacturing to support economic development. A typical 504 project includes a loan from a private sector lender with a senior lien and an SBA-backed loan from a certified development company (CDC) in a second position. The maximum size of a 504 loan is \$5 million (including the 504 Debt Refinancing Program loans); however, 504 loans for small manufacturers and energy-related projects can be as much as \$5.5 million.



Table 1.1e displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.1e: 504 Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 39,612	\$ 40,474	\$ 39,410	\$ 40,018	\$ 29,993	\$ 30,676	\$ 30,328	\$ 31,393

Table 1.1f provides the targets and results for the 504 loan program performance indicators (inclusive of the 504 Debt Refinancing loan program).

**Table 1.1f: 504 Loan Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Assisted by 504 Loans</b>	<b>Target</b>	6,800	6,400	6,500	6,500	6,700	6,800	6,000	6,000
	<b>Actual</b>	9,038	7,502	5,725	5,618	5,722	6,060		
	<b>Variance</b>	33%	17%	-12%	-14%	-15%	-11%		
<b>Additional Information:</b> While the SBA did not meet the FY 2017 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs, loan eligibility restrictions, and implementation of the 504 Debt Refinancing Program should have a positive impact on future results. Future targets are forecasted based on historical performance.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Billions of Dollars of 504 Loans Approved</b>	<b>Target</b>	4.1	4.1	4.2	4.3	4.4	4.5	5.1	5.2
	<b>Actual</b>	6.7	5.2	4.2	4.3	4.7	5.0		
	<b>Variance</b>	63%	27%	0%	0%	7%	11%		
<b>Additional Information:</b> The FY 2012 and FY 2013 results reflect spikes in funding levels due to the economic decline and support for the 504 loan program provided in the Small Business Jobs Act.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Jobs Supported by 504 Loans</b>	<b>Target</b>	75,900	79,400	81,000	82,600	84,300	86,000	66,000	66,000
	<b>Actual</b>	116,569	90,257	66,744	61,454	61,983	59,350		
	<b>Variance</b>	54%	14%	-18%	-26%	-26%	-31%		
<b>Additional Information:</b> While the SBA did not meet the FY 2017 target, continued streamlining to the loan process and the elimination of unnecessary regulatory burdens on CDCs, loan eligibility restrictions, and implementation of the 504 Debt Refinancing Program should have a positive impact on future results. Future targets are forecasted based on historical performance.									

#### FY 2017 Accomplishments and Challenges

The SBA approved \$5 billion in loans, which supported nearly \$11 billion in total lending. The pricing on debentures was extremely beneficial to small business borrowers with historically low average debenture funding rates. The SBA reviewed the activity levels of all CDCs and worked diligently to address underperforming CDCs to continue improving program delivery. This project has lowered the number of CDCs licensed; however, the SBA continues to encourage participation of new, well-qualified CDC candidates.



### FY 2018 and FY 2019 Planned Performance

In FY 2019, the SBA requests no credit subsidy appropriation for the 504 loan program and will rely on fees to support up to \$8.5 billion, of which \$7.5 billion will be for long-term fixed asset financing and up to \$1 billion will be for refinancing eligible long-term fixed assets. In addition, the SBA will launch a 25-year debenture in FY 2018 to continue expanding 504 loan program lending. The SBA anticipates an increase in FY 2018 and FY 2019 loan volume due to improved economic conditions, rising interest rates, streamlined application requirements, and the addition of the 25-year debenture.

The SBA will continue to make 504 loan program technology enhancements during FY 2018 to increase efficiencies and improve customer service. The Agency will conduct training and provide technical assistance to CDCs for capacity building and will coordinate with federal partners, lenders, and trade associations to create opportunities for program improvements and expansion. The SBA will enhance the CDC management system tool, which tracks and provides feedback to the SBA and CDCs, and will further develop SMART, which tracks corporate governance and compliance. These solutions will improve program transparency and monitoring for the 504 loan program.

Small businesses in emerging markets have more difficulty than other businesses accessing and qualifying for credit. Since SBA programs help lenders expand the credit spectrum, they are especially critical in reaching emerging markets. Similar to the 7(a) loan, a higher share of 504 loan programs go to women, minorities, veterans, and businesses located in socially and economically disadvantaged areas like HUBZone and rural areas compared with conventional owner-occupied commercial mortgages.

Table 1.1g shows the results and targets of SBA assistance to emerging markets through the 7(a) and 504 loan programs.

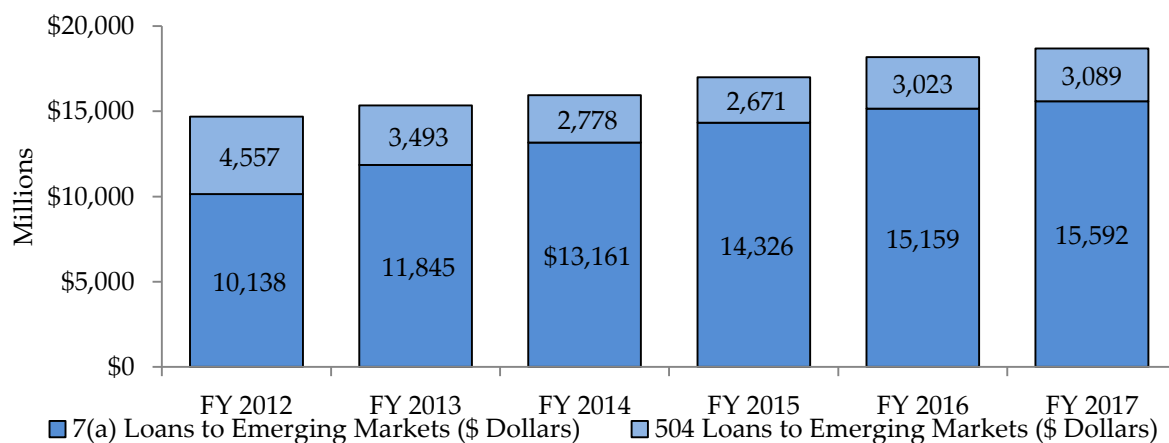
**Table 1.1g: Emerging Market Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses in Emerging Markets Assisted by 7(a) Loans</b>	<b>Target</b>	24,400	23,600	24,100	24,600	24,600	25,850	26,000	30,000
	<b>Actual</b>	23,846	24,225	27,778	29,369	30,574	26,650		
	<b>Variance</b>	-2%	3%	15%	19%	24%	3%		
<b>Additional Information:</b> Geo-coding data for economic empowerment zones and low-to-moderate income areas was discontinued in May 2015 and is not included in June-September FY 2015 and FY 2016 data. HUBZone is a part of this data set, but was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZone and rural areas).									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses in Emerging Markets Assisted by 504 Loans	Target	4,000	3,800	3,800	4,000	4,000	4,200	3,300	3,300
	Actual	5,379	4,361	3,319	2,782	3,227	3,891		
	Variance	34%	15%	-13%	-30%	-19%	-7%		
<b>Additional Information:</b> Geo-coding data for economic empowerment zones and low-to-moderate income areas was discontinued in May 2015 and is not included in June-September FY 2015 and FY 2016 data. HUBZone is a part of this data set, but was not available to include for this same period. Effective FY 2016, the definition for emerging markets includes emerging populations (i.e., veterans, women, and minorities) and places (HUBZone and rural areas).									

Chart 1.1a shows the volume of 7(a) and 504 loan dollars that have gone to small businesses in emerging markets. The volume of loans has increased since FY 2012. See Additional Information in Table 1.1g for the definition of emerging markets.

**Chart 1.1a: SBA 7(a) and 504 Loan Dollars (Millions) to Emerging Markets**



The 7(a) **Community Advantage** Pilot Loan Program is delivered as a 7(a) guaranteed loan that is delivered through a network of approved Community Development Financial Institutions (CDFI), CDCs, and lending intermediaries that specialize in providing capital to low-to-moderate income markets and veterans. Through Community Advantage, the SBA creates a continuum of capital where entrepreneurs may be introduced to a starter loan, such as a microloan, up to \$50,000 with mandatory, comprehensive technical assistance. Upon the successful deployment and repayment of the microloan, the entrepreneur is able to grow the business and, if necessary, obtain additional working capital and technical assistance from a Community Advantage lender for loans up to \$250,000. In addition, the entrepreneur is encouraged to access new business opportunities by harnessing SBA's contracting, bonding, and specialized technical assistance and training programs.

#### FY 2017 Accomplishments and Challenges

Small-dollar loans greatly benefit emerging markets and startups. The fee waivers for small-dollar loans in FY 2017 reduced the up-front guaranty fee, removing the lenders annual fee reduction provided in prior years. While the waivers and program improvements expanded



small businesses' ability to access capital, the 7(a) loan program fee relief initiatives are contingent on the 7(a) loan program operating at zero subsidies.

SBA's 7(a) Community Advantage Pilot Loan Program played a critical role in providing access to emerging markets. Since its inception in FY 2011, over 4,000 Community Advantage loans have been approved for small businesses totaling over \$500 million. The pilot reached significantly more women and minorities than the traditional 7(a) loan program.

The SBA completed a messaging platform and marketing plan to increase the quantity and quality of nonprofit financial intermediaries. The total dollar of 7(a) Community Advantage loans increased in FY 2017 by 11 percent over FY 2016. The number of lending intermediaries grew by 13 percent.

#### FY 2018 and FY 2019 Planned Performance

Leveraging the streamlined process to obtain 7(a) guaranties on smaller-dollar loans, the Agency expects to continue to increase the number and percentage of these loans in FY 2018 and FY 2019. The SBA will continue to provide outreach to possible program participants to grow its network of Community Advantage lenders. The Agency anticipates that Community Advantage loans will average below \$150,000 per loan, with more than 60 percent of these loans going to entrepreneurs in emerging markets.

The SBA will also complete an independent program evaluation of the Community Advantage Lending Pilot Loan Program. The evaluation will provide information for an assessment of the pilot program's viability and how combined capital and technical assistance supports small business growth. Actionable recommendations will be developed to support continuous improvement.

SBA's **Microloan Program** provides loans to nonprofit intermediary lenders that in turn lend the funds in amounts of \$50,000 or less to the smallest of small businesses and startups. Microloan program intermediary lenders also receive grants up to 25 percent of their lending volume to help offset their cost of providing business-based training, technical assistance, and coaching to microborrowers and potential microborrowers. The combination of capital, technical assistance, and training helps shore up the capacity of the microborrowers to turn a profit, improve operations, grow the business, and support job creation and retention.

Table 1.1h displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.1h: Microloan Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 29,971	\$ 23,865	\$ 35,098	\$ 35,599	\$ 38,024	\$ 37,217	\$ 47,660	\$ 41,670

Table 1.1i shows progress toward the microloan performance indicators.

**Table 1.1i: Microloan Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted by Microloans	Target	3,400	3,600	3,650	3,650	3,650	4,000	4,500	4,500
	Actual	4,224	4,842	3,917	3,694	4,506	4,958		
	Variance	24%	35%	7%	1%	23%	24%		
<b>Additional Information:</b> This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that increased the pool of eligible microborrowers and the minimum number of loans for intermediaries. The actual number of small businesses assisted by the program was above the target due to recruiting several new lenders.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by Microloans	Target	14,000	12,500	12,750	12,750	15,000	15,900	17,500	17,500
	Actual	13,280	15,636	15,880	16,600	17,573	18,531		
	Variance	-5%	25%	25%	30%	17%	17%		
<b>Additional Information:</b> This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that increased the pool of eligible microborrowers and the minimum number of loans for intermediaries. In FY 2017, four new lenders were added and one lender was re-admitted into the program.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Thousands of Dollars in Loans Approved by SBA to Microlenders	Target	25,000	25,000	25,000	25,000	35,000	40,000	40,000	43,000
	Actual	24,606	43,286	26,465	34,987	35,000	44,350		
	Variance	-2%	73%	6%	40%	0%	11%		
<b>Additional Information:</b> This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that increased the pool of eligible microborrowers and the minimum number of loans for intermediaries. In FY 2017, four new lenders were added and one lender was re-admitted into the program.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Thousands of Dollars in Loans Approved by Lenders to Microborrowers	Target	45,340	44,000	45,000	45,000	55,000	62,800	62,800	65,000
	Actual	46,107	54,850	55,478	52,080	61,223	68,518		
	Variance	2%	25%	23%	16%	11%	9%		
<b>Additional Information:</b> This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that increased the pool of eligible microborrowers and the minimum number of loans for intermediaries.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Counseled by Microlenders	Target	13,600	14,400	14,600	14,600	14,600	15,000	16,000	17,000
	Actual	15,892	19,368	15,668	17,200	17,948	19,600		
	Variance	17%	35%	7%	18%	23%	31%		
<b>Additional Information:</b> This program has seen a growing demand for microlending, which can be attributed to the final rule issued in FY 2015 that increased the pool of eligible microborrowers and the minimum number of loans for intermediaries. In FY 2017, four new lenders were added and one lender was re-admitted into the program.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Grant-eligible Microlenders	Target	Baseline	135	135	135	135	140	140	144
	Actual	134	135	137	137	140	144		
	Variance	N/A	0%	1%	1%	4%	3%		
<b>Additional Information:</b> The SBA tracks the number of grant-eligible microlenders to ensure that there is geographic coverage for microlending across the country.									

#### FY 2017 Accomplishments and Challenges

The Microloan Program supported nearly 5,000 loans to small businesses totaling more than \$69 million. These small businesses supported over 18,000 jobs.

The SBA awarded grants to intermediaries to provide business-based training and technical assistance to microborrowers and potential microborrowers under the program. Unlike SBA's entrepreneurial development programs, the Microloan Program grant funding is closely integrated with each intermediary's lending program. Assistance provided as a result of these grants teaches business survival skills and mitigates risk of business failure.

#### FY 2018 and FY 2019 Planned Performance

In FY 2019, the SBA requests a \$4 million loan subsidy to support a Microloan Program level of \$42 million and \$25 million in grants to support technical assistance. The Microloan Program eases access to credit for America's smallest businesses. The Agency is improving the program by overhauling its electronic reporting system, which will significantly improve its ability to present data and perform analytics to support program decision-making. Over 90 percent of all businesses in the United States are microbusinesses (five employees or less); as such, reaching this market is imperative to the growth of the U.S. economy.

The SBA requests authority to eliminate the 1/55th rule. Currently, during the first 6 months of a fiscal year, the SBA is restricted from putting more than 1/55th of available microloan funding into any given state. This restriction effectively delays deployment of microloan funds, thereby limiting the availability of capital for small businesses regardless of the size of the state or the needs of the small business community.

The SBA requests a 50/50 split governing pre- and post-technical assistance in the Microloan Program. A 50/50 split would ensure that borrowers receive assistance in equal measure before and after they have accepted the responsibility of small business debt. The current statute requires that microloan intermediaries spend at least 75 percent of their technical assistance budget on training to microloan borrowers (post-loan technical assistance). The statute limits expenditures to prospective borrowers (pre-loan technical assistance) to no more than 25 percent of the grant. Microloan intermediaries need the ability to provide both pre- and post-loan technical assistance in equal measure. A majority of technical assistance provided to microborrowers is in the loan application phase, which is considered a pre-loan activity. As a result, lenders are underfunded in pre-loan technical assistance services, causing many lenders to underutilize SBA's Microloan Program or to use the program only as a last resort for capital. Conversely, lenders are overfunded in post-loan technical assistance since it is difficult to stay engaged with a borrower who is successfully paying back the loan and does not have a need or desire for ongoing technical assistance.

The SBA also requests authority to modify the 25 percent cap on the use of third-party contractors to provide technical assistance to 50 percent of grant funds. This change will help increase the efficiency and quality of training that can be made available by the intermediaries.

Access to trade finance (**Export Express Loan Program**, **Export Working Capital Program**, and **International Trade Loan**) for small businesses remains one of the critical needs for small businesses hoping to succeed in global markets. According to a 2016 survey by the Small Business Exporters Association, 24 percent of the respondents were concerned about how they would get paid for export sales and 35 percent said it was more difficult to obtain trade financing than conventional business financing. The SBA fills a market gap where the private sector is unable or unwilling to support certain export transactions because of greater real or perceived risk. Without access to trade finance, many small businesses would not be able to complete export orders. To build a more extensive trade financing infrastructure, the SBA conducts extensive lender training and consultations throughout the country and collaborates with other agencies to simplify and promote trade financing solutions (see Strategic Objective 1.2, International Trade for more information).

#### FY 2017 Accomplishments and Challenges

While 7(a) and 504 loan programs can be used to support small business exporters, the SBA has three core export loan products targeted to support the development of small business exporters. The **Export Express Loan Program** is a delegated authority program with a \$500,000 maximum loan amount that is especially helpful for early stage exporters that can use the funds for a wide range of export development activities. For example, small businesses can use these loans to attend overseas trade shows and develop and enter new markets. With a 90 percent guaranty on amounts up to \$350,000 and a 75 percent guaranty on amounts up to \$500,000, the program offers lenders enhanced coverage in support of small business exporters. In FY 2017, 37 lenders made 53 Export Express loans for \$15 million.

The **Export Working Capital Program** provides the necessary financing to support an exporter's transactions, from purchase order to final payment, with a \$5 million maximum loan amount and 90 percent guaranty. The SBA continues to train new and existing lenders on this export loan product, and as a result, the number of preferred lenders with delegated authority to approve the new working capital program loans continues to grow. In FY 2017, 69 lenders guaranteed 166 working capital program loans for \$337 million.

The **International Trade Loan** program provides loans up to \$5 million in financing and offers a 90 percent guaranty. This loan provides financing to allow successful export businesses to expand their production capacity, including those that want to bring production back from overseas or companies that have been adversely impacted by imports. In FY 2017, the SBA guaranteed international trade loans for \$308 million made by 88 lenders to small businesses.

#### FY 2018 and FY 2019 Planned Performance

Recognizing that U.S. small business exporters are key to the nation's economic future and job growth, the SBA will remain committed to working closely with other trade financing agencies and lenders to improve SBA export finance products and effectively provide export trade financing solutions to small businesses in FY 2018 and FY 2019. The SBA is reviewing all program



processes and requirements to maximize opportunities to increase lending in this important sector.

The SBA will continue to collaborate with other federal agencies, state agencies, resource partners, and other export assistance resources to expand the nation's export finance infrastructure, as well as improve access to, and delivery of, export finance to small business exporters. The Agency will continue to conduct both national and regional SBA Export Lender Roundtables around the country to train additional lenders on providing trade financing solutions to small business exporters.

Furthermore, to better understand the needs of small businesses, the SBA will conduct analyses of markets by industry and community to develop loan products that meet the needs of today's entrepreneur. The SBA will also review its international trade SOPs to determine how to further improve loan products.

### ***Strategy 2: Supplement investment capital to small businesses that have inadequate supply***

SBA's Small Business Investment Company (SBIC) program stimulates and supplements the flow of private equity capital and long-term loan funds for small businesses. The SBIC supports concerns for the sound financing of small business operations and for growth, expansion, and modernization, when such capital is not available in adequate supply. The SBA has historically accomplished this mission by providing licenses to professionally managed investment funds that raise private and/or public capital and combine it with taxpayer-backed, guaranteed leverage for the purpose of investing or lending to qualified small businesses. The SBA seeks the maximum participation of private financing sources.

Table 1.1j displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.1j: SBIC Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 23,229	\$ 19,667	\$ 14,220	\$ 15,910	\$ 22,165	\$ 23,241	\$ 19,565	\$ 21,037

Table 1.1k shows progress toward the SBIC program performance indicators. In FY 2018, the SBA will introduce performance metrics to track the number of small businesses.

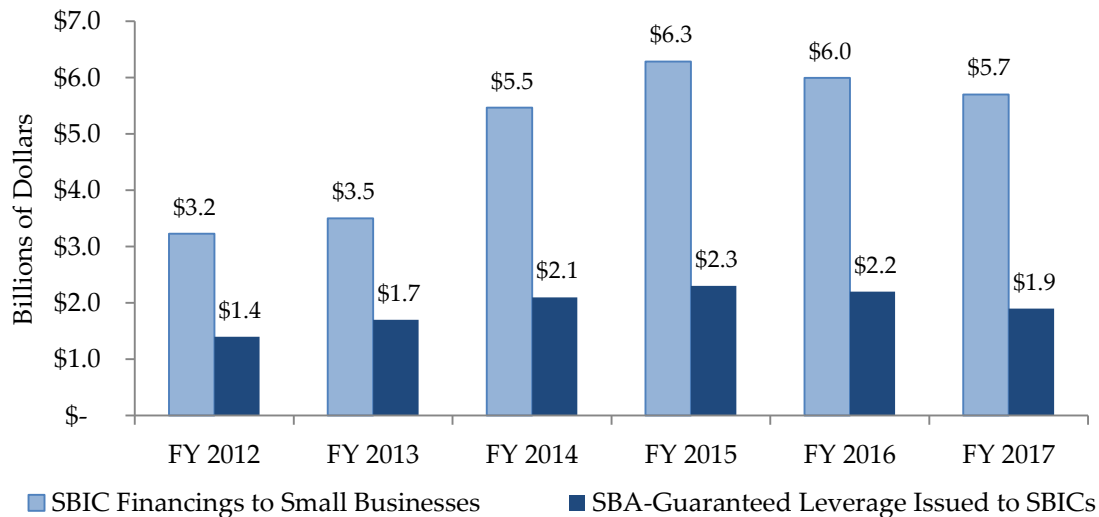
**Table 1.1k: SBIC Program Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Financed by SBIC	Target	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	1,130
	Actual	1,094	1,068	1,085	1,210	1,201	1,077		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
Additional Information: The SBA introduced this metric in FY 2018 to track the number of small businesses financed by SBICs.									

\		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Underserved Small Businesses Financed	Target	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	310
	Actual	290	260	281	288	332	308		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA introduced this metric in FY 2018 to track the number of underserved small businesses financed by SBICs during the fiscal year. An underserved small business lacks an adequate supply of private equity capital or long-term loan funds and therefore seeks supplemental capital through the SBIC program. In general, an underserved small business is owned by women, veterans, minorities, or is located in an underserved geographic area. Underserved geographic areas include low- and moderate-income areas as well as areas that lack an adequate supply of capital or funds.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by SBIC Financing	Target	N/A	N/A	N/A	N/A	N/A	N/A	115,000	115,000
	Actual	68,918	73,585	113,022	129,749	122,382	112,865		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA added a new jobs supported metric in FY 2018 that tracks the number of jobs supported by small businesses that received financing during the fiscal year from an SBIC. Historical data is provided that estimates jobs supported, which combines jobs created and jobs sustained, by estimating a figure using the "1999 Arizona Venture Capital Impact Study." The Study estimated one job is supported for every \$36,000 (adjusted for inflation) of SBIC financing provided.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by Underserved Small Businesses	Target	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	36,000
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> This is a new jobs supported metric in FY 2018 that tracks the number of jobs supported by underserved small businesses that received financing during the fiscal year from an SBIC.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Time (Months) Taken to License an SBIC	Target	N/A	N/A	N/A	Baseline	6.0	6.0	N/A	N/A
	Actual	5.4	6.8	7.4	8.4	6.0	5.1		
	Variance	N/A	N/A	N/A	N/A	0%	15%		
<b>Additional Information:</b> The measure monitors the average number of months for the internal SBIC licensing process. This measure will not be reported after FY 2017, due to new priorities in the SBIC program.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Millions of Dollars of SBA-guaranteed Leverage Committed to SBICs	Target	1,900	2,400	2,500	2,500	2,500	2,600	N/A	N/A
	Actual	1,924	2,156	2,549	2,533	2,514	1,960		
	Variance	1%	-10%	2%	1%	1%	-25%		
<b>Additional Information:</b> The measure tracks the dollar amount of commitments to SBICs. This measure will not be reported after FY 2017, due to new priorities in the SBIC program.									

Chart 1.1b shows the total amounts of SBIC financings to small businesses, and SBA-guaranteed leverage issued to SBICs.

**Chart 1.1b: SBIC Financing Dollars and SBA Guaranteed Leverage Issued to SBICs (Billions)**



SBIC financings include a combination of an SBIC's private capital, first-time use or newly drawn SBA guaranteed leverage, and SBA guaranteed leverage previously drawn by an SBIC that is used again in one or more subsequent financings. SBA guaranteed leverage refers to the SBA guaranteed leverage issued to SBICs and guaranteed by the SBA.

#### FY 2017 Accomplishments and Challenges

The SBA issued \$1.96 billion to SBICs in new debenture leverage commitments, and licensed 15 new SBICs. More than 1,000 small businesses were financed by SBICs. Of these small businesses financed, close to 29 percent were located in low-to-moderate income areas, or were owned by women, veterans, or minorities.

#### FY 2018 and FY 2019 Planned Performance

In FY 2019, the SBA does not request a subsidy for the SBIC program and will rely on fees to support a program level of \$4 billion. In FY 2019, the SBA will introduce a counter-cyclical policy to offset the non-fee supported administrative cost of the SBIC program. The SBIC program performance metrics track the number of small businesses financed and the number of underserved small businesses financed.

Of the administrative costs associated with the SBIC program, a small percentage of costs are offset by licensing and examination fees. In FY 2018, the SBA increased these fees for the first time since 1996, and such fees will assist the SBA to pay for necessary technology modifications, enhanced oversight, and risk management in an effort to reduce the ongoing administrative costs of the SBIC program to taxpayers.

In FY 2018 and FY 2019, the SBA will conduct evaluations of the SBIC program, to include a review of capital supply inadequacies. The SBA will seek to identify areas in which capital is not available in

adequate supply to small businesses and determine what changes should be made to the SBIC program to maintain or improve its relevance in the context of modern financial markets and a mature private equity industry.

### ***Strategy 3: Strengthen and expand the network of lenders offering SBA products***

SBA lending partners are critical to the delivery of small business loans. The SBA is committed to strengthening relationships with existing SBA lenders and attracting new lenders. The Agency will continue to partner with banks, credit unions, and nonprofit intermediaries to ensure they have the tools and resources they need to best meet small businesses' needs. Through SBA's lender relations specialists in the field, the SBA will play a key role in supporting outreach and training to lenders on SBA loan products.

Table 1.1l provides the target and result for the number of 504 loan program lending partners. See table 1.1a, Priority Goal for the 7(a) loan program lending partners.

**Table 1.1l: 7(a) and 504 Loan Program Lender Partner Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of CDCs Providing 504 Loans</b>	<b>Target</b>	267	267	267	240	240	240	235	235
	<b>Actual</b>	256	247	228	228	230	211		
	<b>Variance</b>	-4%	-7%	-15%	-5%	-4%	-12%		
<b>Additional Information:</b> The SBA reviewed the activity levels of CDCs and worked diligently to address underperforming CDCs in order to continue improving program delivery. The SBA continues to actively recruit new CDC candidates.									

#### **FY 2017 Accomplishments and Challenges**

Through enhancements to lending systems, the SBA seeks to attract and retain lenders. The SBA awarded its Central Servicing Agent (CSA) contract, which supports the 504 loan program, to a new vendor. The new contract included 504 loan program modernization activities that are scheduled to be completed in FY 2018. The modernization activities will improve the origination and servicing of 504 loan programs.

The SBA migrated 504 vendors and CDCs to its ETran system. Historically, 504 loans originated with CDCs that sent documentation to the 504 loan processing center. The streamlined process reduced the time it takes to originate a 504 loan and ensured that data quality meets minimum requirements. 504 vendors and CDCs now directly interface with SBA's loan system. These enhancements will support the retention and recruitment of more CDCs.

In addition, the SBA obtained open source application programming interfaces (APIs) that allowed more than 20 vendors of 7(a) lending to interface with the loan systems using the SBA One data set. The APIs allowed large volume lenders to use their commercial loan platform to enter SBA loans. The SBA also modernized the technology for its 7(a) and 504 loan program processing centers through improved integration of the loan systems via API. The enhanced integration improved the quality of the data received by SBA's system from the centers.



SBA's data analytics supported many initiatives, including new loan program policies and procedures and risk management processes. In support of policy changes, the SBA enhanced its systems. These initiatives have been useful to recruit lending partners.

The SBA completed training for its lender relationship specialists in FY 2017 with focused content to help increase active lenders and build strong standardized knowledge of SBA loan products.

#### FY 2018 and FY 2019 Planned Performance

The SBA will continue to rely on information systems to support the loan and credit risk management processes. The following activities will continue: delivering data and analysis for loan programs; managing L/LMS (Loan and Lender Monitoring System), the lender portal, SAS datasets, SAS business intelligence tool, and the Disaster Loan Monitoring System; supporting web-based loan systems for 7(a), 504 loan programs, Disaster Assistance Loan Program funding and servicing, guaranty purchases, and microlenders; operating a Federal Information Security Management Act-compliant 24-hour data center with an alternate processing site; modernizing Common Business Oriented Language; and streamlining origination and lender risk-management processes. The SBA will review contracts with third-party providers to increase efficiency and save costs.

The SBA will develop and deliver standardized training for lender relation specialists in the field to effectively recruit more lenders. New marketing materials will be developed to help lender relations specialists in the field communicate SBA loan products. The field alignment working group will also help focus on recruiting more lenders.

The SBA will explore the possibility of expanding online lending resources to match small businesses with appropriate lenders. Online lending tools will be refined to support more small businesses' access to capital.

#### ***Strategy 4: Expand knowledge of SBA loans through its network of resource partners and field offices***

Each year hundreds of thousands of entrepreneurs access information about small business lending through SBA's network of resource partners, including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), Veterans Business Outreach Centers (VBOCs), SCORE, and SBA field offices. The Agency will strengthen and expand the knowledge of the specialists in these organizations to provide the highest quality service and information possible. Through new technology and better communication, SBA's resource partners and field staff will have specialized training on products and tools and how to best promote them.

#### FY 2017 Accomplishments and Challenges

Professional SBDC business advisors helped clients obtain more than \$5.1 billion in capital through SBA loans as well as conventional loans for their businesses. Women's Business Centers (WBCs) helped many small businesses work with microlending institutions, helping them access millions of dollars in loans. Approximately 35 percent of WBCs are co-located with a microlending program. The WBCs were encouraged to collaborate with local lenders and microlenders as a way to help more women entrepreneurs access capital. The SBA also worked with SCORE volunteers who provided thousands of hours to help entrepreneurs access capital.



The lender relations specialists in the field received training to enhance their knowledge, increase lender participation in SBA's programs, and improve customer service.

#### FY 2018 and FY 2019 Planned Performance

The SBA will continue to make capital infusion a primary goal of the SBDC program. The SBDC network will leverage relationships with the lenders, including microlenders and CDFIs, and investors to support the capital acquisition needs of entrepreneurs. The SBA anticipates that the SBDCs will help their clients access at least \$5 billion each year in FY 2018 and FY 2019. SCORE will continue to help small businesses access capital by providing mentoring and online educational training workshops on finance. Several chapters will continue to offer online courses and business workshops that explain the various sources of financing and provide information on how to assess a company's financial needs. SBA's field offices will execute outreach and business development initiatives in collaboration with resource partners focused on serving targeted communities. The field will also support achievement of the Agency's priority goal to increase the number of loans in socially and economically disadvantaged urban communities and rural areas.

#### ***Strategy 5: Enhance oversight and risk management of lenders and SBICs and improve recovery of taxpayer assets***

The SBA will ensure comprehensive **credit risk management** through its loan and lender monitoring system, which incorporates historical and predictive risk measures, systematic reporting and analysis, and focused reviews of SBA lending partners to identify both performance and compliance risk behaviors. These tools and updated processes will enhance risk mitigation in a cost-effective manner. Multi-stage portfolio monitoring and targeted levels of assessments will allow SBA staff to determine the potential risk of each lending partner and what level and scope of review is most applicable. For investments in default, the SBA will quickly recover as many taxpayer dollars as possible.

Table 1.1m provides results and targets on the risk mitigation performance indicators for lender oversight.

