U.S. Small Business Administration

FY 2019 Congressional Justification
and
FY 2017 Annual Performance Report

Performance Budget — Performance Report

Table of Contents

FY 2018 – FY 2022 Strategic Plan Goals and Objectives

Strategic Goal One – Support Small Business Revenue and Job Growth

Strategic Goal One has three Strategic Objectives:

1.1 – Expand Access to Capital

1.2 – Help Small Business Exporters Succeed in Global Markets

1.3 – Ensure Federal Contract and Innovation Set-aside Goals are Met and/or Exceeded

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

Strategic Goal Two has three Strategic Objectives:

2.1 – Develop Small Businesses through Technical Assistance

2.2 – Build Healthy Entrepreneurial Ecosystems

2.3 – Create a Small Business Friendly Environment

Strategic Goal Three – Restore Small Businesses and Communities after Disasters

Strategic Goal Three has one Strategic Objective:

3.1 – Deploy Disaster Assistance Effectively and Efficiently

Strategic Goal Four – Strengthen SBA's Ability to Serve Small Businesses

Strategic Goal Four has three Strategic Objectives:

4.1 – Ensure Effective and Efficient Management of Agency Resources

4.2 – Build a High-Performing Workforce

4.3 – Implement Enterprise-wide Information System Modernization and Cost-effective Technology

Overview of Budget Request

President Trump has underscored job creation and economic growth as pillars of his Administration, and the U.S. Small Business Administration (SBA) is uniquely positioned to support his priorities through programs that champion small business creation and growth. Respecting the President's promise to be a responsible steward of taxpayer dollars, the SBA is committed to exercising its role as efficiently and effectively as possible.

The SBA provides tools and resources critical to the success of America's 30 million small businesses. These businesses account for more than 56 million jobs and create two out of three net new private sector jobs in the U.S. each year. More than half of all Americans either work for or own a small business. The SBA works to ensure more Americans have the opportunity to start, scale, and succeed in businesses of their own. To modernize the SBA, the Administration will reimagine processes to meet the needs of today's entrepreneurs.

Entrepreneurs at every stage of their businesses' growth cycle can benefit from the work of the SBA. To provide support, the SBA uses "three Cs and a D"— capital, contracting, counseling, and disaster assistance — to aid small businesses whether they are starting up, expanding, or getting through a tough time. Resource partners like Small Business Development Centers, Veterans Business Outreach Centers, SCORE, and Women's Business Centers offer counseling and training geared to each constituency's specific needs. SBA's lending partners provide financing solutions for businesses in need of capital — from microloans aimed at strengthening the smallest of small businesses to the signature 7(a) and 504 loans aimed at helping businesses operate, purchase equipment or refinance fixed assets. The SBA will promote new tools, like online lending, to help more business owners in America access capital. The SBA also continues to provide support to high-growth small businesses through the Small Business Investment Companies and Small Business Innovation Research programs and Small Business Technology Transfer Programs.

The SBA is committed to supporting and encouraging these emerging markets. The Agency supports training to small business owners on how to compete for government contracts, ensuring businesses owned by women, veterans, minorities, and businesses located in socially and economically disadvantaged communities have equal opportunity for success. The 8(a) Business Development program offers a broad scope of assistance to firms that are owned and controlled at least 51 percent by socially and economically disadvantaged individuals. The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. The SBA uses training, mentoring, and educational tools to not only help small businesses owners understand government contracting programs, but to also access federal contracting dollars.

The SBA assists business owners, homeowners, renters, and nonprofits recovering from declared disasters. With the aftermath of Hurricanes Harvey, Irma, and Maria, the SBA will continue to streamline and improve disaster assistance. It is vital to get businesses and communities up and running after disasters.

The SBA also works to help small businesses expand their markets through exports. Today, 96 percent of all consumers—and over three-quarters of the world's purchasing power— exist outside the United States. The growth in the middle class globally is showing rapid increases in purchasing power, yet only about 1 percent of America's small businesses are selling to them. The SBA offers specific programs—Export Express, Export Working Capital and International Trade Loans—to provide financing solutions to small businesses that want to reach the global market. Through counseling and training assistance provided through U.S. Export Assistance Centers and State Trade Expansion Promotion grants, the SBA provides support through various channels to ensure that small businesses have access to exporting markets.

As the SBA continues to promote initiatives that best serve its constituencies, SBA's senior leadership is carefully analyzing all programs to ensure they are still delivering the results for which they were created. The SBA is working to promote efficiency by responsibly eliminating redundant programs and redirecting SBA programs that are more appropriately delivered by the private sector. The SBA will also focus on ensuring the effectiveness of existing programs by providing them the resources they need to be successful.

Our nation's entrepreneurs are innovators who take a risk on an idea, invest in their communities, and create jobs. Their skills and creativity not only support their own families, but they also make our neighborhoods vibrant places to live and work and fuel our nation's economic strength. Through SBA's FY 2019 budget request, the Agency reaffirms its commitment to supporting job growth and ensuring America remains competitive in an increasingly global economy.

This FY 2019 budget request reflects SBA's mission to serve our nation's entrepreneurs, both in their communities and online. This requires modern technology to ensure information is available to all sectors of the population, especially those in emerging markets for whom resources may be otherwise difficult to access. The SBA will provide excellent customer service, expand access to affordable loans through lending partners, and ensure taxpayers are receiving value for their investment. The Agency will also expand its reach, ensuring more people are aware of the skills and services delivered by its dedicated workforce and partners. The SBA will also build awareness of its programs through social media and other avenues. As more people learn about the services the SBA provides, a spirit of entrepreneurship will be revitalized in our country and more people will have the confidence, skills, and resources they need to succeed as small business owners.

To support this mission, SBA's total budget request for FY 2019 is $834 million in new budget authority. Of this amount, $265 million is for salaries and expenses and $192.5 million is for entrepreneurial development programs. The SBA will implement counter-cyclical policies in SBA's business guarantee loan programs and update fee structures to offset $155 million in business loan administration. The SBA will continue to provide fee relief on SBA Express loans to veteran lenders. The SBA requests $186.5 million for administering loans to survivors of disasters of which $159 million is dedicated to those defined by the Stafford Act.

The FY 2019 Budget is crafted around the Agency's newly developed *FY 2018–2022 Strategic Plan* that contains four strategic goals and ten strategic objectives. These newly developed goals and objectives will better focus Administrator McMahon's priorities to ensure an effective, efficient, and accountable SBA.

Mission Statement

Maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters.

Goal 1

Support small business revenue and job growth

- **1.1** Expand access to capital
- **1.2** Help small business exporters succeed in global markets
- **1.3** Ensure federal contract and innovation set-aside goals are met and/or exceeded

Goal 2

Build healthy entrepreneurial ecosystems and create business friendly environments

- **2.1** Develop small businesses through technical assistance
- **2.2** Build healthy entrepreneurial ecosystems
- **2.3** Create a small business friendly environment

Goal 3

Restore small businesses and communities after disasters

- **3.1** Deploy disaster assistance effectively and efficiently

Goal 4

Strengthen SBA's ability to serve small businesses

- **4.1** Ensure effective and efficient management of Agency resources
- **4.2** Build a high-performing workforce
- **4.3** Implement enterprise-wide information system modernization and cost-effective technology

Understanding the Budget Tables

This budget request is being submitted in accordance with the FY 2019 budget guidance memoranda from the Office of Management and Budget. A full-year 2018 appropriation was not enacted at the time the FY 2019 Budget was prepared; therefore, the amounts included for FY 2018 reflect the annualized levels provided by the continuing resolution.

Table 1 – Summary of New Budget Authority

This table reflects the gross amount of new funding appropriated by Congress in FY 2017, the FY 2018 Annualized Continuing Resolution, and the FY 2019 requested funding. New budget authority is different from total funding in that it excludes funds carried over annually and other sources of funding, such as fees and reimbursable expenses.

- *Gross New Budget Authority* is the amount appropriated by Congress.
- *Salaries and Expenses*, *Entrepreneurial Development programs*, *Business Loan program*, *Disaster Loan program*, *Inspector General*, *Office of Advocacy,* and *Surety Bond Guarantee* are the seven appropriation accounts for the SBA.

This table can be cross-referenced with Tables 2 and 7, as discussed below.

Tables 2–5 – Salaries and Expenses Budget

The top portion of Table 2 shows the sources of funds for the Salaries and Expenses Budget first by appropriation from Table 1 and then supplemented by other sources. The bottom portion of Table 2 identifies the major expenditures of the Salaries and Expenses Budget as follows:

- *Office Operating Budgets* (**Table 3**). These are the funds that program and administrative offices directly manage for daily operations, e.g., travel, supplies, and contracted services.
- *Agency-wide Costs* (**Table 4**). These are costs such as rent and telecommunications, which are managed centrally by the Agency.
- *Compensation and Benefits.* All Compensation and Benefits for the SBA are managed centrally. The Full Time Equivalents (FTEs) supported by Compensation and Benefits appear in **Table 9**, in addition to the FTEs that support Disaster, the Inspector General, the Office of Advocacy, and Line Item Initiatives.
- *Reimbursable Expenses*. These are programs for which the SBA receives reimbursable budget authority from other Federal Government agencies.

Summary of Changes in the Agency Operating Budget (**Table 5**) is a reconciliation of the amounts needed for the Salaries and Expenses operating budget shown in Table 2. The Summary of Changes section shows the major reasons for a requested increase or decrease in funding.

Table 6 – Entrepreneurial Development Programs

This table identifies the line items included in the Entrepreneurial Development programs account.

Table 7 – Sources of Funds: Appropriation Detail

This table shows the detail for all of the appropriation accounts. The Disaster Assistance and Business Loans programs accounts include additional detail regarding the administrative and loan program components. The Business Loan administrative account and a portion of the Disaster administrative account are transferred to and combined with the Salaries and Expenses account to cover the administrative cost of operating those programs.

Table 8 – Summary of Credit Programs and Revolving Fund

This table summarizes all credit programs (plus the Surety Bond Guarantee program, a revolving fund). Credit program activity is displayed by total program level, subsidy amount, and subsidy rate for each fiscal year.

Table 9 – Full Time Equivalent Employees

This table shows the number of Full Time Equivalent (FTE) employees by fiscal year and major program activity. FTE is different from positions or headcount in that it is calculated by the number of employee hours worked during the fiscal year.

Table 10 – Total Cost by Program and Activity

This table displays the full cost for administering each of SBA's major programs and services. This includes direct costs from the operating budget plus compensation and benefits, Agency-wide costs (such as rent and telecommunications), and indirect costs such as Agency overhead (e.g., financial management). This information varies from Table 3, which shows the direct operating budget costs for major program offices. It also differs from Table 6, which shows the total amount for the entrepreneurial development programs but excludes administrative direct, indirect, and overhead costs. The costs presented in Table 10 are used in the performance tables that are included in the Performance Budget. Table 10 does not include subsidy budget authority for business and disaster loan programs or the appropriation for surety bond guarantee.

Budget Tables

Table 1
FY 2019 Congressional Budget Justification
Summary of New Budget Authority
(Dollars in Thousands)

	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Gross New Budget Authority				
Salaries and Expenses	$ 269,500	$ 267,670	$ 265,000	$ (2,670)
Entrepreneurial Development Programs	$ 245,100	$ 243,436	$ 192,450	$ (50,986)
Business Loan Program				
Administration	$ 152,726	$ 151,689	$ 155,150	$ 3,461
Loan Subsidy	$ 4,338	$ 4,309	$ 4,000	$ (309)
Business Loan Program - Total	$ 157,064	$ 155,998	$ 159,150	$ 3,152
Disaster Loan Program[1]				
Administration - Stafford Act Disaster	$ 158,829	$ 157,750	$ 158,829	$ 1,079
Administration - Non-Stafford Act Disaster	$ 27,148	$ 26,964	$ 27,629	$ 665
Administration - Total	$ 185,977	$ 184,714	$ 186,458	$ 1,744
Inspector General	$ 19,900	$ 19,765	$ 21,900	$ 2,135
Office of Advocacy	$ 9,220	$ 9,157	$ 9,120	$ (37)
Surety Bond Guarantee	$ -	$ -	$ -	$ -
Total, Gross New Budget Authority, Excluding Stafford Act Disaster Funding	$ 727,932	$ 722,989	$ 675,249	$ (47,740)
Total, Gross New Budget Authority, Including Stafford Act Disaster Funding	$ 886,761	$ 880,739	$ 834,078	$ (46,661)
Rescission of Prior Year Unobligated Subsidy Balances	$ (55,000)	$ -	$ (50,000)	$ (50,000)
Negative Subsidy Receipts	$ -	$ -	$ (155,150)	$ (155,150)
Total, Net Budget Authority	$ 831,761	$ 880,739	$ 628,928	$ (251,811)

[1] The request for Stafford Act Disaster administrative expenses is provided under the disaster relief cap adjustment authorized in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011. These funds will be used for administrative expenses resulting from major disasters pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. While the appropriation bill does not show the split between Stafford and Non-Stafford, SBA displayed the breakdown for comparative purposes.

Table 2
FY 2019 Congressional Budget Justification
Salaries & Expenses Budget
Sources and Expenditures
(Dollars in Thousands)

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
SOURCES: Salaries & Expenses Budget				
Salaries and Expenses Appropriation	$ 269,500	$ 267,670	$ 265,000	$ (2,670)
Transfer to Entrepreneurial Development Programs Appropriation	$ -	$ -	$ -	$ -
Business Loan Administration Appropriation	$ 152,726	$ 151,689	$ 155,150	$ 3,461
Subtotal, Appropriated Funds	$ 422,226	$ 419,359	$ 420,150	$ 791
Transfer from Disaster Loans	$ 9,000	$ 8,939	$ 9,000	$ 61
Carryover	$ (10,384)	$ -	$ -	$ -
Reimbursable Expenses	$ 2,535	$ 700	$ 700	$ -
Estimated Fee Income	$ 18,986	$ 19,100	$ 19,100	$ -
Recoveries and Unobligated Balances	$ (2,178)	$ -	$ -	$ -
Business Transfer	$ 304	$ 302	$ 280	$ (22)
Total Sources of Funds	$ 440,489	$ 448,400	$ 449,230	$ 830
EXPENDITURES: Salaries & Expenses Budget				
Office Operating Budgets	$ 115,898	$ 98,024	$ 90,584	$ (7,440)
Agency-Wide Costs	$ 55,609	$ 65,719	$ 66,044	$ 325
Compensation and Benefits	$ 266,447	$ 283,957	$ 291,902	$ 7,945
Subtotal, Agency Operating Budget	$ 437,954	$ 447,700	$ 448,530	$ 830
Additional Operating Expenses				
Reimbursable Expenses	$ 2,535	$ 700	$ 700	$ -
Total Expenditures of Funds	$ 440,489	$ 448,400	$ 449,230	$ 830

Table 3
FY 2019 Congressional Budget Justification
Office Operating Budgets
(Dollars in Thousands)

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Executive Direction[1]	$ 18,838	$ 17,858	$ 16,466	$ (1,392)
Capital Access	$ 9,100	$ 8,128	$ 7,849	$ (279)
Credit Risk Management	$ 22,458	$ 21,861	$ 20,992	$ (869)
Investments & Innovation	$ 8,232	$ 4,969	$ 2,449	$ (2,520)
Government Contracting & Business Development	$ 7,085	$ 4,198	$ 3,170	$ (1,028)
Entrepreneurial Development	$ 1,141	$ 1,242	$ 1,201	$ (41)
Chief Operating Officer[2]	$ 10,687	$ 8,144	$ 7,877	$ (269)
Chief Information Officer	$ 32,855	$ 25,823	$ 24,975	$ (848)
International Trade	$ 537	$ 621	$ 600	$ (21)
Office of Business & Economic Development[3]	$ 4,662	$ 4,842	$ 4,683	$ (159)
Office of Veterans Business Development[4]	$ 303	$ 338	$ 322	$ (16)
Total	$ 115,898	$ 98,024	$ 90,584	$ (7,440)

[1] Executive Direction includes the Office of the Administrator, Office of General Counsel, Office of Government Relations, Office of Hearings & Appeals, Office of Marketing and Communications, Office of Performance Management & Chief Financial Officer, and Office of the Ombudsman.

[2] Chief Operating Officer includes the Office of Human Resource Solution, Office of Diversity, Inclusion and Civil Rights, Office of Continuous Operations and Risk Management, and Office of Executive Management, Installation and Support Services.