**Table 1.1m: Risk Mitigation Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Risk-based Reviews of Lenders</b>	<b>Target</b>	N/A	180	195	335	335	335	300	300
	<b>Actual</b>	N/A	184	219	378	368	341		
	<b>Variance</b>	N/A	2%	12%	13%	10%	2%		
<b>Additional Information:</b> SBA's Office of Credit Risk Management conducts reviews of lenders that guarantee SBA loans. Risk-based reviews include analytical risk-based reviews, targeted risk-based reviews, and full risk-based reviews of lenders.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Analytical Risk-based Reviews of Lenders</b>	<b>Target</b>	N/A	110	150	300	300	300	150	150
	<b>Actual</b>	N/A	110	181	300	287	153		
	<b>Variance</b>	N/A	0%	21%	0%	-4%	-49%		
<b>Additional Information:</b> Analytical reviews are a basic assessment, and may conclude with a review report or with additional assessment activities required. Analysis of risk factors has identified the need to shift more reviews to targeted and full scopes, thus reducing the need for analytical reviews after FY 2017.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Targeted Risk-based Reviews of Lenders	Target	N/A	40	20	15	15	15	70	75
	Actual	N/A	41	13	32	32	123		
	Variance	N/A	3%	-35%	113%	113%	720%		
<b>Additional Information:</b> Analysis of risk factors during development and implementation of the Annual Risk Plan identified a need to conduct additional targeted risk-based reviews in FY 2018. Therefore, targeted risk-based reviews for FY 2018 significantly exceed the planned performance indicator for FY 2017.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Full Risk-based Reviews of Lenders	Target	N/A	30	25	20	20	20	73	75
	Actual	N/A	33	25	46	49	65		
	Variance	N/A	10%	0%	130%	145%	225%		
<b>Additional Information:</b> Enhanced analysis of risk factors during development and implementation of the Annual Risk Plan identified a need to conduct additional full risk-based reviews in FY 2018. Therefore, the number of full risk-based reviews for FY 2018 significantly exceeds the planned performance indicator for FY 2017.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Supervision and Enforcement Actions	Target	Baseline	5	5	5	5	5	10	12
	Actual	3	24	9	6	13	21		
	Variance	N/A	380%	80%	20%	160%	320%		
<b>Additional Information:</b> Lender oversight and recommendations for actions against lenders are based on a more thorough use of monitoring, increased supervision, and enforcement tools.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net Recoveries from Failed SBICs (Millions of Dollars)	Target	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	84
	Actual	273	290	366	282	174	171		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA will add a new metric in FY 2018 that tracks the accelerated net recoveries of outstanding SBA-guaranteed leverage associated with failed SBICs.									

### FY 2017 Accomplishments and Challenges

The SBA continued to refine the risk-based protocols (PARRiS for 7(a) loans and SMART for 504 loan programs) that used portfolio analytics to develop analyses of current risk factors and prospective trends. The Agency conducted 341 risk-based reviews comprised of 65 full risk-based reviews that are conducted onsite at the largest and highest risk lenders, 123 targeted risk-based reviews for specifically-identified risk and a focused review process, and 153 analytical risk-based reviews which represent basic performance metric assessments.

In addition, all SBA lenders were monitored through reviews using the Loan and Lender Monitoring System (L/LMS), which tracks the monthly performance and the quarterly credit scores for all 7(a) and 504 loans. Quarterly Lender Risk Ratings/Lender Purchase Ratings (LRRs/LPRs) for all lenders are generated through the L/LMS data. The LRR/LPR composite rating reflects SBA's assessment of an SBA lender's potential risk. The SBA also conducted delegated authority reviews for delegated lenders at the expiration date of each delegated authority, decertified CDCs not in compliance with all SBA requirements, and issued debarments and immediate suspensions for persons or entities identified. The additional challenge of a shrinking and more concentrated lender pool resulted in a modified need for unit reviews while



elevating the scope of review events; hence, the increased numbers of targeted and full risk-based reviews.

#### FY 2018 and FY 2019 Planned Performance

The SBA will maintain a consistent approach to risk mitigation by monitoring lenders' performance through programmatic reviews, by conducting portfolio analyses using L/LMS data and maintaining its risk data warehouse, and by conducting lender training sessions. The SBA is improving its review criteria, as its existing PARRiS/SMART methodologies have been in place since FY 2014. Reviews focus on risk factors and lenders that present the highest-risk profiles. As a result, in FY 2018, the SBA will conduct 300 risk-based reviews, and for FY 2019, the Agency will conduct 300 risk-based reviews of its highest-risk lenders to ensure that they are managing their portfolios in a prudent manner. This is viewed as a relative "steady-state" of review activity. The SBA will also enhance its assessments of secondary market loan sales for highest-risk lenders through anticipated improved administrative controls, and conduct delegated authority renewals of both 7(a) lenders and CDCs as authorities expire. Additional enhanced review activities under consideration include improved reliance on performance metrics to assess payment risk, combined with compliance file assessments conducted with virtual processes to address mission and reputation risk. The SBA will develop a tactical plan to improve oversight over the Secondary Market Guarantee program and the Office of Credit Risk Management (OCRM) will begin to analyze the secondary market for risk mitigation and compliance by adding resources.

In FY 2018, the SBA plans to insource enforcement activities by adding resources to credit risk management. In addition, the SBA will continue to evaluate the need for additional resources paid from fees collected by lenders to lead lender reviews.

Finally, all failed SBICs are managed by SBA's Liquidation Unit. The SBA recovers U.S. taxpayer assets from failed SBICs as quickly and responsibly as possible. Approximately 60 percent of the cases and 30 percent of the leverage have been in liquidation for over 7 years. A third of the cases, representing less than 10 percent of the leverage, have been in liquidation for over 10 years. Improvements and new methods are needed for the current SBA recovery processes to accelerate collections and maximize net recovery. To assess performance, the SBA has added a metric in FY 2019 that tracks the net recoveries (millions of dollars) in SBIC investments.

The SBA will review current SBIC program regulations, policies, and procedures, and will then implement comprehensive, enhanced oversight and risk management processes that are commensurate with other private equity capital providers and OMB A-129 best practices. The SBA will also accelerate the collection of outstanding guaranteed leverage associated with failed SBICs, while maximizing net recoveries.

## ***Strategic Goal One – Support Small Business Revenue and Job Growth***

### **Strategic Objective 1.2: Help Small Business Exporters Succeed in Global Markets**

**Performance Goal:** Increase the value of small business export sales to \$1.4 billion in FY 2019

**Objective Lead:** Associate Administrator for International Trade

**Objective Support:** Office of Business and Economic Development, Office of Entrepreneurial Development, and Office of Capital Access

**Programs/Activities:** U.S. Export Assistance Centers (USEAC), International Trade Loans, State Trade Expansion Program (STEP), Trade Policy

**Strategies:**

1. Strengthen partnerships with state and territorial governments
2. Provide tailored training and counseling to small businesses and lenders
3. Support trade promotion policy through federal partnerships
4. Represent small business interests in bilateral and multilateral trade negotiations

Exports contribute to a strong middle class by fueling economic opportunity. Today, nearly 96 percent of consumers and more than three-fourths of the world's purchasing power reside outside the United States. Small businesses that can tap into this global market have the potential for vast expansion and growth, with small businesses now constituting one-third of total export dollars.<sup>6</sup>

Approximately 4 percent of small businesses in tradeable sectors are currently exporting, and nearly 60 percent of small businesses that export only sell to one foreign market. The SBA is working to address national trade deficit challenges by helping to introduce more small businesses to exporting and supporting the expansion of current small business exporters into new foreign markets.

Expanding the base of small business exporters and leveling the playing field for U.S. companies wanting to enter foreign markets are key objectives of the Federal Government. Through key partnerships with the U.S. Department of Commerce, other members of the interagency Trade Promotion Coordinating Committee (TPCC), and state governments, the SBA will promote exporting opportunities, expand access to trade financing, and train business counselors and lenders on exporting. Together with the Office of the U.S. Trade Representative (USTR) and other federal trade agencies, the SBA participates in U.S. trade policy formation and negotiations via the Trade Policy Staff Committee (TPSC) to ensure that small business interests are adequately represented in bilateral and multilateral trade negotiations.

**Progress Update:** The SBA expanded the base of small business exporters and leveled the playing field for American entrepreneurs seeking to enter foreign markets through its State Trade Expansion Program (STEP), international trade finance programs, international trade policy and ministerial engagements, and through representing small business interests in bilateral and multilateral trade negotiations. In FY 2017, the SBA awarded \$18 million in funding to 44 states through STEP and provided financing through loan guarantees to over 2,000 small business exporters that supported more than 30,000 jobs. The SBA STEP awards increased the ability of small businesses to participate in a greater share of trade shows and trade missions. In FY 2017, the SBA guaranteed \$1.87 billion in loans to more than 2,000 small business exporters. The Agency counseled and trained more than 9,700 lenders and hosted the 10th Annual SBA Export Lenders Roundtable in Washington, DC; the Fourth Annual West Coast SBA Export Lenders

<sup>6</sup> Profile of U.S. Importing and Exporting Companies 2014-2015. U.S. Census Bureau, April 2017.



Roundtable in Los Angeles; and the Second Annual Midwest and Southeast SBA Export Lenders Roundtables in Chicago and Miami. The SBA represented small business interests in bilateral and multilateral trade negotiations, to include the renegotiation of the North American Free Trade Agreement (NAFTA) and prior to that the Transatlantic Trade and Investment Partnership (T-TIP) negotiations in FY 2017. In the renegotiation of NAFTA, the SBA assisted USTR in the negotiation of the first Small Business Chapter.

Table 1.2a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.2a: International Trade Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 8,943	\$ 11,224	\$ 20,048	\$ 9,025	\$ 11,410	\$ 11,451	\$ 11,640	\$ 12,066

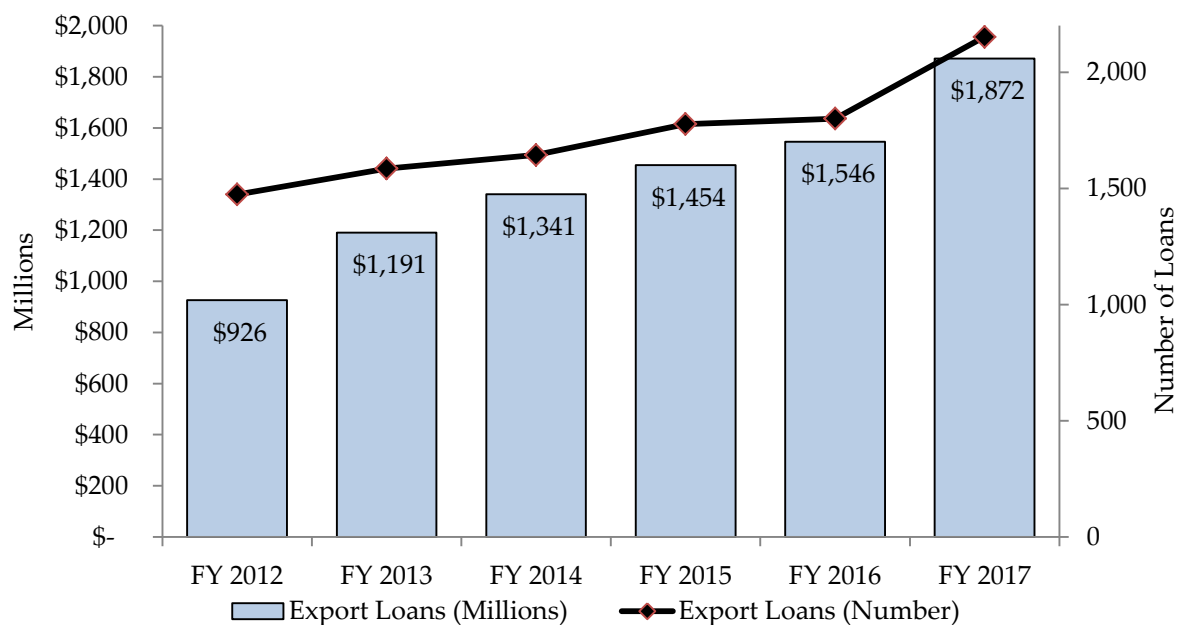
Table 1.2b shows a new performance goal in FY 2019 that tracks export sales and the retired performance goal of small business exporters receiving SBA financing.

**Table 1.2b: International Trade Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Value of Small Business Export Sales (Billions)	Target	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	1.4
	Actual	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	Variance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<b>Additional Information:</b> This metric tracks the sum of all small businesses receiving SBA guaranteed export financing in the international trade finance programs (i.e., Export Express; Export Working Capital; International Trade Loan) and the reported value of export sales by small businesses using SBA's State Trade Expansion Program (STEP).									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Business Exporters Receiving SBA Financing	Target	990	1,349	1,415	1,480	1,520	1,520	N/A	N/A
	Actual	1,283	1,388	1,392	1,513	1,550	2,014		
	Variance	30%	3%	-2%	2%	2%	33%		
<b>Additional Information:</b> This metric tracks the sum of all small businesses receiving SBA guaranteed export financing. In FY 2017, the SBA exceeded its target due to a new data reporting model that captured more firms classified as exporters. This measure was retired in FY 2017 and replaced with measuring export sales.									

Chart 1.2 shows the total dollar value and number of loans to exporters.

**Chart 1.2: Loans to Exporters (Millions of Dollars and Number of Loans)**



***Strategy 1: Strengthen partnerships with state and territorial governments***

Expanding the base of small business exporters and making the process as easy as possible for them is crucial to increasing exports. The SBA will partner with states and territories through the **State Trade Expansion Program (STEP)** to support small business export development, including participation in trade missions and foreign market sales trips, export trade shows, international marketing efforts, and export training. In addition to administering STEP, the SBA plays an important role in communicating and networking among export resources. SBA District International Trade Officers and local STEP administrators will be key participants and drivers of local export promotion ecosystems.

Table 1.2c displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.2c: STEP Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
N/A	\$ 1,681	\$ 9,462	\$ 19,563	\$ 26,527	\$ 25,155	\$ 25,195	\$ 15,059

Table 1.2d tracks the progress of the STEP performance indicator that measures the average return on investment from STEP grants.

**Table 1.2d: STEP Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average Dollar Return on Investment of STEP Grants	Target	N/A	N/A	N/A	N/A	Baseline	12	30	30
	Actual	28	N/A	37	33	Data Lag	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A			
<b>Additional Information:</b> STEP grants help small businesses enter and succeed in the international marketplace. The average return on investment is calculated by dividing the reported total dollar export sales supported by the STEP funds awarded for each fiscal year. The SBA did not receive appropriations for STEP in FY 2013. Results have a 2-year data lag because the grantee reporting cycle is every 2 years.									

#### FY 2017 Accomplishments and Challenges

To support export development, the SBA administered \$18.8 million in FY 2016 STEP grants using upgraded processes and automated tool improvements. The Agency also prepared for and executed a competitive process to award an additional \$18 million in FY 2017 grants. These funds will be administered via 2-year performance periods through FY 2019. These awards support customized export development efforts initiated by the states to increase the number of small business exporters and the value of small business exports in their states. The SBA maintained STEP oversight and completed various management activities for the 44 awardees from the FY 2016 STEP awards. During FY 2017, STEP streamlined its administrative processes by shortening the technical proposals required of the states. This reduced the amount of time required by the states to submit proposals and helped facilitate a more efficient review process.

#### FY 2018 and FY 2019 Planned Performance

The SBA requests \$10 million for STEP in FY 2019. The SBA will achieve a return on investment of at least \$30 million in small business exports for every \$1 million invested in STEP grants through FY 2019. In addition, the SBA will engage more effectively and directly with STEP beneficiaries, the Department of Commerce, and state-led trade mission participants to inform them of the benefits of SBA export financing to support their export sales. The SBA will also collaborate more actively and effectively with STEP administrators to engage small business exporters and support and develop local ecosystems for export promotion.

### ***Strategy 2: Provide tailored training and counseling to small businesses and lenders***

Through its network of trade finance specialists located at U.S. Export Assistance Centers and through international trade specialists throughout the country, the SBA provides training and consultation services on trade financing and export financing programs to both lenders and small businesses. SBA's trade finance specialists provide in-depth training for lenders on export products and services to increase access to capital in U.S. Export Assistance Centers throughout the country. The SBA Office of International Trade will also work closely with Small Business Development Centers (SBDCs) to provide training and certification on international trade to counselors throughout the nationwide network, so that they can more effectively identify and counsel small business exporters.



Table 1.2e shows progress toward the two international trade performance indicators, including small businesses and lenders receiving export training.

**Table 1.2e: International Trade Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Receiving Export Training</b>	<b>Target</b>	7,200	8,000	7,600	8,000	8,400	8,400	8,400	8,500
	<b>Actual</b>	10,598	8,244	8,273	8,120	8,274	8,096		
	<b>Variance</b>	47%	3%	9%	2%	-2%	-4%		
<b>Additional Information:</b> This metric tracks the sum of all small businesses that have received export training by SBA trade finance staff.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Lenders Receiving Export Training</b>	<b>Target</b>	3,950	4,400	4,000	4,200	4,500	4,500	4,500	4,600
	<b>Actual</b>	4,119	4,868	5,097	4,329	4,547	5,546		
	<b>Variance</b>	4%	11%	27%	3%	1%	23%		
<b>Additional Information:</b> This metric tracks the sum of all lenders that have received export training by SBA trade finance staff. In FY 2017, the SBA exceeded its target due to a greater number of SBA export finance managers reaching out to new lenders in new regions of the country.									

#### FY 2017 Accomplishments and Challenges

The SBA provided consultation services to more than 5,000 small businesses and trained more than 8,000 small businesses on export finance. In addition, the SBA provided consultation services to more than 4,000 lenders, and trained more than 5,500 lenders on SBA export loan guaranty programs. The Agency provided in-depth training to a group of core SBA lenders during the 10th Annual SBA Export Lender Roundtable in Washington, DC, and regional SBA Export Lender Roundtables during the year.

The SBA also partnered with the U.S. Department of Commerce to provide trade financing experts at domestic and overseas trade shows to counsel U.S. small business exhibitors about various trade financing options. International trade shows provided an opportunity for U.S. exhibitors to meet potential business partners face-to-face. The SBA added value to the entrepreneurs by providing trade finance expertise at the site of the trade shows as exporters negotiate sales terms with foreign buyers attending these shows. For FY 2017, SBA export finance specialists provided counseling and training at 21 Department of Commerce International Buyer Program (IBP) industrial shows. At these IBP events, small business exporters were able to meet prospective foreign buyers from around the world attending major domestic industrial shows.

#### FY 2018 and FY 2019 Planned Performance

The SBA will provide in-depth lender training on SBA financing solutions to address exporter funding needs. In FY 2018, the SBA expects to train 4,500 lenders and 8,400 small businesses on international payment methods and export financing solutions. In FY 2019, the SBA anticipates training an additional 4,600 lenders and 8,500 small businesses. Due to the consolidation occurring in the banking sector, fewer lenders are available to participate in lender training venues.

The SBA will continue to conduct national and regional SBA Export Lender Roundtables across the country to train additional lenders on SBA trade finance solutions and solicit input on policy improvements for the programs. The SBA will also expand training of resource partners, such as SBDCs, so they can educate their small business clients on the benefits of SBA financing to support small business global expansion.

The SBA will partner with the U.S. Department of Commerce to continue providing financing experts at domestic and overseas trade shows to counsel small business exhibitors about various financing options. The SBA export finance specialists plan to provide counseling and training at 16 U.S. Department of Commerce IBP domestic industrial shows and 2 international trade shows in FY 2018. In FY 2019, SBA export finance specialists plan to attend 17 IBP domestic industrial shows and 3 international trade shows.

The SBA will oversee and monitor SBDC compliance on Jobs Act requirements for counselors certified in international trade, providing virtual and in-person training to SBDC counselors and facilitating collaboration between the SBDCs and Federal export promotion resources. As part of an effort to harmonize relationships with the field offices, the SBA will leverage district office partnerships to promote and leverage resource partners in international trade. The SBA will also expand its marketing and outreach materials to better inform stakeholders of SBA's products and services for international trade. The SBA will also implement re-certification requirements for International Trade Certification that includes joint counseling and event planning, as well as continuing education requirements.

### *Strategy 3: Support trade promotion policy through federal partnerships*

The SBA will provide support on **trade policy** and advocate on behalf of small businesses. Through the Trade Promotion Coordinating Committee (TPCC), the SBA will support a unifying export promotion framework with other agencies, including the U.S. Department of Commerce, Overseas Private Investment Corporation, U.S. Trade and Development Agency, U.S. Department of Agriculture, Export-Import Bank, and the U.S. Department of State.

#### FY 2017 Accomplishments and Challenges

The SBA strengthened its engagement with states and is a member of the TPCC's State and Federal Export Promotion Coordination Working Group, which has the responsibility of encouraging greater coordination of export promotion programs and services. In addition, the SBA worked closely with the State International Development Organizations (SIDO) and their member states, especially in providing timely information related to developments and requirements for STEP.

The SBA reconvened the TPCC Small Business Working Group in 2017 to promote outreach, marketing, and communication to small businesses about the benefits of exporting and resources available to help them begin exporting, expand into new foreign markets, and finance their export sales. The SBA chairs this working group in close collaboration with the TPCC Secretariat. The Agency schedules quarterly meetings and coordinates discussion and planning to identify potential small business exporters, prepare them to export successfully, connect them to global market opportunities, and support their global expansion.

The SBA continued to offer its small business counselor training certification program in partnership with the U.S. Department of Commerce and the TPCC. The certification program includes an extensive training track on international trade at the Annual America's Small Business Development Centers Conference, as well as a training and certification website. More than 500 international trade-certified counselors within the SBDC network have earned credentials either by passing an intermediate-level test on the Export.gov website, or by passing the Certified Global Business Professional exam administered by the National Association of Small Business International Trade Educators (NASBITE).

#### FY 2018 and FY 2019 Planned Performance

The SBA will provide support on trade promotion and advocate on behalf of small businesses. Through the TPCC, the SBA will continue to support a unifying export promotion framework with federal agencies engaged in export promotion.

The SBA will continue a series of "Listening Tours" in collaboration with the TPCC Secretariat, SBDC networks, state governments, and other partners such as the National Association of Manufacturers (NAM). These listening tours include small group exporter roundtables and larger stakeholder dialogues, which are both designed to help identify the needs of small business exporters and gather input for program and policy development. The tours also seek to strengthen local collaboration on export promotion, and highlight the importance of small business exporting to state and local officials participating in the dialogue.

The SBA will continue to chair the TPCC Small Business Working Group and coordinate quarterly interagency meetings to discuss trade promotion and policy, and facilitate effective collaboration. The SBA has called for the formation of a Digital Client Engagement taskforce within the TPCC Small Business Working Group to focus on improving communication and more effective leveraging of outreach.

#### ***Strategy 4: Represent small business interests in bilateral and multilateral trade negotiations***

The SBA supports the U.S. Interagency Trade Policy Staff Committee (TPSC), which is responsible for developing interagency consensus on trade policy and relies on approximately 60 subcommittees responsible for work in specialized areas. The SBA helps to ensure that small business interests are adequately represented in bilateral and multilateral trade agreement negotiations. The SBA works to strengthen small business voices in trade agreements and develop transparent and simple commitments with small businesses in mind. Small businesses rely on trade agreement commitments to obtain reasonable certainty in all matters of foreign customs procedures, requirements, standards, and intellectual property protection.

#### FY 2017 Accomplishments and Challenges

The SBA consistently represented U.S. small business interests as subject matter experts, as part of the U.S. delegations to renegotiate NAFTA, and prior to that the T-TIP negotiations in FY 2017. In the renegotiation of NAFTA, the SBA assisted the Office of the U.S. Trade Representative in the negotiation of the first Small Business Chapter for NAFTA and in the creation of commitments across the agreement (e.g., Small Business, Rules of Origin, Customs and Trade Facilitation, Technical Barriers to Trade, Good Regulatory Practices, Government Procurement, State Owned Enterprises, Digital Trade, and Sectoral Chapters).



In addition to direct negotiations, the SBA represented small business interests in: Trade Policy Staff Committee meetings to plan the modernization of NAFTA; the negotiation of the U.S.-United Kingdom (UK) free trade agreement; a study on trading partners with significant trade deficits; the review of the U.S.-Korea Free Trade Agreement; and the Section 301 Investigation on China's acts, policies, and practices. The SBA also solicited small business comments and testimony on "NAFTA 2.0" through the Interagency Working Group on NAFTA Modernization, Significant Trade Deficits, and on the implementation of a Section 301 Investigation on China.

The SBA began contributing to the implementation of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) as a participant in the U.S. National Trade Facilitation Committee. SBA's subject matter experts provided training on reducing burdens for small businesses in the Association of Southeast Asian Nations (SEAN) Governments, U.S. Government Interagency and locally employed staff, and Small Business Development Center counselors. The SBA also continued support to U.S. small businesses through an international trade inquiry point designed to assist small businesses encountering challenges in trade.

The SBA signed a Memorandum of Understanding (MOU) with the Government of Argentina on "Regulatory Coherence and Meaningful Engagement with the Private Sector." The MOU emphasizes the need to increase transparency and reduce regulatory burdens and costs for small businesses, entrepreneurs, and traders. The SBA served on the U.S. delegation to a first-time U.S.-Argentina Commercial Dialogue, continued exchanges through the U.S.-Brazil Commercial Dialogue, and began technical exchanges with the governments of Saudi Arabia and Morocco.

The SBA also co-chaired the third Global Small & Medium Enterprises (SME) Ministerial at the Global Entrepreneurship Congress (GEC) in Johannesburg, South Africa, convening ministers and senior officials from 32 nations and international organizations to share national strategies and program ideas aimed at increasing job creation and economic growth.

#### FY 2018 and FY 2019 Planned Performance

The SBA will continue to represent U.S. small business interests in the modernization of NAFTA and in the creation of a U.S.-UK Small & Medium Enterprise Dialogue as part of the new U.S.-UK Trade and Investment Working Group. The Working Group will foster a U.S.-UK Free Trade Agreement and trade discussions or other bilateral agreements.

The SBA will continue bilateral trade exchanges in key global and emerging markets. In Latin America, the SBA will advance in cooperative dialogues with Argentina, Brazil, as well as Colombian and Central American trading partners. In Asia, the SBA will continue new exchanges with Taiwan and Southeast Asian trading partners. In the Gulf States, the SBA will implement a newly modernized MOU with Bahrain on governance with small businesses, including key regulations, policies, and administrative procedures that serve to develop and support small businesses and continue technical exchanges with Saudi Arabia.

The SBA will continue training and engagement activities to advance implementation of the WTO Trade Facilitation Agreement to support small business exporters and decrease trade costs. The SBA will receive small business input through public consultation for trade agreements.



## ***Strategic Goal One – Support Small Business Revenue and Job Growth***

### **Strategic Objective 1.3: Ensure Federal Contract and Innovation Set-aside Goals are Met and/or Exceeded**

**Performance Goal:** Increase the number of jobs supported through federal contracts set aside for small businesses to 550,000 in FY 2019

**FY 2018–2019 Agency Priority Goal:** By September 30, 2019, maximize the percent of federal contracts by awarding at least 23 percent to small businesses

**Objective Leads:** Associate Administrator for Government Contracting and Business Development and Associate Administrator for Investment and Innovation

**Objective Support:** Office of Business and Economic Development, Office of Entrepreneurial Development, and Office of Veterans Business Development

**Programs/Activities:** Small Business Contracting Set-aside, Size Standards, Size and Eligibility Protests, Certificate of Competency Awards, Agency Surveillance Review, Procurement Center Reviews, Small Business Innovation Research (SBIR), Small Business Technology Transfer (STTR), Surety Bond Guarantee, Women-owned Small Businesses, Service-disabled Veteran-owned Small Businesses

**Most Serious Management and Performance Challenge 1:** Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goal Achievements

**Strategies:**

1. Ensure federal agencies are meeting their small business contracting goals
2. Simplify access to federal contracting; attract and educate small businesses on contracting opportunities
3. Educate the federal contracting workforce on ways to increase awards
4. Increase surety agents issuing guarantee bond products
5. Coordinate with agencies to ensure they meet research set-asides for innovative entrepreneurship

The Federal Government is the largest procurer of goods and services in the world, spending nearly \$400 billion in FY 2016 alone, and averaging nearly \$90 billion in contracts to small business each year between FY 2006 and FY 2016.<sup>7</sup> These dollars present a large opportunity for small businesses, and Congress has recognized this potential through a minimum federal contracts set-aside of 23 percent for small businesses.

The SBA provides an oversight role in federal contracting to ensure that this goal is achieved each year. In addition, as a subset of this overall small business goal, the Federal Government strives to award no less than 5 percent of contracts to small disadvantaged businesses and women-owned small businesses, and 3 percent to service-disabled veteran-owned small businesses and small businesses in HUBZone locations. Small businesses provide the Federal Government with quality, performance, innovation, agility, and competitive pricing. In return, the Federal Government helps sustain a healthy American small business infrastructure vital to the health of the economy.

The Federal Government also provides for small business innovation research and small business technology transfer through federal agency set-asides for research and development. Each year, agencies

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<sup>7</sup> *Small Business Agency Scorecards 2016*. U.S. Small Business Administration, May 2017.

with research and development budgets that exceed specific thresholds reserve a portion of these funds for small businesses. The SBA reports on federal progress to stimulate technology innovation and commercialization through small businesses. In addition, the SBA also provides unique products like the surety bond guarantee to support small business contractors who need bonds to access a contracting market. Through several key strategies that focus on education, training, and oversight, the SBA will continue to exceed its small business contracting set-asides, support agencies' efforts to surpass small business innovation and technology goals, and increase surety bond guarantee.

**Progress Update<sup>8</sup>:** For the fourth consecutive year, the Federal Government surpassed its statutory prime contracting goal, leading the SBA to achieve its Priority Goal of 23 percent of federal contracting dollars going to small businesses. As a result of a government-wide focus, small businesses were awarded nearly \$100 billion in federal contracting dollars in FY 2016, a \$9 billion increase over the previous fiscal year. The goal for service-disabled veterans surpassed its 3 percent target (FY 2016 result was 3.98 percent) for the fifth time, and small disadvantaged businesses exceeded its 5 percent target (FY 2016 result was 9.53 percent). The Federal Government awarded the Women-owned Small Business Federal Contracting Program (WOSB) with 4.79 percent of contracts and the HUBZone program with 1.67 percent of contracts in FY 2016. The WOSB Program sought public comment through an Advanced Notice of Proposed Rule and held a stakeholder forum to gain insights on a certification program that best meets stakeholders' needs.

**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority.<sup>9</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 1.3: Most Serious Management and Performance Challenge 1**

<b>Challenge 1: Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goal Achievements</b>	
<b>Recommended Actions</b>	<b>Completion Date</b>
<p>1. Strengthen controls to ensure the accuracy of the Federal Government's annual small business procurement goals achievements reported in the <i>Small Business Goaling Report</i>.</p> <p>2017 Achievement: To address the deficiencies identified in the Office of Inspector General (OIG) report, the SBA corrected weaknesses within its small business information systems that impacted the accuracy of the goaling data. The SBA identified additional data anomalies, which were the result of incompatible system updates between GSA's System for Award Management (SAM) and SBA's Dynamic Small Business Search (DSBS) that prevented SAM from receiving updates from DSBS.</p>	September 30, 2018

<sup>8</sup> Due to data lags in federal contracting, SBA's FY 2016 Strategic Objective 1.2 Progress Update uses FY 2015 results.

<sup>9</sup> For more information on the Management Challenge, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018).

<p>2. Implement a certification process for WOSBP.</p> <p>2017 Achievement: The SBA implemented the Sole Source provision of National Defense Authorization Act (NDAA) 2015 and published a Standard Operating Procedure (SOP) for the WOSB. In addition, the Agency launched a new electronic application process at <a href="http://Certify.sba.gov">Certify.sba.gov</a> that provided a path forward to improve eligibility concerns and implemented a certification program for the WOSB.</p>	September 30, 2018
<p>3. Revise SBA's Program Fraud Civil Remedies Act regulations so that SBA can pursue violations of its Federal contracting programs and demonstrate an improved capacity for taking enforcement actions under that statute.</p> <p>2017 Achievement: The SBA started preliminary discussions about implementing this change, but it has not yet proposed a rule. However, the SBA has increased its PFCRA penalty level, along with other civil penalties as authorized by the Federal Civil Penalties Inflation Adjustment Improvements Act of 2015.</p>	September 30, 2018

Table 1.3a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 1.3a: Prime Contracting Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 28,126	\$ 26,226	\$ 18,529	\$ 18,011	\$ 18,328	\$ 16,636	\$ 15,922	\$ 16,228

Table 1.3b shows progress toward the Priority Goal of meeting the 23 percent federal prime contracting target.

**Table 1.3b: Prime Contracting Priority Goal**

FY 2018–2019 Priority Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Contracts Awarded to Small Businesses	Target	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%
	Actual	22.30%	23.40%	24.99%	25.75%	24.34%	Data Lag		
	Variance	-3%	2%	9%	12%	6%	N/A		
<b>Additional Information:</b> The FY 2017 data supporting the FY 2016–2017 Priority Goals are not finalized until the third quarter of FY 2018. The SBA works with each federal agency annually to set their prime and subcontracting goals. The SBA ensures that the sum total of all of the goals exceeds the 23 percent target established by law.									

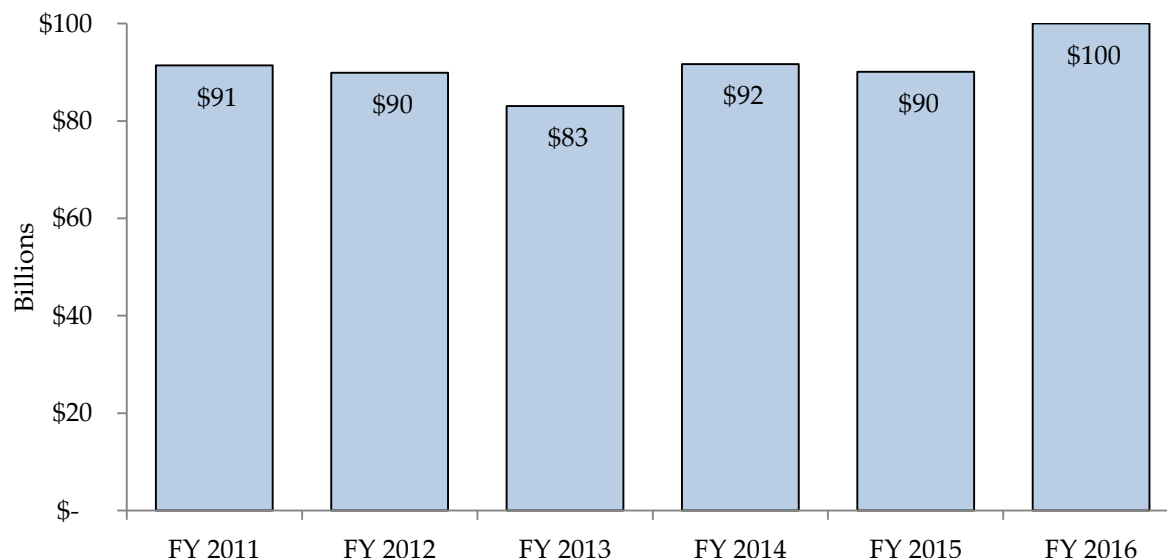
Table 1.3c shows the contracting performance goal of jobs supported.

**Table 1.3c: Contracting Jobs Supported Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by Federal Contract Set-asides	Target	572,000	572,000	501,113	501,113	500,000	500,000	500,000	550,000
	Actual	527,000	479,515	549,000	537,000	587,000	Data Lag		
	Variance	-8%	-16%	10%	7%	17%	N/A		
Additional Information: The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018.									

Chart 1.3 shows the total federal contract dollars awarded to small businesses. The U.S. Department of Defense had the highest dollar value in support of contracting to small businesses (\$57.8 billion in FY 2016). The SBA supported the highest percentage of contracting to small businesses (73.7 percent in FY 2016).

**Chart 1.3: Federal Contracting Dollars (Billions) Awarded to Small Businesses**



### ***Strategy 1: Ensure federal agencies are meeting their small business contracting goals***

The SBA will partner with other federal agencies, with a special emphasis on agencies with the largest acquisition budgets, to ensure they meet their small business contracting goals. The SBA will support the Small Business Procurement Advisory Council and assist agencies in their acquisition planning efforts. Through training, sharing best practices, publishing data, and hosting matchmaking events, the Agency will create opportunities for small businesses to win federal contracts. In addition, the SBA will ensure oversight through its agency surveillance review and tailor meetings with federal partners to ensure that they are fully knowledgeable of small business contracting. To further support this strategy, the SBA has established an FY 2018–2019 Agency Priority Goal that focuses attention on the Federal Government’s 23 percent small business contracting goals.



In addition, the SBA also manages two small business certification programs—the 8(a) Business Development program and the HUBZone program (See Strategic Objective 2.1). The 8(a) Business Development program helps small, disadvantaged businesses compete in the marketplace through the provision of business development assistance. The HUBZone program helps small businesses in certain designated urban and rural areas gain preferential access to federal procurement opportunities.

Table 1.3d displays the federal contracting subgoals, and the number of surveillance reviews.

**Table 1.3d: Prime Contracting Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Government Prime Contracts Awarded to Small Disadvantaged Businesses	Target	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Actual	8.00%	8.61%	9.46%	10.06%	9.53%	Data Lag		
	Variance	60%	72%	89%	101%	91%	N/A		
<b>Additional Information:</b> The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018. The government does not have an 8(a) small business goal, but 8(a) firms are counted within the small disadvantaged business goal.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Government Prime Contracts Awarded to Women-owned Small Businesses	Target	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
	Actual	4.00%	4.32%	4.68%	5.06%	4.79%	Data Lag		
	Variance	-20%	-14%	-6%	1%	-4%	N/A		
<b>Additional Information:</b> The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018. While not meeting the goal, more dollars were awarded in FY 2016 than in FY 2015.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Government Prime Contracts Awarded to Service-disabled Veteran-owned Small Businesses	Target	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Actual	3.03%	3.40%	3.68%	3.93%	3.98%	Data Lag		
	Variance	1%	13%	23%	31%	33%	N/A		
<b>Additional Information:</b> The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Government Prime Contracts Awarded to HUBZone Small Businesses	Target	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
	Actual	2.01%	1.76%	1.82%	1.82%	1.67%	Data Lag		
	Variance	-33%	-41%	-39%	-39%	-44%	N/A		
<b>Additional Information:</b> The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Surveillance Reviews Completed	Target	Baseline	30	30	30	30	30	30	30
	Actual	30	31	41	30	30	30		
	Variance	N/A	3%	37%	0%	0%	0%		
<b>Additional Information:</b> The SBA introduced this performance indicator in FY 2013 and historical data have been provided for context. Surveillance Reviews (for prime contracting) and Small Business Performance Compliance Reviews (for subcontracting) are conducted to evaluate the implementation of regulations across the Federal Government.									

### FY 2017 Accomplishments and Challenges

Due to data lags, the SBA reports on contracting data from the prior fiscal year. In FY 2016, the Federal Government achieved its prime contracting target of 23 percent for the fourth consecutive year with a result of 24.34 percent, which amounted to \$99.96 billion in federal contracting dollars to small businesses and included overseas contracts for the first time. The Federal Government continued to exceed its service-disabled veteran goal of 3 percent (3.98 percent in FY 2016) and small disadvantaged business goal of 5 percent (9.53 percent in FY 2016). The Women-owned Small Business goal achievement was 4.79 percent of its 5 percent goal in FY 2016, and the HUBZone achievement was 1.67 percent of its 3 percent goal in FY 2016. Seventeen of 24 agencies met or surpassed their prime contracting small business goals.

Performance trends for FY 2017 indicated that the Federal Government may exceed the 23 percent statutory requirement for the small business prime contracting goal. To help meet these goals, the SBA deployed a corps of highly trained and skilled professional analysts, Procurement Center Representatives (PCRs), Industrial Specialists for Size protests (ISS), and Certificate of Competency and forestry management specialists to actively engage staff across the Federal Government to promote small business contracting awards. The PCRs participated in procurement strategies and reviewed requirements that are not unilaterally reserved for small businesses. They identified whether requirements could be set aside for small business concerns or specific small business socio-economic categories (i.e., women-owned, economically disadvantaged, and service-disabled veteran-owned small businesses; HUBZone; and small disadvantaged businesses in the 8(a) program). The PCRs assessed contracting actions or performance from more than 2,800 federal procurement centers across the 24 federal agencies. ISS and the Certificate of Competency evaluated protested awards to small businesses or validated small businesses' performance capability for specific contracts, respectively. Their collective efforts ensured that awards set aside for small businesses went only to eligible contenders.

The SBA met monthly with agencies' Offices of Small and Disadvantaged Business Utilization (OSDBU) to provide training and updates, share best practices, and discuss progress toward prime and subcontracting goals as part of the Small Business Procurement Advisory Committee. The SBA completed negotiations with each federal agency to set its prime and subcontracting goals for FY 2017. The annual scorecard for both government-wide and individual agencies for FY 2016 is available online.<sup>10</sup> The scorecards measure each agency's progress in meeting its small business and socio-economic prime contracting and subcontracting goals, and provide accurate and transparent contracting data.

<sup>10</sup> The FY 2016 Scorecard is available at [www.sba.gov/content/small-business-procurement-scorecards-0](http://www.sba.gov/content/small-business-procurement-scorecards-0).

The SBA worked with the nine federal agencies that achieved the 3 percent HUBZone government contracting goal in FY 2016 to create the “Blueprints For Success.” This report was distributed by the SBA and lists agency best practices. The best practices can be incorporated into other agency strategies to meet the statutory contracting goal.

The SBA continued to address the SBA Inspector General’s Management Challenge 1, which identified procurement flaws whereby large firms obtain small business awards with anomaly reporting by the federal agencies. It also included small businesses as a special interest category in the surveillance review compliance assessment.

Central to federal procurement oversight is the role the SBA plays in conducting regulatory compliance reviews. The compliance reviews, known as Surveillance Reviews (for prime contracting) and Small Business Performance Compliance Reviews (for subcontracting), enabled the Agency to evaluate the implementation of regulations across the Federal Government to ensure that small businesses were afforded opportunities with federal contracting. SBA’s surveillance review program completed 30 onsite compliance reviews that covered the highest-risk agencies that had not met their small business goal in FY 2016. These reviews assessed the quality of a contracting agency’s small business program, evaluated its impact, and recommended changes to improve small business participation in the acquisition process.

The surveillance review program, led by SBA area offices and executed by PCRs and Business Opportunity Specialists (BOSs), implemented new follow-up procedures based upon marginal or unsatisfactory ratings based on FY 2016 procurement data. These nine follow-up reviews, which were part of the 30 onsite compliance reviews conducted in FY 2017, increased the Agency’s attention to correcting findings that inhibit small business participation. The SBA signed a Memorandum of Understanding (MOU) with the Defense Contract Management Agency (DCMA) to increase the Small Business Performance Compliance Review program. Not only did SBA’s commercial market representatives (CMRs) lead the review program, they also focused on monitoring subcontracting programs in federal acquisitions. This MOU aligned policies, regulations, and the execution of actions between the SBA and DCMA.

The Agency collaborated with stakeholders to participate in outreach events to small businesses to increase awareness of all SBA contracting programs. The SBA presented numerous training sessions to diverse audiences to promote these programs. Furthermore, the Agency trained federal contracting and program officials from more than 23 agencies. As a result, more than 7,000 federal contracting and acquisition leaders received training on the benefit and use of all SBA contracting programs.

The SBA issued final regulations to implement the National Defense Authorization Act for FY 2016, which made the following modifications to the HUBZone program: authorized Native Hawaiian Organizations to own HUBZone small business concerns; expanded the definition of “base closure area” under the HUBZone program; and authorized the inclusion of “qualified disaster areas” under the HUBZone program.

The SBA continued to offer contracting officer flexibilities with the 8(a) program, allowing contracts to be awarded using competitive procedures for actions under \$4 million and offering common sense approach solutions when agencies requested release of acquisitions from the 8(a) program. This

action resulted in a significant increase in the total dollars obligated with 8(a) firms, which positively impacted the overall achievements of small disadvantaged businesses.

#### FY 2018 and FY 2019 Planned Performance

The SBA will continue to analyze agency procurements to ensure small business awards and will continue to meet monthly with agencies' OSDBUs to provide training and updates, share best practices, and discuss progress toward prime and subcontracting goals. The SBA will maximize contract opportunities at the top 300 identified buying actions. The SBA will work with agencies to negotiate their FY 2018 and FY 2019 goals and will issue the annual scorecard for both government-wide and individual agencies. The Agency will continue to conduct 30 surveillance reviews (10 percent of the top 300 buying activities) annually to assess a contracting entity's small business program, evaluate its impact, and recommend changes to improve small business participation in the acquisition process.

To increase efficiencies for the 8(a) program, the SBA will cease reviewing joint-venture agreements for 8(a) contracts and will focus on preparing a model joint-venture agreement that incorporates the requirements of SBA regulations, which allows for the addition of state law requirements. The SBA will review and evaluate financial statements and other submissions from 8(a) program participants to ascertain the continued eligibility of participants to receive subcontracts pursuant to section 8(a).

The HUBZone program will be a topic on the agenda of every monthly meeting of the Small Business Procurement Advisory Committee to assist agencies that are not meeting their HUBZone goal. The "Blueprints For Success" created in FY 2017, will be posted in SBA's website [www.sba.gov/contracting/contracting-officials/hubzone](http://www.sba.gov/contracting/contracting-officials/hubzone) so that high-performing federal agencies' best practices can be used by other agencies to support their efforts to award more contracts to HUBZone small businesses, ultimately benefiting more individuals living in emerging markets. To support the achievement of the HUBZone 3 percent contracting goal, the SBA will conduct an evaluation to identify the factors that support small businesses winning HUBZone contracts.

The Agency plans to propose revisions to HUBZone regulations that will improve program operations. The proposed rule changes would constitute a comprehensive revision of Part 126 of SBA's regulations to clarify the procedures of the HUBZone program and implement new measures to reduce fraud, waste, and abuse of the program. Several regulations will require clarification or revision to address the issues identified through program implementation.

The revised HUBZone regulations will improve operations and enhance procurement opportunities for small businesses located in emerging markets. These regulations will make it easier for small businesses to team together to perform government contracts.

#### ***Strategy 2: Simplify access to federal contracting; attract and educate small businesses on contracting opportunities***

Small businesses are more likely to engage in federal contracting when barriers to entry are removed and the process is simplified. The SBA will develop policies that simplify access to contracting, so that small businesses can more readily compete. Through new tools like [www.Certify.sba.gov](http://www.Certify.sba.gov), the Agency will simplify processes for small businesses to become certified more efficiently and enhance their ability to win federal contracts.



#### FY 2017 Accomplishments and Challenges

The SBA developed a new certification portal, [Certify.sba.gov](https://certify.sba.gov), that streamlines government contracting processes. The new portal offers better functionality to upload documents and streamline processes. The SBA continued to promote the WOSB through the ChallengeHER campaign. This initiative, undertaken via co-sponsorship with American Express OPEN and Women Impacting Public Policy, educated women-owned small businesses in the federal supply chain. ChallengeHER events, hosted at various agencies and SBA district offices, educated women entrepreneurs about contracting opportunities at 13 workshops across the country.

The Agency continued to review all small business size standards, and continued to make necessary adjustments that reflected the current industry and federal market conditions as required by the Small Business Jobs Act of 2010. The review of, and necessary adjustments to size standards, enabled small businesses to maintain or gain small business eligibility for federal small business contracting opportunities and expanded the pool of qualified small businesses to meet their small business contracting needs. The Agency completed the first 5-year comprehensive review of small business size standards under the Jobs Act.

#### FY 2018 and FY 2019 Planned Performance

The SBA will strengthen and simplify the certification process through [Certify.sba.gov](https://certify.sba.gov). This new portal will reduce administrative paperwork burden on the applicants and the review process by SBA's business opportunity specialists.

The SBA will finalize the rules implementing the NDAA contracting provisions. The Agency will continue to increase awareness of contracting opportunities and engage other agencies and external stakeholders. It will continue to improve online offerings through the Government Contracting Classroom, which helps small businesses find the right opportunities for federal assistance from wherever they engage with the SBA and its partners.

The SBA will create a standard for women-owned and economically disadvantaged certification to be followed by state governments.

### ***Strategy 3: Educate the federal contracting workforce on ways to increase awards***

The SBA promotes education and training for federal contracting officers and program managers as well as for entrepreneurs seeking to enter the federal marketplace. With a greater understanding of small business contracting, key staff at other agencies will know the requirements to foster strong competition, be better able to assist with contracting payments, understand changes in small business size standard criteria, and protect against fraud. This strategy will be accomplished through a variety of sources, including online training, marketing and outreach, and participating in other Agency-sponsored procurement events delivered and supported by business opportunity specialists, procurement center representatives, and commercial market representatives.

#### FY 2017 Accomplishments and Challenges

The Agency continued to improve operations and enhance procurement opportunities for small businesses located in emerging markets. As part of this process, the Agency briefed the federal contracting force via the OSDDBU on implications of the proposed revisions.



The SBA 1<sup>st</sup> Wednesday Webinars and its Government Contracting Classroom, available online, continued to grow and offered free, self-paced, online learning courses to help small businesses and other stakeholders better understand the federal contracting marketplace. The Classroom launched new modules that focused on preparing small businesses to acquire Federal Government contracts. The 1<sup>st</sup> Wednesday Webinars invite contracting officers from across the country to scheduled monthly training on programs and policies to help them improve contracting opportunities for small business concerns.

The Agency has collaborated with stakeholders to participate in outreach events to small businesses to increase awareness of the 8(a) program. The SBA presented numerous trainings to diverse audiences to promote the program and its proper use. The SBA participated in a joint U.S. Department of Defense (DoD) small business training conference. To train, educate, and develop productive working relationships that benefit small businesses, the conference brought together more than 600 DoD small business professionals.

#### FY 2018 and FY 2019 Planned Performance

The SBA will continue to increase awareness of contracting opportunities through a variety of forums. The Agency will improve online offerings by enabling processes that allow small businesses to find the right opportunities for federal assistance from wherever they engage with the SBA and its partners. The Agency will continue to meet monthly with agencies' OSDDBU to provide training and share best practices. The SBA will continue to participate in a joint effort with the DoD to provide training to SBA procurement center representatives, business opportunity specialists, and DoD small business professionals and contracting officers. The training will focus on small business contracting program regulatory changes, and will review SBA and DoD collaborative responsibilities.

The SBA will conduct outreach through the 8(a) program to promote streamlined procedures to resource partners. This approach will help increase participation in the 8(a) program and encourage more disadvantaged small businesses to participate in federal contracting opportunities. The Agency will also continue to provide 8(a) program training to the federal contracting force. These sessions will be vital for creating contract opportunities for 8(a) program participants. Additionally, the SBA will continue to engage with staff on a joint small business training conference. Future training topics will include non-manufacturer rule waivers, the protest process, limitations on subcontracting, and additional updates on changing rules.

#### ***Strategy 4: Increase surety agents issuing guaranty bond products***

The SBA will support small and emerging contractors to compete and receive construction, service, and supply projects through **surety bond guarantee**. Many federal, state, local, and private projects require a contractor to obtain bonding, which can be difficult in conventional commercial channels for small businesses without extensive credit histories. The SBA provides a service that is not readily available in the private market. The SBA will offer surety bond guarantee products to ensure that small contractors obtain bonding and grow.

Table 1.3e displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.



**Table 1.3e: Surety Bond Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 5,477	\$ 4,615	\$ 4,927	\$ 4,594	\$ 4,136	\$ 3,947	\$ 3,876	\$ 4,004

Table 1.3f provides the targets and results for the surety bond guarantee performance indicators.

**Table 1.3f: Surety Bond Guarantee (SBG) Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Contract Value (Billions) of Bid and Final Bonds</b>	<b>Target</b>	3.70	3.70	5.70	6.50	6.75	7.10	7.00	7.25
	<b>Actual</b>	3.92	6.15	6.41	6.35	5.72	6.03		
	<b>Variance</b>	6%	66%	12%	-2%	-15%	-15%		
<b>Additional Information:</b> A soft surety market refers to a more than normal surety credit available in the marketplace, resulting in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Bid and Final Bonds Guaranteed</b>	<b>Target</b>	8,850	8,850	13,500	13,750	14,000	14,700	12,000	13,000
	<b>Actual</b>	9,503	12,866	12,384	11,480	10,435	10,397		
	<b>Variance</b>	7%	45%	-8%	-17%	-25%	-29%		
<b>Additional Information:</b> A soft surety market refers to a more than normal surety credit available in the marketplace, resulting in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Jobs Supported by SBG</b>	<b>Target</b>	14,900	14,900	23,000	24,000	32,000	34,000	26,000	28,000
	<b>Actual</b>	24,774	32,000	28,887	27,300	23,940	26,223		
	<b>Variance</b>	66%	115%	26%	14%	-25%	-23%		
<b>Additional Information:</b> A soft surety market refers to a more than normal surety credit available in the marketplace, resulting in a highly competitive bond market. Program regulations and procedures are being revised to encourage increased bond activity.									

#### FY 2017 Accomplishments and Challenges

The SBA guaranteed more than 10,000 bid and final (payment and performance) bonds for a combined contract value of over \$6 billion, which resulted in over 26,000 jobs supported. The Agency focused its outreach strategies on both strengthening its relationships with existing surety companies and agents while also ensuring that more small contractors had access to a surety agent that was convenient to their geographical location. Seven new sureties and over 50 new agents began participating in the program in FY 2017.

A final rule approved by the SBA increased the maximum guaranteed percentage in the Preferred Surety Bond program from up to 70 percent to up to 90 percent, as mandated by the National Defense Authorization Act. As a result, increased surety participation enhanced bonding opportunities for more small businesses and increased their capacity to support additional jobs.

The same rule increases the eligible contract amount for the Quick Bond Application and Agreement (Quick Bond) from \$250,000 to \$400,000. This change helped more small businesses, especially startup companies, secure access to bonding necessary to start and grow their businesses. The rule also provided for a greater delegation of authority for bond modifications to cover contract increases. It allowed for an increase in a bond by 25 percent or \$500,000, whichever is less, up from 25 percent or \$100,000.

The SBA partnered with the National Association of Surety Bond Producers (NASBP) to conduct training sessions for small business contractors and prepare them to successfully enter and compete in the contracting marketplace. Simultaneous sessions in Washington, DC, Denver, and Seattle were successfully completed.

#### FY 2018 and FY 2019 Planned Performance

The SBA does not request an appropriation of subsidy, but will support up to \$6 billion in surety bond guarantee which will result in nearly 26,000 and 28,000 jobs supported in FY 2018 and FY 2019, respectively.

The SBA will continue to focus its marketing and outreach strategies on participating sureties and agents, as well as with potential new participants. The Agency will use its internal resources to work with the surety industry to provide training to small businesses and agents to expand program activity and awareness in all geographical areas, especially in emerging markets.

Since the current fee structure limits program activity in the current soft surety market, meaning that a more than normal surety credit is available in the marketplace, modifications to fee rates will be explored to enable more small businesses to benefit from the program. Although an abnormal surety market is available, there is still a need for surety bonding because sureties and agents are less incentivized to work with small and emerging businesses.

#### ***Strategy 5: Coordinate with agencies to ensure they meet research set-asides for innovative entrepreneurship***

The **Small Business Innovation Research (SBIR)** and **Small Business Technology Transfer (STTR)** programs help innovative small businesses meet Federal Research/Research and Development (R/R&D) needs and commercialize those innovations. The SBA serves as the coordinating agency for the 11 participating agencies. In this role, the SBA issues policy guidance, tracks metrics, manages the business intelligence data platform, and submits reports to Congress. Furthermore, the SBA assists small businesses interested in pursuing SBIR/STTR opportunities through outreach, training resources, and local ecosystem building.

As the coordinating agency for SBIR/STTR programs, the SBA is actively involved in increasing access to Federal R&D funds, strengthening assistance to small technology firms, and providing oversight over the participating agencies' SBIR/STTR activities. To increase access to Federal R&D funds, the SBA conducts outreach events, makes information available on SBIR.gov, and works with external stakeholders to build SBIR knowledge. To strengthen assistance to small technology firms, the SBA has developed online training tools for small businesses and a "Train the Trainer" program to assist resource partners. Furthermore, the SBA engages with other local technology based entrepreneurial ecosystems and organizations to build the support system for those firms. To provide oversight over the participating agencies, the SBA ensures programmatic compliance, runs interagency meetings and working groups, produces annual reports, monitors fraud, waste, and abuse, and coordinates with agencies and small businesses to address violations. Moreover, the SBA manages and maintains a database for public and agency users. This platform houses over 45,000 records of award data. The SBA will continue to emphasize enhancements to improve data validation and integrity.



Table 1.3g displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. Actual amounts also include resources provided by other agencies. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only. The SBA is not requesting funding for the FAST program in FY 2018; no resources are included in the FY 2018 amount for the FAST program.

**Table 1.3g: SBIR/STTR Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 3,110	\$ 2,430	\$ 9,258	\$ 9,650	\$ 6,999	\$ 8,522	\$ 5,573	\$ 1,587

Table 1.3h shows performance indicators for the SBIR and STTR programs.

**Table 1.3h: SBIR/STTR Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SBIR/STTR Dollars (Billions) Obligated Each Fiscal Year	Target	N/A	N/A	N/A	N/A	N/A	N/A	2.300	2.250
	Actual	2.491	2.361	2.510	2.549	2.265	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> Participating agencies have until March of the following fiscal year to submit their data. The DoD did not provide FY 2016 data for the Air Force; in FY 2015, Air Force SBIR/STTR funding totaled \$325 million. The reduced FY 2018 and FY 2019 targets reflect anticipated reductions in agency research and development budgets.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of SBIR/STTR Phase I and Phase II Awards	Target	N/A	N/A	N/A	N/A	N/A	N/A	4,750	4,500
	Actual	6,225	5,154	5,380	5,058	4,600	Data Lag		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> Participating agencies have until March of the following fiscal year to submit their data. The DoD did not provide FY 2016 data for the Air Force.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Government Dollars Awarded to SBIR Proposals	Target	N/A	N/A	N/A	N/A	2.9%	3.0%	3.2%	3.2%
	Actual	2.7%	2.8%	3.1%	2.9%	3.1%	Data Lag		
	Variance	N/A	N/A	N/A	N/A	7%	N/A		
<b>Additional Information:</b> The data lag is due to the fact that participating agencies have until March of the following fiscal year to submit their data. Numbers are based on agency reported total extramural Federal R&D budget.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Federal Government Dollars Awarded to STTR Proposals	Target	N/A	N/A	N/A	N/A	0.40%	0.45%	0.45%	0.45%
	Actual	0.34%	0.35%	0.32%	0.40%	0.38%	Data Lag		
	Variance	N/A	N/A	N/A	N/A	-5%	N/A		
<b>Additional Information:</b> Federal agencies with extramural budgets for research or research and development in excess of \$1 billion must spend at least the targeted amount on small business innovation. Participating agencies have until March of the following fiscal year to submit their data.									

### FY 2017 Accomplishments and Challenges

Improvements were made to the SBIR.gov website that included a new “Train the Trainer” program for SBA resource partners. The SBA led the “SBIR Road Tour,” with the 11 SBIR/STTR participating agencies stopping in 15 cities across the country. A series of successful SBIR/STTR-themed conferences (National SBIR Conference, National Innovation Summits, and Road Tours) brought together communities and key small business stakeholders. Through these events, the SBA met with more than 5,300 entrepreneurs/high-tech small businesses and encouraged them to consider the SBIR/STTR programs. The SBA also continued to work with participating federal agencies to improve program delivery and metric data collection and compilation. The SBIR.gov system continued to provide business intelligence and served as a one-stop shop resource and tool for digital engagement for small businesses as well as federal and state partners. This web platform had more than 1 million unique visitors in FY 2017. The SBA managed the annual Growth Accelerator Fund Competition (GAFC), which made awards to 85 entities to help SBIR/STTR-focused companies scale up and grow. The SBA also managed the FAST program, awarding 21 grants to support organizations (mostly university-based SBDCs) for providing guidance and technical assistance to aspiring SBIR and STTR program participants.

### FY 2018 and FY 2019 Planned Performance

The SBA will work with participating federal agencies and resource partners to expand opportunities for small businesses and improve program effectiveness. The SBA anticipates improving SBIR.gov data and systems, as well as exploring additional ways of leveraging it as a platform for training and outreach. The SBA will partner with participating agencies to fine-tune best practices and improve core efficiencies—such as paperwork burden on applicants, award evaluation, funding timelines, and expanding participation by new applicants, including women and minorities. The SBA plans to conduct more internal evaluations of the operation of the program to help spur more data on key metrics, such as employment created by awardees and their impact on the economy.

The SBA is actively working with outside agencies to eliminate the backlog of SBIR/STTR Annual Reports. The SBA plans to submit the FY 2016 Annual Report by the end of the FY 2018 Quarter 2. The 11 participating agencies have until March 2018 to submit FY 2017 data to the SBA.

The SBA is not requesting funding for the FAST and GAFC programs in FY 2019.



## ***Strategic Goal Two—Build Healthy Entrepreneurial Ecosystems and Create Business Friendly Environments***

### **Strategic Objective 2.1: Develop Small Businesses through Technical Assistance**

**Performance Goal:** Increase the number of small businesses assisted through business development programs to 24,500 in FY 2019

**FY 2018–2019 Agency Priority Goal:** By September 30, 2019, increase by 10 percent from the FY 2017 baseline the number of 8(a)-certified firms awarded federal contracts (FY 2017 baseline of 3,421 small businesses)

**FY 2016–2017 Agency Priority Goal:** By September 30, 2017, support more disadvantaged small businesses by increasing the number of approved 8(a) certifications by 5 percent each fiscal year

**Objective Lead:** Associate Administrator for Government Contracting and Business Development

**Objective Support:** Office of Business and Economic Development

**Programs/Activities:** 8(a) Business Development, 7(j) Management and Technical Assistance, HUBZone, Small Business Procurement Set-aside, Women-owned Small Business (WOSB) Contracting Set-aside, Service-disabled Veteran-owned Small Business Contracting Set-aside, All Small Mentor-Protégé

**Most Serious Management and Performance Challenge 5:** SBA Needs to Ensure that the Section 8(a) Business Development Program Identifies and Addresses the Needs of Program Participants, Only Eligible Firms Are Admitted in the Program, and Standards for Determining Economic Disadvantage Are Justifiable

**Strategies:**

1. Strengthen business development opportunities in emerging market communities
2. Provide individual, specialized support to small businesses to increase growth and build infrastructure
3. Expand Mentor-Protégé program support to connect businesses

Small businesses in markets that are economically and socially disadvantaged often have difficulty accessing services that provide opportunities for federal contracts. As noted in Strategic Objective 1.3, the Federal Government sets aside billions of dollars each year in contracts to small businesses. The SBA helps to ensure inclusive entrepreneurship through products and services that offer a clear path through business development technical assistance.

Through 8(a) Business Development, small businesses that are owned and controlled by socially and economically disadvantaged individuals, by at least 51 percent, receive targeted business assistance. Similarly, the HUBZone program encourages economic development in historically underutilized business zones across the country. HUBZone firms operating in these areas invest in their buildings and in the training of HUBZone residents to help improve the economic conditions of these areas. Congress has also established small business contracting set-asides for other entrepreneurial populations with a disadvantage in federal contract competition, such as women-owned and service-disabled veteran-owned small businesses

**Progress Update:** Through technical assistance programs, the Agency supported over 17,000 small businesses in FY 2017. The SBA has instituted several process improvements for the 8(a) program, and began an evaluation of the HUBZone program that will be completed in FY 2018. The Agency



continued to make progress streamlining the 8(a) application and annual review processes, as well as updating the online portal through the development of Certify.gov. The Agency made progress toward its 8(a) business development Priority Goal by approving 557 applications out of the 630 application goal to ensure that more socially and economically disadvantaged small businesses have access to federal contracting opportunities.