[3] Reflects name change of "Regional and District Offices" to "Office of Business & Economic Development." FY 2017 Actuals and FY 2018 Annualized CR reflects a realignment and consolidation of the Field Operations line item from Executive Direction to previously labeled "Regional and District Offices."

[4] Reflects realignment of the Office of Veterans Business Development from Executive Direction.

Table 4
FY 2019 Congressional Budget Justification
Agency-wide Costs
(Dollars in Thousands)

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Arbitration/Conflict Resolution	$ 24	$ 149	$ 150	$ 1
Express Mail	$ 260	$ 442	$ 466	$ 24
Evidence/Evaluation	$ 500	$ 1,713	$ 1,725	$ 12
Centralized Training	$ 1,575	$ 2,843	$ 2,862	$ 19
Judgment Fund	$ 86	$ 793	$ 794	$ 1
Office Security	$ 4,067	$ 4,509	$ 4,730	$ 221
Performance Awards	$ 3,164	$ 2,225	$ 2,362	$ 137
Postage	$ 147	$ 376	$ 407	$ 31
Reasonable Accommodations	$ 42	$ 149	$ 156	$ 7
Relocation	$ 303	$ -	$ -	$ -
Rent	$ 36,354	$ 41,219	$ 41,500	$ 281
Telecommunications	$ 5,002	$ 6,494	$ 5,813	$ (681)
Transit Subsidy	$ 1,520	$ 2,788	$ 2,924	$ 136
Unemployment Compensation	$ 690	$ 211	$ 247	$ 36
Workers Compensation	$ 1,875	$ 1,808	$ 1,908	$ 100
Total	$ 55,609	$ 65,719	$ 66,044	$ 325

Table 5
FY 2019 Congressional Budget Justification
Summary of Changes – Agency Operating Budget
(Dollars in Thousands)

Agency Operating Budget	
FY 2018 Annualized CR	447,700
FY 2019 Request	448,530
Change - Increase/(Decrease)	**830**
Increase in mandatory salary and other pay adjustments	7,945
Increase in Agency Wide Costs	325
Decrease in Office Operating Budgets	(7,440)
Total Change - Increase/(Decrease)	**830**

Table 6
FY 2019 Congressional Budget Justification
Entrepreneurial Development Programs
(Dollars in Thousands)

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
7(j) Technical Assistance Program	$ 1,796	$ 2,781	$ 2,800	$ 19
Entrepreneurship Education	$ 3,442	$ 9,932	$ 2,000	$ (7,932)
Growth Accelerators	$ -	$ 993	$ -	$ (993)
HUBZone Program	$ 2,792	$ 2,980	$ 2,500	$ (480)
Microloan Technical Assistance	$ 23,535	$ 30,789	$ 25,000	$ (5,789)
National Women's Business Council	$ 1,337	$ 1,490	$ 1,500	$ 10
Native American Outreach	$ 1,541	$ 1,986	$ 1,500	$ (486)
PRIME Technical Assistance	$ 4,700	$ 4,966	$ -	$ (4,966)
Regional Innovation Clusters	$ 3,259	$ 4,966	$ -	$ (4,966)
SCORE	$ 10,500	$ 10,429	$ 9,900	$ (529)
Small Business Development Centers (SBDC)	$ 126,532	$ 124,151	$ 110,000	$ (14,151)
State Trade Expansion Program (STEP)	$ 18,000	$ 17,878	$ 10,000	$ (7,878)
Veterans Outreach[1]	$ 12,572	$ 12,216	$ 11,250	$ (966)
Women's Business Centers (WBC)	$ 15,849	$ 17,879	$ 16,000	$ (1,879)
Total, Entrepreneurial Development Programs	$ 225,855	$ 243,436	$ 192,450	$ (50,986)

[1] Includes Funding for Veterans Business Outreach Centers (VBOC), Boots to Business, Veteran Women Igniting the Spirit of Entrepreneurship (VWISE), Entrepreneurship Bootcamp for Veterans with Disabilities (EBV) and Boots to Business: Reboot.

Table 7
FY 2019 Congressional Budget Justification
Sources of Funds: Appropriation Detail

(Dollars in Thousands)

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Salaries and Expenses Appropriation				
Net New Budget Authority	$ 269,500	$ 267,670	$ 265,000	$ (2,670)
Carryover from prior year	$ 49,758	$ 60,142	$ 60,142	$ -
Carryover into next fiscal year	$ (60,142)	$ (60,142)	$ (60,142)	$ -
Transfer from Business Loans	$ 152,726	$ 151,689	$ 155,150	$ 3,461
Transfer from Business Microloans	$ 304	$ 302	$ 280	$ (22)
Transfer from Disaster Loans	$ 9,000	$ 8,939	$ 9,000	$ 61
Reimbursable Expenses	$ 2,535	$ 700	$ 700	$ -
Estimated Fee Income (breakout italicized below)	$ 18,986	$ 19,100	$ 19,100	$ -
Office of Credit Risk Management (OCRM)	*$ 15,903*	*$ 15,600*	*$ 15,600*	$ -
Other Lending Fees	*$ 1,268*	*$ 1,500*	*$ 1,500*	
Office of Investment and Innovation (OII)	*$ 1,816*	*$ 2,000*	*$ 2,000*	$ -
Recoveries & Unobligated balances	$ (2,178)	$ -	$ -	$ -
Total Budget Authority	$ 440,489	$ 448,401	$ 449,230	$ 829
Entrepreneurial Development Program Appropriation				
Net New Budget Authority	$ 245,100	$ 243,436	$ 192,450	$ (50,986)
Transfer from Salaries & Expenses	$ -	$ -	$ -	$ -
Reimbursable Expenses	$ -	$ -	$ -	$ -
Carryover from prior year	$ 8,169	$ 29,482	$ 29,482	$ -
Carryover into next fiscal year	$ (29,482)	$ (29,482)	$ (29,482)	$ -
Recoveries & Unobligated balances	$ 2,068	$ -	$ -	$ -
Total Budget Authority	$ 225,855	$ 243,436	$ 192,450	$ (50,986)
Business Loans Appropriation				
Administrative Expenses				
New Budget Authority	$ 152,726	$ 151,689	$ 155,150	$ 3,461
Transfer to Salaries & Expenses	$ (152,726)	$ (151,689)	$ (155,150)	$ (3,461)
Total Budget Authority	$ -	$ -	$ -	$ -
Loan Subsidy				
New Budget Authority	$ 4,338	$ 4,309	$ 4,000	$ (309)
Carryover from prior fiscal year	$ 114,411	$ 67,209	$ 67,209	$ -
Carryover into next fiscal year	$ (67,209)	$ (67,209)	$ (17,209)	$ 50,000
Subsidy Cancellation	$ (55,000)	$ -	$ (50,000)	$ (50,000)
Transfer to Salaries & Expenses	$ (304)	$ (302)	$ (280)	$ 22
Recoveries, Reprogramming & Other Adjustments	$ 7,791	$ -	$ -	$ -
Total Budget Authority	$ 4,027	$ 4,007	$ 3,720	$ (287)
Disaster Assistance Appropriation				
Administrative Expenses				
New Budget Authority-Stafford Act	$ 158,829	$ 157,750	$ 158,829	$ 1,079
New Budget Authority-Non Stafford Act	$ 27,148	$ 26,964	$ 27,629	$ 665
New Budget Authority, Total	$ 185,977	$ 184,714	$ 186,458	$ 1,744
Carryover from prior fiscal year	$ 179,350	$ 328,642	$ 328,642	$ -
Transfer to Disaster Loan Subsidy	$ (910)		$ -	
Carryover into next fiscal year	$ (328,642)	$ (328,642)	$ (328,642)	$ -
Transfer from Disaster Loans	$ 200,000	$ -		$ -

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Recoveries & Other Adjustments	$ 10,896	$ -	$ -	$ -
Transfer to Inspector General	$ (1,000)	$ (993)	$ (1,000)	$ (7)
Transfer to Salaries & Expenses	$ (9,000)	$ (8,939)	$ (9,000)	$ (61)
Total Budget Authority	$ 236,671	$ 174,782	$ 176,458	$ 1,676
Loan Subsidy				
New Supplemental Budget Authority - Harvey/Irma	$ 450,000	$ -		$ -
Carryover from prior fiscal year	$ 568,105	$ 687,507	$ 589,567	$ (97,940)
Transfer from Disaster Admin Expenses	$ 910	$ -	$ -	$ -
Cancellation: Immediate/Expedited Disaster Assist. Prog.		$ -	$ -	$ -
Carryover into next fiscal year	$ (687,507)	$ (589,567)	$ (494,377)	$ 95,190
Transfer to Disaster Administration	$ (200,000)	$ -		$ -
Recoveries & Other Adjustments	$ 55,582	$ 40,000	$ 40,000	$ -
Total Budget Authority	$ 187,090	$ 137,940	$ 135,190	$ (2,750)
Inspector General Appropriation				
New Budget Authority	$ 19,900	$ 19,765	$ 21,900	$ 2,135
Carryover from prior fiscal year	$ 5,014	$ 4,118	$ 3,118	$ (1,000)
Carryover into next fiscal year	$ (4,118)	$ (3,118)	$ (2,118)	$ 1,000
Recoveries & Unobligated balances	$ (957)	$ -	$ -	$ -
Transfer from Disaster	$ 1,000	$ 993	$ 1,000	$ 7
Total Budget Authority	$ 20,839	$ 21,758	$ 23,900	$ 2,142
Office of Advocacy Appropriation				
New Budget Authority	$ 9,220	$ 9,157	$ 9,120	$ (37)
Carryover from prior fiscal year	$ 756	$ 1,972	$ 1,972	$ -
Carryover into next fiscal year	$ (1,972)	$ (1,972)	$ (1,972)	$ -
Recoveries & Other Adjustments	$ 109	$ -	$ -	$ -
Total Budget Authority	$ 8,113	$ 9,157	$ 9,120	$ (37)
Total Financing Available	$ 1,123,084	$ 1,039,480	$ 990,068	$ (49,412)

Table 8

FY 2019 Congressional Budget Justification

Summary of Credit Programs & Revolving Funds

(Dollars in Millions)

	PROGRAM LEVEL			SUBSIDY AMOUNT			SUBSIDY RATE		
	FY 2017 Actual	**FY 2018 Annualized CR**	**FY 2019 Request**	**FY 2017 Actual**	**FY 2018 Annualized CR**	**FY 2019 Request**	**FY 2017 Actual**	**FY 2018 Annualized CR**	**FY 2019 Request[1]**
Guarantied Business Loans									
Section 7(a) Guaranty	$ 24,012	$ 27,313	$ 30,000	$ -	$ -	$ (93.0)	0.00%	0.00%	-0.31%
Section 504 CDC Guaranty	$ 4,715	$ 7,449	$ 7,500	$ -	$ -	$ (32.3)	0.00%	0.00%	-0.43%
Section 504 Loan Refinancing	$ 271	$ 7,449	$ 1,000	$ -	$ -	$ (4.3)	0.00%	0.00%	-0.43%
SBIC - Debentures	$ 1,960	$ 3,973	$ 4,000	$ -	$ -	$ (20.8)	0.00%	0.00%	-0.52%
Total	$ 30,958	$ 46,184	$ 42,500	$ -	$ -	$ (150.4)			
Direct Business Loans									
Microloan Direct Program	$ 44	$ 44	$ 42	$ 4.3	$ 4.3	$ 4.0	9.08%	8.91%	8.77%
Total Business Loans	$ 31,002	$ 46,228	$ 42,542	$ 4.3	$ 4.3	$ (146.4)			
Secondary Market Guaranties	$ 9,301	$ 12,000	$ 12,000	$ -	$ -	$ (4.8)	0.00%	0.00%	-0.04%
Disaster Assistance	$ 1,297	$ 1,600	$ 1,100	$ -	$ -	$ -	14.42%	12.54%	12.29%
Surety Bond Guarantee Program	$ 1,392	$ 6,000	$ 6,000	$ -	$ -	$ -	N/A	N/A	N/A

Note: Immediate Disaster Assistance Program/Expedited Disaster Assistance Program levels are supported by subsidy funds carried over from prior years. As a result, they have been removed from the table because funds are not being requested.

[1] The SBA will implement counter-cyclical policies in SBA's Guaranty Loan Programs and update fee structures to offset $155 million in business loan administration.

Table 9
FY 2019 Congressional Budget Justification
Full Time Equivalent (FTE) Employees

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Regular Funds	1,935	2,155	2,100	(55)
Lender Oversight (Fee Funded)	-	-	9	9
Entrepreneurial Development Programs	24	25	25	-
Sub-Total, Regular S&E	1,959	2,180	2,134	(46)
Disaster Loan Making	1,168	800	800	-
Disaster Loan Servicing	143	160	160	-
Sub-Total, Disaster	1,311	960	960	-
Office of Advocacy	44	52	52	-
Inspector General	101	107	114	7
Total	3,415	3,299	3,260	(39)

Table 10
FY 2019 Congressional Budget Justification
Total Cost by Program and Activity
(Dollars in Thousands)

	FY 2017 Actual		FY 2018 Annualized CR		FY 2019 Request		FY 2019 Incr/Decr	
Capital Programs								
7(a) Loans								
Loan Making	$	62,992	$	62,664	$	64,949	$	2,285
Loan Servicing	$	4,053	$	3,992	$	4,128	$	137
Loan Liquidation	$	15,127	$	14,930	$	15,449	$	519
Subtotal	$	82,173	$	81,585	$	84,526	$	2,941
504 Loans								
Loan Making	$	20,572	$	20,378	$	21,103	$	724
Loan Servicing	$	3,268	$	3,218	$	3,328	$	110
Loan Liquidation	$	6,836	$	6,732	$	6,962	$	231
Subtotal	$	30,676	$	30,328	$	31,393	$	1,065
Microloans								
Loan Making	$	3,182	$	3,151	$	3,285	$	134
Loan Servicing	$	660	$	649	$	676	$	26
Loan Liquidation	$	187	$	183	$	190	$	7
Microloan Technical Assistance	$	33,188	$	43,677	$	37,518	$	(6,158)
Subtotal	$	37,217	$	47,660	$	41,670	$	(5,991)
Prime Technical Assistance	$	6,689	$	7,097	$	-	$	(7,097)
Surety Bond GuaranteeProgram	$	3,947	$	3,876	$	4,004	$	129
Intermediary Lending Pilot Program	$	-	$	-	$	-	$	-
Lender Oversight	$	36,937	$	36,409	$	36,596	$	187
Contracting Programs								
7(J) Program	$	3,081	$	4,428	$	4,622	$	193
8(A) Program	$	54,099	$	52,149	$	53,297	$	1,148
HUBZone Program	$	9,967	$	9,907	$	9,470	$	(437)
Prime Contracting Assistance	$	16,636	$	15,922	$	16,228	$	306
Women's Business Program	$	1,541	$	1,481	$	1,511	$	31
Subcontracting Program	$	4,852	$	4,657	$	4,752	$	95
Subtotal	$	90,177	$	88,543	$	89,879	$	1,336
Entrepreneurship Programs								
SCORE	$	17,555	$	17,292	$	17,210	$	(82)
Small Business Development Centers	$	180,143	$	178,346	$	165,285	$	(13,061)
Native American Outreach	$	2,623	$	3,248	$	2,688	$	(560)
Women's Business Ownership	$	26,570	$	29,565	$	28,048	$	(1,517)
Entrepreneurial Development Clusters								
Entrepreneurship Education	$	13,222	$	24,482	$	7,229	$	(17,253)
Subtotal	$	240,114	$	252,933	$	220,460	$	(32,473)

	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
Export Programs				
International Trade Promotion	$ 11,451	$ 11,640	$ 12,066	$ 426
STEP Program	$ 25,155	$ 25,195	$ 15,059	$ (10,136)
Subtotal	$ 36,606	$ 36,835	$ 27,125	$ (9,710)
Investment Programs				
SBIC Loans				
Loan Making	$ 7,219	$ 5,904	$ 6,397	$ 493
Loan Servicing	$ 10,988	$ 9,475	$ 10,122	$ 647
Loan Liquidation	$ 5,034	$ 4,186	$ 4,519	$ 333
Subtotal	$ 23,241	$ 19,565	$ 21,037	$ 1,473
SBIR/STTR Programs	$ 8,522	$ 5,573	$ 1,587	$ (3,986)
Growth Accelerators	$ -	$ 1,348	$ -	$ (1,348)
Disaster Assistance Program				
Loan Making - Disaster	$ 210,590	$ 163,130	$ 164,672	$ 1,542
Loan Servicing - Disaster	$ 26,581	$ 20,591	$ 20,786	$ 195
Subtotal	$ 237,171	$ 183,721	$ 185,458	$ 1,737
Veterans Programs				
Veterans Business Development	$ 26,161	$ 25,925	$ 25,546	$ (379)
Executive Direction				
National Women's Business Council	$ 1,805	$ 2,026	$ 2,119	$ 93
Ombudsman	$ 967	$ 1,099	$ 1,093	$ (5)
Faith Based Initiatives	$ 875	$ 882	$ 995	$ 114
Subtotal	$ 3,647	$ 4,007	$ 4,208	$ 201
Regional and District Office Programs				
Field Offices - Counseling	$ 9,953	$ 10,112	$ 10,428	$ 316
Field Offices - Training	$ 19,731	$ 20,043	$ 20,673	$ 629
Subtotal	$ 29,684	$ 30,156	$ 31,101	$ 945
Other				
Inspector General	$ 28,075	$ 29,539	$ 33,706	$ 4,167
Advocacy	$ 10,931	$ 12,432	$ 12,862	$ 430
Subtotal	$ 39,007	$ 41,972	$ 46,568	$ 4,596
Total Obligations	**$ 931,967**	**$ 897,532**	**$ 851,158**	**$ (46,374)**

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.