**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority.<sup>11</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 2.1: Most Serious Management and Performance Challenge 5**

<b>Challenge 5: SBA Needs to Ensure That the Section 8(a) Business Development Program Identifies and Addresses the Needs of Program Participants, Only Eligible Firms Are Admitted In the Program, and Standards for Determining Economic Disadvantage Are Justifiable</b>	
Recommended Actions	Completion Date
<p>1. Develop and implement a plan, including SOP provisions, which ensures that the 8(a) Business Development Program identifies and addresses program participants' business development needs on an individualized basis.</p> <p>2017 Achievement: The SBA leadership developed an aggressive growth plan to increase the number of participants in the 8(a) program by 5 percent over the previous year through a pilot streamlined application process. The SBA is trying to make the application process less burdensome for firms applying to the 8(a) program. The SBA also revised its 8(a) Business Development program Standard Operating Procedure (SOP).</p>	<p>September 30, 2017</p> <p>Implemented</p>
<p>2. Update and issue the 8(a) Business Development SOP to reflect the March 2011 regulatory changes.</p> <p>2017 Achievement: The SBA finalized its 8(a) Business Development program SOP to reflect the March 2011 regulatory changes and will continue to make regulatory updates as required.</p>	<p>September 30, 2017</p> <p>Implemented</p>
<p>3. Establish objective and reasonable criteria that effectively measure "economic disadvantage" and implement the new criteria.</p> <p>2017 Achievement: The SBA reviewed and rejected a prior study that stratified the economic disadvantage status based on individual industries. The Agency determined this approach to be harmful to current and prospective 8(a) participants and applicants. In coordination with the Inspector General, the SBA is considering revised criteria for a new study.</p>	<p>September 30, 2018</p>

<sup>11</sup> For more information on the Management Challenge, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018).

<p>4. Augment and Implement controls that ensure only eligible firms are admitted into the 8(a) program.</p> <p>This recommendation is new. The SBA will develop an approach for completion in FY 2018.</p>	September 30, 2018
<p>5. Develop and implement a system to assist program officials in monitoring participants' progress in the 8(a) Business Development Program and providing business development needs on an individualized basis.</p> <p>This recommendation is new. The SBA will develop an approach for completion in FY 2018.</p>	September 30, 2018

Table 2.1a shows progress toward the FY 2016–2017 Agency Priority Goal of increasing the number of 8(a) certifications approved and the FY 2018–2019 Agency Priority Goal focuses on increasing the number of 8(a) firms winning federal contracts by 10 percent by FY 2019.

**Table 2.1a: 8(a) Business Development Priority Goal**

FY 2018–2019 Priority Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
8(a) Firms Awarded Federal Contracts	Target	N/A	N/A	N/A	N/A	N/A	Baseline	3,590	3,760
	Actual	N/A	N/A	N/A	N/A	N/A	3,421		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA added this Agency Priority Goal to focus on increasing the number of 8(a) firms that win federal contracts. Given that more firms are part of the 8(a) program, business development should spur more contract opportunities.									
FY 2016–2017 Priority Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of 8(a) Certifications Approved Each Fiscal Year	Target	N/A	N/A	N/A	Baseline	600	630	N/A	N/A
	Actual	N/A	419	391	568	911	557		
	Variance	N/A	N/A	N/A	N/A	52%	-12%		
<b>Additional Information:</b> The SBA retired this Priority Goal in FY 2017 to focus on 8(a) firms winning Federal Government contracts. During FY 2017, the SBA began a transition away from an older existing technology which negatively impacted processing of applications and resulted in missing the target									

Table 2.1b shows the performance goal tracking the number of small businesses assisted by 8(a), 7(j), and HUBZone programs.

**Table 2.1b: Small Businesses Assisted Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted by 8(a), 7(j), and HUBZone Programs	Target	21,925	18,325	18,025	18,025	18,050	16,000	19,000	24,500
	Actual	18,532	17,071	17,163	20,324	19,686	17,318		
	Variance	-15%	-7%	-5%	13%	9%	8%		
<b>Additional Information:</b> The SBA tracks the summation of small businesses assisted from 8(a), 7(j), and HUBZone programs.									

***Strategy 1: Strengthen business development opportunities in emerging market communities***

The SBA will strengthen technical assistance through the **8(a) Business Development Program** to foster the growth and development of businesses owned and controlled by socially and economically disadvantaged individuals and small businesses in HUBZone areas. Through the **7(j) Management and Technical Assistance Program**, the SBA will deliver technical assistance to eligible enterprises to prepare small businesses for contract opportunities. Under this strategy, the SBA has established an FY 2018–2019 Agency Priority Goal that seeks to increase the number of 8(a) firms that are awarded contracts. Through tailored business development assistance offered by SBA’s business opportunity specialists supported by procurement center representatives in the field, the SBA will seek to increase the number of 8(a) firms that win federal contracts.

Table 2.1c displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.1c: 8(a), 7(j), and HUBZone Program Budgets – Total Administrative Resources (Thousands)**

Program	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
8(a)	\$ 60,855	\$ 51,649	\$ 53,824	\$ 55,600	\$ 47,281	\$ 54,099	\$ 52,149	\$ 53,297
7(j)	\$ 5,356	\$ 5,793	\$ 5,614	\$ 4,444	\$ 2,422	\$ 3,081	\$ 4,428	\$ 4,622
HUBZone	\$ 9,102	\$ 9,930	\$ 10,262	\$ 15,225	\$ 8,409	\$ 9,967	\$ 9,907	\$ 9,470

Table 2.1d shows progress toward the performance indicators tracking the number of small businesses assisted by 8(a), 7(j), and HUBZone programs.

**Table 2.1d: 8(a), 7(j), and HUBZone Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Assisted by 8(a)</b>	<b>Target</b>	8,500	8,300	8,000	8,000	8,000	5,500	8,000	8,000
	<b>Actual</b>	7,388	6,661	6,660	6,948	8,010	6,655		
	<b>Variance</b>	-13%	-20%	-17%	-13%	0%	21%		
<b>Additional Information:</b> The SBA tracks the number of 8(a) firms the Agency assists through its business opportunity specialists, located in SBA district offices.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Percent of Annual 8(a) Reviews Completed</b>	<b>Target</b>	100%	100%	100%	100%	100%	100%	100%	100%
	<b>Actual</b>	101%	100%	100%	100%	100%	100%		
	<b>Variance</b>	1%	0%	0%	0%	0%	0%		
<b>Additional Information:</b> Each active 8(a) program participant is reviewed on an annual basis to ensure continued compliance with program requirements. Reviews are completed on a rolling basis and must occur within 60 days of the 1-year anniversary date from a firm's acceptance into the 8(a) program. For example, a firm certified on January 1 of a given year would need the review completed by March 1 of the following calendar year.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Assisted by 7(j)</b>	<b>Target</b>	3,550	3,550	3,550	3,550	3,550	4,000	4,500	10,000
	<b>Actual</b>	3,272	3,913	4,104	5,360	5,245	4,100		
	<b>Variance</b>	-8%	10%	16%	51%	48%	3%		
<b>Additional Information:</b> Due to the increased marketing efforts with internal and external stakeholders, the number of businesses assisted by the 7(j) program exceeded the FY 2017 target. The marketing efforts included development of a one-page 7(j) fact sheet on the 7(j) program and engagement with federal agency small business and procurement officials. The SBA will implement new online training to reach more businesses in FY 2019.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Assisted by HUBZone</b>	<b>Target</b>	9,875	6,475	6,475	6,475	6,500	6,500	6,500	6,500
	<b>Actual</b>	7,872	6,497	6,399	8,016	6,431	6,563		
	<b>Variance</b>	-20%	0%	-1%	24%	-1%	1%		
<b>Additional Information:</b> The data includes initial applications received, protests, decertifications, recertifications, program exams, HUBZone office hours participants, and emails responded through the helpdesk.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of HUBZone Sites Visited</b>	<b>Target</b>	690	517	518	500	475	492	508	508
	<b>Actual</b>	788	511	569	518	515	505		
	<b>Variance</b>	14%	-1%	10%	4%	8%	3%		
<b>Additional Information:</b> The number of HUBZone sites visited target is 10 percent of the previous fiscal year total number of HUBZone firm sites.									

### FY 2017 Accomplishments and Challenges

Both the 7(j) and 8(a) programs met their targets by assisting more than 4,000 and 6,600 small businesses, respectively. The Agency experienced a decline in the number of 8(a) participants since FY 2016 due to administrative burdens of the application and certification processes. The 8(a) program identified and implemented program improvements for better execution. The SBA met monthly with other agencies' Offices of Small and Disadvantaged Business Utilization (OSDBU) to provide training and updates and share best practices. The Agency drafted and implemented regulations to expand the Mentor-Protégé program to all small businesses, including other federal agencies' small business set-aside programs.

The SBA also continued to offer contracting officer flexibilities with the 8(a) program, allowing contracts to be awarded using competitive procedures for actions under \$4 million and offering common sense approach solutions when agencies requested release of acquisitions from the 8(a) program. This resulted in a significant increase in the total dollars obligated to 8(a) firms. In recent years, the use of 7(j) program training to assist small disadvantaged businesses has declined. The SBA found that, historically, about 250 firms were terminated or withdrew from the 8(a) Business Development program each year because they did not reap the benefits of the business development program, many of them not having been introduced to 7(j) program training. These efforts and increased marketing of the 7(j) program allowed the SBA to train more than 4,000 8(a) program participants and other small disadvantaged businesses. In addition, more than 500 firms received individualized intensive 7(j) program counseling, exceeding FY 2016 by 34 percent. This training helped participating small businesses better prepare themselves for federal contracting opportunities.

The Agency continued to recruit and conduct outreach to increase the number of firms in the HUBZone portfolio. In FY 2017, the SBA had nearly 5,000 HUBZone firms in the portfolio and assisted more than 6,500 small businesses. In an effort to increase program participation, the SBA conducted an in-depth analysis of the legislative and regulatory history of the program and determined that it had the legal authority to remove the 20 percent population cap that adversely impacted the HUBZone designation of certain census tracts. This action resulted in the HUBZone designation of over 2,000 census tracts. These tracts had either 50 percent or more of households with income that was less than 60 percent of the area median gross income, or a poverty rate of at least 25 percent. These tracts could not be designated as qualified because they had exceeded the 20 percent population of the particular metropolitan statistical area. Additionally, the SBA issued a final rule implementing the National Defense Authorization Act of 2016 that: 1) authorized Native Hawaiian Organizations to own HUBZone small business concerns; 2) expanded the definition of "base closure areas" under HUBZone by extending HUBZone eligibility for Base Realignment and Closures (BRACs) to 8 years; 3) expanded HUBZone eligibility to the BRACs' neighboring census tracts and non-metropolitan counties; and 4) authorized the inclusion of "qualified disaster areas" under HUBZone.

The Federal Government continues to struggle with the 3 percent HUBZone contracting goal achievement. HUBZone worked closely with the agencies that had achieved this goal (called champion agencies) and created the "Blueprints for Success" report that lists the champion agencies' best practices. The report was shared with all agencies and posted at the HUBZone for Contracting Officials website: [www.sba.gov/contracting/contracting-officials/hubzone](http://www.sba.gov/contracting/contracting-officials/hubzone). In addition, the HUBZone program initiated an evaluation to identify the facilitating factors and barriers in the process that may keep HUBZone firms from bidding and/or being awarded federal contracts. SBA expects that the



findings from this evaluation will provide insights to inform improvements in the HUBZone program processes, customer service, and service delivery, which will in turn improve program outcomes and impact as it pertains to the achievement of the 3 percent HUBZone contracting goal.

To increase federal prime contracts for HUBZone firms, HUBZone conducted 11 train-the-trainer sessions attended by over 300 participants; and 23 trainings, marketing, and outreach events reaching over 2,300 small businesses, small business professionals, acquisition staff, and local governments and organizations.

#### FY 2018 and FY 2019 Planned Performance

In FY 2019, the SBA requests \$2.8 million for the 7(j) Management and Technical Assistance program. The SBA will refocus business development through educational modules for delivery through the 68 district offices. The SBA will transition from “one-to-one” individual counseling to a “one-to-many” method by deploying an enhanced network of webinar education and online training to reach more businesses than in the past. This assistance is designed to reach more than 10,000 small businesses via the 7(j) program in FY 2019. The SBA will use its broad network of district offices to raise awareness of the 8(a) program, and will continue using the 7(j) program in innovative ways to provide disadvantaged firms with training and Mentor-Protégé program assistance to win federal contracts. The Agency will increase the use of podcasts and web-conferencing to educate small businesses and local economic development agencies on the benefits of the HUBZone program. The Agency will also counsel and train women-owned small businesses on the eligibility requirements for Women-Owned Small Business (WOSB) set-aside contracts and veteran-owned small businesses.

The 8(a) program will conduct outreach to promote the streamlined procedures to resource partners. This approach should help increase participation in the 8(a) program and encourage more disadvantaged small businesses to participate in federal contracting opportunities. The Agency will also continue to provide 8(a) program training to the federal contracting force. These sessions are vital for creating contract opportunities for 8(a) program participants.

In addition, the Agency plans to establish criteria for procuring agencies to release requirements from the 8(a) program. The current regulation requires that for a procurement award through the 8(a) program, the follow-on or renewable acquisition must remain in the 8(a) program unless the SBA agrees to release the requirement for non-8(a) competition. This regulation discourages agencies to use the 8(a) program for a new requirement if they think they will not be able to remove the requirement for the program when desired.

In FY 2019, the SBA requests \$2.5 million for the HUBZone program. The SBA will increase its assistance to HUBZone small businesses by 20 percent by expanding outreach, marketing, and training to acquisition personnel. These efforts will be aimed at increasing contracting dollars being awarded to HUBZone small business concerns. The HUBZone maps will have additional functionality to enable the user to view locations of HUBZone small business concerns, places of performance for HUBZone contracts, and commercial and residential real estate in HUBZones.

The SBA will update and maintain its current Geographical Information System for HUBZone maps. This maintenance includes the preparation of geographic files that correspond to the map layers and the maintenance of the public web map applications.

The Agency recognizes that the lack of federal contracts being awarded to HUBZone firms is the most crucial challenge. As such, the SBA will develop and implement an effort aimed at increasing contract awards to HUBZone small businesses. This includes amending the regulation to allow more firms to be eligible while mitigating fraud, waste, and abuse. The SBA first issued rules for the HUBZone program in 1998, and the last time SBA made large-scale amendments to its HUBZone regulations was 11 years ago. Since then, there have been numerous amendments and changes in business processes. The proposed rule will constitute a comprehensive revision to clarify HUBZone Program procedures such as the supporting documentation that must accompany initial applications and program examinations. In addition, the SBA will complete its first program evaluation of the HUBZone program, answering key questions related to program effectiveness and outcomes as it pertains to HUBZone contracts. This evaluation will be used to drive actionable decisions and improve the program for small businesses and help agencies achieve their 3 percent HUBZone contracting goal.

***Strategy 2: Provide individual, specialized support to small businesses to increase growth and build infrastructure***

The SBA will ensure that businesses operating in **historically underutilized business zones (HUBZone)**, as well as veteran-owned and women-owned businesses, seeking to create, develop, and expand their business have full access to business development and expansion tools available through the Agency's entrepreneurial development, training, and federal contracting programs. The SBA will coordinate the development of policies through field staff specific for HUBZone firms, veteran-owned, and women-owned small businesses through outreach, technical assistance, and counseling.

FY 2017 Accomplishments and Challenges

This strategy has been newly developed, and accomplishments have yet to be fully realized. The SBA hosted an all-day meeting with Women-Owned Small Business (WOSB) special focus groups and third-party certifiers to prepare the draft proposed rule for WOSB certification. The rule will be promulgated in FY 2018. The SBA partnered with Women Impacting Public Policy to host outreach events focused solely on assisting women entrepreneurs, and these events have garnered tremendous interest. The events are hosted in various locations across the country and have led to training thousands of women-owned businesses. The SBA has also provided training at several veteran focused business training initiatives, to include Veteran Women Igniting the Spirit of Entrepreneurship (V-WISE) and the Veteran Institute for Procurement (VIP).

FY 2018 and FY 2019 Planned Performance

The SBA will implement a full certification process for the WOSB program. The 7(j) program's resources will provide management and technical assistance to 8(a), WOSB, economically-disadvantaged WOSB, and veteran-owned small businesses. The SBA will develop targeted programs that will address growth and infrastructure for these small businesses. SBA's targeted programs will deliver services to firms that are in developmental and transitional stages.

***Strategy 3: Expand Mentor-Protégé program support to connect businesses***

Through the All Small Mentor-Protégé program, the SBA will develop small business firms as proteges to work with mentors to gain access to the federal acquisition marketplace to the extent possible. The SBA will collaborate with federal agencies and other resource and community partners that support

matchmaking to promote 8(a) firms, HUBZone, service-disabled veteran-owned, and women-owned small businesses interested in establishing a mentor-protege partnership.

Table 2.1e shows progress toward the performance indicators for the All Small Mentor-Protégé Program.

**Table 2.1e: All Small Mentor-Protégé Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Approved Mentor-Protege Agreements	Target	N/A	N/A	N/A	N/A	N/A	N/A	345	345
	Actual	N/A	N/A	N/A	N/A	N/A	314		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> This is the number of approved Mentor-Protégé Agreements submitted in a given fiscal year.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Full Time Equivalents in Protege Firms	Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Baseline
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> This information will come from the FY 2018 Annual Reports submitted from proteges completing their first year in the program.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Success Rate of Proteges Winning Bids	Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Baseline
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> This information will come from the FY 2018 Annual Reports submitted from proteges completing their first year in the program. The percent is calculated from the total applications submitted versus one.									

#### FY 2017 Accomplishments and Challenges

The SBA issued final regulations establishing a small business Mentor-Protégé program available to all agencies. The program allows small businesses to team with more experienced firms to provide assistance to enhance their capabilities, assist small businesses in meeting their goals, and improve the ability of the proteges to compete for contracts. The Mentor-Protégé program is available for all small business subgoals, including service-disabled veterans, HUBZone, and women-owned small businesses.

The Agency trained the acquisition community in the use of the government-wide All Small program. These activities will increase the participation of 8(a), women-owned, veteran-owned, and HUBZone certified firms in the marketplace, and will increase the number of awards to 8(a), women-owned, veteran-owned, and HUBZone set-asides, which will support the federal acquisition community.

To strengthen business development for 8(a) small businesses, the program increased efforts to expand the All Small program. This initiative streamlined the All Small program application process and sustained a high level of response time – in an average of 8-10 working days. In addition, the SBA hosted its second annual Mentor-Protégé conference, which increased mentor-proteges knowledge of joint ventures, as well as rules and compliance requirements for agreements.

#### FY 2018 and FY 2019 Planned Performance

The Agency will continue expanding opportunities to learn more about SBA's All Small program requirements in FY 2018 and anticipates an increase in agreements. In addition to increasing mentoring and training through the 7(j) program, the SBA will host a matchmaking event with larger firms specifically introducing 8(a) firms interested in the All Small program.

The SBA will also consolidate the 8(a) business development mentor-protege into the All Small program to support greater efficiencies. New measures baselined in FY 2019 will monitor the full time equivalents produced by protege firms and track the percent of protege firms successfully awarded contracts.



## ***Strategic Goal Two – Build Healthy Entrepreneurial Ecosystems and Create Business Friendly Environments***

### **Strategic Objective 2.2: Build Healthy Entrepreneurial Ecosystems**

**Performance Goal:** Increase the number of entrepreneurs assisted through partnerships, virtual resources, and targeted outreach to 1.5 million in FY 2019

**Objective Leads:** Associate Administrator for Entrepreneurial Development, Associate Administrator for Veterans Business Development

**Objective Support:** Office of Business and Economic Development, Office of Capital Access

**Programs/Activities:** Small Business Development Centers (SBDC), Women’s Business Centers (WBC), SCORE, SBA Learning Center, Veterans Business Outreach Centers (VBOC), Boots to Business (B2B), Entrepreneurship Education

**Strategies:**

1. Deliver entrepreneurial services in collaboration with resource partners
2. Provide entrepreneurs with in-person and virtual resources
3. Empower veterans and military families who want to start or grow their business
4. Support Native American entrepreneurs through outreach

A healthy entrepreneurial ecosystem offers entrepreneurs access to a wide range of resources to help them succeed. Entrepreneurs and small business owners who receive training and mentoring increase sales, create more jobs, and have a greater economic impact on their communities. Research shows a direct positive correlation between the hours of business advising and related assistance a client receives and improvements in longevity, profitability, and growth of a business. The evidence also shows that small businesses that receive more than 3 hours of counseling have higher 1-year survival rates than firms that receive less counseling.<sup>12</sup> These findings demonstrate that counseling and training provide effective resources to entrepreneurs.

The SBA, through its resource partners and innovative programs, helps entrepreneurs seeking to start or grow their business. The four strategies listed above provide a foundation for nation-wide access to high-quality business assistance and resources for would-be and in-business entrepreneurs, particularly in communities where resources do not exist. Ecosystems will be strengthened by reducing duplicative services, coordinating best practices, and encouraging innovative partnerships to more efficiently and effectively serve small business entrepreneurs across the country.

**Progress Update:** The SBA provided mentoring, business advice, and training assistance to more than 1.5 million entrepreneurs and small business owners, which represents a 17 percent increase since FY 2016 and a 15 percent increase over the FY 2017 target of 1.3 million. While the SBA met its overall goal, at least one metric from each of the three resource partners fell short of the target: SCORE mentoring fell 19 percent below target, but was up 4 percent over the previous year; Small Business Development Centers (SBDC) training results were 9 percent below target and down 6 percent from the previous year; SBDC counseling results were down 2 percent from the previous year; Women’s Business Centers (WBC) training results were down 1 percent from the previous year, but counseling was up 17 percent from the

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<sup>12</sup> *Impact Study of Entrepreneurial Dynamics: Office of Entrepreneurial Development Resource Partners Face-to-Face Counseling*. Concentrance Consulting Group, LLC, September 2013.

previous year. Notably, SCORE trained more than 67 percent more entrepreneurs in FY 2017 than in FY 2016, which was driven by online training opportunities. The SBA was one financial review short of meeting its FY 2017 target due to a revised schedule that established a more efficient year-round exam process. Veteran Business Outreach Centers (VBOCs) served more than 48,800 veterans, service members, and military spouse entrepreneurs in FY 2017. The SBA continued to sustain and grow the Boots to Business (B2B) entrepreneurship training track of the U.S. Department of Defense's Transition Assistance Program, where more than 17,300 veterans, service members, and military spouses benefited from entrepreneurship services. The VBOCs increased their participation in B2B by 50 percent from FY 2016 to FY 2017 (from 18 percent to 27 percent) and instituted local initiatives. In addition, public-private partnerships were leveraged to deliver veteran entrepreneurship training programs.

Although the SBA continues to promote evidence for informed decisions, current statutory restrictions prevent the SBA from collecting some descriptive data on the small businesses its resource partners serve. To better assess progress and enhance the use of evidence, the Agency requests authority to collect specific data from grantees for internal evaluation purposes.

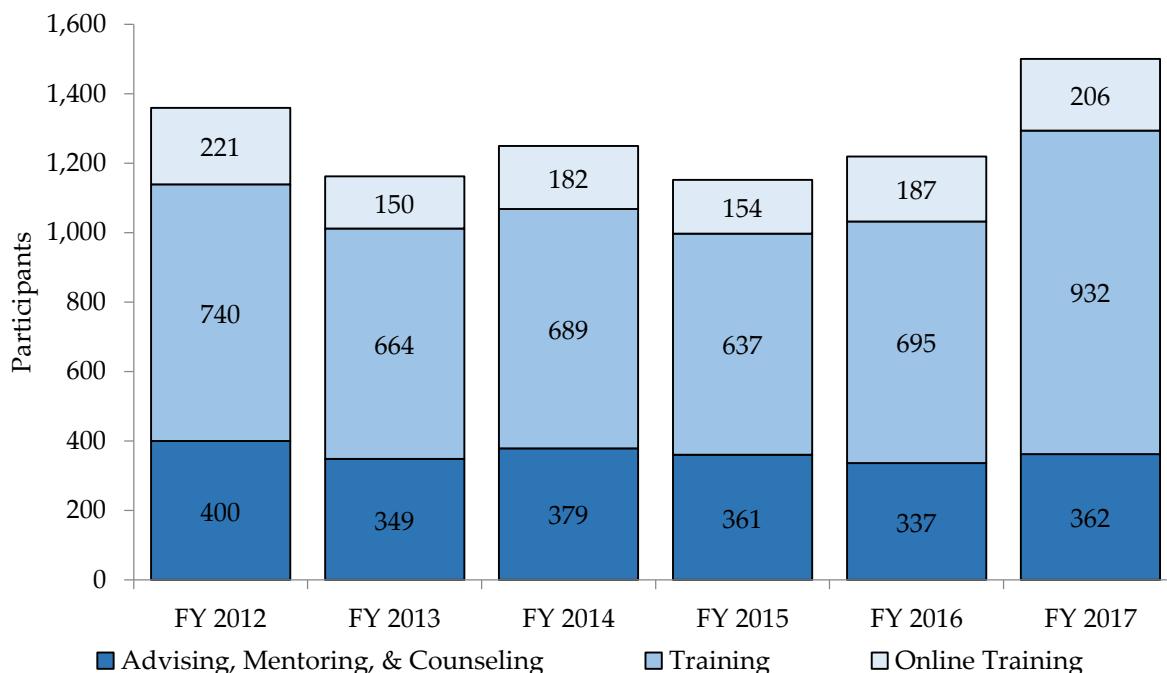
Table 2.2a shows progress toward the performance goals that track the number of clients advised, mentored, and trained.

**Table 2.2a: Entrepreneurial Ecosystems Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Entrepreneurs Assisted through Partnerships, Virtual Resources, and Targeted Outreach	Target	N/A	N/A	Baseline	1,353,000	1,378,700	1,304,200	1,467,000	1,499,000
	Actual	1,206,830	1,235,411	1,296,377	1,099,285	1,284,706	1,500,461		
	Variance	N/A	N/A	N/A	-19%	-7%	15%		
<b>Additional Information:</b> The SBA tracks the number of clients trained, advised, and mentored by resource partners (e.g., SBDC, WBC, SCORE, Boots to Business (B2B), and VBOC) through in-person and virtual resources. The number of unique clients has decreased because the resource partners have focused on repeat consultations as business needs of the clients evolve.									

Chart 2.2 shows entrepreneurial development advising, mentoring, counseling, and training trends.

**Chart 2.2: Entrepreneurial Development Advising, Mentoring, Counseling, and Training Trends (Thousands)**



***Strategy 1: Deliver entrepreneurial services in collaboration with resource partners***

The SBA will deliver core counseling and training services in communities across the country through its resource partners: SBDCs, WBCs, SCORE, and VBOCs. Through SBA cooperative agreements, resource partners will train, counsel, advise, and mentor entrepreneurs interested in starting or expanding a small business. SBA's resource partners will place more emphasis on training and counseling in key areas related to finance, new business markets, procurement, human capital, exports, disaster recovery, and emerging technology.

The **Small Business Development Centers (SBDCs)** are a vital part of the entrepreneurial ecosystem and are hosted by higher education institutions or state economic development organizations. The SBDCs deliver counseling and training focused on strategic planning, business development, financial planning, and cash flow management to entrepreneurs across the country. The SBA continuously modifies counseling and training materials to meet the evolving needs of clients based on client requests, business trends, and individual business requirements.

Table 2.2b displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.2b: SBDC Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacting	FY 2019 Request
\$ 126,473	\$ 113,484	\$ 120,507	\$ 121,627	\$ 170,466	\$ 180,143	\$ 178,346	\$ 165,285

Table 2.2c provides the targets and results for the SBDC performance indicators.

**Table 2.2c: SBDC Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of SBDC Clients Trained	Target	Baseline	350,000	350,000	350,000	340,000	270,000	247,000	249,000
	Actual	332,421	330,781	291,366	267,420	261,255	245,329		
	Variance	N/A	-5%	-17%	-24%	-23%	-9%		
<b>Additional Information:</b> In FY 2016, the SBDC program shifted resources to focus on providing more counseling hours per client, resulting in fewer clients trained. In FY 2018, the SBA reduced its target for SBDC clients trained to reflect this focus.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of SBDC Clients Advised	Target	Baseline	200,000	220,000	220,000	220,000	190,000	194,000	194,000
	Actual	211,091	201,596	194,121	187,478	192,172	188,225		
	Variance	N/A	1%	-12%	-15%	-13%	-1%		
<b>Additional Information:</b> In FY 2016, the SBDC program shifted resources to focus on providing more counseling hours per client, thereby creating and maintaining long-term clients. In FY 2018, the SBA reduced its target for SBDC clients counseled to reflect this focus.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Created by SBDCs	Target	15,600	12,500	12,500	13,000	13,000	13,000	14,500	14,500
	Actual	14,357	14,201	13,415	13,123	14,419	14,491		
	Variance	-8%	14%	7%	1%	11%	11%		
<b>Additional Information:</b> In FY 2018 and FY 2019, the SBA decreased its target for number of small businesses created by SBDCs to reflect the proposed proportional decrease in funding. The SBDC data on small businesses created represents a subset of entrepreneurs who returned to the SBDC to report on their progress.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Billions of Dollars of Capital Infusion from SBDCs	Target	3.7	3.4	4.0	4.0	4.0	4.0	5.0	5.0
	Actual	4.0	4.5	4.7	4.7	5.1	5.6		
	Variance	8%	32%	18%	18%	28%	40%		
<b>Additional Information:</b> Billions of dollars of capital infusion includes financing provided to small businesses from various sources including the SBA. As the economy improved, robust lending for small businesses helped SBDCs exceed the FY 2017 target.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Financial Reviews of Entrepreneurial Development Resource Partners	Target	45	75	75	65	65	65	N/A	N/A
	Actual	49	76	70	66	69	64		
	Variance	9%	1%	-7%	2%	6%	-2%		
<b>Additional Information:</b> The indicator includes the number of financial reviews completed on the SBA resources partners: SBDC, WBC, and SCORE. This measure will retire after FY 2017, due to new Administration priorities.									

### FY 2017 Accomplishments and Challenges

In FY 2017, SBDC professional business advisors helped clients start more than 14,000 new businesses; trained and advised nearly 450,000 entrepreneurs, including 62,000 long-term clients;





helped clients obtain more than \$5 billion in capital for their businesses; and helped clients secure \$1 billion in government contracts. To improve efficiencies in the SBDC program, the Agency updated and published the program's Standard Operating Procedures, which clarified roles, responsibilities, and processes.

#### FY 2018 and FY 2019 Planned Performance

For FY 2019, the SBA requests \$110 million for the SBDC program. The SBDC program anticipates supporting more than 441,000 entrepreneurs and providing long-term advising to at least 57,000 clients. The program will help more than 14,000 entrepreneurs start new businesses, and will assist clients to obtain \$5 billion in capital for their businesses each year. For FY 2018, the SBDC network will continue to focus on long-term advising and will maintain a cadre of certified trade specialists to deliver export assistance. The SBDC program will also deliver more resiliency-focused training and advising to prepare businesses for disasters. The SBDC network will continue to focus on serving long-term clients, which evidence has shown leads to higher outcomes of capital infusion and new business starts.

Furthermore, the SBA requests authority to improve its ability to deliver more impactful results by awarding grants to the most qualified entities and by increasing accountability through effective performance management criteria. In particular, the SBA requests authority to competitively award no more than 10 percent of the SBDC appropriation to entities that meet criteria established by the SBA. As a result, the SBA will award grants through increased competition, that will reflect the removal of certain eligibility limitations; revised match funding requirements; and the adoption of a performance-based funding component. The SBA requests authority to collect data on clients served by the SBDCs for program evaluation purposes. With this information, the SBA could enhance its ability to help more small businesses start and grow their businesses.

The SBA through its work with the field offices plans to strengthen policies to improve performance management with the SBDCs. The **Women's Business Center (WBC)** program funds more than 100 nonprofit organizations that provide quality advising and training services primarily to women entrepreneurs, many of whom are socially and economically disadvantaged. Participating organizations must match the federal funding with one non-federal dollar for every two federal dollars during the first 2 years and on a one-to-one basis thereafter. Many WBCs provide multilingual services, offer flexible hours (including evenings and weekends), and allow children to attend training classes with their mothers. These WBCs predominantly use long-term training courses to maximize the delivery of services to primarily nascent entrepreneurs. Many of the training courses focus on business and financial planning to help women entrepreneurs gain financial literacy. The WBCs also provide direct advising to clients and helps them access loans, federal contracts, and exporting opportunities.

Table 2.2d displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.2d: WBC Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 19,446	\$ 18,350	\$ 25,633	\$ 23,143	\$ 28,119	\$ 26,570	\$ 29,565	\$ 28,048

Table 2.2e provides the targets and results for the WBC performance indicators.

**Table 2.2e: WBC Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of WBC Clients Trained	Target	Baseline	95,000	105,000	111,000	120,000	125,000	126,000	127,000
	Actual	114,931	114,310	119,351	120,341	122,986	114,310		
	Variance	N/A	20%	14%	8%	2%	-9%		
<b>Additional Information:</b> Services delivered by nonprofit WBCs in almost every state or territory help women overcome barriers to entrepreneurship.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of WBC Clients Advised	Target	N/A	Baseline	20,000	22,000	22,200	22,000	27,000	28,000
	Actual	22,020	19,455	20,686	20,375	22,429	26,318		
	Variance	N/A	N/A	3%	-7%	1%	20%		
<b>Additional Information:</b> The SBA prioritizes development of its quality of services in terms of hours served and enhanced export training. Many WBCs have changed program models to increase counseling services to meet the changing needs of their clients. The SBA anticipates opening new centers in 2018, therefore more clients will be advised in the future.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Created by WBCs	Target	590	475	600	650	730	11,000	17,000	17,000
	Actual	694	637	708	766	17,435	17,438		
	Variance	18%	34%	18%	18%	2,288%	59%		
<b>Additional Information:</b> The SBA adopted a new data collection and calculation method for FY 2016 that more accurately represents the performance of the WBC program. The metric now accounts for the businesses created from the training and counseling offered, whereas previous data only accounted for businesses created from counseling. The number reported for FY 2017 reflects new business starts accomplished during the previous calendar year. The change in methodology is further explained in the Data Quality Records that are at <a href="http://www.SBA.gov/performance">www.SBA.gov/performance</a> .									

#### FY 2017 Accomplishments and Challenges

The WBC program reached more than 148,000 small business owners. Over the past few years, the SBA continued to streamline its grant process, which helped WBCs spend more time delivering services. The SBA also continued to refine and share its quarterly dashboard of performance goals with all WBCs for transparency. This transparency allowed WBCs to better understand how they are performing compared to similar WBCs.

The WBC network exceeded its target for small business creation. The increase was attributed to the enhanced program management of the network both on an individual and national basis. The SBA also worked with centers to improve their business models, moving more clients from training to counseling to achieve better outcomes. In FY 2017, most centers received an increase in funding and were required to increase program performance commensurate with the funding increase.

#### FY 2018 and FY 2019 Planned Performance

The SBA requests \$16 million for the WBC program in FY 2019. Each year, the WBCs will advise and train more than 153,000 clients and help 17,000 of them open new businesses. The SBA will focus on ensuring that the existing centers are maximizing efforts to reach entrepreneurs within their respective regions.

The SBA will promulgate a rule to codify the requirements and procedures that govern the delivery, funding, and evaluation of the management and technical assistance provided under the WBC

Program. The rule will address, among other things, the eligibility criteria for selection as a WBC, use of federal funds, standards for effectively carrying out program duties and responsibilities, the requirements for reporting on financial and programmatic performance, and provisions regarding the collection and use of the individual WBC client data.

The **SCORE** program is the largest volunteer business mentoring program in the Federal Government. SCORE has a volunteer cadre of more than 11,000 business professionals who donate more than 1.1 million hours of service each year to America’s entrepreneurs through online training and in-person counseling at 350 chapters in more than 800 locations nationwide. The cooperative agreement to SCORE funds volunteer recruitment, training and support, equipment and leases, technology, management systems, evaluations, marketing materials, and course development necessary for a successful volunteer provider network. Mentors in the SCORE program provide free or low-cost mentoring and training to entrepreneurs in a wide range of settings. Training is presented in group settings or online to help an entrepreneur acquire knowledge, skills, and competencies on a business-related subject. Mentoring is personalized one-on-one advice or guidance to help entrepreneurs navigate through planning, starting, growing, or managing a business.

Table 2.2f displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.2f: SCORE Program Budget—Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 10,499	\$ 11,546	\$ 12,110	\$ 13,326	\$ 17,020	\$ 17,555	\$ 17,292	\$ 17,210

Table 2.2g provides the targets and results for SCORE performance indicators.

**Table 2.2g: SCORE Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of SCORE Clients Trained	Target	Baseline	250,000	250,000	240,000	274,000	240,000	460,000	460,000
	Actual	292,264	218,434	277,971	212,229	311,164	519,368		
	Variance	N/A	-13%	11%	-12%	14%	116%		
<b>Additional Information:</b> SCORE’s FY 2017 performance was impacted by its continued investment in technology that allowed it to engage entrepreneurs virtually, thereby increasing the number of clients trained between FY 2016 and FY 2017 by 67 percent. During this period, SCORE hosted two virtual conferences; offered expanded webinar offerings; and increased the volume of online and in-person workshops. SCORE continued to collaborate with regional and national partners to increase its reach. The FY 2018 and FY 2019 target reflects the continued implementation of this strategy.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of SCORE Clients Mentored</b>	<b>Target</b>	N/A	N/A	Baseline	160,000	182,500	156,000	140,000	143,000
	<b>Actual</b>	166,509	127,468	164,403	137,310	122,230	126,892		
	<b>Variance</b>	N/A	N/A	N/A	-14%	-33%	-19%		
<b>Additional Information:</b> In FY 2017, the SCORE program engaged in more repeat consultations with existing mentoring clients to drive stronger individual outcomes. The FY 2018 and FY 2019 target reflects a better targeting model and continued focus on a quality repeat client engagement strategy.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of Small Businesses Created by SCORE</b>	<b>Target</b>	1,080	700	700	5,400	5,400	5,400	45,000	50,000
	<b>Actual</b>	828	628	5,339	39,495	54,027	Data Lag		
	<b>Variance</b>	-23%	-10%	663%	631%	901%			
<b>Additional Information:</b> The SBA adopted a new data collection and calculation method for FY 2016 that more accurately represents the performance of the SCORE program. The number reported for FY 2015 reflects new business starts accomplished during the indicated fiscal year. The FY 2017 data will be available summer FY 2018. The FY 2018 and FY 2019 targets are updated to reflect this new methodology.									

#### FY 2017 Accomplishments and Challenges

The SCORE program mentored and trained more than 646,000 clients and conducted an outreach campaign to attract additional mentoring clients using local community outreach, national partnerships, public service announcements, and social media channels. The SCORE program continued its efforts to ensure diversity among clients and mentors, and maintained its focus on training for veterans and communities impacted by disasters. To promote the success of rural entrepreneurs, SCORE launched a partnership with the U.S. Department of Agriculture to provide business mentoring and counseling to rural farmers and ranchers. SCORE maintained its focus on using technology to connect to America's entrepreneurs in an efficient and cost-effective manner. Their digital services expanded with online mentoring, virtual training conferences, online learning, and business templates.

#### FY 2018 and FY 2019 Planned Performance

For FY 2019, the SBA requests \$9.9 million for SCORE. SCORE will continuously serve a client base of at least 600,000 clients each year, including those in emerging markets. Diverse business mentors with industry experience will continue to be recruited to advise SCORE clients. These committed business mentors will receive further support from SCORE through its national infrastructure, continued innovation in service delivery, and constant engagement with financial, procurement, and startup communities.

#### ***Strategy 2: Provide entrepreneurs with in-person and virtual resources***

The SBA will design and host a variety of educational online tools to promote active learning for aspiring entrepreneurs and existing small businesses. Online courses will focus on common business topics such as social media marketing, financing, and government procurement to explain business concepts to entrepreneurs. Through interactive learning worksheets, checklists, and other resources, entrepreneurs will be able to apply skills and improve retention of core concepts. The SBA will also provide high-growth small businesses an opportunity to strengthen and enhance their local entrepreneurial ecosystem through intensive, cohort-based business education programs. Entrepreneurs will receive extensive specialized training, technical support, and other resources to develop strategic growth action plans, and

to develop a local professional networking system within each community to increase business prosperity and promote local economic development.

Table 2.2h displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.2h: Entrepreneurship Education Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
N/A	N/A	\$ 9,532	\$ 12,811	\$ 20,956	\$ 13,222	\$ 24,482	\$ 7,229

SBA's primary online training service, the **SBA Learning Center**, offers free online courses on business planning, marketing, government contracting, accounting, and social media. Hundreds of thousands of aspiring or current business owners use these free online courses and tools each year. Video tutorials, templates, and interactive assessments inform and equip entrepreneurs with valuable knowledge and tangible tools to assist their business planning. The SBA encourages its network of professional business mentors to use online learning for additional support.

Table 2.2i provides the targets and results for the online training performance indicator.

**Table 2.2i: SBA Learning Center Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Clients Trained Online	Target	N/A	500,000	225,000	250,000	220,000	200,000	225,000	250,000
	Actual	220,596	150,355	182,002	154,132	187,162	206,172		
	Variance	N/A	-70%	-19%	-38%	-15%	3%		
<b>Additional Information:</b> The number of clients trained online includes clients trained through the SBA Learning Center. The SBA surpassed its FY 2017 target and will maintain its focus on providing quality courses that support the needs of business owners.									

#### FY 2017 Accomplishments and Challenges

The site registered more than 206,000 users who accessed nearly 60 free courses. The SBA refined two new courses and updated four course-related tools. The Agency began analyzing the future of the online educational resources and undertook a comprehensive inventory of courses and the development of content to complement the courses. These materials included toolkits, tip sheets, audio courses, and instructor guides used by learners, SBA resource partners, and SBA district office staff.

#### FY 2018 and FY 2019 Planned Performance

In FY 2019, the SBA requests \$2 million for **Entrepreneurship Education**, which includes **Emerging Leaders** and the **SBA Learning Center**. The SBA Learning Center will produce training content and deploy course-sharing partnerships. Learners will have the opportunity to access entrepreneurship education resources through toolkits, fact sheets, infographic tip sheets, instructor guides, and audio content. The Agency will strive to reach at least 225,000 clients through social media outreach and

encouraging the use of the SBA Learning Center’s content by SBA district office staff and resource partners. The SBA Learning Center will focus on ensuring existing course content is current and reflects the knowledge needs of America’s small business owners.

The SBA will also implement solutions for virtual counseling to enable an integrated and comprehensive approach for communication and interaction with customers. Virtual counseling will provide clients with opportunities to interact with SBA counseling services to start and grow their business from the location of their home, without traveling to a resource partner or district office.

**Emerging Leaders** is a 7-month executive development initiative that elevates a business’s growth trajectory, creates jobs, and contributes to the economic well-being of communities. Participants of the Emerging Leaders executive series receive more than 100 hours of specialized training, technical support, access to a professional network, and other resources to strengthen their businesses and promote economic development. After the training, participants produce a 3-year strategic growth action plan. Each year for 3 years after completing the training curriculum, participants complete an evaluation that collects key outcomes. In addition, short assessments are conducted at the end of each module throughout the training delivery period to ensure quality and continuous improvement for both the instructors and curriculum. Approximately 65 percent of Emerging Leaders participants are from communities in emerging markets, which include women and minorities. Emerging Leaders is highly regarded among its alumni; 95 percent would recommend the program to another business owner.

Table 2.2j shows Emerging Leaders performance indicators.

**Table 2.2j: Emerging Leaders Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Percent of Emerging Leaders Creating or Retaining Jobs</b>	<b>Target</b>	N/A	N/A	N/A	Baseline	81%	81%	81%	81%
	<b>Actual</b>	73%	69%	81%	81%	81%	81%		
	<b>Variance</b>	N/A	N/A	N/A	N/A	0%	0%		
<b>Additional Information:</b> The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for 3 years, following the completion of the initiative’s curriculum. This performance indicator includes results obtained by the three most recent cohorts during the previous calendar year.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Percent of Emerging Leaders Obtaining Revenue Growth</b>	<b>Target</b>	N/A	N/A	N/A	Baseline	65%	67%	67%	67%
	<b>Actual</b>	62%	68%	66%	68%	70%	68%		
	<b>Variance</b>	N/A	N/A	N/A	N/A	8%	1%		
<b>Additional Information:</b> The SBA introduced this metric in FY 2016. Due to the nature of the initiative, the SBA surveys participants each year, for 3 years, following completion of the initiative’s curriculum. This performance indicator includes results obtained by the three most recent cohorts during the previous calendar year.									

#### FY 2017 Accomplishments and Challenges

The SBA delivered the Emerging Leaders executive training series to 57 communities serving more than 900 mid-stage business owners. SBA’s evaluation of the initiative found that Emerging Leaders participants achieve positive business and community outcomes. Approximately 81 percent of communities reported creating or retaining all jobs after the initiative, thus meeting the FY 2017

performance target, and 68 percent reported growing revenue, exceeding the performance target by 1 percent. To meet the growing demand for growth-oriented intensive entrepreneurship, the SBA strengthened local partnerships to serve active participants and recent graduates as they executed strategies for business growth. The series was supported by more than 200 local economic development partnerships spread across the 57 communities, and active participant satisfaction rates maintained superior scores during this rapid expansion. Emerging Leaders also created opportunities for its alumni by hosting 30 events that involved more than 300 alumni. The events focused on building the capacity of business owners to realize the goals of their 3-year growth plans, the central product of their participation in Emerging Leaders.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA will continue to deliver an intensive education curriculum and strengthen local partnerships to serve active Emerging Leaders participants and recent graduates as they execute strategies for business growth. The initiative will serve entrepreneurs in three additional communities and focus on strengthening the capacity to develop and sustain strong Emerging Leaders alumni networks. These virtual and in-person alumni events will afford opportunities for business owners to receive trusted guidance on the execution of their 3-year growth plans, and access much-needed information from their Emerging Leaders peers and subject matter experts. The SBA plans to develop a new proprietary curriculum to use with its resource partners to expand the network of entities that can deliver the training.

In FY 2019, the Emerging Leaders initiative will continue to work with local partners and the alumni network while delivering an intensive education curriculum. The SBA will increase opportunities for collaboration between Emerging Leaders and SBA's resource partners and further integrate SBA's resources, such as the SBA Learning Center, into the initiative.

**Regional Innovation Clusters (RICs)** are geographic concentrations of interconnected companies, specialized suppliers, academic institutions, service providers, and associated organizations with a specific industry focus. They provide high-value, targeted collaboration of small and large businesses, including networking with potential industry partners abroad. Through industry-specific technical assistance, RICs help small business innovators commercialize promising technologies needed by government and industry buyers.

Table 2.2k shows RIC performance indicators.

**Table 2.2k: RIC Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of RIC Participants Obtaining an Innovation Milestone	Target	N/A	N/A	N/A	Baseline	50%	52%	N/A	N/A
	Actual	N/A	69%	46%	51%	49%	49%		
	Variance	N/A	N/A	N/A	N/A	-2%	-6%		
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018 and FY 2019.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of RIC Participants Obtaining Revenue Growth	Target	N/A	N/A	N/A	Baseline	60%	62%	N/A	N/A
	Actual	63%	52%	57%	57%	59%	68%		
	Variance	N/A	N/A	N/A	N/A	-2%	10%		
<b>Additional Information:</b> The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018 and 2019.									

#### FY 2017 Accomplishments and Challenges

The SBA oversaw 14 RICs and continued to fund an evaluation to examine cluster initiatives. The evaluation focuses on examining various stakeholder participants and the services and activities provided by the clusters.

#### FY 2018 and FY 2019 Planned Performance

This program is duplicative of other federal programs; therefore, in FY 2018 and FY 2019, the SBA will not request funds for this initiative.

### ***Strategy 3: Empower veterans and military families who want to start or grow their business***

The SBA is dedicated to serving aspiring and existing veteran business owners. Approximately 2.5 million businesses are majority-owned by veterans, and nearly all veteran-owned businesses are small businesses.<sup>13</sup> Many veteran business owners have gained important skills and leadership abilities from their active duty, Reserve, and National Guard service that are often directly relevant to business ownership. The SBA will promote and support veteran small business ownership by administering programs, formulating policies, and administering grants to Veterans Business Outreach Centers and other partners. The Agency will ensure resources are accessible and available to active duty, National Guard, and Reserve service members, veterans, and veteran or military spouses.

Table 2.2l displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.2l: Veteran's Assistance Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 9,359	\$ 9,101	\$ 19,439	\$ 23,366	\$ 26,011	\$ 26,161	\$ 25,925	\$ 25,546

<sup>13</sup> 2012 Survey of Business Owners. U.S. Census Bureau.



Table 2.2m shows Veterans Business Outreach Center program performance indicators.

**Table 2.2m: Veterans Business Outreach Center Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Veterans Trained by VBOCs	Target	N/A	N/A	Baseline	33,000	48,000	50,000	32,000	32,000
	Actual	44,535	23,271	39,201	46,629	27,938	28,407		
	Variance	N/A	N/A	N/A	41%	-42%	-43%		
<b>Additional Information:</b> The SBA introduced this performance indicator in FY 2015, and historical data have been provided for context. The methodology calculation was revised in FY 2017 to ensure consistency among SBA's other entrepreneurial development programs.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Veterans Counseled through VBOCs	Target	N/A	N/A	Baseline	31,000	31,000	31,000	16,000	16,000
	Actual	44,079	49,791	38,923	15,488	19,404	20,432		
	Variance	N/A	N/A	N/A	-50%	-37%	-34%		
<b>Additional Information:</b> The SBA introduced this performance indicator in FY 2015, and historical data have been provided for context. In FY 2017, the methodology calculation was revised to ensure consistency among SBA's other entrepreneurial development programs. The SBA is placing greater priority on developing its quality of services in terms of hours served per client. The 20 VBOCs anticipate sustaining the current level of service, but are now tracking the average time spent per client, theorizing that increased interaction with repeat clients will improve overall business outcomes for clients.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of B2B Participants Trained	Target	N/A	N/A	15,000	15,500	17,500	20,000	18,000	18,000
	Actual	N/A	4,514	14,684	14,457	17,966	17,320		
	Variance	N/A	N/A	-2%	-7%	3%	-13%		
<b>Additional Information:</b> The SBA introduced this performance indicator in FY 2015, and historical data have been provided for context. In FY 2017, the methodology calculation has been revised to ensure consistency among SBA's other entrepreneurial development programs.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
B2B Participants 8 Week Graduation Rate	Target	N/A	N/A	Baseline	50%	50%	50%	N/A	N/A
	Actual	N/A	27%	30%	37%	39%	47%		
	Variance	N/A	N/A	N/A	-26%	-22%	-6%		
<b>Additional Information:</b> The SBA introduced this performance indicator in FY 2017. Historical data have been provided and updated to reflect improved program oversight. This measure will be replaced in FY 2018 with a measure tracking B2B follow-on SBA resources.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Formed by B2B Graduates	Target	N/A	N/A	N/A	N/A	N/A	255	255	255
	Actual	N/A	N/A	N/A	N/A	250	425		
	Variance	N/A	N/A	N/A	N/A	N/A	67%		
<b>Additional Information:</b> The SBA introduced this performance indicator in FY 2017. Baseline data is available via survey. The survey is conducted annually on a rolling basis, based on participants' B2B graduation rate.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Rate of B2B Participants Using Follow-on SBA Resources</b>	<b>Target</b>	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	TBD
	<b>Actual</b>	N/A	N/A	N/A	N/A	N/A	N/A		
	<b>Variance</b>	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> Information is used to establish goals and monitor performance. The SBA is a member of an interagency initiative (along with DoD, DOL, and VA) that administers the DoD Veteran Transition Assistance Program (TAP).									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Number of VBOC Programmatic and Financial Reviews</b>	<b>Target</b>	N/A	N/A	Baseline	5	5	5	5	5
	<b>Actual</b>	N/A	N/A	N/A	N/A	0	3		
	<b>Variance</b>	N/A	N/A	N/A	N/A	-100%	-40%		
<b>Additional Information:</b> A VBOC Partner Review involves an analysis of internal procedures using SBDC procedures. The SBA plans to review 5 of the 20 VBOCs each annual period of performance (not fiscal year). SBA's Office of Credit Risk Management will conduct three pilot Financial Reviews of VBOCs in FY 2016 to assist with establishing the process, timeline, checklists, and documentation for the rollout of the full review schedule starting in FY 2017.									

The **Veterans Business Outreach Center (VBOC)** program is designed to provide entrepreneurial development services such as business training, counseling, and resource partner referrals to transitioning service members, veterans, National Guard and Reserve service members, and military spouses interested in starting or growing a small business. The SBA has 20 organizations participating in this cooperative agreement and serving as VBOCs.

#### FY 2017 Accomplishments and Challenges

The VBOCs provided counseling and training to more than 48,800 veteran small business owners and entrepreneurs. The centers are unique in their ability to address veteran-specific challenges while integrating SBA services and referring clients (when appropriate) to other organizations that provided specialized and needed services. The VBOCs brought together local and regional service networks that were effective in creating small business ecosystems and helped augment SBA district office efforts.

The VBOCs significantly increased their participation in Boots to Business (B2B) instruction and instituted local initiatives such as VBOC on the Reservation (Native American Outreach), Commercial Supply Chain training, and VBOC on the Road (rural communities). The SBA explored how to provide consistent, meaningful services over vast geographic areas to transitioning service members. To assist with this effort, the SBA launched the VBOC 2.0 initiative to serve in the "navigator" role via referrals between other resource partners and trusted stakeholders. The VBOC 2.0 initiative is a 1-year pilot program that provided select VBOCs with tools to help them better provide services across their geographic coverage areas and track the referral of clients to local SBA resource partners.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA plans to conduct a comprehensive assessment of VBOC criteria for its FY 2018 multi-year funding opportunity and then recompetes the VBOC awards according to the established criteria. The SBA will also work to improve current virtual offerings and establish new offerings (counseling/training) for delivery via VBOCs. In FY 2019, the SBA requests \$11.25 million for veteran outreach initiatives, which includes VBOC's Boots to Business and other training programs. These funds will sustain entrepreneurship technical assistance programs. The SBA will conduct

comprehensive outreach to veterans (including National Guard and Reserve component members of the U.S. Military) and will formulate, execute, and promote policies and programs that aid veteran-owned small businesses. The SBA will continue using multiple outreach channels and methods to sustain national awareness for its programs, policies, and services, and to generate feedback from its beneficiaries and stakeholders.

**Boots to Business (B2B)** is an entrepreneurial training program offered by the SBA as a training track within the Department of Defense's Transition Assistance Program (TAP). The SBA collaborates with resource partners, the Department of Defense, other federal agencies and local military installations to deliver comprehensive training for starting a business. The curriculum provides veterans with foundational knowledge—exploring business ownership and other self-employment opportunities, evaluating business concepts, understanding the market and where to go for resources, such as start-up capital, technical assistance, and new contracting opportunities.

#### FY 2017 Accomplishments and Challenges

In FY 2017, SBA continued to sustain and develop the B2B Program, and more than 17,320 veterans, service members, and military spouses stationed at military installations worldwide benefited from the two-day "Introduction to Entrepreneurship" course. Nearly 70,000 participants have benefited from B2B since the program began in 2013. In FY 2017, the B2B Program grant was re-competed, and in Quarter 3, the SBA awarded two nonprofit organizations funding to provide transition assistance to military service members and their spouses within the continental United States and overseas. The SBA developed a new performance indicator that will measure the rate of B2B participants using follow-on SBA resources. The measure will improve SBA's understanding of veterans' overall access to its programs and services and recalibrate program outreach strategies as needed.

Challenges remain with data sharing between SBA resource partners and other federal agencies, and with the longitudinal tracking required to measure outcomes in the entrepreneurship programs. The SBA continued to work with the DoD to refine a data-sharing business case with Defense Manpower Data Center, seek a unique identifier for individuals participating in SBA programs or counseling, and pursue other interagency agreements or research projects that ensured the ability to study longitudinal outcomes on an individual level.

#### FY 2018 and FY 2019 Planned Performance

The B2B program will build upon the critical technology and data-sharing infrastructure necessary to meet the Memorandum of Understanding (MOU) requirements to share data with interagency and other external partners. Data sharing will help demonstrate the program's impact and inform program outreach, lead to more robust marketing and engagement in field offices, provide better access for National Guard and Reserve component members, and give greater reach to veterans who transition to civilian life prior to the launch of the B2B program.

Though the SBA forecasts B2B participation will grow to 18,000 service members, veterans, and military spouses annually by FY 2018, the actual number will be dependent on the total number of service members separating or retiring from military service.<sup>14</sup> There will be other factors impacting B2B participation, and the SBA will examine these relationships through a formative program evaluation that will be released in FY 2018.

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<sup>14</sup> 2015 Demographics, Profiles of the Military Community, U.S. Department of Defense. Available at: <http://download.militaryonesource.mil/12038/MOS/Reports/2015-Demographics-Report.pdf>.



In both FY 2018 and FY 2019, the SBA and its resource partners will provide B2B instruction at installations across the United States. The B2B program will also be available online on the DoD Joint Knowledge Online (JKO) platform for service members who cannot attend an in-person B2B session.

In FY 2019, to improve veterans' overall access to SBA's programs and services, the SBA will begin to measure the rate of B2B participants using follow-on resources. Follow-on resources refer to a variety of entrepreneurial development services the SBA will provide to customers, such as learning courses and resource partner counseling, mentoring, and training. In addition, information on rural business opportunities, and the resources available from the U.S. Department of Agriculture and the SBA to support rural businesses, will be added to SBA's B2B curriculum.

Veterans play an important role in stimulating economic growth in local communities. The SBA offers a variety of entrepreneurship-training programs designed to assist service-disabled veterans, veterans, transitioning service members, Reserve and National Guard members, and military spouses in developing the skills and knowledge needed to start, grow, or succeed in business. The SBA manages three grant programs that serve these designated population segments. The **Service-Disabled Veteran Entrepreneurship Training Program (SDVETP)** provides service disabled veterans, military spouses, and caregivers with entrepreneurial training, business development assistance, counseling, and management assistance. There currently are four grantees fulfilling the SDVETP grant. The **Veteran Federal Procurement Entrepreneurship Training Program (VFPETP)** is a vital component of the Agency's efforts to assist veteran and service-disabled veteran small business owners and entrepreneurs in securing Federal Government contracts. There is one grantee providing federal procurement entrepreneurship training to veterans. The **Women Veteran Entrepreneurship Training Program (WVETP)** provides entrepreneurship training to women veterans, women service members as well as women spouses of service members and veterans interested in starting, growing, and diversifying new and established small business concerns. There are currently three WVETP grantees that each fill a niche needed in developing veteran women owned small businesses.

#### FY 2017 Accomplishments and Challenges

The SBA Office of Veteran Business Development (OVBD) Entrepreneurship Training Program (ETP) grants were re-competed during FY 2017, which resulted in eight grantees extending services to the veteran community. In FY 2017, approximately 920 participants received entrepreneurship training from SBA's veteran-focused ETP grants.

The SBA participated in five U.S. Chamber of Commerce Foundation Hiring our Heroes (HOH) Summits, across the United States in FY 2017 with attendance of approximately 5,000 transitioning service members and military spouses. The HOH activities introduced thousands of service members and military spouses to the B2B Program and SBA resources which increased exposure opportunities for veteran small business and the potential for veteran owned start-ups.

The National Veterans Small Business Week (NVSBW) reached over 6,000 veterans, service members, and military spouses via live events, Facebook Live sessions, and a first-ever collaboration with the American Association of Retired Persons (AARP). During National Veterans Small Business Week, the SBA employed a stakeholder outreach strategy that fostered productive engagements with targeted stakeholders, including interagency partners, veteran service organizations, and the U.S. Chamber of Commerce Foundation.



In FY 2017, the Service-Disabled Veteran Entrepreneurship Training Program (SDVETP) grantees provided training to more than 425 service-disabled veterans. The Veteran Federal Procurement Entrepreneurship Training Program (VFPETP) grant was re-competed and awarded. There were 200 veterans who participated in Veteran Institute for Procurement (VIP) and on average VIP graduates attain a 54 percent increase in revenue post-VIP GROW graduation and 85 percent of VIP GROW graduates are in business for 10 or more years. The Women Veteran Entrepreneurship Training Program (WVETP) grantees trained 295 women veterans in 2017. Historically, 65 percent of these graduates start a business within 1 year of program completion and 90 percent remain in business 5 years later.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018 and FY 2019, the SBA will continue to support entrepreneurship training programs designed to assist service-disabled veterans, veterans, transitioning service members, Reserve and National Guard members, and military spouses in developing the skills and knowledge needed to start, grow, or succeed in business. The SBA anticipates more than 1,000 clients will receive services through the ETP grants. The SBA will continue to engage with the U.S. Chamber of Commerce Foundation and participate in HOH events nationwide. NVSBW will continue in FY 2018 and participation options will broaden through robust social media engagement.

#### ***Strategy 4: Support Native American entrepreneurs through outreach***

The SBA will aid Native American communities that often do not have the same access to resources due to their remote locations. The SBA will ensure that American Indians, Alaska Natives, and Native Hawaiians can create, develop, and expand their small businesses through business development and expansion tools available through the Agency's programs. The SBA will follow the guidelines, operational policies, and statutory requirements established by the National Policy of Self-Determination for Indian Tribes, Consultation and Coordination with Indian Tribal Governments, and American Indian and Alaska Native Education.

Table 2.2n shows a newly developed Native American assistance performance indicator that mirrors other SBA assistance programs.

**Table 2.2n: Native American Assistance Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted in Native American Communities	Target	N/A	N/A	N/A	N/A	Baseline	2,000	3,000	3,000
	Actual	1,713	1,943	2,107	2,209	1,817	3,192		
	Variance	N/A	N/A	N/A	N/A	N/A	60%		
<b>Additional Information:</b> This measure tracks the number of small businesses assisted through training and technical assistance workshops. The SBA established this performance indicator in FY 2016 and has provided historical data for context.									

#### FY 2017 Accomplishments and Challenges

The SBA provided individual and tribally-owned businesses training education through business development workshops, webinars, online classes, and live entrepreneurial classes. The Agency conducted 13 Native American entrepreneurial empowerment workshops for 249 new and

established firms and business development trainers, and 58 technical assistance sessions for 58 participants. This training provided operational and leadership strategies to build capacity, foster growth and expansion, and ensure sustainability of Native American community-based businesses nationwide. The SBA also promoted the development of innovative and successful Native American firms that are eligible for assistance under SBA's 7(j) Management and Technical Assistance program. The program, which was offered in diverse geographic areas and industries, enabled seven service providers to deliver unique business development services to more than 2750 program participants through 144 workshops, 21 webinars, 13 roundtables, and 462 technical assistance and counseling sessions.

The Agency participated in the President's Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, which invested federal economic and workforce resources in communities and regions negatively impacted by changes in the coal industry. Under this initiative, The SBA delivered training to Native American communities that historically depended on the coal industry for jobs and economic prosperity to help them adapt to the changing energy landscape and refocus their economies. The SBA conducted nine business and executive development workshops for 135 participants in Oklahoma, Arizona, Colorado, and Montana.