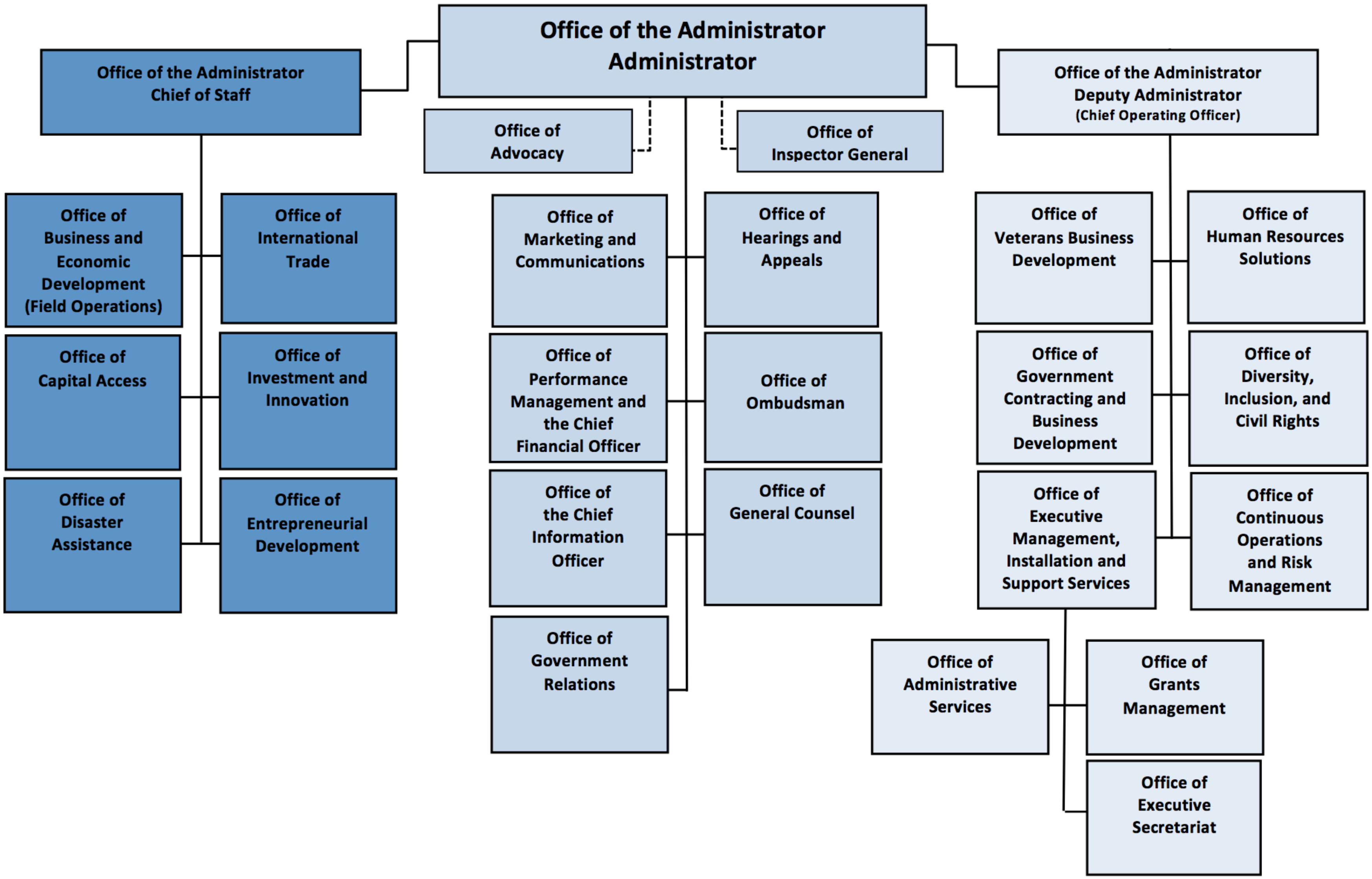
Evidence and Evaluation

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.

SBA Organizational Structure



Contents

Strategic Goal One – Support Small Business Revenue and Job Growth

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 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
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

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

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 (FY 2016 baseline of 24.34 percent)
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 guaranty bond products
5. Coordinate with agencies to ensure they meet research set-asides for innovative entrepreneurship

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

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
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

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

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
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

Strategic Goal Three – Restore Small Businesses and Communities after Disasters

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

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

Strategic Goal Four – Strengthen SBA's Ability to Serve Small Businesses

Strategic Objective 4.1 – Ensure Effective and Efficient Management of Agency Resources 113

Performance Goal: Increase the customer satisfaction rate of financial management services for SBA employees in FY 2019
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

Strategic Objective 4.2 – Build a High-performing Workforce……………………………..121

Performance Goal: Increase SBA employee satisfaction scores through the Federal Employee Viewpoint Survey to 67 percent in FY 2019
Strategies:

1. Recruit and retain an inclusive workforce
2. Deliver a comprehensive, mission-focused, talent development strategy to foster professional development and continual learning
3. Build a high-performing culture that maximizes workforce performance and drives accountability

Strategic Objective 4.3 – Implement Enterprise-wide Information System Modernization and Cost-effective Technology……………………………………………………………….130

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

Most Serious Management and Performance Challenge 6: SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers

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.[1] In addition, entrepreneurs in emerging markets[2] are more likely to be denied credit[3] and often rely on personal savings or credit cards to sustain their business.[4]

[1] *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.

[2] 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.

[3] *Entrepreneurship in the United States*. IZA working paper No. 3130, October 2007.

[4] *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.[5] 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

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		
	Completion Date	
Recommended Actions	**7(a) Loans**	**504 Loans**
1. Monitor and verify implementation of corrective actions to ensure effective resolution prior to close-out. 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.	September 30, 2017 Implemented	September 30, 2017 Implemented
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. 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 sales. Supervisory actions undertaken included two enforcement actions proposed due to the risk-based review, and a revision of	September 30, 2018	September 30, 2018

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

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		
	Completion Date	
Recommended Actions	**7(a) Loans**	**504 Loans**
PARRiS/SMART methodologies. The SBA also finalized its Lender Oversight Committee Charter.		
3. Develop an effective method of disclosing and tracking loan agent involvement in SBA business loan programs. 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.	June 30, 2018	June 30, 2018
4. Update regulations (13 CFR Part 103) regarding loan agents to provide effective enforcement procedures. 2017 Achievement: Upon review by the current Administration this proposed rule was withdrawn.	January 30, 2018	January30, 2018
5. Implement a loan agent registration system, including the issuance of a unique identifying number for each agent. 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.	June 30, 2018	June 30, 2018

Figure 1.1b: Most Serious Management and Performance Challenge 6

Challenge 6: SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers		
	Completion Date	
Recommended Actions	**7(a) Approvals**	**7(a) Purchases**
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. 2017 Achievement: To improve timeliness of resolutions, the SBA revised its dispute resolution process and established a process to	N/A	September 30, 2017 Implemented

Challenge 6: SBA Can Improve its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers		
	Completion Date	
Recommended Actions	7(a) Approvals	7(a) Purchases
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.		
2. Demonstrate that corrective action plans are effective in reducing improper payments in the 7(a) Loan Program. 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.	September 30, 2018	September 30, 2018
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. 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.	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		

Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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
Billions of Dollars of 7(a) Loans Approved	Target	13.2	14.5	14.8	15.1	21.0	24.3	26.0	26.0
	Actual	15.2	17.9	19.2	23.6	24.1	25.4		
	Variance	15%	23%	30%	56%	15%	5%		
Additional Information: 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
Number of Small Businesses Assisted by 7(a) Loans	Target	40,000	38,700	39,500	39,500	45,000	55,000	60,000	60,000
	Actual	39,022	40,574	45,730	55,742	57,083	62,430		
	Variance	-2%	5%	16%	41%	27%	14%		
Additional Information: 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
Number of Jobs Supported by 7(a) Loans	Target	470,000	547,200	558,100	569,300	580,100	591,000	600,000	600,000
	Actual	454,814	483,976	503,853	623,466	587,716	571,208		
	Variance	-3%	-12%	-10%	10%	1%	-3%		
Additional Information: 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
Number of Small Businesses Assisted by 504 Loans	**Target**	6,800	6,400	6,500	6,500	6,700	6,800	6,000	6,000
	Actual	9,038	7,502	5,725	5,618	5,722	6,060		
	Variance	33%	17%	-12%	-14%	-15%	-11%		
Additional Information: 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
Billions of Dollars of 504 Loans Approved	**Target**	4.1	4.1	4.2	4.3	4.4	4.5	5.1	5.2
	Actual	6.7	5.2	4.2	4.3	4.7	5.0		
	Variance	63%	27%	0%	0%	7%	11%		
Additional Information: 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
Number of Jobs Supported by 504 Loans	**Target**	75,900	79,400	81,000	82,600	84,300	86,000	66,000	66,000
	Actual	116,569	90,257	66,744	61,454	61,983	59,350		
	Variance	54%	14%	-18%	-26%	-26%	-31%		
Additional Information: 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.

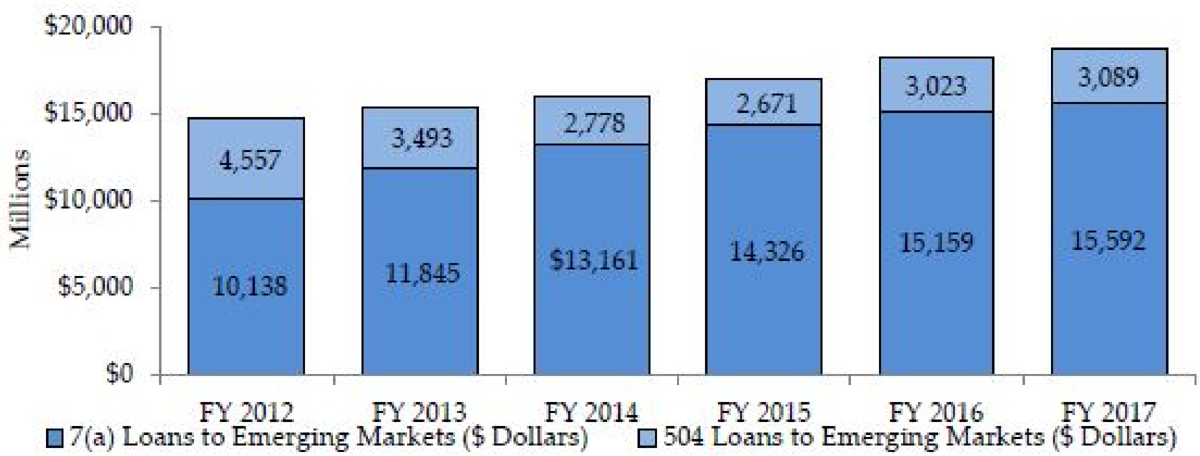
Table 1.1g: Emerging Market Performance Indicators

		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses in Emerging Markets Assisted by 7(a) Loans	**Target**	24,400	23,600	24,100	24,600	24,600	25,850	26,000	30,000
	Actual	23,846	24,225	27,778	29,369	30,574	26,650		
	Variance	-2%	3%	15%	19%	24%	3%		
Additional Information: 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%		
Additional Information: 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) guarantied 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.

<u>FY 2018 and FY 2019 Planned Performance</u>
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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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, guarantied 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		

Additional Information: 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		

Additional Information: 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		

Additional Information: 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%		

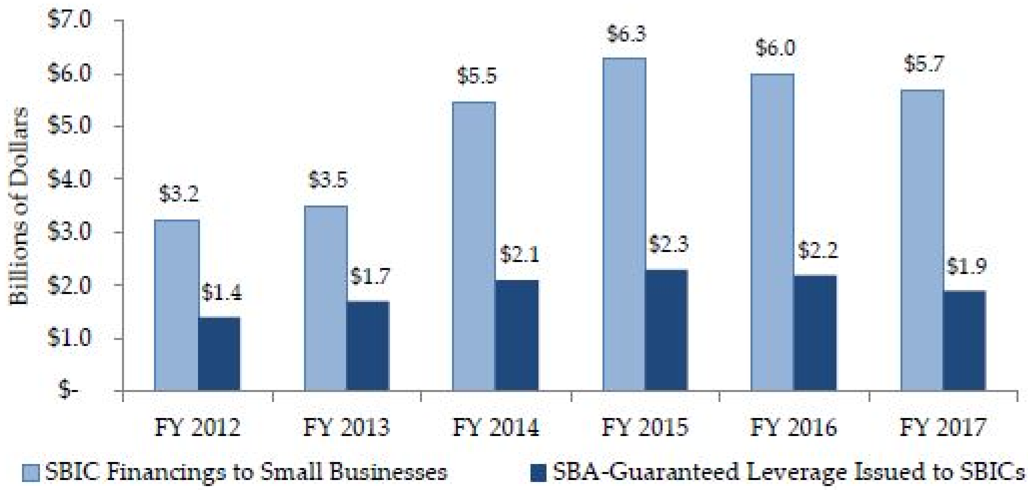
Additional Information: The measure monitors the average number of months for the internal SBIC licensing process. This measure will not be reported after FY 2017, due to new priorities in the SBIC program.

		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%		

Additional Information: 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
Number of CDCs Providing 504 Loans	**Target**	267	267	267	240	240	240	235	235
	Actual	256	247	228	228	230	211		
	Variance	-4%	-7%	-15%	-5%	-4%	-12%		
Additional Information: 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.

<u>FY 2018 and FY 2019 Planned Performance</u>
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
Number of Risk-based Reviews of Lenders	**Target**	N/A	180	195	335	335	335	300	300
	Actual	N/A	184	219	378	368	341		
	Variance	N/A	2%	12%	13%	10%	2%		
Additional Information: 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**
Number of Analytical Risk-based Reviews of Lenders	**Target**	N/A	110	150	300	300	300	150	150
	Actual	N/A	110	181	300	287	153		
	Variance	N/A	0%	21%	0%	-4%	-49%		
Additional Information: 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%		

Additional Information: 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%		

Additional Information: 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%		

Additional Information: 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		

Additional Information: The SBA will add a new metric in FY 2018 that tracks the accelerated net recoveries of outstanding SBA-guarantied 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 guarantied 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.[6]

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

[6] *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

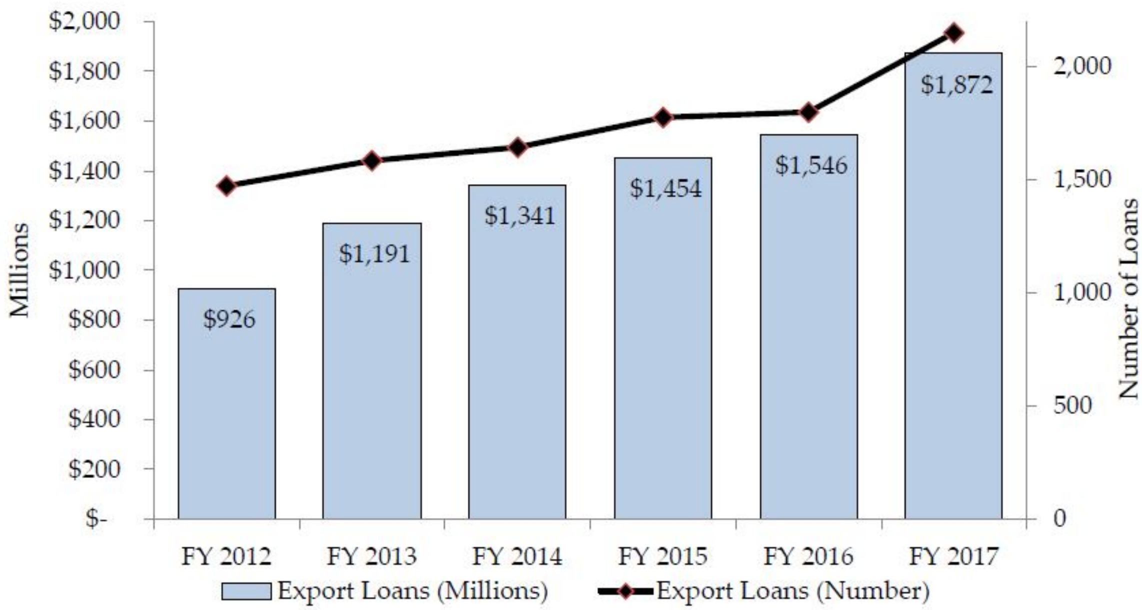
Table 1.2b shows a new performance goal in FY 2019 that tracks export sales and the retired performance goal of small business exporters receiving SBA financing.

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	
Additional Information: 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%		
Additional Information: 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			
Additional Information: 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
Number of Small Businesses Receiving Export Training	**Target**	7,200	8,000	7,600	8,000	8,400	8,400	8,400	8,500
	Actual	10,598	8,244	8,273	8,120	8,274	8,096		
	Variance	47%	3%	9%	2%	-2%	-4%		
Additional Information: 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
Number of Lenders Receiving Export Training	**Target**	3,950	4,400	4,000	4,200	4,500	4,500	4,500	4,600
	Actual	4,119	4,868	5,097	4,329	4,547	5,546		
	Variance	4%	11%	27%	3%	1%	23%		
Additional Information: 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.

<u>FY 2017 Accomplishments and Challenges</u>
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.[7] 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

[7] *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[8]: 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.[9] 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

Challenge 1: Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goal Achievements	
Recommended Actions	**Completion Date**
1. Strengthen controls to ensure the accuracy of the Federal Government's annual small business procurement goals achievements reported in the *Small Business Goaling Report*. 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.	September 30, 2018

[8] Due to data lags in federal contracting, SBA's FY 2016 Strategic Objective 1.2 Progress Update uses FY 2015 results.
[9] For more information on the Management Challenge, visit www.sba.gov/oig/report-most-serious-management-and-performance-challenges-fiscal-year-2018.

Challenge 1: Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goal Achievements	
Recommended Actions	**Completion Date**
2. Implement a certification process for WOSBP. 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 Certify.sba.gov that provided a path forward to improve eligibility concerns and implemented a certification program for the WOSB.	September 30, 2018
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. 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.	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		
Additional Information: 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.									

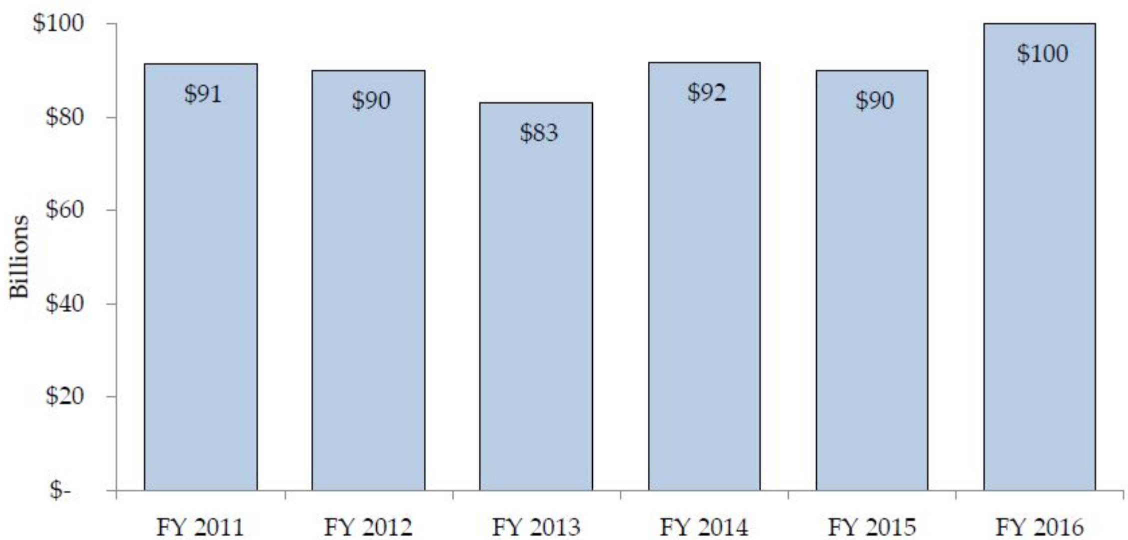
Table 1.3c shows the contracting performance goal of jobs supported.

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		
Additional Information: 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		
Additional Information: 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		
Additional Information: 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		
Additional Information: 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%		
Additional Information: 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.[10] 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.

[10] The FY 2016 Scorecard is available at 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 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**, 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, 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. 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 marketspace. 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 OSDBU on implications of the proposed revisions.

The SBA 1st 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 1st 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' OSDBU 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
Contract Value (Billions) of Bid and Final Bonds	**Target**	3.70	3.70	5.70	6.50	6.75	7.10	7.00	7.25
	Actual	3.92	6.15	6.41	6.35	5.72	6.03		
	Variance	6%	66%	12%	-2%	-15%	-15%		
Additional Information: 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
Number of Bid and Final Bonds Guaranteed	**Target**	8,850	8,850	13,500	13,750	14,000	14,700	12,000	13,000
	Actual	9,503	12,866	12,384	11,480	10,435	10,397		
	Variance	7%	45%	-8%	-17%	-25%	-29%		
Additional Information: 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
Number of Jobs Supported by SBG	**Target**	14,900	14,900	23,000	24,000	32,000	34,000	26,000	28,000
	Actual	24,774	32,000	28,887	27,300	23,940	26,223		
	Variance	66%	115%	26%	14%	-25%	-23%		
Additional Information: 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		
Additional Information: 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		
Additional Information: 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		
Additional Information: 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		
Additional Information: 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.[11] 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

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	
Recommended Actions	Completion Date
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. 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).	September 30, 2017 Implemented
2. Update and issue the 8(a) Business Development SOP to reflect the March 2011 regulatory changes. 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.	September 30, 2017 Implemented
3. Establish objective and reasonable criteria that effectively measure "economic disadvantage" and implement the new criteria. 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.	September 30, 2018

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

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	
Recommended Actions	Completion Date
4. Augment and Implement controls that ensure only eligible firms are admitted into the 8(a) program. This recommendation is new. The SBA will develop an approach for completion in FY 2018.	September 30, 2018
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. This recommendation is new. The SBA will develop an approach for completion in FY 2018.	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		
Additional Information: 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%		
Additional Information: 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 technogy 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%		
Additional Information: 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
Number of Small Businesses Assisted by 8(a)	**Target**	8,500	8,300	8,000	8,000	8,000	5,500	8,000	8,000
	Actual	7,388	6,661	6,660	6,948	8,010	6,655		
	Variance	-13%	-20%	-17%	-13%	0%	21%		
Additional Information: 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**
Percent of Annual 8(a) Reviews Completed	**Target**	100%	100%	100%	100%	100%	100%	100%	100%
	Actual	101%	100%	100%	100%	100%	100%		
	Variance	1%	0%	0%	0%	0%	0%		
Additional Information: 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**
Number of Small Businesses Assisted by 7(j)	**Target**	3,550	3,550	3,550	3,550	3,550	4,000	4,500	10,000
	Actual	3,272	3,913	4,104	5,360	5,245	4,100		
	Variance	-8%	10%	16%	51%	48%	3%		
Additional Information: 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**
Number of Small Businesses Assisted by HUBZone	**Target**	9,875	6,475	6,475	6,475	6,500	6,500	6,500	6,500
	Actual	7,872	6,497	6,399	8,016	6,431	6,563		
	Variance	-20%	0%	-1%	24%	-1%	1%		
Additional Information: 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**
Number of HUBZone Sites Visited	**Target**	690	517	518	500	475	492	508	508
	Actual	788	511	569	518	515	505		
	Variance	14%	-1%	10%	4%	8%	3%		
Additional Information: 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. 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		
Additional Information: 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		
Additional Information: 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		
Additional Information: 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.[12] 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

[12] *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.

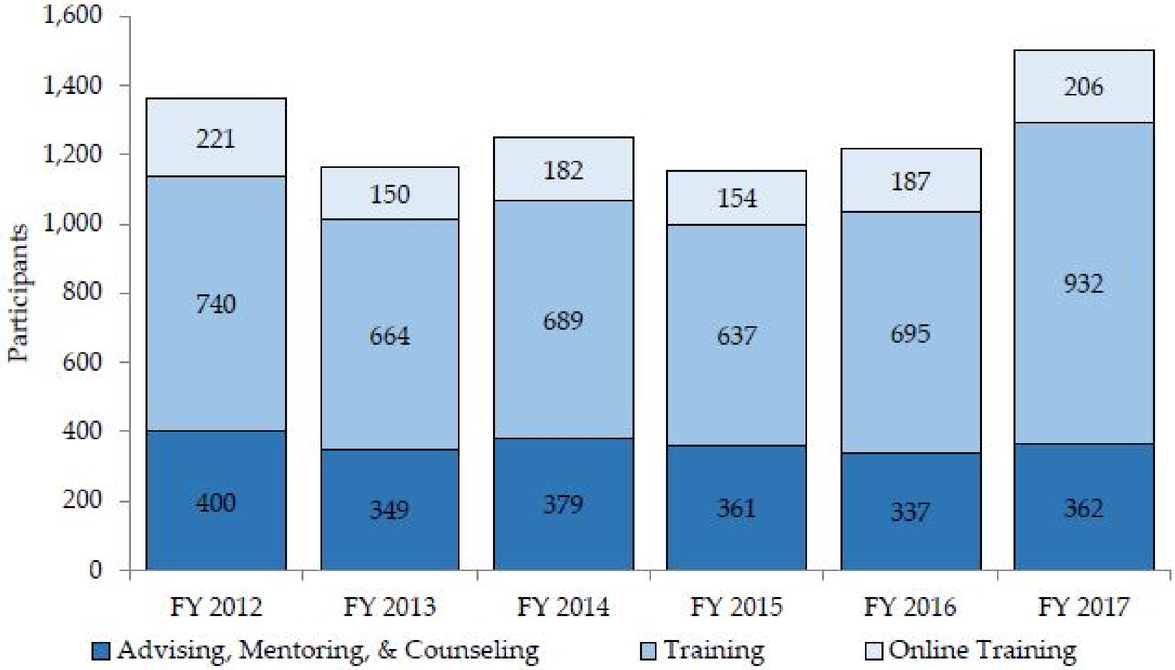
Table 2.2a shows progress toward the performance goals that track the number of clients advised, mentored, and trained.

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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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.

<u>FY 2018 and FY 2019 Planned Performance</u>
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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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 www.SBA.gov/performance.									

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%		
Additional Information: 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
Number of SCORE Clients Mentored	Target	N/A	N/A	Baseline	160,000	182,500	156,000	140,000	143,000
	Actual	166,509	127,468	164,403	137,310	122,230	126,892		
	Variance	N/A	N/A	N/A	-14%	-33%	-19%		
Additional Information: 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
Number of Small Businesses Created by SCORE	Target	1,080	700	700	5,400	5,400	5,400	45,000	50,000
	Actual	828	628	5,339	39,495	54,027	Data Lag		
	Variance	-23%	-10%	663%	631%	901%			
Additional Information: 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%		
Additional Information: 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
Percent of Emerging Leaders Creating or Retaining Jobs	**Target**	N/A	N/A	N/A	Baseline	81%	81%	81%	81%
	Actual	73%	69%	81%	81%	81%	81%		
	Variance	N/A	N/A	N/A	N/A	0%	0%		
Additional Information: 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**
Percent of Emerging Leaders Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	Baseline	65%	67%	67%	67%
	Actual	62%	68%	66%	68%	70%	68%		
	Variance	N/A	N/A	N/A	N/A	8%	1%		
Additional Information: 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.									

<u>FY 2017 Accomplishments and Challenges</u>

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%		
Additional Information: 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.[13] 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

[13] *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%		

Additional Information: 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%		

Additional Information: 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%		

Additional Information: 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%		

Additional Information: 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%		

Additional Information: 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
Rate of B2B Participants Using Follow-on SBA Resources	**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		
Additional Information: 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**
Number of VBOC Programmatic and Financial Reviews	**Target**	N/A	N/A	Baseline	5	5	5	5	5
	Actual	N/A	N/A	N/A	N/A	0	3		
	Variance	N/A	N/A	N/A	N/A	-100%	-40%		
Additional Information: 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 recompete the VBOC awards according to the established critera. 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.[14] 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.

---

[14] 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.

<u>FY 2017 Accomplishments and Challenges</u>

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%		
Additional Information: 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.[15] 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. [16]

[15] *Small Business Problems and Priorities*. NFIB Research Foundation, August 2016.
[16] *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

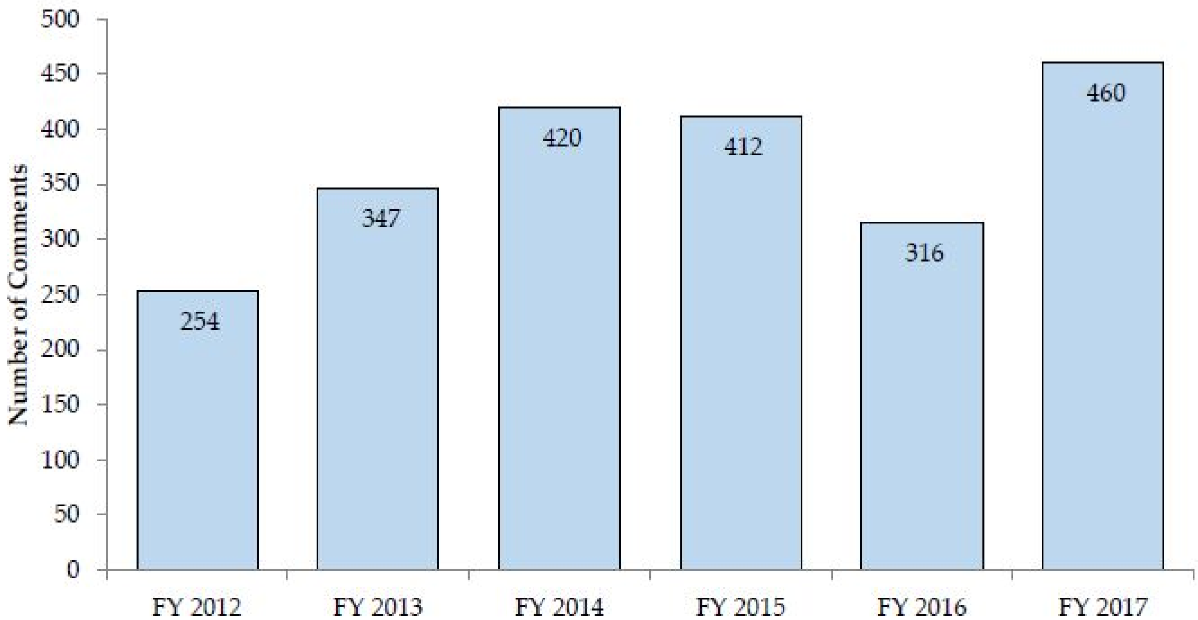
Table 2.3b shows the results and targets of the performance goal to increase the number of outreach events through federal agencies, trade associations, and SBA resource partners to reduce regulatory burdens on small businesses.

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%		
Additional Information: 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%		
Additional Information: 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%		
Additional Information: 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.

<u>FY 2018 and FY 2019 Planned Performance</u>
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.[17] 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).

[17] More information on the Office of Advocacy visit, 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.[18] 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

Challenge 7: Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments	
Recommended Actions	Completion Date
1. Promulgate regulations for the new guaranteed disaster loan programs mandated by Congress in 2008. 2017 Achievement: The SBA sought public comment on the proposed program rules and informed Congress of the outcome.	September 30, 2018
2. Promulgate regulations for the Express Recovery Opportunity loan program provided by the RISE After Disaster Act. 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.	September 30, 2018
3. Demonstrate that the Agency has adequately trained loan processing resources that can be quickly mobilized in the event of a disaster. 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.	September 30, 2018
4. Establish policies that limit borrower debt burdens to affordable levels and train loan processing personnel in the application of those policies. 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.	September 30, 2018

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

Challenge 7: Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments	
Recommended Actions	Completion Date
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. 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.	September 30, 2018

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		
Additional Information: 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.									