#### FY 2018 and FY 2019 Planned Performance

In FY 2019, the SBA requests \$1.5 million for outreach to Native American communities. The SBA will continue providing business tools and resources to Native American entrepreneurs, tribally-owned corporations, Alaska Native Corporations (ANCs), and Native Hawaiian Organizations (NHOs). The Agency will continue to focus on leadership development, economic development, job creation, and the delivery of 7(j) technical assistance programs to Native American communities. The SBA will work on business development by educating Native American small businesses about the Agency's counseling, contracting and lending programs, and providing technical assistance to individually and tribally-owned corporations, ANCs, and NHOs.

The SBA will continue to offer customized support to enhance economic growth and development by providing strategic short- and long-term community economic development planning and sector growth. Assistance will focus on international trade, manufacturing, business development training (enhanced business sector productivity), entrepreneurship development, innovative project financing, and community economic development strategies.

## ***Strategic Goal Two – Build Healthy Entrepreneurial Ecosystems and Create Business Friendly Environments***

### **Strategic Objective 2.3: Create a Small Business Friendly Environment**

**Performance Goal:** Increase the number of outreach events to 120 through partnerships with federal agencies, trade associations, and resource partners to reduce regulatory burdens on small businesses in FY 2019

**Objective Leads:** Office of National Ombudsman and Chief Counsel for the Office of Advocacy

**Objective Support:** Office of Marketing and Communications, National Women’s Business Council

**Programs/Activities:** Regulatory Fairness Boards, Case Management, Communications and Outreach, Regulatory Advocacy, Economic Research, National Women’s Business Council

**Strategies:**

1. Maintain a confidential, user-friendly ombudsman process to receive complaints from small businesses and advocate on behalf of small businesses to federal agencies to create a level playing field
2. Recommend policy and advocate for small businesses through research and engagement

Small businesses face a myriad of issues that may not impact larger businesses in the same way. With fewer staff and other resources, a small business owner can face greater obstacles to start or grow their business. At the same time, the type of industry, location, and other factors can shape the environment that determines its success. Small businesses in the United States have consistently ranked health insurance costs, regulations, and taxes as key issues that impact their growth.<sup>15</sup> These factors can also determine whether an entrepreneur decides to start a business.

At the SBA, small businesses have their voices heard and are represented through the Office of the National Ombudsman (ONO), the Office of Marketing and Communications, the Chief Counsel for the Office of Advocacy, and the National Women’s Business Council (NWBC). The ONO works with federal agencies to mitigate excessive fines, penalties, or unfair regulatory enforcement actions taken by federal regulators, which hinder the growth and threaten the survival of small businesses.

SBA’s independent Office of Advocacy represents the interests of small businesses within government, including before Congress, the White House, federal agencies, the federal courts, and state and local policymakers, as appropriate. The Office of Advocacy believes that sound policy requires accurate information; and through research and data, policymakers and other stakeholders are provided with the information Advocacy needs to make better decisions.

The SBA also supports the NWBC, a nonpartisan federal advisory council created to serve as an independent source of advice and counsel to the President, Congress, and the SBA on issues of economic importance that impact women business owners. Women-owned businesses comprise nearly 1 out of every 3 businesses in the United States, generating over \$1.4 trillion in sales and sustaining nearly 8 million jobs each year. However, only 2 percent of women-owned businesses have more than 10 employees, with many disparities in the market still apparent.<sup>16</sup>

<sup>15</sup> *Small Business Problems and Priorities*. NFIB Research Foundation, August 2016.

<sup>16</sup> *2012 Survey of Business Owners*. U.S. Census Bureau.

**Progress Update:** In FY 2017, the SBA fulfilled the Administration’s commitment to reduce regulatory burdens on small businesses and remove roadblocks that threaten their survival and ability to thrive. The SBA raised awareness of its products and services to direct outreach to small business owners and entrepreneurs. The Agency established relationships with trade association leaders, resource partners, and federal agencies. The SBA is the voice for small businesses and brings adverse impact of regulatory enforcement actions on small businesses to the attention of federal regulators. Federal agencies have become more conscious of the need to balance regulations that protect the health and safety of American workers and consumers with the importance of creating a regulatory environment in which small businesses may grow and prosper. Most importantly, the SBA has achieved favorable outcomes to the benefit of small businesses in the form of quantifiable cost savings, changes in rules and regulations, and even reversals of initial decisions in some instances.

Table 2.3a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in FY 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 2.3a: Ombudsman Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 1,770	\$ 1,270	\$ 1,804	\$ 1,804	\$ 1,309	\$ 967	\$ 1,099	\$ 1,093

Table 2.3b shows the results and targets of the performance goal to increase the number of outreach events through federal agencies, trade associations, and SBA resource partners to reduce regulatory burdens on small businesses.

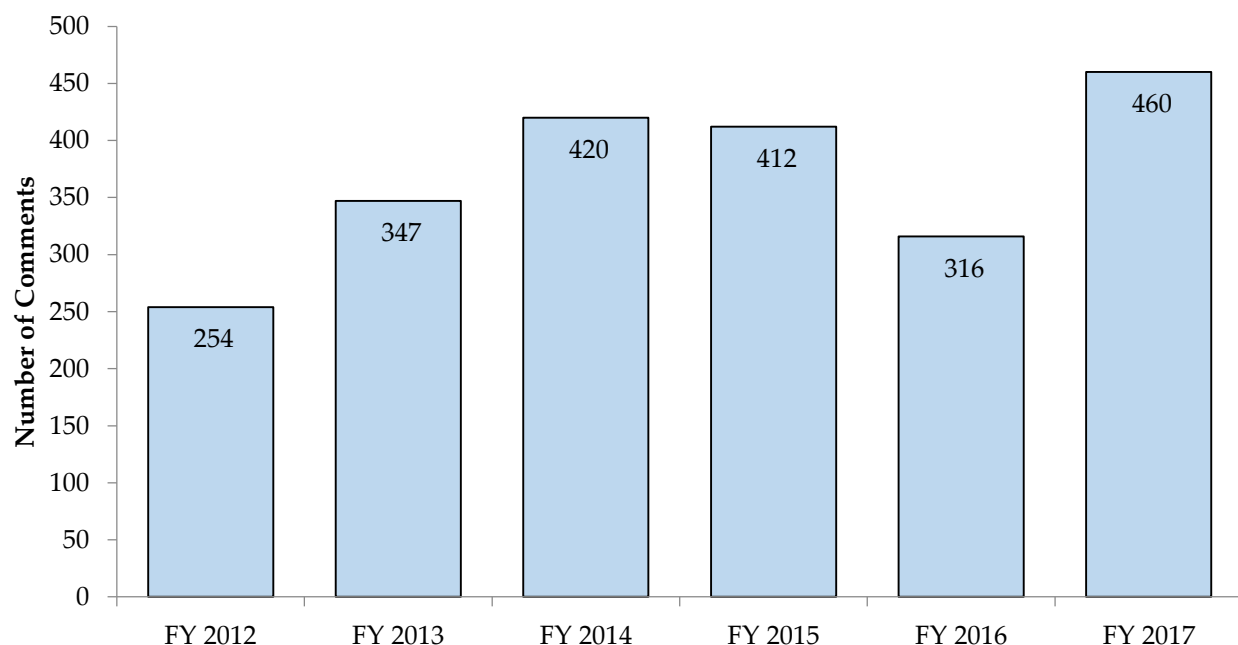
**Table 2.3b: Ombudsman Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Outreach Events through Federal Agencies, Trade Associations, and Resource Partners	Target	N/A	46	52	58	58	60	100	120
	Actual	48	48	64	66	102	134		
	Variance	N/A	4%	23%	14%	76%	123%		
<b>Additional Information:</b> Over the course of FY 2017, ONO worked steadily to establish new, and strengthen existing, relationships with federal agencies, trade associations, and SBA resource partners. SBA’s efforts resulted in significantly increasing the number of invitations for ONO to speak before large audiences of small businesses, strengthening the awareness of SBA services, and providing regulatory relief for many small businesses.									



Chart 2.3 shows the number of comments received from small businesses.

**Chart 2.3: SBA National Ombudsman Comments Received from Small Businesses**



**Strategy 1: Maintain a confidential, user-friendly ombudsman process to receive complaints from small businesses and advocate on behalf of small businesses to federal agencies to create a level playing field**

The SBA will help small businesses seek relief from unfair regulatory enforcement through sustained outreach to entrepreneurs and to the broader small business community through engagements with trade associations, field offices, and SBA resource partners. The SBA will leverage its Regional Regulatory Fairness Board members to extend its reach to small businesses across the country. In addition, the SBA will maintain an effective, efficient, and user-friendly process by which small businesses may file complaints and work with federal agencies to resolve specific regulatory compliance and enforcement issues.

Table 2.3c shows the results and targets of the performance indicator tracking the number of board membership rates and the number of rules identified that burden small businesses.

**Table 2.3c: Ombudsman Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Board Membership Rate	Target	N/A	78%	85%	85%	90%	85%	80%	80%
	Actual	96%	74%	80%	74%	76%	46%		
	Variance	N/A	-5%	-6%	-13%	-16%	-46%		
<b>Additional Information:</b> The board membership rate includes SBA's 10 regions. In the FY 2017 Presidential transition year, ONO did not fill board vacancies to preserve the prerogative of the incoming SBA Administrator to make appointments based upon recommendations by the incoming National Ombudsman. The SBA appointed a new National Ombudsman in September 2017.									

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Rules Identified that Burden Small Businesses	Target	N/A	N/A	2	5	6	8	7	7
	Actual	N/A	N/A	6	7	6	23		
	Variance	N/A	N/A	200%	40%	0%	188%		
<b>Additional Information:</b> This measure tracks rules and regulatory issues that ONO identified, escalated, and successfully resolved in collaboration with federal agency partners. ONO's expanded outreach to small businesses in FY 2017 contributed to an increase in the number of case filings. ONO has worked to strengthen trust with federal regulators. While there is no direct causal relationship, the investments that ONO has made in building relationships with federal regulators has contributed to the achievement of favorable outcomes for small businesses.									

### FY 2017 Accomplishments and Challenges

In FY 2017, SBA's outreach strategies centered around three focal areas for the National Ombudsman: innovation hubs that represent the sources of job creation; economically distressed regions; and mid-tier cities with a high concentration of small businesses facing regulatory challenges. The SBA completed 134 outreach events over the course of the year and heard from many small business owners, entrepreneurs, and lenders representing a wide range of industries in a variety of forums. The SBA conducted 15 Regional Regulatory Fairness Roundtables across each of SBA's 10 regions, and hosted a national hearing in Washington, DC. The SBA initiated contact with senior representatives of 11 trade associations representing more than 616,000 small business owners and SBA resource partners. The SBA National Ombudsman met with senior officials representing 28 federal agencies. The increased levels of engagement resulted in eight invitations from federal agencies for the National Ombudsman to serve as a keynote speaker and panelist at Industry Day events, or for the SBA to have a presence at these events as an exhibitor at no cost to the Agency. These forums enabled ONO to raise awareness of its mission to approximately 2,900 small business owners (e.g., federal contractors, innovators, and inventors) who otherwise would not have known about the SBA.

The SBA worked aggressively to establish new relationships with trade association leaders at the national and local levels and leveraged SBA's resource partners to spread the word to small business owners with whom they interface. On average, the SBA has received nearly 400 complaints each year over the past 5 years. In FY 2017, the SBA intervened on behalf of 460 small businesses that formally filed complaints—the highest volume of complaints filed and processed over the past decade.

The SBA established Regional Regulatory Fairness Boards in each of SBA's 10 regions. Board members have remained keenly attuned to regulatory concerns that are unique to their specific industry and region. They have listened to small business owners who have voiced concerns, asked probing questions to identify the underlying issues and their root causes, and brought these issues to the attention of the National Ombudsman, who in turn, escalated these issues to federal regulators. SBA's board members also monitored trends associated with systemic issues that span across regional boundaries and impacted small businesses across multiple states and industries.

Board members represented the SBA before large audiences within their respective regions—comprised of small business owners and federal regulators—and they also served as panelists and keynote speakers. SBA's board members joined the National Ombudsman to facilitate dialogue with small businesses and trade association leaders at regional roundtables and public hearings. The board membership rate ranged from 74 percent to 96 percent from FY 2012 to FY 2016. The FY 2017 board

membership rate is 46 percent. The SBA has worked to build a pipeline of candidates to fill current and projected board member vacancies.

#### FY 2018 and FY 2019 Planned Performance

Building upon the gains achieved in FY 2017, the SBA will continue to raise awareness of its work on behalf of small businesses by targeting its outreach to entrepreneurs who are in the greatest need of its assistance, cultivate relationships with trade association leaders and SBA resource partners, leverage technology to reach small business communities that would otherwise be out of reach, and deploy its Regional Regulatory Fairness Board members to reach small businesses within their respective networks.

The SBA will continue to raise the visibility of regulatory enforcement concerns voiced by small businesses by bringing these concerns to the early attention of federal agencies. By providing federal agencies with advance warning of particular and systemic issues that adversely impact small businesses, the SBA will play an important role in remedying issues between small businesses and federal agencies at the preliminary stages of conflict. This change will reduce the likelihood of costly litigation and settlements.

The SBA will underscore the need for federal agencies to provide compliance assistance to small businesses, and for the compliance education materials to be informative, accessible, and user-friendly. Federal agencies self-certify that they are compliant with Congressional reporting requirements in accordance with Section 212 of the Small Business Regulatory Enforcement Fairness Act. The SBA will assess the extent to which agencies are complying with these reporting requirements in forthcoming editions of its *Annual Report to Congress* beginning in FY 2019.

The SBA will continue to leverage its Regional Regulatory Fairness Board members to expand SBA's reach and impact to a greater number of small businesses. To fill the remaining board member vacancies, ONO will continue to canvass for high-caliber candidates from the widest possible number of sources. The Agency will examine the nominee vetting process, identify ways to streamline and expedite the process of filling the vacancies, and accelerate the onboarding of selectees.

As the Internet increasingly becomes a primary point of contact and information for small businesses, the SBA has several key projects to enhance digital outreach to small businesses. The SBA updated key areas of SBA.gov to create a more responsive design that includes the homepage, major program sections (e.g., Loans & Grants, Contracting, Starting & Managing, About SBA, Administrator's Corner, search results page), district office sites, a video browsing section, and the Small Business Investment Company (SBIC) and Surety Bond sections.

### ***Strategy 2: Recommend policy and advocate for small businesses through research and engagement***

SBA's independent Office of Advocacy will champion the interests of small entities by assisting regulatory agencies during all stages of the rule development process to mitigate the disproportionate impact of proposed rules on small businesses. The Office of Advocacy develops research and data products that assist policymakers and other stakeholders make better-informed decisions. The Office of Advocacy website publishes data and research products for the use of all stakeholders, including agency

regulators and the more than 28,000 subscribers on its economic research listserv.<sup>17</sup> More information on the Office of Advocacy is in its Annual Performance Plan and Performance Report in the attached Appendix.

Each year, the **National Women’s Business Council (NWBC)** conducts research on women-owned business issues and submit an annual report to the President, Congress, and the SBA detailing policy recommendations for implementation with a focus on the needs of women entrepreneurs and women business leaders. Many factors account for disparities between women-owned firms, and more data and research are needed to better understand the ways that the public and private sectors could facilitate the origination and growth of women-owned businesses.

#### FY 2017 Accomplishments and Challenges

The NWBC pursued a thoughtful and rigorous research agenda. Throughout FY 2017, the Council produced nine research reports and one entrepreneurial ecosystem playbook on some of the most relevant issues facing women in business today. The topics of these reports were spread over the four foundational pillars of the Council’s research—data, access to capital, access to markets, and job creation and growth—and included topics such as black women entrepreneurship, women’s participation in corporate supplier diversity programs, social entrepreneurship, commercialization among women in science, technology, engineering, and math, incubators and accelerators, entrepreneurship ecosystems, crowdfunding as a source of capital, millennial women entrepreneurs, necessity as a driver of women’s entrepreneurship, and Hispanic women entrepreneurship.

To distribute research findings to a broad cross-section of stakeholders, the Council held four public meetings. These meetings focused on: supplier diversity; the history, participation, and progress of women business owners, which featured national women business organizations; local ecosystems, which featured the small business owners that serve as Council Members; and a deeper look at the research findings from the extensive FY 2017 completed research studies.

The Council worked closely with the national women’s entrepreneurship community to convene panel sessions, workshops, and roundtables on practices, policies, and programs that were successfully improving the climate for women business owners.

#### FY 2018 and FY 2019 Planned Performance

For FY 2019, the SBA requests \$1.5 million for the NWBC. The Council’s FY 2018 agenda is a forward-looking strategy based on an analysis of the gaps in the research landscape to date, and the knowledge of changing practices of government programming, new futures of industries, and the advent of Big Data. The Council will celebrate its 30th anniversary in October 2018, and will set a new strategic research agenda. The SBA will build on an interagency agreement with the Library of Congress’s Federal Research Division to provide the NWBC with a landscape analysis and documentation of all research on women-owned businesses conducted over the last 10 years, in the following areas: 1) access to capital, 2) access to markets, 3) economic impact, and 4) entrepreneurial development. Each area of the study will result in a publicly consumable summary that will serve as a roadmap to gaps in research, duplicative efforts, potential research collaborations, and new priorities for each of the Council’s four research pillars (data, access to capital, access to markets, and job creation and growth).

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<sup>17</sup> More information on the Office of Advocacy visit, [www.sba.gov/advocacy](http://www.sba.gov/advocacy).

In FY 2019, the SBA will build upon the identified needs within the research landscape from the FY 2018 Library of Congress landscape analysis. In FY 2018, the last of FY 2017's research contracts will be completed. The SBA will be poised to suggest new areas of study made necessary by new federal funding directions and opportunities for alignment with future industry developments.

The SBA will continue to grow its digital engagement strategy that emphasizes Twitter, Facebook, YouTube, Instagram, LinkedIn, and SBA's national newsletter. These efforts will further align with the Agency's strategic plan and rebranding project led by the Office of Marketing and Communications, which will focus on driving awareness of and access to SBA's resources, small business events, and resource partner network.

The SBA will roll out Twitter accounts to field offices in a phased approach. This effort will leverage opportunities to create and target localized content in a timely and relevant manner and expand the content distribution network for national campaigns and noteworthy events.



## *Strategic Goal Three—Restore Small Businesses and Communities after Disasters*

### **Strategic Objective 3.1: Deploy Disaster Assistance Effectively and Efficiently**

**Performance Goal:** Increase the customer satisfaction rate for disaster loan approvals to 77 percent in FY 2019

**FY 2018–2019 Agency Priority Goal:** By September 30, 2019, increase the average number of disaster loan applications processed from three to six applications per loan specialist per day

**Objective Lead:** Associate Administrator for Disaster Assistance

**Objective Support:** Office of Business and Economic Development, Office of Capital Access, Office of Government Contracting and Business Development, Office of Entrepreneurial Development, and Office of Veterans Business Development

**Programs/Activities:** Disaster Preparedness, Disaster Response and Recovery

**Most Serious Management and Performance Challenge 7:** Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments

**Strategies:**

1. Promote disaster preparedness through pre-disaster outreach by region and type of disaster
2. Strengthen disaster operations to enhance effectiveness and efficiency
3. Capitalize on SBA's nationwide infrastructure for short- and long-term recovery

Returning small businesses to normal operations, preserving jobs, and helping families rebuild their homes after a disaster are critical to ensuring that local economies recover as quickly as possible. The SBA deploys disaster assistance resources quickly, effectively, and efficiently to disaster survivors to preserve jobs and help return small businesses to operation through the Office of Disaster Assistance. In coordination with the Federal Emergency Management Agency (FEMA), other federal agencies, the American Red Cross, and state and local entities, the SBA helps small businesses prepare for disasters and provides affordable, timely, and accessible financial assistance to businesses of all sizes, private nonprofit organizations, homeowners, and renters following a disaster. Disaster loans are a source of economic stimulation in disaster-ravaged communities and help generate employment and stabilize tax bases by protecting jobs. Small businesses are helped by a stronger customer base and revitalized communities. In addition to providing loans for physical damage, the SBA provides working capital in the form of economic injury disaster loans to small businesses, small agricultural cooperatives, aquaculture small businesses, and nonprofit organizations.

**Progress Update:** The SBA disaster assistance loan programs played a vital role in the aftermath of several flooding and hurricane disasters in FY 2017 by providing long-term, low-interest loans to affected homeowners, renters, businesses of all sizes, and nonprofit organizations. During FY 2017, the SBA approved more than 27,000 disaster loans for a total of \$1.7 billion, of which \$1.2 billion was approved for the 2016 Louisiana floods. The FY 2017 total includes nearly 24,000 home disaster loans for a total of \$1.3 billion and nearly 3,000 business disaster loans for a total of \$296 million. The SBA processed more than 82,000 home loan applications and more than 10,000 business disaster loan applications. In FY 2017, more than 96 percent of all disaster loan applications accepted were submitted using SBA's electronic loan application (ELA). This represented an increase from 93 percent in FY 2016. In FY 2017, the SBA continued to make improvements and enhance its Disaster Loan Assistance Portal that disaster survivors use to apply for disaster loan assistance online, including the continued availability of electronic signatures for the IRS Form 4506-T.



**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the most serious management and performance challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority.<sup>18</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 3.1: Most Serious Management and Performance Challenge 7**

<b>Challenge 7: Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments</b>	
Recommended Actions	Completion Date
<p>1. Promulgate regulations for the new guaranteed disaster loan programs mandated by Congress in 2008.</p> <p>2017 Achievement: The SBA sought public comment on the proposed program rules and informed Congress of the outcome.</p>	September 30, 2018
<p>2. Promulgate regulations for the Express Recovery Opportunity loan program provided by the RISE After Disaster Act.</p> <p>2017 Achievement: The SBA requests the repeal of the Recovery Opportunity Loans authority under the Recovery Improvements for Small Entities (RISE) After Disasters Act of 2015. The SBA has studied its subsidy impact and concluded that the SBA would not be able to offer a meaningfully higher guaranty as compared to the existing SBA Express loans, while maintaining a zero subsidy for the program. As a result, these loans appear to be duplicative of SBA Express because the guaranty percentages would essentially be the same.</p>	September 30, 2018
<p>3. Demonstrate that the Agency has adequately trained loan processing resources that can be quickly mobilized in the event of a disaster.</p> <p>2017 Achievement: The SBA conducted loan officer and loss verification trainings in FY 2017 and plans to utilize just-in-time training for newly on-boarded staff. Over the last year, the SBA trained 100 loan officers and 100 loss verifiers who can be quickly mobilized in the event of a disaster.</p>	September 30, 2018
<p>4. Establish policies that limit borrower debt burdens to affordable levels and train loan processing personnel in the application of those policies.</p> <p>2017 Achievement: The SBA Disaster Loan Making Standard Operating Procedure (SOP) 50 30 8 added language to clarify policies that limit borrower debt burdens to affordable levels. The SBA also provided loan processing personnel with guidance for determining affordable levels of fixed debt. The SBA continued to assess limits to borrower's debt-to-income ratio. The SBA will continue working to identify and, when appropriate, update its SOPs to ensure that loan processing personnel have clear guidance to make credit decisions.</p>	September 30, 2018

<sup>18</sup> For more information on the management challenge, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018).

<p>5. Reduce the improper payment rate to 4.78 percent or lower in FY 2018, in accordance with the reduction targets established in the FY 2016 Agency Financial Report.</p> <p>2017 Achievement: The SBA has continued to reduce its improper payment targets over the last several years. In FY 2017, the SBA improper payment rate was 13.65 percent, which exceeded the recommended target of 4.78 percent.</p>	<p>September 30, 2018</p>
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Table 3.1a displays the cost to administer the program. It includes direct costs from the operating budget, including grants and contracts; compensation and benefits; Agency-wide costs, such as rent and telecommunications; and indirect costs. The Total Administrative Resources calculation methodology was updated in 2016. Fiscal years prior to 2016 are not comparable and are provided for presentation purposes only.

**Table 3.1a: Disaster Assistance Program Budget – Total Administrative Resources (Thousands)**

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Request
\$ 253,428	\$ 253,629	\$ 337,144	\$ 246,358	\$ 218,406	\$ 237,171	\$ 183,721	\$ 185,458

Table 3.1b shows progress on the FY 2018–2019 Agency Priority Goal that tracks progress toward the number of cases that a disaster loan specialist can process per day.

**Table 3.1b: Disaster Assistance Priority Goal**

FY 2018–2019 Priority Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average Number of Disaster Loan Applications Processed per Loan Specialist per Day	Target	N/A	N/A	N/A	N/A	N/A	Baseline	4	6
	Actual	N/A	N/A	N/A	N/A	N/A	3		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA has established an FY 2018–2019 Agency Priority Goal that seeks to increase the number of applications that loan specialists can process. As a result of new disaster loan system modernization technology, the SBA will better respond to large-scale disasters through more efficient loan processing.									



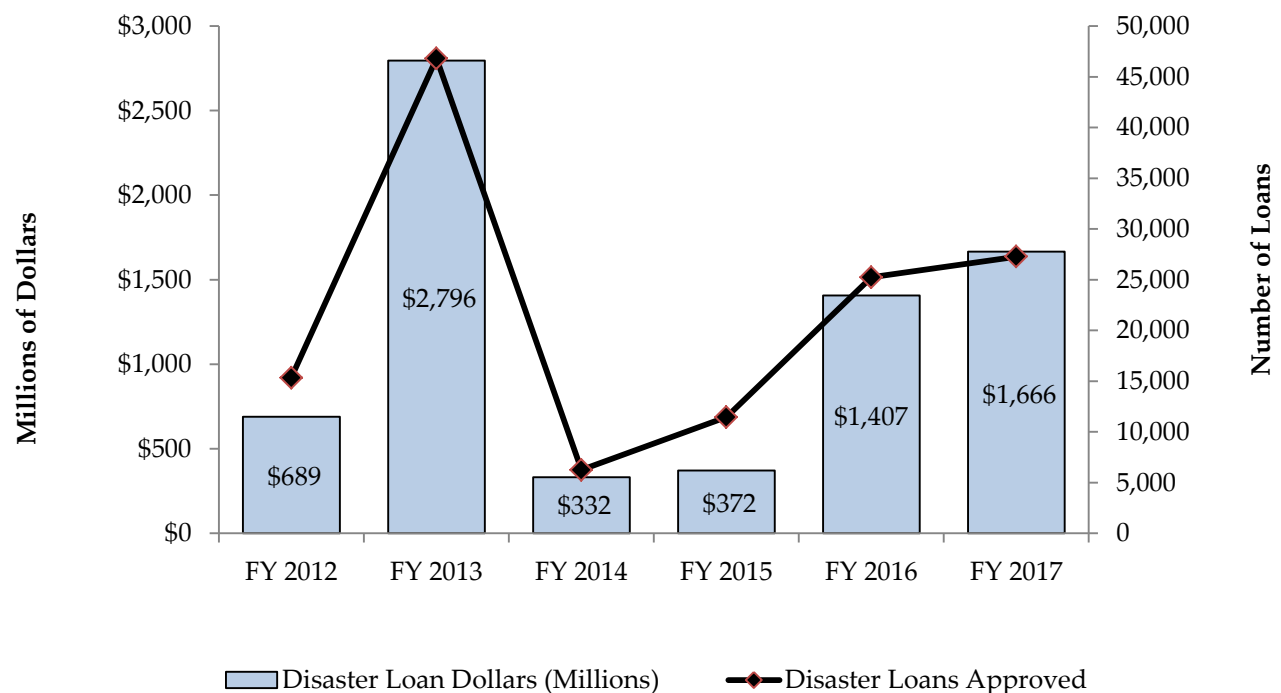
Table 3.1c shows progress on the performance goal that tracks customer satisfaction of disaster loan approvals.

**Table 3.1c: Disaster Assistance Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Customer Satisfaction Rate for Disaster Loan Approvals	Target	71%	71%	71%	71%	71%	71%	71%	77%
	Actual	80%	81%	80%	80%	84%	85%		
	Variance	13%	14%	13%	13%	18%	20%		
<b>Additional Information:</b> The SBA conducts an annual customer satisfaction study on its Disaster Assistance program using the methodology of the American Customer Satisfaction Index (ACSI). The SBA can use the survey data to identify and target areas for improvement that will have the greatest impact on customer satisfaction scores. The FY 2017 actual is a result of the new process for issuing applications to disaster survivors (i.e., using call centers to promote the use of electronic loan applications), greater usage of the electronic loan application, the enhanced features of the disaster loan assistance portal and other technology tools, and the program's high employee engagement rate.									

Chart 3.1 shows the total dollar (millions) and number of disaster assistance loans approved. The spike in the dollar amount and number of loans in FY 2013 resulted from the devastation caused by Hurricane Sandy. As a result of Hurricanes Harvey, Irma, and Maria, which struck in the months of August and September, 2017, there was a surge in applications in the final 2 months of FY 2017. However, most of the approved loan activity for Hurricanes Harvey, Irma, and Maria will be reflected in FY 2018 due to the disasters occurring near the close of FY 2017.

**Chart 3.1: Disaster Loans Approved (Millions of Dollars and Number of Loans)**



***Strategy 1: Promote disaster preparedness through pre-disaster outreach by region and type of disaster***

Small business owners invest time and money to make their ventures successful, but many of them do not prepare for disasters. Many small businesses never reopen their doors following a disaster, but planning and preparedness can provide the favorable conditions needed to stay in business. The SBA partners with a nationwide network of resource partners and business counseling services, in coordination with the SBA field offices, to prepare businesses for disasters and assist them with recovery needs after a disaster occurs.

Table 3.1d shows progress toward the disaster field presence performance indicator.

**Table 3.1d: Disaster Assistance Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Disasters Having Field Presence Within 3 Days	Target	95%	95%	95%	95%	95%	95%	95%	95%
	Actual	100%	100%	100%	100%	100%	100%		
	Variance	5%	5%	5%	5%	5%	5%		
<b>Additional Information:</b> Field presence is defined as getting disaster personnel to disaster sites within 3 days of disaster declaration.									

Table 3.1e shows a new performance indicator to open SBA disaster centers (i.e., disaster loan outreach centers and business recovery centers) in the field.

**Table 3.1e: Disaster Assistance Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Disasters Having a Disaster Loan Outreach Center (DLOC) or Business Recovery Center (BRC) Open Within 7 Days	Target	N/A	N/A	N/A	N/A	N/A	N/A	95%	95%
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> Center opening is defined as opening at least one SBA disaster loan outreach center or business recovery center within 7 days of all major Presidential disaster declarations for individual assistance and SBA agency disaster declarations.									

**FY 2017 Accomplishments and Challenges**

The SBA recognizes that preparedness is a shared responsibility and continued to encourage emergency readiness both at home and at work. The SBA conducted a 3-day Disaster Media Training Bootcamp for more than 100 SBA staff who worked around the country in regional, district, and area offices to better prepare staff for disaster response activities. The SBA also attended the 2017 National Emergency Management Association's Bi-Annual Forum and the 2017 Florida Governor's Hurricane Conference to participate in disaster preparedness discussions and planning, build coalitions with disaster recovery stakeholders, and promotes awareness about the SBA disaster loan program.

Ensuring consistent messaging for disasters across the country can be a challenge. The SBA tailored key messages on disaster preparation to different regions of the country because different types of disasters occur regionally. The SBA worked to ensure that every part of the country is prepared for various types of disasters in order to get small businesses and communities back to normal operations.

The SBA collaborated with interagency partners, including FEMA and the U.S. Department of Commerce, to improve national readiness in core preparedness capabilities identified for improvement in the “National Preparedness Report,” including the economic recovery core capability.

Based on its “Disaster Preparedness and Recovery Plan,” the SBA district directors, Disaster Assistance loan program experts, and SBA resource partners engaged with interagency teams led by the U.S. Department of Commerce’s Economic Development Administration in 2017 to assist communities recovering from disasters.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018 and FY 2019, the SBA will continue to focus on mitigating future disaster damage by encouraging disaster preparedness. Resources on SBA.gov will allow the Agency to help small businesses plan for emergencies. Resource partners will educate individuals and small businesses on response and recovery best practices from disasters. The Agency will continue to improve collaboration between disaster preparedness and operations teams, supporting its district offices and resource partners to ensure clear and consistent guidance on how to access both local and federal aid following a major disaster. In FY 2018, the SBA will release a series of online training tools and videos to educate resource partners, as well as other stakeholders, about the SBA Disaster Loan Program.