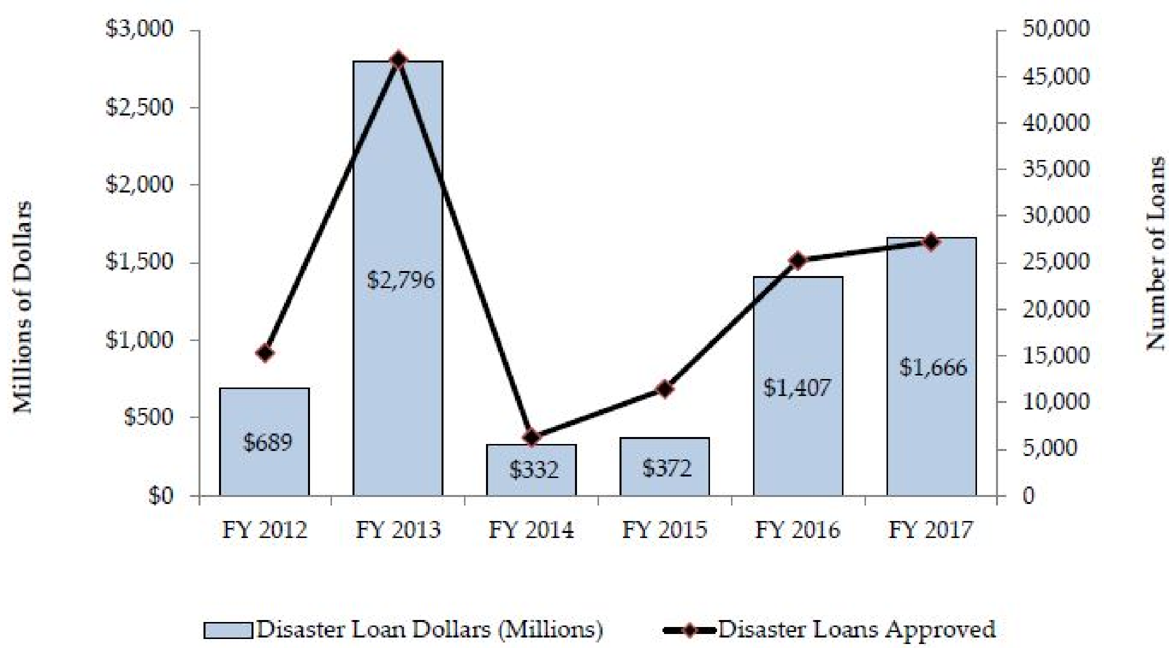
Table 3.1c shows progress on the performance goal that tracks customer satisfaction of disaster loan approvals.

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%		
Additional Information: 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%		
Additional Information: 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		
Additional Information: 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.									

<u>FY 2017 Accomplishments and Challenges</u>

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 emphasising 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 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%		
Additional Information: 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%		
Additional Information: 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.

<u>FY 2017 Accomplishments and Challenges</u>

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.

<u>FY 2018 and FY 2019 Planned Performance</u>

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 guarantied 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.[19] 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

[19] *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.[20] 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

Challenge 8: SBA Needs to Effectively Manage Its Acquisition Program	
Recommended Actions	Completion Date
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. 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.	September 30, 2017 Implemented
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). 2017 Achievement: The SBA issued an updated procurement Standard Operating Procedure (SOP) that significantly standardized acquisition policies and procedures.	September 30, 2017 Implemented
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. 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.	September 30, 2017 Implemented

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

Challenge 8: SBA Needs to Effectively Manage Its Acquisition Program	
Recommended Actions	Completion Date
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. 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.	September 30, 2017 Implemented

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		
Additional Information: 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.

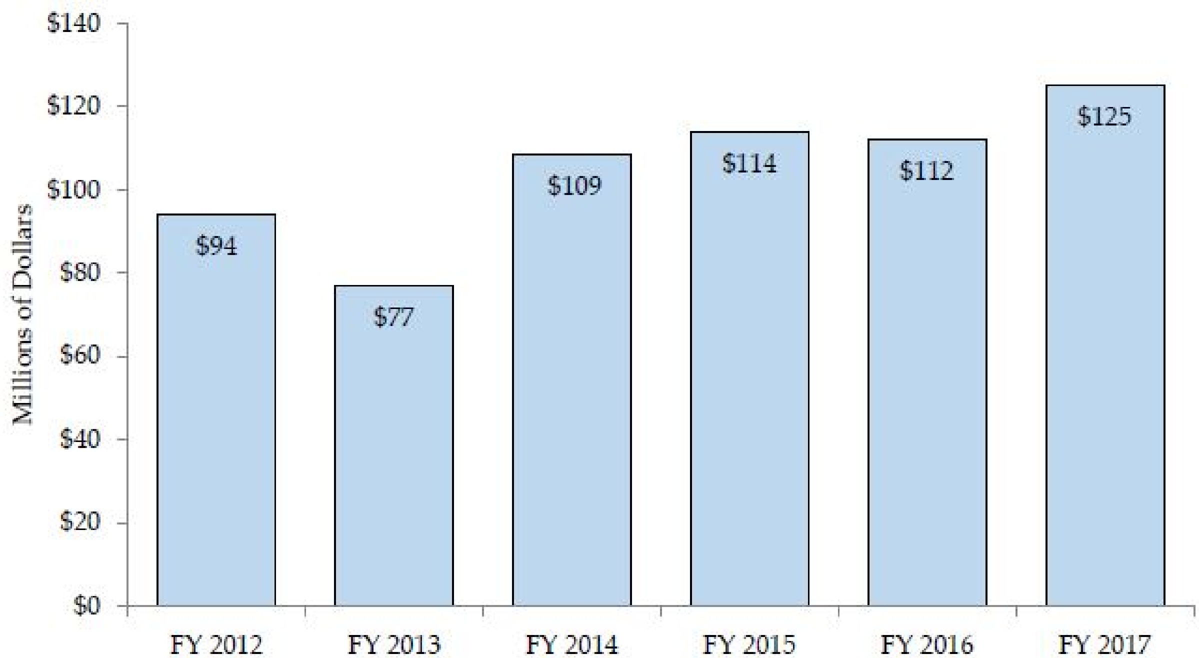
Table 4.1b shows progress toward SBA's acquisition performance indicator.

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%		
Additional Information: 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
SBA Real Estate Footprint Reduction Rate	**Target**	N/A	N/A	N/A	Baseline	2%	1%	1%	1%
	Actual	2%	2%	2%	2%	5%	4%		
	Variance	N/A	N/A	N/A	N/A	150%	300%		
Additional Information: 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.									

<u>FY 2017 Accomplishments and Challenges</u>

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

Performance Goal: Increase SBA employee satisfaction scores through the Federal Employee Viewpoint Survey to 67 percent by FY 2019
Objective Lead: Chief Human Capital Officer
Objective Support: Office of Diversity, Inclusion, and Civil Rights
Programs/Activities: Recruitment, Training, Diversity and Inclusion, Workplace Conflict Resolution, Disability Employment
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
Strategies:
1. Recruit and retain an inclusive workforce
2. Deliver a comprehensive, mission-focused, talent development strategy to foster professional development and continuous learning
3. Build a high-performing culture that maximizes workforce performance and drives accountability

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.[21] 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).

---

[21] *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.[22] 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
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. 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.	September 30, 2017 Implemented
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. 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.	September 30, 2018

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%		
Additional Information: 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.									

[22] For more information on the Management Challenge, visit 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.

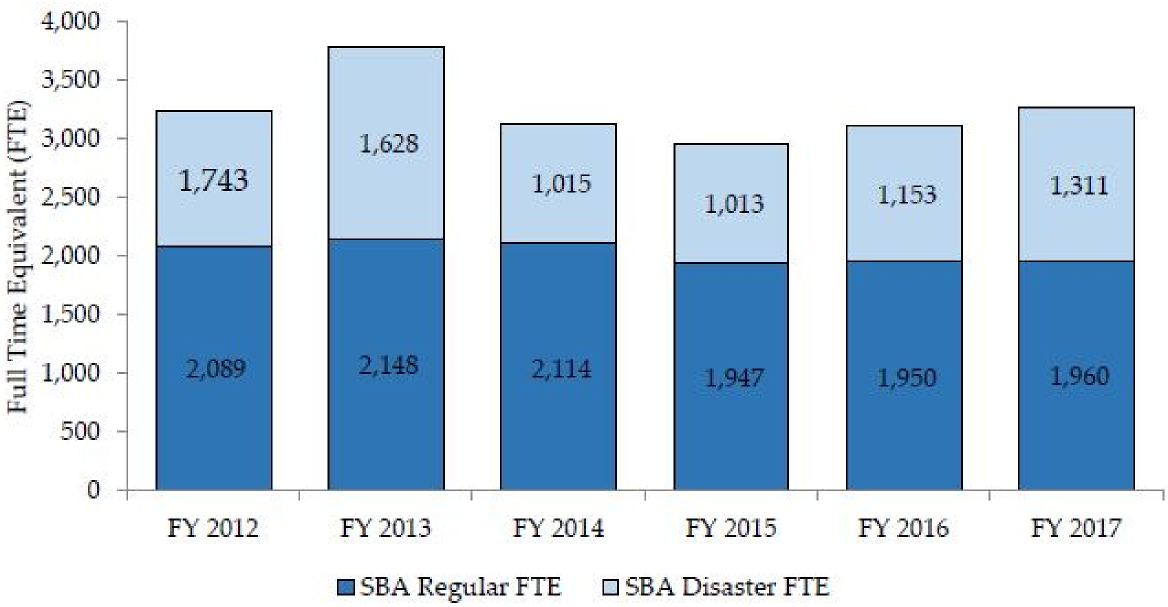
Table 4.2b provides results and targets on the retention rate of new hires and the average number of days to hire.

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%		
Additional Information: 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%		
Additional Information: 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.

<u>FY 2017 Accomplishments and Challenges</u>

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.

<u>FY 2018 and FY 2019 Planned Performance</u>

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
Federal Employee Viewpoint Survey Engagement Index	**Target**	N/A	N/A	N/A	Baseline	64%	67%	67%	68%
	Actual	64%	65%	62%	60%	63%	67%		
	Variance	N/A	N/A	N/A	N/A	-2%	0%		
Additional Information: 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.[23] 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

Challenge 2: SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges	
Recommended Actions	**Completion Date**
1. Establish an OCIO human resource planning process that allows full deployment of FITARA. 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.	April 30, 2018
2. The OCIO performs independent oversight of IT investments consistent with guidance. 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.	September 30, 2018

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

Challenge 2: SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges	
Recommended Actions	**Completion Date**
3. The OCIO facilitates enterprise architecture and demonstrates accountability for IT investments. 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.	September 30, 2018
4. The OCIO establishes and implements Information Security and Continuous Monitoring practices, and policies and standards to ensure ongoing effectiveness of information systems. 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 & 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.	December 30, 2018
5. The OCIO maintains effective risk management practices to minimize vulnerabilities. 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.	December 30, 2018

Challenge 2: SBA's IT Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges	
Recommended Actions	**Completion Date**
6. The OCIO establishes Configuration Management and Identity and Access Management controls and procedures. 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.	September 30, 2018

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		
Additional Information: 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.[1]									

[1] 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
Percent of Security Incidents Reported to US-CERT Within Specified Timeframes	**Target**	100%	100%	100%	100%	100%	100%	N/A	N/A
	Actual	100%	100%	100%	100%	100%	100%		
	Variance	0%	0%	0%	0%	0%	0%		
Additional Information: 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.

<u>FY 2017 Accomplishments and Challenges</u>
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.

<u>FY 2018 and FY 2019 Planned Performance</u>
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.

Appendices

Appendix 1 – Appropriations Language

SALARIES AND EXPENSES

For necessary expenses, not otherwise provided for, of the Small Business Administration, including hire of passenger motor vehicles as authorized by sections 1343 and 1344 of title 31, United States Code, and not to exceed $3,500 for official reception and representation expenses $265,000,000: *Provided*, That the Administrator is authorized to charge fees to cover the cost of publications developed by the Small Business Administration, and certain loan program activities, including fees authorized by section 5(b) of the Small Business Act: *Provided further*, That, notwithstanding 31 U.S.C. 3302, revenues received from all such activities shall be credited to this account, to remain available until expended, for carrying out these purposes without further appropriations: *Provided further,* That the Small Business Administration may accept gifts in an amount not to exceed $4,000,000 and may co-sponsor activities, each in accordance with section 132(a) of division K of Public Law 108–447, during fiscal year 2019: *Provided further,* That $6,100,000 shall be available for the Loan Modernization and Accounting System, to be available until September 30, 2020.

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, $21,900,000.

OFFICE OF ADVOCACY

For necessary expenses of the Office of Advocacy in carrying out the provisions of Title II of Public Law 94–305 (15 U.S.C. 634a et seq.) and the Regulatory Flexibility Act of 1980 (5 U.S.C. 601 et seq.), $9,120,000, to remain available until expended.

ENTREPRENEURIAL DEVELOPMENT PROGRAM

For necessary expenses of programs supporting entrepreneurial and small business development, $192,450,000, to remain available until September 30, 2020: *Provided,* That $110,000,000 shall be available to fund grants for performance in fiscal year 2019 or fiscal year 2020 as authorized by section 21 of the Small Business Act: *Provided further,* That not more than 10 percent of the amounts made available in the preceding proviso shall be available for the Administration to award grants (including contracts and cooperative agreements) to entities described in 15 U.S.C § 648 (a)(1) if such entities submit proposals that meet criteria established by the Administration: *Provided further,* That the grants (including contracts and cooperative agreements) described in the preceding proviso shall be exempt from the requirements of 15 U.S.C § 648 (a)(4): *Provided further,* That $25,000,000 shall be for marketing, management, and technical assistance under section 7(m) of the Small Business Act (15 U.S.C. 636(m)(4)) by intermediaries that make microloans under the microloan program: *Provided further,* That $10,000,000 shall be available for grants to States to carry out export programs authorized under section 22(l) of the Small Business Act (15 U.S.C. 649(l)) to assist small business concerns.

DISASTER LOANS PROGRAM ACCOUNT (INCLUDING TRANSFERS OF FUNDS)

For administrative expenses to carry out the direct loan program authorized by section 7(b) of the Small Business Act, $186,458,000, to be available until expended, of which $1,000,000 is for the Office of Inspector General of the Small Business Administration for audits and reviews of disaster loans and the disaster loan programs and shall be transferred to and merged with the appropriations for the Office of Inspector General; of which $176,458,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, which may be transferred to and merged with the appropriations for Salaries and Expenses; and of which $9,000,000 is for indirect administrative expenses for the direct loan program, which may be transferred to and merged with the appropriations for Salaries and Expenses

BUSINESS LOANS PROGRAM ACCOUNT (INCLUDING TRANSFER OF FUNDS)

For the cost of direct loans, $4,000,000, to remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That subject to section 502 of the Congressional Budget Act of 1974, during fiscal year 2019 commitments to guarantee loans under section 503 of the Small Business Investment Act of 1958 shall not exceed $7,500,000,000: *Provided further*, That during fiscal year 2019 commitments for general business loans authorized under section 7(a) of the Small Business Act shall not exceed $30,000,000,000 for a combination of amortizing term loans and the aggregated maximum line of credit provided by revolving loans: *Provided further*, That, notwithstanding section 7(a)(23) of the Small Business Act, the Administration may assess fees pursuant to such section so that the cost of making guarantees under section 7(a) of such Act is less than zero: *Provided further*, That for fiscal year 2019, section 7(a)(23)(A) of the Small Business Act shall be applied by replacing "0.55 percent" with "0.625 percent": *Provided further*, That for fiscal year 2019, section 7(a)(18)(A)(iii) of the Small Business Act shall be applied by adding "but less than $1,000,000" after "$700,000": *Provided further*, That for fiscal year 2019, section 7(a)(18)(A) of the Small Business Act shall be applied by redesignating clause (iv) of such section as clause (v), and by inserting the following after clause (iv): "A guarantee fee not to exceed 3.75 percent of the deferred participation share of a total loan amount that is more than $1,000,000.": *Provided further*, That during fiscal year 2019 commitments for loans authorized under subparagraph (C) of section 502(7) of The Small Business Investment Act of 1958 (15 U.S.C. 696(7)) shall not exceed $1,000,000,000: *Provided further*, That during fiscal year 2019 commitments to guarantee loans for debentures under section 303(b) of the Small Business Investment Act of 1958 shall not exceed $4,000,000,000: *Provided further*, That during fiscal year 2019, guarantees of trust certificates authorized by section 5(g) of the Small Business Act shall not exceed a principal amount of $12,000,000,000. In addition, for administrative expenses to carry out the direct and guaranteed loan programs, $155,150,000, which may be transferred to and merged with the appropriations for Salaries and Expenses.