The SBA recognizes the potential for resource partners to assume a larger role supporting disaster assistance and will continue the Technical Assistance Loan Application Initiative implemented by the Small Business Development Centers (SBDCs), Women’s Business Centers (WBCs), and SCORE. This initiative provides assistance to businesses seeking reconsideration or reacceptance requests for declined or withdrawn disaster loan applications. The SBA resource partners will provide consultations in developing or adapting a business plan, financial planning, and marketing as well as general business management and technical assistance.

The SBA will continue to encourage disaster preparedness by supporting local stakeholder outreach efforts through workshops and other events. The Agency will continue to market its Disaster Assistance loan program by emphasizing the SBA Disaster Loan Assistance Portal, SBA.gov, and other direct links to high-risk regions. The SBA will continue to support regional, district and area offices to enhance messaging to disaster survivors. In FY 2018, the SBA will develop and implement an outreach plan to build relationships with leadership and emergency management personnel at the state, local, and tribal levels to improve readiness and post-event coordination and to increase awareness of the risk of natural disasters, the need to be prepared, and SBA’s role in disaster recovery. Targeted outreach will continue in FY 2019 to focus on specific disaster risks based on region (i.e., hurricanes and storm surge, seismic activity, wildfires, tornadoes, severe storms, and flooding).

## Strategy 2: Strengthen disaster operations to enhance effectiveness and efficiency

The SBA is continually reviewing and implementing process improvements to enhance program delivery. The development of [www.DisasterAssistance.gov](http://www.DisasterAssistance.gov) has made disaster assistance responsive, consistent, and easy for disaster survivors to find resources. The SBA will enhance its systems that provide disaster survivors with online access to check the status of their disaster loan applications. Plans are underway to modernize SBA's Disaster Credit Management System (DCMS) and enhance streamlining internal disaster loan application processes. To further support this strategy, the SBA has established an FY 2018–2019 Agency Priority Goal that focuses on reducing the time to process disaster loan applications. With new technology, SBA loan specialists will be able to process more applications, which will improve SBA's ability to respond to large scale disasters (See table 3.1b).

Table 3.1f shows progress toward the disaster assistance efficiency performance indicators, including the initial disbursement rates and time to process business, home, and economic injury disaster loans.

**Table 3.1f: Disaster Assistance Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Loans With Initial Disbursements Within 5 Days of Loan Closing	Target	95%	95%	95%	95%	95%	95%	95%	95%
	Actual	100%	100%	100%	98%	96%	99%		
	Variance	5%	5%	5%	3%	1%	4%		
<b>Additional Information:</b> Disbursement refers to the last step of a three-step disaster loan process in which a loan is closed and funds are disbursed to the customer for an approved loan amount.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Disaster Loans Processed Within Standard	Target	85%	85%	85%	85%	85%	85%	85%	85%
	Actual	95%	55%	100%	100%	99%	99%		
	Variance	12%	-35%	18%	18%	16%	16%		
<b>Additional Information:</b> A streamlined approval process and digital service improvements have allowed the Disaster Assistance program to process higher-volume loans in a more efficient and timely manner, resulting in a higher variance.									

### FY 2017 Accomplishments and Challenges

In FY 2017, the SBA modified disaster home and business loan processing procedures to establish a standard 15- and 30-year fixed term for loans. The standard 15- and 30-year term streamlined the loan process by eliminating the potential for requests to extend the loan term. The use of fixed loan terms was consistent with standard industry lending practices, which are easier for borrowers to understand, and enhanced the customer service experience with the SBA.

The SBA further helped disaster survivors of Hurricanes Harvey, Irma, and Maria through deferment relief. The policy grants up to a 12-month deferment of principal and interest payments to borrowers located in the primary counties designated as federal disaster areas, and up to 9 months of deferments for contiguous counties/parishes.

### FY 2018 and FY 2019 Planned Performance

Building on the lessons learned from past disasters is routine practice and part of SBA's mission-driven culture. The Agency will continue to reevaluate and reengineer business processes to meet the ever-changing needs of disaster survivors. The continued implementation of process improvements is expected to result in a more efficient operation that responds to disaster declarations and enhances customer service.



The SBA plans to modernize its DCMS in FY 2018, which will enhance effectiveness and efficiency by streamlining internal disaster loan application processes (e.g., average loan officer loan processing to six files per day over a 2-year period). These efforts will increase quality and value in the Federal Government's core administrative functions, continue to enhance productivity, achieve long-term cost savings, double capacity output, and result in higher customer satisfaction scores in the ACSI survey. The SBA will develop a plan to strengthen disaster operations and enhance effectiveness and efficiency by calibrating policy/data levers at various volume/personnel/cost/risk levels in conjunction with DCMS 2.0 processing to manage risk effectively.

The SBA requested rescission of two guaranteed disaster loan programs—the Immediate Disaster Assistance Program (IDAP) and the Expedited Disaster Assistance Program (EDAP) for FY 2018 due to the lack of interest by private sector lenders. The SBA requests rescission of the third guaranteed disaster loan program, the Private Disaster Assistance Program (PDAP), for FY 2019 for the same reason. In addition, the SBA requests rescission of the RISE After Disaster Act Express Recovery Opportunity Loan Program because it duplicates the existing SBAExpress Loan Program and cannot be delivered as designed without subsidy costs.

### ***Strategy 3: Capitalize on SBA's nationwide infrastructure for short- and long-term recovery***

The SBA is committed to providing a united Agency approach in the aftermath of disasters to provide short- and long-term assistance. The SBA will engage early in the process with district offices and resource partners, so they can continue to aid their communities, even after the disaster declaration deadlines have closed.

#### FY 2017 Accomplishments and Challenges

The SBA continued to leverage its three-step communications process that provides a consistent message to the public and strengthens awareness of the disaster loan application process. The disaster loan process includes: 1) applying for a loan, 2) estimating the cost of damages and making credit decisions, and 3) closing and disbursing loan funds.

In FY 2017, the SBA continued improvements to the disaster web portal by providing a new, modern look to the Disaster Loan Assistance Portal (DLAP) interface. More importantly, DLAP allows a progressive experience for the applicant to apply for disaster loans online and permits applicants to access online general questions and information, search current disaster declarations, check the status of their applications and receive status notifications, and submit electronic signatures for certain filing requirements such as the Internal Revenue Service (IRS) Form 4506-T.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA will continue its long-term outreach efforts by working with its resource partners in disaster-damaged areas. The SBA plans to continue expanding outreach for the Technical Assistance Loan Application Initiative to assist in the economic recovery of communities after a disaster. The SBA also plans to update training materials and information available to SBA district offices and resource partners so that they are informed about the disaster loan program and better prepared to respond to disasters.

In FY 2019, the SBA will continue outreach activities by working with its resource partners in disaster-damaged areas. The SBA plans for significant long-term recovery efforts impacting disaster



area homeowners and businesses. In FY 2019, the SBA will immediately conduct training for newly on-boarded disaster reservists, allowing the reservists to begin work faster than previous cohorts.



## ***Strategic Goal Four – Strengthen SBA’s Ability to Serve Small Businesses***

### **Strategic Objective 4.1: Ensure Effective and Efficient Management of Agency Resources**

**Performance Goal:** Increase the customer satisfaction rate of financial management services for SBA employees in FY 2019 (Target TBD)

**Objective Leads:** Chief Financial Officer and Associate Administrator for Performance Management and Director of Executive Management, Installation and Support Services

**Programs/Activities:** Financial Management, Grants Management, Performance Management, Internal Controls, Acquisition Management, Administrative Services, Facilities

**Most Serious Management and Performance Challenge 8:** SBA Needs to Effectively Manage Its Acquisition Program

**Strategies:**

1. Provide stewardship over financial resources and promote a robust performance management culture
2. Implement process and operational improvements to simplify and enhance service delivery

With an annual budget of over \$800 million, an outstanding loan portfolio of nearly \$132 billion, more than \$30 billion in loan guaranteed each year, oversight over \$170 billion in annual federal prime and subcontracts, and hundreds of grants and cooperative agreements, the SBA has a huge responsibility to the American taxpayer to ensure effective and efficient use of its resources.<sup>19</sup> The SBA works to continuously strengthen and streamline its programs to meet the needs of small businesses, and continues to improve processes for managing fraud, waste, and abuse. These ongoing efforts have contributed to improved delivery of services and better customer service for stakeholders.

Through the Office of Performance Management and the Office of the Chief Financial Officer, the SBA leads oversight of its financial and performance management activities. Through the Office of Executive Management, Installation and Support Services, the SBA ensures that it provides excellent management of key processes and the transparent coordination of key functions. Through the following strategies, the Agency will provide the resources and support necessary for its employees to better serve small businesses and be effective financial stewards of taxpayer dollars.

**Progress Update:** The SBA surpassed its prime small business utilization target in FY 2017 with the highest target set in the Federal Government (FY 2017 target of 72.75 percent) and exceeded each of the four subgoals for HUBZone, women-owned, service-disadvantaged veteran-owned, and disadvantaged small businesses. The SBA also made substantial progress on its acquisition management and performance challenge by resolving four outstanding Inspector General recommendations and closing the challenge. Along with these accomplishments, the SBA drafted its *FY 2018–2022 Strategic Plan* and began four new program evaluations. The SBA received its Certificate of Excellence in Accountability Reporting and Best in Class award for performance analysis in its FY 2016 Agency Financial Report. The SBA completed all requirements of the Digital Accountability and Transparency Act (DATA Act) and received the Treasury Secretary’s Certificate of Appreciation recognizing the Agency’s outstanding achievements in implementing the DATA Act and for being the first agency to complete the recommended eight steps in the DATA Act Agency Progress Dashboard. The SBA continued its

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<sup>19</sup> FY 2017 Agency Financial Report. U.S. Small Business Administration, November 2017.

partnership with the Treasury Department as a pilot agency to develop data visualizations that links DATA Act award information with performance information.

**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority.<sup>20</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 4.1: Most Serious Management and Performance Challenge 8**

<b>Challenge 8: SBA Needs to Effectively Manage Its Acquisition Program</b>	
Recommended Actions	Completion Date
<p>1. Create and implement a comprehensive improvement plan—based on the results of the acquisition function assessment—that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the organizational alignment and leadership assessment area.</p> <p>2017 Achievement: The SBA addressed the perception of poor customer service in acquisitions by strengthening the communications between the supervisor of contracting officers and the program offices. The SBA also hired a Senior Procurement Executive responsible for managing and directing the Agency’s acquisition system.</p>	<p>September 30, 2017</p> <p>Implemented</p>
<p>2. Create and implement a comprehensive improvement plan—based on the results of the acquisition function assessment—that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the acquisition policies and processes assessment area (i.e., acquisition management SOP).</p> <p>2017 Achievement: The SBA issued an updated procurement Standard Operating Procedure (SOP) that significantly standardized acquisition policies and procedures.</p>	<p>September 30, 2017</p> <p>Implemented</p>
<p>3. Create and implement a comprehensive improvement plan—based on the results of the acquisition function assessment—that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the acquisition workforce assessment area.</p> <p>2017 Achievement: The SBA continued to leverage strategic human capital planning tools to develop training plans and identify staffing requirements to enhance the acquisition workforce.</p>	<p>September 30, 2017</p> <p>Implemented</p>

<sup>20</sup> For more information on the Management Challenge, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018).



<p>4. Create and implement a comprehensive improvement plan—based on the results of the acquisition function assessment—that has measurable goals, objectives, prioritized actions, and timeframes to address deficiencies identified in the knowledge management and information systems assessment area.</p> <p>2017 Achievement: The SBA made significant improvements to its information systems and added end-users to the planning team when developing acquisition information system enhancements to improve system functionality and encourage user adoption. The Agency updated the information on the acquisition division’s website for better knowledge management within the acquisition function.</p>	<p>September 30, 2017</p> <p>Implemented</p>
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Table 4.1a shows progress toward SBA’s financial management customer service performance goal.

**Table 4.1a: Financial Management Customer Service Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Customer Satisfaction Rate of Financial Management Services for SBA Employees	Target	N/A	N/A	N/A	N/A	N/A	N/A	Baseline	TBD
	Actual	N/A	N/A	N/A	N/A	N/A	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The SBA will begin tracking the customer satisfaction of employees’ interactions with financial management activities through an internal, customized survey. The SBA will develop a baseline of the data in FY 2018.									

***Strategy 1: Provide stewardship over financial resources and promote a robust performance management culture***

The SBA will effectively and efficiently manage its resources by ensuring that all employees have the tools to make effective decisions. Through newly developed policies, the use of advanced data analytics, evidence-based decisions, and strong internal controls, SBA’s employees will provide outstanding program oversight. A well-formulated and executed budget, in addition to an effective acquisition process, will ensure that every employee is equipped to manage resources. Well-managed financial systems and new technology will help further automate processes and reduce error. The SBA will reduce improper payments for the acquisition of goods and service by reducing documentation errors, and will continue to strive to exceed its small business acquisition goals. Evidence will be used to drive decisions and continuous learning will be a key part of performance management.

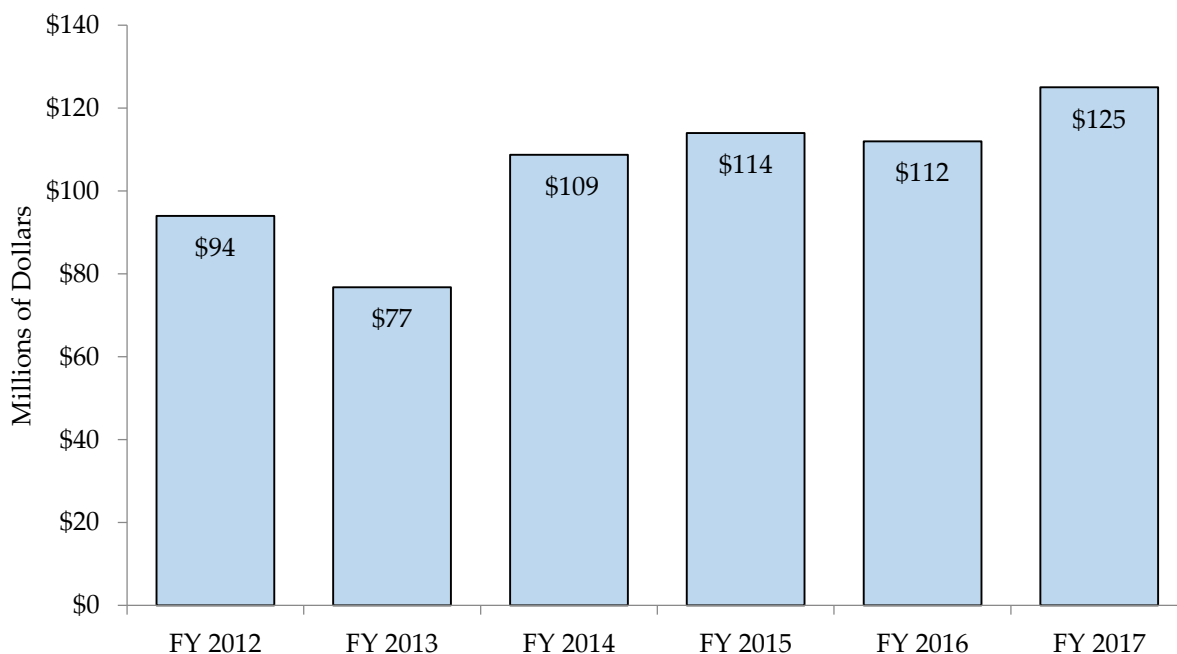
Table 4.1b shows progress toward SBA's acquisition performance indicator.

**Table 4.1b: Acquisition Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SBA Small Business Utilization Rate	Target	67.00%	67.00%	68.00%	69.00%	72.75%	72.75%	73.00%	TBD
	Actual	71.00%	72.00%	77.48%	78.10%	73.70%	79.50%		
	Variance	6%	7%	14%	13%	1%	9%		
<b>Additional Information:</b> The SBA tracks small business contracts and has the highest small business contracting goal in the Federal Government. The SBA exceeded its target of 72.75 percent by continuing to default to small businesses first when awarding a contract.									

Chart 4.1 shows SBA contract dollars awarded to small businesses. The number and dollar value of contracts increased substantially after FY 2013, during which time the SBA has been able to maintain its prime small business utilization target of 72.25 percent.

**Chart 4.1: SBA Contracts Awarded to Small Businesses (Millions of Dollars)**



#### FY 2017 Accomplishments and Challenges

The SBA implemented budget execution software in FY 2017 that allows offices to track planned spending versus actuals throughout the fiscal year. This functionality allowed for strategic planning of the Agency's acquisition efforts early in the year and was critical to SBA's efforts to implement advanced Chief Information Officer (CIO) approval of IT-related contracts under the Federal IT Acquisition Reform Act (FITARA). By consolidating the IT-related items submitted through the budget formulation process, the CFO and CIO reviewed SBA's list of planned IT acquisitions at the beginning of the fiscal year, as required under FITARA guidelines.

The SBA fully implemented the Digital Accountability and Transparency Act (DATA Act). The DATA Act requires the establishment of government-wide financial data standards for any federal funds made available to or expended by agencies and entities receiving federal dollars. The Chief Data Officer continued to oversee implementation and developed plans for future data analytic tools to improve decision making.

The Agency matured its program evaluation function by finalizing its new framework and technical guidance. The SBA benchmarked other federal agencies and has integrated program evaluation capabilities within its performance management system. The framework governs the Agency's program evaluation activities and includes standards for each of the program offices when conducting evaluations. The SBA also developed an Enterprise Learning Agenda to continue asking key questions about program effectiveness and initiated four new program evaluations that focus on Small Business Development Centers (SBDCs), Community Advantage loans, HUBZones, and Boots to Business.

The Agency continued to evaluate business processes impacting financial operations to comply with OMB Circular A-123, Appendix A (Internal Controls over Financial Reporting). In addition, OCFO tested contract payments for improper payments and coordinated reporting of 7(a) and 504 loan guaranty and disaster direct loan improper payments in compliance with OMB Circular A-123, Appendix C (Requirements for Effective Measurement and Remediation of Improper Payments). These accomplishments helped address Management Challenge 6, identified by the SBA Inspector General, which focuses on accurately reporting, significantly reducing, and strengthening efforts to recover improper payments in the 7(a) loan program. The SBA closed 25 of 29 open OIG recommendations on its acquisition program.

As a key success, the SBA received its final FY 2016 Procurement Scorecard grade of "A" and met its prime and subgoal contracting targets for small disadvantaged, women-owned, HUBZone, and service-disabled veteran-owned small businesses. The SBA Acquisition Division has implemented the recommendations received during an independent assessment of the acquisition function according to OMB's A-123 Circular, to address Management Challenge 8. Major highlights completed in FY 2017 resulting from the independent assessment included: issuing a revised Acquisition Procedure SOP, updating the templates and information available on SBA's internal acquisition homepage, and developing training plans to enhance the acquisition workforce's skills.

The SBA also drafted its *FY 2018–2022 Strategic Plan* and its FY 2018 Enterprise Learning Agenda that will be published concurrently with the FY 2019 Annual Performance Plan. The Strategic Plan incorporates the government reform proposals developed by the Agency's senior leadership and provides the long-term goals and objectives for the Agency.

The SBA also improved process documentation and guidance by issuing new SOPs for its Acquisition Program, SBIC loan accounting, and improper payments.

#### FY 2018 and FY 2019 Planned Performance

SBA financial management processes will be conducted according to strictly observed time schedules in compliance with federal guidelines for budget, acquisition, accounting, and reporting activities.

Action on audit findings will be taken on each item and completed as soon as possible.

Improvements to the loan accounting systems will continue as the SBA updates its financial system and in collaboration with OCIO will create a roadmap to transition the financial system to the cloud.

While building on improvements in financial management, performance reporting, and data quality, the SBA will pursue activities to improve efficiency. The SOPs for financial management issues related to budget processes, loan accounting, internal controls, and financial systems will be finalized and published. The SBA will conduct a skills assessment of OCFO employees and develop a plan that addresses identified skills gaps. SBA will implement the Program Management Improvement Act in accordance with OMB guidance.

The SBA will update and issue a data quality plan and will continue to make progress on and implement the DATA Act and improve data quality in its transmissions. The SBA places a high priority on providing high-quality, transparent, federal spending information to the public and using this expanded data to achieve more effective and efficient allocation of resources to improve Agency performance. The SBA also plans to incorporate data visualization software that will augment the Agency's reporting capabilities and make federal spending, as well as SBA program performance data, more accessible.

In FY 2018, the SBA is changing the OCIO IT investment approval threshold to \$50,000 in support of FITARA oversight and plans to implement the IT working capital fund authorized in the National Defense Authorization Act (NDAA).

The SBA will implement a quality assurance process over the Secondary Market Guarantee program and will continue to perform on-site internal control assessments of various field and headquarters' offices and provide internal controls training to improve procedures and reduce costs. Through the strength of its internal control practices, the SBA will strive to maintain an unqualified audit opinion with no material weaknesses on its annual financial statements.

The SBA will continue to champion additional program evaluations to better assess and modernize operations to ensure that small businesses are receiving effective and efficient services from the SBA. The Agency will develop and refine its Enterprise Learning Agenda and publish SBA's FY 2018–2022 *Strategic Plan*.

### ***Strategy 2: Implement process and operational improvements to simplify and enhance service delivery***

The SBA will improve and reengineer its processes to ensure that it fully delivers successful results. The Agency will contribute to effective federal-wide resource management by optimizing its real estate, improving space utilization, and ensuring physical security and grants management. Significant progress has been made to reduce the footprint of federal building space, and the Agency will continue to optimize records management. The SBA will continue to build a culture that uses enterprise risk management and successfully plans for future events. Through core administrative functions, including grants management, facilities, records management, and physical security, the SBA will improve service delivery to its internal customers to ensure a high-performing organization.

Table 4.1c shows progress towards reducing the total amount of square feet of real estate eliminated from the Agency's inventory.

**Table 4.1c: Real Estate Footprint Reduction Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>SBA Real Estate Footprint Reduction Rate</b>	<b>Target</b>	N/A	N/A	N/A	Baseline	2%	1%	1%	1%
	<b>Actual</b>	2%	2%	2%	2%	5%	4%		
	<b>Variance</b>	N/A	N/A	N/A	N/A	150%	300%		
<b>Additional Information:</b> The SBA tracks the square footage of its facilities and continues to reduce the amount of space needed for operations through Reduce the Footprint guidance, such as co-locations, consolidations, and returns of excess space. Future targets are based on the SBA Real Property Efficiency Plan which has been submitted to GSA through FY 2022 and reflects a 1 percent reduction.									

#### FY 2017 Accomplishments and Challenges

The SBA reduced its footprint by 4 percent in FY 2017 relative to its FY 2015 baseline. While significant progress has been made reducing its footprint, the Agency continued to be challenged by records storage needs and ongoing disaster operations. Records management staff has proactively worked with field offices to implement policies and greatly reduce paper records maintained in office spaces.

The Agency lacks an automated space-management software system that would aid in accurate space data management and the efficient identification of underutilized facilities throughout the Agency's real estate portfolio. Reporting occupancy and vacancy data will provide senior leadership with valuable information to make strategic decisions regarding future "Reduce the Footprint indicator" targets and other space-saving opportunities to reduce rent costs. Currently, space data management is an inefficient manual process with data stored in and managed with spreadsheets and emails.

During FY 2017, SBA's Office of Grants Management (OGM) conducted its first program office grants management training to all SBA federal assistance (grants) stakeholders, including program officers and Grants Officer Technical Representatives (GOTR), on effective federal and agency-wide policies and procedures. In addition, the SBA has hosted several program-specific meet and greets to discuss revisions to the Standard Operating Procedures (SOP). The SBA awarded over 1,200 federal assistance awards.

The SBA participated and collaborated in several Office of Management and Budget (OMB) federal assistance inter-agency working groups to define standard data elements as part of the Federal Integrated Business Framework (FIBF) effort; the federal assistance pre-awarding system; and the Financial Assistance Committee for E-Government (FACE) interagency working group Federal Integrated Business Framework meeting. The OMB leveraged the FACE work to begin implementing the recommendation from the Section 5 Pilot report to create standard data taxonomy for grants reporting.

The SBA participated in other working groups that influenced grants policy and governance. The Buy America, Hire America Act (BAHA) interagency meeting, provided agency responses to the Executive Order 13788, BAHA that ensures that federal procurement and federal financial assistance

awards (grants) maximize, to the extent permitted by law, the use of goods, products, and materials produced in the United States, including iron, steel, and manufactured goods.

The SBA improved grants management workflow processes to better communicate with program offices by establishing a grant schedule to identify timelines and required program office submission deadlines throughout each fiscal year cycle.

The SBA also completed Office of Management and Budget (OMB) requirements for all agencies to provide data on the Grants Oversight and New Efficiency (GONE) Act.

#### FY 2018 and FY 2019 Planned Performance

As leases expire for various field offices, the SBA will pursue opportunities to further reduce its real estate footprint. The Agency has finalized office space standards that bring the Agency in compliance with General Services Administration (GSA) standards. The SBA will use the GSA standards to implement all new office space plans and will continue to encourage programs to use open-office floor plans and hoteling/telework for even greater space savings. The vehicle fleet will not exceed the 2011 baseline of 170 vehicles. The Agency currently has 162 vehicles and efforts will continue to ensure that new vehicles are procured only when absolutely necessary. Also, all gas-powered vehicles that retire will be replaced with alternative fuel vehicles when available.

The SBA will consolidate help desk functions within a public-facing call center; one help desk at the enterprise level will streamline and standardize help functions throughout the SBA. Having a single intake portal will allow for greater accountability and will increase efficiency and effectiveness.

The SBA will also establish an enterprise solution that will provide SBA program offices with a consolidated workflow management environment with integrated data, thereby enabling business process automation. This action will establish a unified data model to reduce duplication and increase data integrity across the organization.

The SBA will continue to ensure efficiency and uniform grants management, through hosting agency-wide grants management training for all SBA stakeholders and will establish training and certification for Grants Officer Technical Representatives (GOTR). A statement of work business case to acquire the Grant Solutions system will be submitted in FY 2018 to ensure compliance with federal reporting and grant management protocols. The SBA will incorporate grants management processes, procedures, standard terms and conditions and forms on the SBA internet (website) to ensure compliance with the OMB regulations, external audit recommendations and provide external stakeholders guidance. Through FY 2019, the SBA will implement corrective actions for the Office of Inspector General (OIG) and Government Accountability Office (GAO) external audit recommendations.

## ***Strategic Goal Four—Strengthen SBA’s Ability to Serve Small Businesses***

### **Strategic Objective 4.2: Build a High-performing Workforce**

<p><b>Performance Goal:</b> Increase SBA employee satisfaction scores through the Federal Employee Viewpoint Survey to 67 percent by FY 2019</p> <p><b>Objective Lead:</b> Chief Human Capital Officer</p> <p><b>Objective Support:</b> Office of Diversity, Inclusion, and Civil Rights</p> <p><b>Programs/Activities:</b> Recruitment, Training, Diversity and Inclusion, Workplace Conflict Resolution, Disability Employment</p> <p><b>Most Serious Management and Performance Challenge 3: The SBA Needs Effective Human Capital Strategies to Carry Out Its Mission Successfully and Become a High-Performing Organization</b></p> <p><b>Strategies:</b></p> <ol style="list-style-type: none"><li>1. Recruit and retain an inclusive workforce</li><li>2. Deliver a comprehensive, mission-focused, talent development strategy to foster professional development and continuous learning</li><li>3. Build a high-performing culture that maximizes workforce performance and drives accountability</li></ol>
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The SBA recognizes that employees are critical to achieving its mission and continues to make investments in its workforce a top priority. An engaged, high-performing workforce is vital to meet organizational goals and prepare for the future.<sup>21</sup> The President’s initiative to create a lean, accountable, more efficient government will be further achieved through changes to hiring, training, employee engagement, communication, and performance management strategies. In addition, the SBA will integrate U.S. Office of Personnel Management (OPM) guidelines on human capital management practices. Implementation of the guidelines will ensure the SBA is poised to proactively respond to anticipated environmental changes.

The SBA has defined specific and measurable human capital management strategies that address efforts to build an inclusive workforce, proactively respond to current and anticipated skills gaps and changes in Agency priorities, and transform human resource service delivery to provide employees with the tools they need to increase efficiency, effectiveness, and accountability.

**Progress Update:** The SBA Office of Human Resources Solutions (OHRS) continued to provide strategic guidance and operational support to ensure that it recruits and maintains an engaged and skilled workforce. The SBA filled critical executive leadership positions, began to develop its human capital operating plan, and expanded its pool of high-quality applicants by leveraging technology and partnerships. The Agency increased its operational efficiency by exceeding the 100-day average time to hire target by achieving an average hiring cycle of 76 days, which was 24 fewer days than the Agency’s FY 2017 target. The SBA also increased the Federal Employee Viewpoint Survey (FEVS) employee engagement index score from 64 percent in FY 2016 to 67 percent in FY 2017. As a result, the OPM recognized the SBA for having one of the highest employee engagement index increases (3 percent) in the Federal Government for medium size agencies. The SBA received OPM and the Office of Management and Budget (OMB) full certification of the Senior Executive Service (SES) Performance Management System and formally signed a new Master Labor Agreement (MLA) with the American Federation of Government Employees (AFGE).

<sup>21</sup> U.S. Federal Employee Viewpoint Survey. U.S. Office of Personnel Management, October 2017.

**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities posing significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority.<sup>22</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 4.2: Most Serious Management and Performance Challenge 3**

Challenge 3: SBA Needs Effective Human Capital Strategies to Carry Out Its Mission Successfully and Become a High-Performing Organization	
Recommended Actions	Completion Date
<p>1. Ensure the Agency has an effective, comprehensive workforce and succession plan that aligns talent needs and capabilities with SBA's FY 2011–2016 strategic plan. SBA's workforce and succession planning goals should reflect the need to recruit and retain the appropriate talent, and should establish appropriate metrics to gauge SBA's success at having the right people, in the right jobs, at the right time.</p> <p>2017 Achievement: The SBA completed a workforce plan that includes an analysis of the workforce with a particular focus on its mission critical occupations, strategies for building on Agency strengths and addressing challenges, and metrics to track progress.</p>	<p>September 30, 2017</p> <p>Implemented</p>
<p>2. Ensure that human capital management SOPs are updated and appropriately structured to support the Agency's long-term goals and objectives and Government-wide human capital management initiatives.</p> <p>2017 Achievement: The SBA has published several critically important HR policies this year, including Merit Promotion, Senior Executive Service, Senior Leader, as well as Discipline and Adverse Actions.</p>	<p>September 30, 2018</p>

Table 4.2a shows progress toward the performance goal which tracks the results of the Federal Employee Viewpoint Survey's Job Satisfaction index.

**Table 4.2a: Employee Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Federal Employee Viewpoint Survey Job Satisfaction Rate	Target	71%	71%	71%	71%	64%	67%	67%	67%
	Actual	66%	66%	65%	62%	64%	67%		
	Variance	-7%	-7%	-8%	-13%	0%	0%		
<b>Additional Information:</b> The satisfaction rate is the Human Capital Assessment and Accountability Framework (HCAAF) Trends – Job Satisfaction Index, which indicates the extent to which employees are satisfied with their jobs.									

<sup>22</sup> For more information on the Management Challenge, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018).



### Strategy 1: Recruit and retain an inclusive workforce

The SBA will enhance efforts to build an inclusive organization that values and leverages the backgrounds, life experiences, and attributes of all employees. The SBA will develop and implement an integrated strategy to promote and nurture an inclusive environment. In addition to internal partners, the SBA will collaborate with the OPM's Office of Diversity and Inclusion to identify and implement government-wide best practices. The SBA will deploy reforms to ensure the efficiency and effectiveness of the Agency's hiring process. These reforms will be geared to assist program offices in accessing a high-quality workforce with the capabilities required to set conditions for small businesses to grow and thrive.