ADMINISTRATIVE PROVISIONS (INCLUDING CANCELLATION AND TRANSFER OF FUNDS)

Sec. 520 Not to exceed 5 percent of any appropriation made available in this title for the Small Business Administration may be transferred between such appropriations upon the advance notification to the Committees on Appropriations of the House of Representatives and the Senate: Provided, That no transfer under this section may increase any such appropriation by more than 10 percent.

Sec. 521 For loans and loan guarantees that do not require budget authority and the program level has been established in this Act, the Administrator of the Small Business Administration may increase the program level for such loans and loan guarantees by not more than 15 percent: Provided, That prior to the Administrator implementing such an increase, the Administrator notifies, in writing, the Committees on Appropriations and Small Business of both Houses of Congress at least 15 days in advance.

Sec. 522 Of the unobligated balances from prior year appropriations available under the "Business Loans Program Account" heading for the Certified Development Company Program, $50,000,000 are hereby permanently cancelled: Provided, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency requirement pursuant to a concurrent resolution on the budget or the Balanced Budget and Emergency Deficit Control Act of 1985.

Sec. 523 REPEAL OF CERTAIN DISASTER AND BUSINESS LOAN PROGRAM AUTHORITIES

(a) Section 42 of the Small Business Act (15 U.S.C. 657(n)) is repealed.
(b) Section 7(c) of the Small Business Act (15 U.S.C. 636(c)) is repealed.
(c) Section 12085 of Public Law 110-246 is repealed.
(d) Section 7(a)(31)(H) of the Small Business Act (15 U.S.C. 636(a)(31)(H)) is repealed.

Sec. 524 AMENDMENTS TO 7(m) MICROLOAN PROGRAM

Section 7(m) of the Small Business Act (15 U.S.C 636(m)) is amended—

(1) in subparagraph (4)(E) by striking "25 percent" in clauses (i) and (ii) and inserting "50 percent"; and
(2) in paragraph (7), by striking subparagraph (B).

Sec. 525 SMALL BUSINESS DEVELOPMENT CENTER AND WOMEN'S BUSINESS CENTER PROGRAM EVALUATIONS.

(a) Section 21(a)(7)(A) of the Small Business Act (15 U.S.C. 648(a)(7)(A)) is amended by—
  (1) striking the word "or" at the end of clause (i);
  (2) striking the period at the end of clause (ii) and inserting "; or"; and
  (3) adding the following new clause: "(iii) the Administrator considers such a disclosure to be necessary for the purpose of conducting a program evaluation.".

(b) Section 29(n)(1) of the Small Business Act (15 U.S.C. 656(n)(1)) is amended by—
  (1) striking the word "or" at the end of subparagraph (A);
  (2) striking the period at the end of subparagraph (B) and inserting "; or"; and
  (3) adding the following new subparagraph: "(C) the Administrator considers such a disclosure to be necessary for the purpose of conducting a program evaluation.".

*Sec. 526 INCREASED EXPRESS LOAN LIMIT.—Section 7(a)(31)(D) of the Small Business Act (15 U.S.C. 636(a)(31)(D)) is amended by striking "**$350,000**" and inserting "**$1,000,000**".*

Sec. 527 CHANGES TO 7(a) SECONDARY MARKET FEE PROVISIONS.

(a) Section 5(g)(2) of the Small Business Act is amended by:

(1) renumbering the current paragraph as subparagraph (A); and

(2) adding a new subparagraph (B) to read as follows:"(B) With respect to the Administration's guarantee of the timely payment of the principal and interest on the trust certificates issued under this subsection, the Administration may assess, collect, and retain an annual fee, in an amount established once annually by the Administration in the Administration's budget request to Congress, not to exceed 0.05 percent per year of the outstanding balance of such trust certificates. The fee shall, at a minimum, offset the cost (as that term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of such guarantee, and any amounts received that exceed the cost of the timely payment guarantee shall be maintained in accordance with the Federal Credit Reform Act. The fee shall be payable solely by the holders of such trust certificates and shall not be charged to any

borrower whose loan is represented in the secondary market. The Administration may contract with an agent to carry out, on behalf of the Administration, the assessment and collection of this fee. The fee shall be deducted from the amounts otherwise payable to such holders of the trust certificates."

Appendix 2 — Data Validation and Verification

Managing for results and integrating performance with budget information requires valid, reliable, and high-quality performance measures and data. The SBA conducts data validation as a means of determining if data being used are appropriate for the outcome being pursued. The SBA data collected and measured truly reflect the performance being measured and have a clear relationship to the mission of the organization. In accordance with the GPRA Modernization Act of 2010, the SBA aligns its annual performance measures with the SBA mission and strategic goals within the Agency's *FY 2018–2022 Strategic Plan*. The verification process assesses data accuracy, completeness, consistency, availability, and internal control practices that serve to determine the overall reliability of SBA processes.

The SBA framework for verifying and validating the data include the following actions:

Data Analytics

- *Responding to data limitations.* It is not enough to identify data quality problems. Where there are data limitations, the SBA is working hard to improve quality. In the meantime, the SBA will recognize where there are data limitations and specify the steps being taken to improve the data.
- *Reconciling finances and performance costs.* The SBA will continue to ensure the accuracy of this cost-related performance data by reconciling that information with its financial statements. Achieving this important reconciliation means that the Agency has strengthened the integration of its financial and performance information.

Accountability

- *Fostering organizational commitment and capacity for data quality.* The SBA aims to achieve data quality through 1) training managers to ensure they understand the need for quality data for developing valid performance measures and 2) having managers attest to the quality of the data under their management.
- *Coordinating with a variety of data sources to evaluate performance.* In addition to using output data internally from its own systems, the SBA relies on data from resource partners and other federal agencies and local governments to assess its accomplishments and effectiveness.

Quality Control

- *Assessing the quality of existing data.* Audits and reviews ensure the quality of SBA's financial data systems. However, the SBA must assess the quality of loan and program data provided by its resource partners and will include data verification in its lender and resource partner oversight. SBA management reviews and approves data validation and certification forms for all performance indicators. These forms are published on www.sba.gov/performance.

Appendix 3 – SBA Program Offices

Office of Advocacy. The Office of Advocacy is an independent voice for small business within the Federal Government, the watchdog for the Regulatory Flexibility Act (RFA), and the source of small business statistics. Advocacy advances the views and concerns of small businesses before Congress, the White House, federal agencies, the federal courts, and state policy makers.

Office of Business and Economic Development. The Office of Business and Economic Development (OBED) is SBA's front-line operating team and represents the SBA field offices at headquarters. Most SBA programs and services are executed when small businesses connect with their regional, district, and branch offices, which are located in each state and territory.

Office of Capital Access. The Office of Capital Access (OCA) assists small businesses in obtaining capital via the 7(a) Loan, 504 Certified Development Company Loan, and Microloan programs.

Office of Chief Information Officer. The Office of Chief Information Officer (OCIO) is responsible for strategic execution and management of Agency-wide functions related to information technology as outlined in the Federal Information Technology Acquisition Reform Act (FITARA), the Clinger-Cohen Act, OMB Circular A-130, "Management of Federal Information Resources," the Paperwork Reduction Act of 1995 and subsequent regulatory and policy guidance.

Office of Continuous Operations and Risk Management. The Office of Continuous Operations and Risk Management (OCORM) oversees planning and continuous operations in the event a disaster disrupts SBA operations and oversees SBA's enterprise risk management functions.

Office of Disaster Assistance. The Office of Disaster Assistance (ODA) is responsible for providing affordable, timely, and accessible financial assistance to businesses of all sizes, private nonprofit organizations, homeowners, and renters following a disaster. Financial assistance is available in the form of low-interest, long-term loans. SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses.

Office of Diversity, Inclusion and Civil Rights. The Office of Diversity, Inclusion, and Civil Rights (ODICR) champions a diverse workforce and inclusive culture by ensuring equal access and equitable treatment regarding employment and entrepreneurial endeavors. The office oversees equal employment opportunities, civil rights, workforce diversity, and workplace inclusion matters.

Office of Entrepreneurial Development. The Office of Entrepreneurial Development (OED) provides business advising, mentoring, and training assistance through its resource partner network composed of small business development centers, women's business centers, and SCORE, as well as through the Regional Innovation Clusters, Entrepreneurship Education, SBA Learning Center, and Emerging Leaders programs. In addition, SBA district offices support coordination between resource partners and small business communities.

Office of Executive Management, Installation and Support Services. The Office of Executive Management, Installation and Support Services is charged with leading SBA operations to achieve the mission of the Agency. It ensures that the program offices are able to meet their goals through coordination of facilities, security, and grants management.

Office of General Counsel. The Office of General Counsel (OGC) Executive Secretariat provides comprehensive legal services to the Administrator and all Agency offices. These legal services include advising, analyzing, and interpreting statutes, regulations and other sources of law, as well as drafting legislative, regulatory, and other types of materials.

Office of Government Contracting and Business Development. The Office of Government Contracting and Business Development (GCBD) provide assistance to small businesses competing for federal contracting opportunities through government-wide prime and subcontracting programs. This includes HUBZone, 8(a) Business Development, 7(j) Management and Technical Assistance, Surety Bond Guarantes, and All Small Mentor-Protégé programs, as well as programs dedicated to women-owned and veteran-owned small businesses. The GCBD also sets size standards for small businesses, which determine the size a business must be to be considered a small business.

Office of Government Relations. The Office of Government Relations (OGR) assists in the development of SBA legislative programs and serves as the communications focal point on legislation and congressional activity. The OGR monitors legislation and policies introduced by Congress and government agencies to determine their effects on the SBA and small business and serves as liaison with legislative personnel at the White House, Office of Management and Budget, and other federal agencies.

Office of Hearings and Appeals. The Office of Hearings and Appeals (OHA) provides an independent, quasi-judicial appeal of certain SBA program decisions. The OHA formally adjudicates disputes rising in numerous jurisdictional areas.

Office of Human Resource Solutions. The Office of Human Resources Solutions (OHRS) partners with SBA leaders to develop strategic solutions to human capital issues and create a work environment that attracts and retains the talented and high-performance workforce SBA needs to accomplish its mission.

Office of Inspector General. The Office of Inspector General (OIG) is an independent office within the SBA that conducts and supervises audits, investigations, and other reviews relating to the Agency's programs and supporting operations; detects and prevents waste, fraud, and abuse; and promotes economy, efficiency, and effectiveness in the administration and management of SBA programs. The Inspector General informs the SBA Administrator and Congress of any problems, recommends corrective actions, and monitors progress in the implementation of such actions.

Office of International Trade. The Office of International Trade (OIT) enhances the ability of small businesses to export and compete in the global marketplace by facilitating access to capital, providing technical assistance, ensuring the consideration of small business interests in trade negotiations, and contributing to the U.S. Government's international commercial and economic agenda.

Office of Investment and Innovation. The Office of Investment and Innovation (OII) assists small businesses through tailored programs that drive innovation and competitiveness, which include the Small Business Investment Company, Small Business Innovation Research, and Small Business Technology Transfer.

Office of Marketing and Communications. The Office of Marketing and Communications (OMC) communicates the Agency's programs and priorities to small businesses, resource partners, and the public at large by working with media outlets, developing social media content, creating user-friendly online resources, crafting high-quality marketing materials, organizing events to gain feedback from small businesses, and coordinating strategic partnerships.

Office of National Ombudsman. The Office of National Ombudsman (ONO) works with all federal agencies that regulate small business to provide a means for businesses to comment on Federal Government enforcement activity. This includes audits, onsite inspections, compliance assistance efforts, and other enforcement efforts. The ONO also maintains a five-member Regulatory Fairness Board in each of SBA's 10 regions to hold public hearings on small business concerns.

Office of Performance Management and Chief Financial Officer. The Office of Performance Management and Chief Financial Officer oversee Agency strategic planning and performance management, financial management, and acquisitions. The Chief Financial Officer is responsible for Agency disbursements and coordination of Agency planning, budgeting, financial analysis and modeling, and internal controls.

Office of Veterans Business Development. The Office of Veterans Business Development (OVBD) ensures the availability of small business programs for veterans, service-disabled veterans, reserve component members, and their dependents or survivors. The OVBD accomplishes its work through Veterans Business Outreach Centers, the Boots to Business program, and partnerships with federal agencies and SBA resource partners.

Appendix 4 – Glossary

7(a) — 7(a) Loan Guaranty program

7(j) — 7(j) Management and Technical Assistance Program

8(a) — 8(a) Business Development Program

AARP — American Association of Retired Persons

ACSI — American Customer Satisfaction Index

ACVBA — Advisory Committee on Veterans Business Affairs

B2B — Boots to Business

B2B|R — Boots to Business: Reboot

BD — Business Development Program

BDMIS —Business Development Management Information System

BOS — Business Opportunity Specialist

BRC — Business Recovery Center

CA — Community Advantage pilot loan

CAP Goals — Cross-Agency Priority Goals

CBJ — Congressional Budget Justification

CDC — Certified Development Company

CIO — Chief Information Officer

COC — Certificate of Competency

COOP — Continuity of Operations Plan

CMR — Commercial Market Representative

CRM — Credit Risk Management

DATA Act — Digital Accountability and Transparency Act of 2014

DLAP — Disaster Loan Application Portal

DLOC — Disaster Loan Outreach Center

DOD — U.S. Department of Defense

DOI — U.S. Department of the Interior

DSBS — Dynamic Small Business Search system

ED — U.S. Department of Education

EDWOSB — Economically Disadvantaged Women-Owned Small Business

EIDL — Economic Injury Disaster Loan

ELA — Electronic Loan Application

EPC — Export Promotion Cabinet

EVS — Federal Employee Viewpoint Survey

FACA — Federal Advisory Committee Act

FAC-C — Federal Acquisition Certification in Contracting

FAR — Federal Acquisition Regulation

FAST — Federal and State Technology partnership grants

FEMA — U.S. Federal Emergency Management Agency

FISMA — Federal Information Security Management Act of 2002

FITARA — Federal Information Technology Acquisition Reform Act

FPPS — Federal Personnel Payroll System

FTA — Fiscal Transfer Agent

FTE — Full-Time Equivalent

FY — Fiscal Year

GAO — Government Accountability Office

GPRAMA — GPRA (Government Performance and Results Act) Modernization Act of 2010

504 Loan — 504 Certified Development Company Loan Program

GSA — U.S. General Services Administration

HCAAF — Human Capital Assessment and Accountability Framework

HUBZone — Historically Underutilized Business Zones

IBC — Interior Business Center

IBP —International Buyer Program

IMCP — Investing in Manufacturing Communities Partnership

IPC — Interagency Policy Committee

IT — Information Technology

Jobs Act — Small Business Jobs Act of 2010; may also be referred to as SBJA

LOC — Lender Oversight Committee

LMAS — Loan Management and Accounting System

L/LMS — Loan and Lender Monitoring System

LRR/LPR — Lender Risk Rating/Lender Purchase Rating

MOU — Memorandum of Understanding

NAGGL — National Association of Government Guaranteed Lenders

NAICS — North American Industry Classification System Codes

NASBP — National Association of Surety Bond Producers

NDAA — National Defense Authorization Act

NEI/NEXT — National Export Initiative

NFIB— National Foundation of Independent Business

NWBC — National Women's Business Council

OBED – Office of Business and Economic Development

OCA — Office of Capital Access

OCFO — Office of the Chief Financial Officer

OCIO — Office of Chief Information Officer

OCORM — Office of Continuous Operations and Risk Management

OCRM — Office of Credit Risk Management

ODA — Office of Disaster Assistance

ODICR — Office of Diversity, Inclusion and Civil Rights

OED — Office of Entrepreneurial Development

OEE — Office of Entrepreneurship Education

OEM — Office of Executive Management, Installation and Support Services

OFPP — U.S. Office of Federal Procurement Policy

OGR — Office of Government Regulations

OHRS — Office of Human Resources Solutions

OIA — Office of Intergovernmental Affairs

OIG — Office of Inspector General

OII — Office of Investment and Innovation

OIT — Office of International Trade

OMC — Office of Marketing and Communication

OMB — U.S. Office of Management and Budget

ONAA — Office of Native American Affairs

ONO — Office of National Ombudsman

OPM — U.S. Office of Personnel Management

OSDBU — Office of Small and Disadvantaged Business Utilization

OSTP —U.S. Office of Science and Technology Policy

OVBD — Office of Veterans Business Development

PCR — Procurement Center Representative

PFCRA — Program Fraud Civil Remedies Act

PII — Personally Identifiable Information

PMF — Presidential Management Fellows

PRIME — Program for Investment in Micro-Entrepreneurs

PTP — SBA Partner Training Portal

R&D — Research and Development

RIC — Regional Innovation Cluster

RISE After Disaster Act of 2015 — Recovery Improvements for Small Entities After Disaster Act of 2015

SAM — System for Award Management

SBA — U.S. Small Business Administration

SBDC — Small Business Development Center Program

SBDCNet — National Information Clearinghouse that provides small business research services to small business development center counselors in all states and territories

SBIC — Small Business Investment Company

SBIR — Small Business Innovation Research

SBO — Survey of Business Owners

SBPAC — Small Business Procurement Advisory Council

SBWG — Small Business Working Group

SCORE — Service Corps of Retired Executives

SDB — Small Disadvantaged Business

SDV — Service-Disabled Veteran

SDVETP — Service-Disabled Veteran Entrepreneurship Training Program

SDVOSB — Service-Disabled Veteran-Owned Small Business

SEC — U.S. Securities and Exchange Commission

SES — Senior Executive Service

SME — Small to Medium-size Enterprises

SME — Subject Matter Expert

SOP — Standard Operating Procedure

STEP — State Trade Expansion Promotion

STTR — Small Business Technology Transfer program

TAP — U.S. Department of Defense Transition Assistance Program

TPCC — Trade Promotion Coordinating Committee

T-TIP — Transatlantic Trade and Investment Partnership

US-CERT — United States Computer Emergency Readiness Team

USDA — U.S. Department of Agriculture

USGBS — U.S. Global Business Solutions

USTR — U.S. Trade Representative

VAM — Vehicle Allocation Methodology

VBOC — Veterans Business Outreach Center

VERA/VSIP — Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment

VIP — Veterans Institute for Procurement Program

V-WISE — Veteran Women Igniting the Spirit of Entrepreneurship

WBC — Women's Business Center

WOSB — Women-Owned Small Business Program

WOSBFCP — Women-owned Small Business Federal Contract Program

Appendix 5 – Performance Indicators Table

Strategic Goal One – Support Small Business Revenue and Job Growth

Strategic Objective 1.1: Expand Access to Capital

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		
Additional Information: 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%		
Additional Information: 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.									
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%		
Additional Information: Continuation of the streamlining process has a positive impact on jobs supported.									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Billions of Dollars of 7(a) Loans Approved	Target	13.2	14.5	14.8	15.1	21.0	24.3	26.0	26.0
	Actual	15.2	17.9	19.2	23.6	24.1	25.4		
	Variance	15%	23%	30%	56%	15%	5%		
Additional Information: 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.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted by 7(a) Loans	**Target**	40,000	38,700	39,500	39,500	45,000	55,000	60,000	60,000
	Actual	39,022	40,574	45,730	55,742	57,083	62,430		
	Variance	-2%	5%	16%	41%	27%	14%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by 7(a) Loans	**Target**	470,000	547,200	558,100	569,300	580,100	591,000	600,000	600,000
	Actual	454,814	483,976	503,853	623,466	587,716	571,208		
	Variance	-3%	-12%	-10%	10%	1%	-3%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted by 504 Loans	**Target**	6,800	6,400	6,500	6,500	6,700	6,800	6,000	6,000
	Actual	9,038	7,502	5,725	5,618	5,722	6,060		
	Variance	33%	17%	-12%	-14%	-15%	-11%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Billions of Dollars of 504 Loans Approved	**Target**	4.1	4.1	4.2	4.3	4.4	4.5	5.1	5.2
	Actual	6.7	5.2	4.2	4.3	4.7	5.0		
	Variance	63%	27%	0%	0%	7%	11%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Jobs Supported by 504 Loans	**Target**	75,900	79,400	81,000	82,600	84,300	86,000	66,000	66,000
	Actual	116,569	90,257	66,744	61,454	61,983	59,350		
	Variance	54%	14%	-18%	-26%	-26%	-31%		

Additional Information: 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.

Performance Indicator		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 7(a) Loans	**Target**	24,400	23,600	24,100	24,600	24,600	25,850	26,000	30,000
	Actual	23,846	24,225	27,778	29,369	30,574	26,650		
	Variance	-2%	3%	15%	19%	24%	3%		

Additional Information: 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).

Performance Indicator		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%		

Additional Information: 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).

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: The SBA tracks the number of grant-eligible microlenders to ensure that there is geographic coverage for microlending across the country.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Financed by SBICs	**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.

Performance Indicator		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		

Additional Information: 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.

Performance Indicator		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		

Additional Information: The SBA added a new jobs supported metric in FY 2018 that tracks the number of jobs supported by small businesses that received a financing during the fiscal year from an SBIC. Historical data is provided that estimates jobs supported, which combines job 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.

Performance Indicator		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		
Additional Information: 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.									

Performance Indicator		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%		
Additional Information: 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.									

Performance Indicator		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%		
Additional Information: 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.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of CDCs Providing 504 Loans	**Target**	267	267	267	240	240	240	235	235
	Actual	256	247	228	228	230	211		
	Variance	-4%	-7%	-15%	-5%	-4%	-12%		
Additional Information: 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.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Risk-based Reviews of Lenders	**Target**	N/A	180	195	335	335	335	300	300
	Actual	N/A	184	219	378	368	341		
	Variance	N/A	2%	12%	13%	10%	2%		
Additional Information: 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.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Analytical Risk-based Reviews of Lenders	**Target**	N/A	110	150	300	300	300	150	150
	Actual	N/A	110	181	300	287	153		
	Variance	N/A	0%	21%	0%	-4%	-49%		
Additional Information: 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.									

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information 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.

Performance Indicator		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%		

Additional Information: Lender oversight and recommendations for actions against lenders are based on a more thorough use of monitoring, increased supervision, and enforcement tools.

Performance Indicator		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		

Additional Information: The SBA will add a new metric in FY 2018 that tracks the accelerated net recoveries of outstanding guarantied leverage associated with failed SBICs.

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

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	

Additional Information: 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' State Trade Expansion Program (STEP).

Performance Goal		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%		

Additional Information: This metric tracks the sum of all small businesses receiving SBA-guaranteed export financing. In FY 2017, 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.

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			

Additional Information: 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 the STEP in FY 2013. Data for FY 2016 will be available in July 2018. Data for FY 2017 will be available in July 2019. Results have a 2-year data lag because the grantee reporting cycle is every 2 years.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Receiving Export Training	**Target**	7,200	8,000	7,600	8,000	8,400	8,400	8,400	8,500
	Actual	10,598	8,244	8,273	8,120	8,274	8,096		
	Variance	47%	3%	9%	2%	-2%	-4%		

Additional Information: This metric tracks the sum of all small businesses that have received export training by SBA trade finance staff.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Lenders Receiving Export Training	**Target**	3,950	4,400	4,000	4,200	4,500	4,500	4,500	4,600
	Actual	4,119	4,868	5,097	4,329	4,547	5,546		
	Variance	4%	11%	27%	3%	1%	23%		

Additional Information: This metric tracks the sum of all lenders that have received export training by SBA trade finance staff. In FY 2017, 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.

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

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		

Additional Information: The FY 2017 data supporting the FY 2016–2017 Priority Goals is 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.

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.

Performance Indicator		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		

Additional Information: 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.

Performance Indicator		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		

Additional Information: 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.

Performance Indicator		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		

Additional Information: The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018.

Performance Indicator		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		

Additional Information: The data supporting the FY 2017 performance indicators are not finalized until the third quarter of FY 2018.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Contract Value (Billions) of Bid and Final Bonds	**Target**	3.70	3.70	5.70	6.50	6.75	7.10	7.00	7.25
	Actual	3.92	6.15	6.41	6.35	5.72	6.03		
	Variance	6%	66%	12%	-2%	-15%	-15%		
Additional Information: 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.									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Number of Bid and Final Bonds Guaranteed	**Target**	8,850	8,850	13,500	13,750	14,000	14,700	12,000	13,000
	Actual	9,503	12,866	12,384	11,480	10,435	10,397		
	Variance	7%	45%	-8%	-17%	-25%	-29%		
Additional Information: 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.									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Number of Jobs Supported by SBG	**Target**	14,900	14,900	23,000	24,000	32,000	34,000	26,000	28,000
	Actual	24,774	32,000	28,887	27,300	23,940	26,223		
	Variance	66%	115%	26%	14%	-25%	-23%		
Additional Information: 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.									
Performance Indicator		**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		
Additional Information: 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.									
Performance Indicator		**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		
Additional Information: Participating agencies have until March of the following fiscal year to submit their data. The DoD did not provide FY 2016 data for Air Force.									
Performance Indicator		**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		
Additional Information: 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 R&D budget.									

Performance Indicator		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		
Additional Information: 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.									

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

Strategic Objective 2.1: Develop Small Businesses through Technical Assistance

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		
Additional Information: The SBA added this Agency Priority Goal to focus on increasing the number of unique 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%		
Additional Information: 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 technogy that negatively impacted processing of applications and resulted in missing the target.									
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%		
Additional Information: The SBA tracks the summation of small businesses assisted from 8(a), 7(j), and HUBZone programs.									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Number of Small Businesses Assisted by 8(a)	**Target**	8,500	8,300	8,000	8,000	8,000	5,500	8,000	8,000
	Actual	7,388	6,661	6,660	6,948	8,010	6,655		
	Variance	-13%	-20%	-17%	-13%	0%	21%		
Additional Information: The SBA tracks the number of 8(a) firms the Agency assists through its business opportunity specialists, located in SBA district offices.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Annual 8(a) Reviews Completed	**Target**	100%	100%	100%	100%	100%	100%	100%	100%
	Actual	101%	100%	100%	100%	100%	100%		
	Variance	1%	0%	0%	0%	0%	0%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted by 7(j)	**Target**	3,550	3,550	3,550	3,550	3,550	4,000	4,500	10,000
	Actual	3,272	3,913	4,104	5,360	5,245	4,100		
	Variance	-8%	10%	16%	51%	48%	3%		

Additional Information: 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 1-page 7(j) fact sheet on the 7(j) program and engagement with federal agency small business and procurement officials.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Assisted by HUBZone	**Target**	9,875	6,475	6,475	6,475	6,500	6,500	6,500	6,500
	Actual	7,872	6,497	6,399	8,016	6,431	6,563		
	Variance	-20%	0%	-1%	24%	-1%	1%		

Additional Information: The data includes initial applications received, protests, decertifications, recertifications, program exams, HUBZone office hours participants, and emails responded through the help desk.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of HUBZone Sites Visited	**Target**	690	517	518	500	475	492	508	508
	Actual	788	511	569	518	515	505		
	Variance	14%	-1%	10%	4%	8%	3%		

Additional Information: The number of HUBZone sites visited target is 10 percent of the previous fiscal year total number of HUBZone firm sites.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Approved Mentor-Protégé 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	N/A		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		

Additional Information: The results are from the FY 2018 Annual Reports submitted from proteges completing their first year in the program

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Full Time Equivelents 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		

Additional Information: This information will come from the FY 2018 Annual Reports submitted from proteges completing their first year in the program.

Performance Indicator		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		
Additional Information: 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.									

Strategic Objective 2.2: Build Healthy 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%		
Additional Information: 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.									
Performance Indicator		**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%		
Additional Information: 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.									
Performance Indicator		**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%		
Additional Information: 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.									
Performance Indicator		**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%		
Additional Information: 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 entrepreneurers who returned to the SBDC to report on their progress.									

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: Services delivered by nonprofit WBCs in almost every state or territory help women overcome barriers to entrepreneurship.

Performance Indicator		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%		

Additional Information: The SBA predicts WBC clients advised levels to remain steady in FY 2018 and FY 2019 as the SBA prioritizes development of its quality of services in terms of hours served and enhanced export training. Many WBCs have changed models to increase counseling to meet the changing needs of their clients. The SBA anticipates opening new centers in 2018, therefore more counseling clients will be advised in the future.

Performance Indicator		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%		

Additional Information: 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 www.SBA.gov/performance.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of SCORE Clients Mentored	**Target**	N/A	N/A	Baseline	160,000	182,500	156,000	140,000	143,000
	Actual	166,509	127,468	164,403	137,310	122,230	126,892		
	Variance	N/A	N/A	N/A	-14%	-33%	-19%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of Small Businesses Created by SCORE	**Target**	1,080	700	700	5,400	5,400	5,400	45,000	50,000
	Actual	828	628	5,339	39,495	54,027	Data Lag		
	Variance	-23%	-10%	663%	631%	901%	N/A		

Additional Information: 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.

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%		

Additional Information: The number of clients trained online includes clients trained through the SBA Learning Center. The SBA did not reach its FY 2016 target; however, the SBA will maintain its focus on providing quality courses that support the needs of business owners.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Emerging Leaders Creating or Retaining Jobs	**Target**	N/A	N/A	N/A	Baseline	81%	81%	81%	81%
	Actual	73%	69%	81%	81%	81%	81%		
	Variance	N/A	N/A	N/A	N/A	0%	0%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Emerging Leaders Obtaining Revenue Growth	**Target**	N/A	N/A	N/A	Baseline	65%	67%	67%	67%
	Actual	62%	68%	66%	68%	70%	68%		
	Variance	N/A	N/A	N/A	N/A	8%	1%		
Additional Information: 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.									

Performance Indicator		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.									

Performance Indicator		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%		
Additional Information: The SBA introduced this metric in FY 2016. The SBA is not requesting funds for this initiative in FY 2018 and 2019.									

Performance Indicator		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%		
Additional Information: The SBA introduced this performance indicator in FY 2015, and historical data have been provided for context. The methodology calculation has been revised to ensure consistency among SBA's other entrepreneurial development programs.									

Performance Indicator		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%		
Additional Information: The SBA introduced this performance indicator in FY 2015, and historical data have been provided for context. The methodology calculation has been 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.									

Performance Indicator		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%		
Additional Information: The SBA introduced this performance indicator in FY 2015, and historical data have been provided for context. The methodology calculation has been revised to ensure consistency among SBA's other entrepreneurial development programs.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
B2B Participants Eight 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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Rate of B2B Participants Using Follow-on SBA Resources	**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		

Additional Information: 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).

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of VBOC Programmatic and Financial Reviews	**Target**	N/A	N/A	Baseline	5	5	5	5	5
	Actual	N/A	N/A	N/A	N/A	0	3		
	Variance	N/A	N/A	N/A	N/A	-100%	-40%		

Additional Information: 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.

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%		

Additional Information: 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.

Strategic Objective 2.3: Create a Small Business Friendly Environment

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%		
Additional Information: 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.									
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%		
Additional Information: 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 Administrator to make appointments based upon recommendations by the incoming National Ombudsman. The SBA appointed a new National Ombudsman in September 2017.									
Performance Indicator		**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%		
Additional Information: 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.									

Strategic Goal Three–Restore Small Businesses and Communities after Disasters

Strategic Objective 3.1: Deploy Disaster Assistance Effectively and Efficiently

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		
Additional Information: 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.									

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%		

Additional Information: 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.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	F 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%		

Additional Information: Field presence is defined as getting disaster personnel to disaster sites within 3 days of disaster declaration.

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	Baseline		
	Variance	N/A	N/A	N/A	N/A	N/A	N/A		

Additional Information: 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 the SBA agency disaster declarations.

Performance Indicator		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%		

Additional Information: 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.

Performance Indicator		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%		

Additional Information: 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.

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

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		
Additional Information: 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.									
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%		
Additional Information: 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.									
Performance Goal		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
SBA Real Estate Footprint Reduction Rate	**Target**	N/A	N/A	N/A	Baseline	2%	1%	1%	1%
	Actual	2%	2%	2%	2%	5%	4%		
	Variance	N/A	N/A	N/A	N/A	150%	300%		
Additional Information: 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 1 percent reductions.									