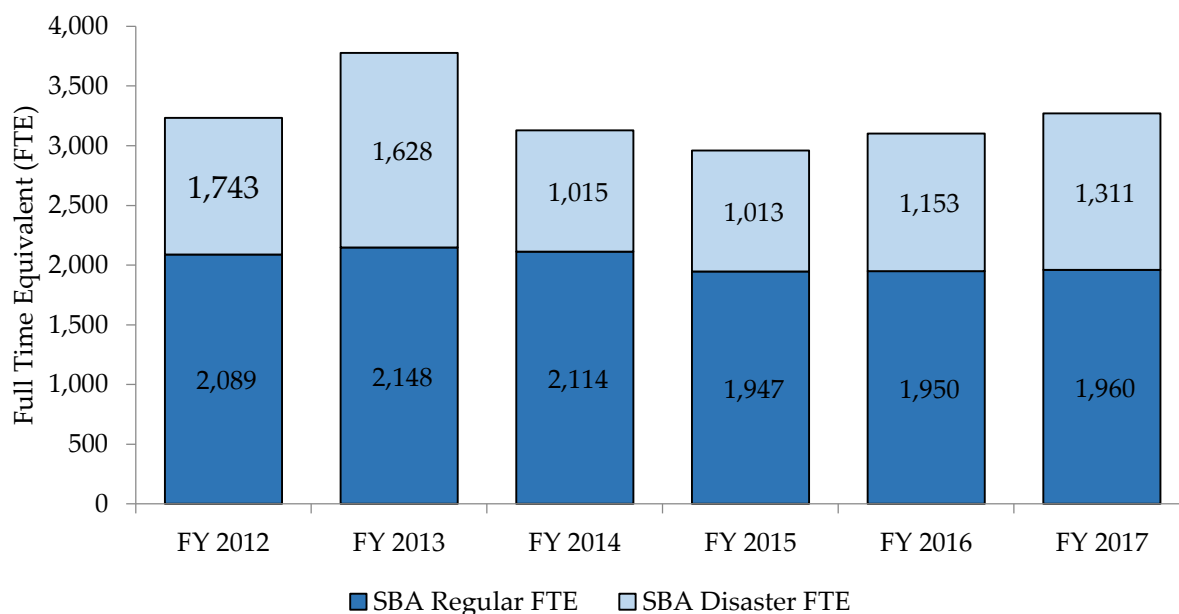
Table 4.2b provides results and targets on the retention rate of new hires and the average number of days to hire.

**Table 4.2b Retention Rate for New Hires and Average Number of Days to Hire Performance Indicators**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Retention Rate for New Hires	Target	80%	85%	88%	93%	93%	93%	93%	93%
	Actual	83%	77%	74%	79%	92%	89%		
	Variance	4%	-9%	-16%	-15%	-1%	-4%		
<b>Additional Information:</b> The retention rate is defined as an employee remaining in a current position for a minimum of 2 years within the Agency. The SBA has examined its methodology and recalculated the retention rates between FY 2011 to FY 2016.									
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Average Number of Days to Hire	Target	100	80	100	100	100	100	100	100
	Actual	154	154	85	97	98	76		
	Variance	54%	93%	-15%	-3%	-2%	-24%		
<b>Additional Information:</b> Time to hire includes the time a completed recruit action is received until the job offer is accepted. In FY 2013, the time-to-hire goal was adversely impacted by sequestration. The Agency had to manage the onboarding of new hires to support adjustments in the full time equivalent (FTE) ceilings for budget requirements related to the Continuing Resolution constraints. The FY 2014 actual decreased as a result of changes in the measure calculation methodology. In FY 2017, OHRS collaborated with SBA's executives and hiring managers to use expanded federal hiring flexibilities. The OHRS provided targeted job analyses training to hiring managers to enhance their effectiveness and efficiency in assessing and selecting the best candidates.									

Chart 4.2 shows the average number of regular (non-disaster) SBA full-time employees compared to the average number of SBA disaster full-time employees by fiscal year. Note that SBA disaster staffing increased significantly at the close of FY 2017 in response to Hurricanes Harvey, Irma and Maria but those staffing levels are not fully represented in the chart because they occurred in the final 45 days of the fiscal year.

**Chart 4.2: SBA Regular (Non-disaster) Full-time Employees vs. SBA Disaster Full-time Employees**



#### FY 2017 Accomplishments and Challenges

SBA's talent acquisition strategy was underpinned by a focus on recruiting high-caliber talent. The SBA partnered with OPM to promote effective recruitment of high-quality candidates equipped with the essential skills to support the Agency's mission. In addition, the Agency tested the OPM's USAHire tool for nonbargaining unit positions below GS-13, assessing applicants on a number of dimensions. The Agency continued to use both the standard USAJobs assessments as well as the USAHire assessments to qualitatively improve the job applicant pool and candidates referred to hiring managers.

The SBA continued to refine HRstat metrics to track progress towards achieving efficiencies in time-to-hire and generating high-quality, diverse applicant pools. The SBA implemented the USA Staffing Upgrade resulting in a more streamlined recruitment process.

The SBA continued to train, collaborate, and consult with hiring managers to develop meaningful, job-specific analyses, which yielded a more qualified applicant pool and ultimately selected the best candidate. The SBA also conducted outreach to diverse groups to broaden candidate pools. In support of this effort, SBA provided individualized consultations to its field and headquarters leaders and supervisors to maximize the use of hiring flexibilities. The SBA addressed the need to increase veteran recruitment and retention through a variety of strategies, including the Operations Warfighters' program, the Veterans Affairs (VA) Non-paid Work Experience program, and targeted recruitment fairs. The SBA accelerated its IT hiring opportunities by successfully using Direct Hire Authority for Cyber Security professionals. The SBA signed a Memorandum of Understanding (MOU) with the Peace Corps and was designated an Employer of National Service by the Corporation for National and Community Service. The designation provides the Agency with access to a pool of highly-qualified, mission-focused candidates who have developed unique skills because of their service in AmeriCorps or the Peace Corps. The SBA attended recruitment fairs for Returned

Peace Corps Volunteers and AmeriCorps members. The Agency also participated in the Pathways Presidential Management Fellow programs, encouraging new talent to enter and support SBA operations.

The SBA implemented an initiative to improve guidance on performance improvement plans and implemented mandatory, annual performance management training for the entire SBA workforce. The SBA also worked to align employee performance plans with major Agency initiatives including: the Field Realignment, the Administrator's Priorities, and the *SBA FY 2018–2022 Strategic Plan*.

#### FY 2018 and FY 2019 Planned Performance

The SBA has three human capital priorities for this strategy: 1) increase the effectiveness and efficiency of talent acquisition processes; 2) build an inclusive environment by eliminating barriers to hiring people with the right qualifications into the right job; and 3) improve employee engagement.

For the first priority, the SBA will increase the effectiveness and efficiency of talent acquisition processes. The SBA will continue to build on its successful hiring reforms by further exploring and implementing hiring reform initiatives to increase the efficiency and effectiveness of the Agency's talent acquisition processes. The reforms will assist program offices to access a high-quality workforce with the capabilities required to set conditions for small businesses to grow and thrive. The SBA will reassess, redefine, and optimize its hiring process and will conduct a gap analysis to define actions needed to achieve the desired future state. The Agency will continue to refine its HR Stat metrics of time-to-hire, and will monitor the workflow of internal staffing and recruiting actions using HR information systems upgrades in FY 2018. The SBA will also continue its deployment of the USA Staffing system upgrades: rebuilding assessment templates and tools to meet new requirements for SBA's mission critical positions.

The use of hiring authorities and existing flexibilities offers opportunities to further streamline SBA's hiring process. Therefore, the SBA will launch a toolkit to equip hiring managers with information to optimize the use of available hiring authorities and flexibilities and track their use. In addition, the SBA will assess hiring managers' satisfaction with the toolkit and analyze the data to determine whether the increased education has made a difference in the use of hiring authorities.

For the second priority, the SBA will build an inclusive environment by eliminating barriers to hiring people with the right qualifications into the right jobs. SBA will utilize the Barrier Analysis Workgroup to address challenges as identified in the FY 2016 Management Directive (MD-715) report to the Equal Employment Opportunity Commission, and work to identify solutions to identified barriers at each stage of the hiring process.

For the third priority, the SBA will improve employee engagement to ensure successful retention. To support engagement efforts, the SBA will continue to disseminate important FEVS findings, and use the Action Planning Committee to develop, promote, and implement new ideas for increasing employee engagement. Human resource staff will partner with program offices to define action plans to address their specific Employee Viewpoint Survey findings.

***Strategy 2: Deliver a comprehensive, mission-focused, talent development strategy to foster professional development and continuous learning***

The SBA will equip its workforce with the knowledge and skills needed for success, using its talent development plan to support professional and technical development needs for mission critical occupations, which account for more than 80 percent of the workforce. The SBA will expand educational offerings and increase training, certification, cross-training, rotational opportunities, and mentoring, thereby providing opportunities for employees to enhance their learning and development goals.

**FY 2017 Accomplishments and Challenges**

The SBA introduced a robust talent management and leader development strategy that expanded the Agency's participation in government-wide, leader development opportunities. Additionally, the Agency increased its emphasis on supervisory training, job-specific functional and technical training. The SBA provided executive development opportunities for career executives through Executive Situational Mentoring, and the EDGE Executive Development.

The SBA made significant investments in addressing mission critical occupational skills gaps, with FAC-C certifications for over 60 of its business opportunity specialists and 120 of its lender relation specialists. The Agency also focused on equipping its supervisory workforce to drive accountability and workforce performance excellence. The SBA senior leaders implemented accountability measures that included expanding delivery of performance management training. This effort resulted in the delivery of five performance management town hall sessions and performance management training delivered to over 500 managers and supervisors. The SBA also broadened the offering of several opportunities to develop SBA's future leaders, including the President's Management Council Interagency Rotation Program, Excellence in Government Fellows, and the White House Leadership Development program. The Agency continued to offer employees access to leadership development learning modules through several web-based portals.

**FY 2018 and FY 2019 Planned Performance**

The SBA will implement strategies to identify and keep top talent by addressing current and potential future talent gaps in its mission-critical leadership and technical bench strength. The SBA will accomplish this by expanding its current mentoring, coaching, and communities of practice to promote leader-led development, knowledge capture, and knowledge transfer. The Agency will implement strategies outlined in the Annual Talent Development Plan to achieve a clear line of sight into the SBA leadership pipeline, identify competencies, and assess skills gaps.

The SBA will also address anticipated future gaps in mission-critical leadership and technical bench strength by administering skills assessment and conducting a gap analysis beginning in FY 2018. In addition to the skills assessment activity, the SBA will use 360 assessments to help senior executives and SBA managers target and address developmental areas aligned to the Executive Corps Qualifications.

The SBA will implement Ignite, an internal job rotation to promote cross-training and knowledge sharing in FY 2018. The Agency will evaluate the effectiveness of these activities and make adjustments as needed in FY 2019.

The SBA will build a highly skilled and competitive workforce. To support this priority, the SBA will implement a number of talent development strategies, to include: educating the workforce on components of a high performing culture; expanding education, training, certification and mentoring opportunities for all employees; offering access to leadership development learning modules through commercial and government-sponsored web-based portals; and ensuring adequate opportunities are available for agency mission critical occupations to obtain required certifications and training. In addition to training opportunities, the SBA will implement learning roadmaps for employees based on the competencies and skills required to be effective in their respective occupational series.

The SBA will expand employee development opportunities. To support the learning needs of all employees, the SBA will continue to incorporate blended learning strategies into critical skills-building activities, formal learning, and career enrichment activities. The SBA will employ leader development resources to include the Treasury Executive Institute and Franklin Covey to ensure the Agency's ability to develop leaders at all levels. In addition, the SBA will develop a project plan in FY 2019 to build occupational career paths for all mission critical occupations.

The SBA will continue its successful knowledge sharing activities through its Peer-to-Peer Power Hour learning series, and will expand evaluation efforts of these activities to include administering at least one evaluation in FY 2018.

To provide greater expanded learning and professional development opportunities, the SBA will engage the Agency's Excellence in Government Program Fellows alumni on key agency initiatives to provide them more expanded learning opportunities. Human resources staff will establish measures to evaluate return on investment in FY 2018 and conduct evaluations on those activities in FY 2019.

### ***Strategy 3: Build a high-performing culture that maximizes workforce performance and drives accountability***

The SBA will promote a high-performing culture by implementing SBA's plan for maximizing employee performance. Implementation of this plan will improve performance processes; ensure managers, human resource staff, and the workforce are appropriately trained; ensure accountability in manager performance plans; and provide real-time manager support through the implementation of performance management liaisons within each program office.

Table 4.2c provides an overview of progress toward SBA's employee engagement index score.

**Table 4.2c Federal Employee Viewpoint Engagement Index Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Federal Employee Viewpoint Survey Engagement Index</b>	<b>Target</b>	N/A	N/A	N/A	Baseline	64%	67%	67%	68%
	<b>Actual</b>	64%	65%	62%	60%	63%	67%		
	<b>Variance</b>	N/A	N/A	N/A	N/A	-2%	0%		
<b>Additional Information:</b> A government-wide goal established that federal agencies increase engagement efforts with the goal of increasing the government-wide Engagement Index on the FY 2017 Federal Employee Viewpoint Survey to 67 percent. The Index is comprised of three sub-categories, including Leaders Lead, Supervisors, and Intrinsic Work Experience. The SBA established this measure in FY 2016. Historical data have been provided for context.									

#### FY 2017 Accomplishments and Challenges

The SBA has made progress to improve workforce effectiveness. Over 250 supervisors and managers were equipped with the tools and support needed to manage performance effectively to achieve high-quality results. The SBA disseminated guidance to help supervisors fulfill performance planning guidelines while addressing poor performance and conduct issues. Furthermore, SBA's strategies to improve its employee engagement index score are materializing and reflected in the Agency's upward trend with a 67 percent index score in FY 2017, an increase of 4 percentage points over the last fiscal year.

The SBA continued to focus on maintaining a high-performing workforce by updating policies and offering additional training to support accountability. The Agency updated the Discipline and Adverse Actions Standard Operating Procedure and Employee Dispute Resolution Standard Operating Procedure. More than 100 first-time supervisors across the Agency participated in supervisory training. More than 80 managers and supervisors attended a session on "Dealing with Poor Performance and Conduct Infractions" and approximately 40 percent of managers and supervisors accessed online course offerings on performance management through the Agency's new Managers' Advantage portal.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA will review, update, or create Agency policy, procedures and guidance on how to address or resolve performance issues and recognize outstanding performance. The strategies outlined in the Agency's Plan for Maximizing Employee Performance will guide the efforts and form the basis for the evaluation of those efforts in FY 2019.

The SBA will devise messaging and training for employees, managers, and supervisors that focuses on the desired outcome of ensuring accountability for performance. The SBA will implement through agency reform activities in FY 2018, and will evaluate and expand efforts throughout FY 2019 as a cornerstone of its customer satisfaction efforts.

In FY 2018, the SBA will implement mandatory, annual performance management training for the entire SBA workforce, and will evaluate and revise training as needed in FY 2019.

To improve managers' skills in managing employee performance, the SBA will continue to offer managers training on performance management through the Managers' Advantage Portal to include instructions on the performance management toolkit, and will implement a mentoring/coaching pilot program for new supervisors to include methods to address employee performance in FY 2018.

The SBA will also institute an Employee Relations/Labor Relations Case Management System to equip the Agency to better track performance issues, trends and comparator data, and to provide better reporting mechanisms. The SBA will submit a proposal for this system in FY 2018, with planned implementation in FY 2019.

The SBA will use the Conflict Resolution Center to identify and raise systemic issues to address underlying causes for conflict impacting the organization, and train employees and supervisors to increase conflict management competency.



To empower supervisors to deal with poor performers, the SBA, through OMB Memo M-17-22, will review whether policies create unnecessary barriers for addressing poor performance and take actions to remove steps not required in statute or regulation to streamline processes to the maximum extent.

The SBA will initiate a series of Agency-wide informal web-based human resources-centered open-forum discussions and learning opportunities called HR Cafes. These sessions will focus on various current and emerging HR topics, to include addressing conduct and discipline in the workplace, and will implement improvements in the Learning Management System/Performance Management System to support improved performance management.

## *Strategic Goal Four – Strengthen SBA’s Ability to Serve Small Businesses*

### **Strategic Objective 4.3: Implement Enterprise-wide Information System Modernization and Cost-effective Technology**

**Performance Goal:** Increase IT cost savings/avoidance through the streamlining of contracting, category management, and Cloud computing to \$10.8 million in FY 2019

**Objective Lead:** Chief Information Officer

**Most Serious Management and Performance Challenge 2:** SBA’s IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges

**Programs/Activities:** Information Systems, Technology, Digital Services, Information Security  
**Strategies:**

1. Provide the balance between stable, secure, well-run operations and innovative new strategic contributions
2. Drive value and focus on the consistent use of information and technology as strategic business assets
3. Mature SBA’s approach to IT governance to ensure the best possible technology decisions to effectively drive results
4. Improve IT organizational and workforce functions through workforce planning and competency development

The use of information and technology are vital to the success of the SBA and its programs. A reliable, secure, high-performing computing environment is necessary to enable SBA’s program offices to efficiently and effectively deliver on its goals. As technology develops, organizations can modernize to become more streamlined and agile. With new platforms, data can be leveraged to make informed decisions and achieve cost savings.

To support SBA information systems, technology, and data, the Office of the Chief Information Officer (OCIO) provides oversight of information technology and delivers cost-effective technology solutions that reduce duplication of products and services. SBA’s OCIO will collaborate with business owners and stakeholders to identify enterprise-wide business objectives and priorities and jointly develop solutions that ensure an optimal return on investments.

**Progress Update:** The overall satisfaction with information technology remains a key challenge as current infrastructure ages and requires updating. To mitigate these challenges, the SBA hired a new Chief Information Officer (CIO), Deputy Chief Information Officer, Chief Technology Officer, Chief Information Security Officer, and other key positions, which reduced its 30 percent vacancy rate by half. The SBA is executing a vision for the future of information technology in the Agency that will ensure a reliable, secure, and high-performing computing environment necessary to enable the SBA to efficiently and effectively deliver on its goals. The Agency made investments in an enterprise-modernization effort which included: upgrading 40 percent of the LAN/WAN circuits from copper to fiber; stabilizing the primary data center; decommissioning 200 servers; updating all servers to supported operating systems and patch levels; developing and implementing Cloud architecture; creating and implementing the Cloud migration; and standardizing software applications. New capabilities were introduced and a pilot migration to Windows 10 and Office 2016 was completed. The combined modernization activities



decreased cybersecurity related vulnerabilities, stabilized SBA's technology footprint, and laid the foundation for future enterprise plans.

**Most Serious Management and Performance Challenges:** The SBA Inspector General annually reports on the Most Serious Management and Performance Challenges facing programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The challenges are not presented in order of priority.<sup>23</sup> The SBA has addressed the actions for each challenge this year and the completion date represents when recommendations will be closed.

**Figure 4.3: Most Serious Management and Performance Challenge 2**

<b>Challenge 2: SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges</b>	
<b>Recommended Actions</b>	<b>Completion Date</b>
<p>1. Establish an OCIO human resource planning process that allows full deployment of FITARA.</p> <p>2017 Achievements: The OCIO launched an initiative with the Office of Human Resources Solutions (OHRS) to develop a Strategic IT Workforce Plan. When completed, this plan will identify the Agency's IT capability needs, develop a holistic approach to determine IT personnel requirements, and lay out a plan of action to satisfy these requirements. In addition, the OCIO submitted and received congressional approval for its reorganization plan to align SBA's Digital Services Team under the OCIO.</p>	April 30, 2018
<p>2. The OCIO performs independent oversight of IT investments consistent with guidance.</p> <p>2017 Achievements: The OCIO conducted institutional review boards for major projects, including certify.sba.gov, Small Business Innovation Research (SBIR), Capital Access Financial Systems (CAFS), and Infrastructure investments. The OCIO held a TechStat on the certify.sba.gov investment to address program risk. Specific contractual and roadmap-related issues are being tracked as action items as a result of the TechStat, and the Investment Review Board (IRB) approved funding to proceed to the next phase. Further, the OCIO reviewed and approved 14 major IT acquisitions submitted by SBA program offices. This is a direct result of an updated SBA policy specifying OCIO approvals for all new IT contracts. This resulted in reducing duplicative and noncompatible technologies and services, which aligns with SBA's technology standards and strategic direction.</p>	September 30, 2018

<sup>23</sup> For more information on the Management Challenges, visit [www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017](http://www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2017).

<p>3. The OCIO facilitates enterprise architecture and demonstrates accountability for IT investments.</p> <p>2017 Achievements: The OCIO hired a Chief Technology Officer (CTO) to lead a strategic approach to technology, drive innovation, and take an enterprise approach to technology at the SBA. Under the CTO's leadership, the OCIO has developed close partnerships with many program offices to facilitate the use of common tools and solutions. The functions of the Chief Architect, the OCIO Chief Architect, data, geospatial, and Section 508 have been realigned under the Office of the CTO. This office has since produced SBA's Enterprise Technology Roadmap to address stabilization and modernization, and an Enterprise Data Roadmap to better manage and use the Agency's data.</p>	<p>September 30, 2018</p>
<p>4. The OCIO establishes and implements Information Security and Continuous Monitoring practices, and policies and standards to ensure ongoing effectiveness of information systems.</p> <p>2017 Achievements: The OCIO has undertaken numerous steps to achieve this objective. Notably, the OCIO has achieved concurrence of and alignment with program offices on an enterprise Continuous Diagnostic and Monitoring (CDM) deployment model, and has initiated CDM Phase I (Endpoint Protection) implementation in a Cloud environment, making the SBA the first Federal agency to implement CDM in the Cloud. The OCIO has also completed planning for CDM Phase III (Boundary Protection &amp; Event Management of Security Lifecycle). The SBA has filled most of its vacant cybersecurity positions, including the hiring of a new Chief Information Security Officer (CISO). The OCIO co-located the Security Operations and Network Operations Centers, which resulted in improved communications and a better alignment of roles and responsibilities. The OCIO also updated the SBA Security Policy (SOP 90 47 4), and designated the OCIO as SBA's Senior Accountable Official for Strengthening the Cyber Security of Federal Networks and Critical Infrastructure.</p>	<p>December 30, 2018</p>
<p>5. The OCIO maintains effective risk management practices to minimize vulnerabilities.</p> <p>2017 Achievements: In addition to the security risk management practices, the OCIO now centrally manages the formal assessment and authorization process for all SBA systems. As a result, all security and risk assessments are managed centrally through the Cybersecurity Security Assessment Management (CSAM) tool. Further, the OCIO leads vulnerability management at the enterprise level and reports enterprise vulnerability status on a weekly basis. The OCIO reduced vulnerabilities and improved SBA's security posture by successfully closing 16 of 39 Office Inspector General Federal Information Security Management Act (FISMA) audit findings.</p>	<p>December 30, 2018</p>

<p>6. The OCIO establishes Configuration Management and Identity and Access Management controls and procedures.</p> <p>2017 Achievements: The OCIO realigned the Enterprise Change Control Board (ECCB) activities under the IT Services Division, resulting in improved configuration management, issue and incident tracking and control, and timely deployment of patches to address vulnerabilities. The OCIO also formalized an ECCB policy to provide procedures for making configuration changes, including document-retention policies. In addition, the Office of Human Resources Solutions (OHRS) established a working group with the OCIO and other key stakeholders to develop and implement processes and procedures to define account provisioning and de-provisioning. The OCIO designated all servers, computers, and other technologies be based upon Defense Information Systems Agency's (DISA's) Security Technical Implementation Guides (STIGs) modified for the SBA environment. This provides the SBA with a proven baseline methodology for most computer technologies.</p>	<p>September 30, 2018</p>
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***Strategy 1: Provide the balance between stable, secure, well-run operations and innovative new strategic contributions***

The SBA will take an enterprise approach to modernize, innovate, and test new capabilities to better meet the business needs of its customers. The Agency's information technology infrastructure is the foundation that enables SBA programs and operations. Delivering a consistent, reliable, and secure infrastructure is imperative to achieve the Agency's mission. The SBA will upgrade its core infrastructure to become current with existing technologies and will improve the reliability and availability of services that improve the Agency's security posture.

Table 4.3a is a new efficiency metric tracking the cost savings and avoidance for IT.

**Table 4.3a: Information Technology Cost Savings and Avoidance Performance Goal**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
IT Cost Savings/Avoidance (Millions)	Target	N/A	N/A	N/A	N/A	N/A	N/A	10.5	10.8
	Actual	N/A	N/A	N/A	N/A	N/A	8.3		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		
<b>Additional Information:</b> The metric reports the cumulative (FY 2017–FY2019) cost savings/avoidance related to OMB initiatives such as DCOI, commodity IT, the Cloud, software license management, and PortfolioStat. <sup>[1]</sup>									

<sup>[1]</sup> Data are reported via Integrated Data Collection (IDC) Quarterly Submission.

Table 4.3b provides the IT performance indicator that tracks security incidents reported to the United States Computer Emergency Readiness Team (US CERT) within specified timeframes. This measure is retiring in FY 2017 due to redirected priorities.

**Table 4.3b: Security Incidents Reported to US-CERT Performance Indicator**

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>Percent of Security Incidents Reported to US-CERT Within Specified Timeframes</b>	<b>Target</b>	100%	100%	100%	100%	100%	100%	N/A	N/A
	<b>Actual</b>	100%	100%	100%	100%	100%	100%		
	<b>Variance</b>	0%	0%	0%	0%	0%	0%		
<b>Additional Information:</b> The metric reports the percentage of the total number of incidents reported to US-CERT within the mandatory timeframe. This measure is retiring due to redirected Administration priorities.									

#### FY 2017 Accomplishments and Challenges

In FY 2017, the SBA undertook a Headquarters Data Center Consolidation project, which resulted in the decommissioning of nearly 200 servers and network equipment and reduced power consumption for the Headquarters Data Center. The OCIO made the decision that no new hardware, including servers or storage arrays, would be purchased or installed in the data center as part of the Agency's move to the Cloud.

The SBA was the first federal agency to deploy CDM in the Cloud, saving the Agency approximately \$250,000 in hardware costs. The SBA also completed its migration to SharePoint Online for applications to be easily migrated. Assessment of other SharePoint applications and the migration off old Cold Fusion platforms are currently underway.

The SBA also closed 15 of 45 open OIG audit recommendations, many of which were 3 to 6 years overdue.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA will continue migrating applications to the Cloud and support the SBA program offices in the transition. Additional development and updates to the SBA Enterprise Technology Roadmap will continue. As a means of customer support, the OCIO will actively engage with program offices to use the Architecture Review Board processes, and provide guidance to programs for the alignment with SBA's enterprise architecture consistent with the guidance provided by the Federal Enterprise Architecture Framework, the Office of Management and Budget (OMB), and the Government Accountability Office (GAO).

### ***Strategy 2: Drive value and focus on the consistent use of information and technology as strategic business assets***

The SBA recognizes an increased need for IT functions within the organization to better collaborate and identify efficiencies. The Agency will eliminate duplicative products and services, and combine multiple instances into enterprise architecture to achieve greater efficiency. Through IT management, enterprise data management, and shared government services, the SBA will achieve a greater ability to meet its customer needs. To better serve the workforce, the SBA will upgrade technology and promote agile methodologies for all software development projects. These features will allow the SBA to create greater

communication, collaboration, and responsiveness to customer-driven deadlines and provide opportunities for a greater return on investment.

#### FY 2017 Accomplishments and Challenges

In FY 2017, all software and license requisitions were reviewed and evaluated for reduction or elimination based on duplication or the necessity of moving to the Cloud and deploying existing enterprise productivity tools. The SBA completed Microsoft Azure Cloud and Microsoft Office 365 Cloud architecture and initiated migration activities. The Chief Information Officer (CIO) launched a new steering committee, the Business Technology Council (BTC), which focuses on strategic enterprise planning for mission systems.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA will deploy a standard Windows 10 and Office 2016 image across SBA that aligns with the baseline configurations. This update will address configuration-management and risk-management issues with the current nonstandard deployment of Windows 7 and Office 2010. In FY 2018, the SBA will also complete the Technology Business Management, Virtual Counseling, and Customer Relationship Management pilots and develop a roadmap for enterprise-wide implementation. In accordance with the Defense Information Systems Agency (DISA) Security Technical Implementation Guides (STIGs) requirements, the SBA will update end user devices' baseline configuration standards. Monthly compliance checks of the end user devices against the SBA DISA baseline will inform decisions to remediate any deviations.

### ***Strategy 3: Mature SBA's approach to IT governance to ensure the best possible technology decisions to effectively drive results***

The SBA will mature governance of its investments. The Agency will involve all stakeholders to drive mission alignment, set priorities for technology spending, and ensure integration with enterprise-wide processes. The SBA will identify cost savings and use its investment oversight framework to demonstrate accountability. Developing and implementing an enterprise-wide customer-relationship management solution will be a key initiative that will require collaboration across program offices. As a result, interactions with entrepreneurs and small businesses will greatly improve. The SBA will identify SBA IT acquisition cost savings opportunities with the full implementation of FITARA.

#### FY 2017 Accomplishments and Challenges

The CIO had an active role on SBA's governance boards, specifically as the co-chair of the IRB. There was active participation from key program stakeholders. Further maturity is needed to ensure all stakeholders are actively involved to drive mission alignment, set priorities for IT spending and investment, and ensure integration with enterprise-wide processes for strategic planning, requirements development, programming, budgeting, acquisition, and execution (IT management life-cycle). The SBA reviewed all IT acquisitions to ensure alignment with Agency objectives and enterprise architecture, eliminate duplication, and reduce costs.

#### FY 2018 and FY 2019 Planned Performance

In FY 2018, the SBA will improve the strategic vision and alignment for performance measurement and monitoring. The OCIO will provide guidance to programs for the development and maintenance of enterprise architecture consistent with the guidance provided by the Federal

Enterprise Architecture Framework, the OMB, and the GAO. Enterprise-wide credit risk management solutions and implementation activities will be addressed.

In FY 2019, the OCIO will continue to improve portfolio strategies and the performance of related programs, and will create program requirements and metrics. The SBA will focus on a subset of business outcomes and drive actions that use enterprise architecture to deliver business value and inform the governance process.

***Strategy 4: Improve IT organizational and workforce functions through workforce planning and competency development***

The SBA will adequately prepare its staff to provide solutions for the Agency's programs. All information technology personnel, including security, infrastructure, and operations, will maintain their relevance as technology evolves. SBA's information technology staff will design and deliver solutions that leverage Cloud architecture. The CIO will partner with the Chief Human Capital Officer to collect capability requirements, develop a holistic approach to determine personnel requirements, and develop a competency and workforce plan around information technology. As part of its FITARA Implementation Plan, the SBA is committed to developing a set of competency requirements, as well as developing and maintaining an IT workforce planning process.

**FY 2017 Accomplishments and Challenges**

The OCIO, in collaboration with the Office of Human Resources Solutions (OHRS), developed a task order and prepared an acquisition that developed a Strategic IT Workforce Plan, completed the OCIO reorganization plan to align the Digital Services Team under the CIO, and launched a new intranet portal to improve information sharing.

**FY 2018 and FY 2019 Planned Performance**

In FY 2018, the OCIO will complete the evaluation of the workforce analysis and create an implementation plan for FY 2019. This plan will complete a horizontal integration to ensure the proper level of involvement by all stakeholders in the development and use of the IT workforce, competencies models, and critical elements definitions.

In FY 2019, OCIO and OHRS will execute the IT Workforce Plan, and improve maturity such that SBA IT professionals have a clear view of the skills and experience needed to perform their assigned duties. The OCIO will use competency models to make informed leadership-hiring decisions, organizational alignments, and develop and sustain an IT workforce that has mission-critical competencies for recruitment and professional development.