Strategic Objective 4.2: Build a High-performing Workforce

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%		
Additional Information: 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.									

Performance Indicator		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%		
Additional Information: 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.									

Performance Indicator		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%		
Additional Information: 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.									

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Federal Employee Viewpoint Survey Engagement Index	Target	N/A	N/A	N/A	Baseline	64%	67%	67%	68
	Actual	64%	65%	62%	60%	63%	67%		
	Variance	N/A	N/A	N/A	N/A	-2%	0%		
Additional Information: A government-wide goal established that federal agencies increase engagement efforts with the goal of increasing the government-wide Engagement Index o 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.									

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

Performance Goal		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
IT Cost Savings/Avoidance (Millions of Dollars)	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		
Additional Information: The metric reports the cumulative (FY 2017–FY 2019) cost savings/avoidance related to OMB initiatives such as DCOI, commodity IT, the Cloud, software license management, and PortfolioStat.[1]									

[1] Data are reported via Integrated Data Collection (IDC) Quarterly Submission.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of Security Incidents Reported to US-CERT Within Specified Timeframes	**Target**	100%	100%	100%	100%	100%	100%	N/A	N/A
	Actual	100%	100%	100%	100%	100%	100%		
	Variance	0%	0%	0%	0%	0%	0%		
Additional Information: 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.									

Appendix 6 – Management Challenges

The SBA Inspector General submitted its Report Number 18-01 entitled "Report on the Most Serious Management and Performance Challenges in Fiscal Year 2018," October 12, 2017. The report represents the OIG's current assessment of Agency programs or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. A summary of the contents of the report follows. Within each management challenge, there is a series of recommended actions (noted by a number) to resolve it. Refer to the associated strategic objective section for details regarding the recommended actions and SBA's progress on addressing the challenges.

Challenge			Strategic Objective
1	Small Business Contracting	Weaknesses in Small Business Contracting Programs and Inaccurate Procurement Data Undermine the Reliability of Contracting Goal Achievements	1.3
2	IT Leadership	SBA's Information Technology Leadership Capabilities Need Strengthening to Address Operational Risks and Challenges	4.3
3	Human Capital	SBA Needs Effective Human Capital Strategies to Carry Out Its Mission Successfully and Become a High-Performing Organization	4.2
4	Loan Program Risk Management	SBA Needs to Improve Its Risk Management and Oversight Practices to Ensure Its Loan Programs Operate Effectively and Will Continue to Benefit Small Businesses	1.1
5	8(a) Business Development Program	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 Into the Program, and Standards for Determining Economic Disadvantage Are Justifiable	2.1
6	Loan Program Operations	SBA Can Improve Its Loan Programs by Ensuring Quality Deliverables and Reducing Improper Payments at SBA Loan Operation Centers	1.1
7	Disaster Assistance	Disaster Assistance Must Balance Competing Priorities to Deliver Timely Assistance and Reduce Improper Payments	3.1
8	Acquisition Management	Challenge closed	4.1

To read the full report, go to: www.sba.gov/sites/default/files/oig/SBA_OIG_Report_18-012.pdf.

U.S. Small Business Administration

Office of Advocacy

Fiscal Year 2019
Congressional Budget Justification

and

Fiscal Year 2017
Annual Performance Report

U.S. Small Business Administration
Office of Advocacy

Fiscal Year 2019 Congressional Budget Justification
and
Fiscal Year 2017 Annual Performance Report

Overview

The Office of Advocacy (Advocacy) is an independent office within the U.S. Small Business Administration (SBA). Advocacy has its own statutory charter, Title II of Public Law 94-305 as amended (15 U.S.C. § 634a *et seq.*), originally enacted in 1976. It is headed by a Chief Counsel for Advocacy, appointed by the President and confirmed by the Senate. Advocacy works to reduce the burdens that Federal regulations and other policies impose on small entities and provides vital small business research for the use of policymakers and other stakeholders.

The mission of Advocacy is to encourage policies that support the development and growth of American small businesses by:

- Intervening early in Federal agencies' regulatory development processes on proposals that affect small entities and providing Regulatory Flexibility Act[1] compliance training to Federal agency policymakers and regulatory development officials;
- Producing research to inform policymakers and other stakeholders on the impact of Federal regulatory burdens on small businesses, to document the vital role of small businesses in the economy, and to explore and explain the wide variety of issues of concern to the small business community; and
- Fostering two-way communication between Federal agencies and the small business community.

Advocacy represents the interests of small businesses within the Federal government. It advances the views and concerns of small businesses before Congress, the White House, Federal agencies, the Federal courts, and state and local policymakers as appropriate. Economic research, policy analyses, and small business outreach help identify issues of concern. Documentation of the contributions of, and challenges for, small businesses in the U.S. economy provides policymakers with the information that they need to make better decisions.

In addition to those responsibilities included in Advocacy's basic charter, further duties and powers were conferred upon the Chief Counsel for Advocacy by the Regulatory Flexibility Act (RFA) of 1980 as

[1] Regulatory Flexibility Act (RFA) of 1980 as amended (5 U.S.C. § 601 *et seq.*). RFA compliance training is an implementation strategy for Advocacy's Strategic Goal #1 as explained in that section below.

amended (5 U.S.C. § 601 *et seq.*), and Executive Order 13272. These duties include the monitoring of Federal agency compliance with the RFA, providing RFA compliance training to regulatory officials, and assisting regulatory agencies during all stages of the rule development process to mitigate the potential impact of rules on small entities while still achieving their regulatory objectives.

Public Law 111-240, the Small Business Jobs Act of 2010, further amended Advocacy's statutory authority to require that each budget submitted by the President shall include a separate statement of the amount of appropriations requested for Advocacy, and that these funds be designated in a separate Treasury account. The Act also requires SBA to provide Advocacy with office space, equipment, an operating budget, and communications support, including the maintenance of such equipment and facilities (15 U.S.C. § 634g(b)).

Before FY 2012, Advocacy was fully integrated within SBA's Executive Direction budget. In recognition of the office's independent status and newly separate appropriations account, Advocacy's FY 2013 Congressional Budget Justification and FY 2011 Annual Performance Report were for the first time presented in a separate appendix to SBA's submission. The current budget request for FY 2019 is the seventh to use this format, which is intended to improve the transparency of Advocacy's operations and costs, more clearly identify the resources available to Advocacy, and provide a basis for performance measurement.

FY 2019 Budget Request

For FY 2019, the Office of Advocacy requests $9.12 million in new budget authority for its direct expenses, the same amount requested for FY 2018.

New Budget Authority *Dollars in Millions*	**FY 2012 Enacted**	**FY 2013 Enacted[2]**	**FY 2014 Enacted**	**FY 2015 Enacted**	**FY 2016 Enacted**	**FY 2017 Enacted**	**FY 2018 Request**	**FY 2019 Request**
	9.120	8.643	8.750	9.120	9.120	9.220	9.120	9.120

The largest portion of Advocacy's request, $8.65 million, is planned for the compensation and benefits of Advocacy's professional staff. Staffing accounts for approximately 95 percent of Advocacy's total FY 2019 budget and is planned at 52 full-time equivalent positions. Of the balance of Advocacy's request, $150,000 is planned to supplement available carryover balances for the office's congressionally-mandated economic research program, and $320,000 is planned for all other direct expenses, including subscriptions to legal and economic research resources, travel, training, office supplies, and other miscellaneous expenses directly attributable to Advocacy.

Pursuant to Section 1602(b) of Public Law 111-240, SBA will provide additional support to Advocacy, including office space and equipment, communications and IT services, and maintenance of equipment and facilities. The costs for these services, as well as centralized indirect expenses shared with other SBA offices, appear elsewhere in SBA's budget request.

[2] As adjusted by sequestration.

Small businesses are the engine of innovation, economic growth and job creation in America. Advocacy's FY 2019 request will allow it to continue its mission of supporting the startup, development and growth of small businesses and to focus on emerging priority areas, including innovation and international trade. Advocacy's activities have always required cross-agency collaboration with other Federal agencies throughout government. This includes assisting agencies in achieving their regulatory goals without unnecessary adverse consequences for small entities, adding value to the data that they collect and making it more accessible to stakeholders, and providing RFA compliance training to policy and rule development officials in more than 100 agencies. Advocacy engages every day in cross-agency cooperation to remove barriers to small business innovation, economic growth and job creation, and to provide stakeholders with the information they need to make informed decisions, as described in the Planned Performance sections below.

Advocacy Strategic Goals

As part of the separation of Advocacy's annual budget justification and performance report from those of SBA, Advocacy adopted two strategic goals that are specific to the office, and it revised the performance indicators that are associated with these goals. The two goals align closely with Advocacy's two primary statutory responsibilities, regulatory advocacy and economic research. For each goal, a discussion follows on implementation strategies, performance objectives, FY 2017 accomplishments, and FY 2019 planned performance. Tables with performance metrics, including benchmarks and percent variations, follow these sections.

Advocacy Strategic Goal 1: **To be an independent voice for small businesses inside the government and to assist Federal agencies in the development of regulations and policies that minimize burdens on small entities in order to support their start-up, development and growth.**

Implementation strategies

Monitoring of Federal regulatory activity. Advocacy's Office of Interagency Affairs monitors new Federal regulatory proposals through publicly available sources such as the *Federal Register* and the agencies' periodic publication of their regulatory agendas. Many agencies also notify Advocacy directly in advance of planned regulations, particularly when these proposals have significant costs or would affect significant numbers of small entities. Pursuant to Executive Order 13272, Advocacy also consults on regulatory proposals with the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs, with which the office has a strong working relationship. In addition, the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau have special statutory requirements for notifying Advocacy of planned regulatory activity with significant effects. Advocacy also subscribes to various publications and services that specialize in tracking legislation, regulations and public policy issues.

Solicitation of the views of stakeholders. Advocacy conducts a continuing program of outreach to its many stakeholders to solicit their views on issues of concern to small businesses. One of the most important sources of input are roundtables that Advocacy sponsors on specific topics, at which representatives of small businesses, industries and government agencies can meet and informally discuss matters of current interest. Many of these roundtables are held in Washington, but Advocacy also hosts regulatory roundtables throughout the country at which its professional staff can meet directly with stakeholders to learn what issues are of most importance to them in their own areas. Regulatory agencies whose actions could have particular impacts in these communities are also invited to participate in Advocacy's regional roundtables. Advocacy also sponsors larger conferences and symposia to discuss major issues. Advocacy maintains close contact with many congressional committees, including those with jurisdiction over the most important areas of interest to small businesses. The Chief Counsel regularly meets with business organizations and trade associations, in addition to traveling throughout the country to hear directly from stakeholders. Advocacy's regional advocates are the office's eyes and ears outside of Washington, and the office also receives a steady flow of input on small business concerns from its many stakeholders, including business organizations and trade associations, congressional offices, SBA offices and resource partners, and small businesses themselves.

Engagement with Federal agencies on regulations and policies affecting small businesses. After an issue of interest has been identified, Advocacy's Office of Interagency Affairs works with regulatory development officials and policymakers to ensure that the views of small entities are known and considered in the agency's actions. This engagement can take many forms, depending on the stage of the policy or regulatory proposal. Advocacy attorneys and economists often have pre-proposal consultations with regulatory development officials in order to help them design a rule that will accomplish the agency's regulatory objectives while minimizing burdens on small entities. Advocacy also provides regulatory agencies with technical assistance of various types to help ensure agency compliance with the Regulatory Flexibility Act (RFA) and related requirements. Such assistance can include estimates of the numbers of businesses likely to be affected by a proposal, legal opinions on RFA issues, the review of draft materials, arranging consultations with affected industry representatives, and other assistance specific to each case. Advocacy intervenes at all stages of the rule development process, from confidential pre-decisional deliberative consultations before a proposal is made, to formal comments after a proposed rule has been published, to comments after a rule has been finalized. Advocacy also provides congressional testimony on issues affecting small business as requested, and the office regularly advises congressional committees on small business issues.

Small Business Regulatory Enforcement Fairness Act (SBREFA) Panels. The Small Business Regulatory Enforcement Fairness Act (Title II of P.L. 104-121, as amended) requires three agencies (the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau) to take special steps to ensure that the views and needs of small entities are considered early in the process of drafting rules that could have significant effects. In the SBREFA panel process, Advocacy, OMB's Office of Information and Regulatory Affairs, and the rule-writing agency develop information solicited from small entity representatives and other sources concerning the potential impacts of a new agency proposal. The panel then considers alternatives that minimize burdens, and it prepares a report with recommendations that must by law be addressed in the final rule. The extra steps required for those agencies and regulations subject to the panel process ensure that small business concerns are considered early in the rule development process, and the process is an important tool for Advocacy.

Regulatory Flexibility Act compliance training. The Regulatory Flexibility Act (RFA), first enacted in 1980 and strengthened in 1996 and 2010, requires most federal regulatory agencies to consider the effects of planned regulatory actions on small entities, and to take steps to minimize them when possible, including the consideration of alternatives for rules with significant impacts and the convening of SBREFA panels with special outreach provisions for certain agencies. Failure to comply with RFA requirements can result in litigation. A significant body of RFA case law has developed over the years, and courts have struck down rules because of RFA problems. Executive Order 13272 requires Advocacy to provide RFA compliance training to federal regulatory development officials, and the office has a continuing program to provide live classroom training to regulatory officials throughout the government. RFA training is customized to each individual agency or multi-agency group receiving the training. Advocacy believes that better-trained regulatory and policy staff develop smarter rules that have reduced impacts on small entities. Better compliance and reduced litigation are also favorable outcomes resulting from fully RFA-compliant rules.

Retrospective review of regulations. Section 610 of the Regulatory Flexibility Act requires agencies to review existing regulations periodically to determine whether they are still justifiable based on a number of factors. Advocacy believes that the full potential of this provision in the RFA has not been realized, and welcomed Executive Orders 13563, 13579, and 13610, which among other provisions, directed departments and agencies throughout government to review existing significant regulations and consider how best to promote retrospective analyses of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. Advocacy continues to work with OMB and regulatory agencies to identify rules where regulatory cost savings can be achieved. More recently, President Trump signed new executive orders on regulatory reform, including Executive Orders 13771 and 13777 which require Federal agencies to take more aggressive steps to alleviate unnecessary regulatory burdens. Advocacy stands ready to help all agencies in this effort.

Performance objectives

Advocacy has two performance objectives related to Strategic Goal 1:

- Objective 1.1 - the achievement of regulatory cost savings of at least $6.5 billion in FY 2019 from rules on which Advocacy has worked; and
- Objective 1.2 - the provision of Regulatory Flexibility Act compliance training in FY 2019 to at least 100 policymakers and regulatory development officials in Federal agencies which promulgate regulations that impact small entities.

Representing the concerns of small businesses before Federal regulatory agencies is one of Advocacy's most important statutory missions. Advocacy has adopted the achievement of regulatory cost savings for small businesses and other small entities as an outcome performance measurement for this activity, although the office also works with agencies to advance small entity interests in other ways that do not necessarily produce measurable cost savings.

Advocacy works with Federal regulatory agencies at all stages of the rule development process to help them design regulations that will minimize unnecessary costs to small entities while still achieving agency regulatory objectives. Cost savings from rules on which Advocacy has intervened consist of forgone capital or annual compliance costs that otherwise would have been required in the first year of a rule's implementation. Advocacy captures cost savings in the quarter and fiscal year in which the regulating agency agrees to changes resulting from Advocacy's intervention and not necessarily during the period in which the intervention occurred. Therefore, the results reported for any year do not reflect the total of Advocacy's interventions to date that may produce quantifiable cost savings in the future.

Cost savings estimates are generally based on estimates from the agencies promulgating the rules in which Advocacy intervened, although industry estimates may be used in some cases.

A limitation of this performance measure is that it is impossible to predict with any degree of accuracy when Federal agencies will publish final rules that reflect cost savings from rules in which Advocacy intervened, and it is equally difficult to predict the amount of savings likely to be achieved before action on a rule begins. Cost savings rely on externalities (i.e., it is a regulatory agency's decision to reduce the burden on small entities, not Advocacy's), so significant variations from established goals can and do occur. Also, because agencies may make further revisions to a rule, cost savings may change over time based on new information and/or further negotiations and revisions. However, even with these limitations, past performance over an extended period has demonstrated that significant cost savings have been achieved and measured.[3] Another limitation of this measure is that Advocacy is unable to include in its annual estimate of regulatory cost savings those savings that result solely from pre-decisional deliberative consultations or technical assistance provided to regulatory agencies. These savings are in addition to those claimed under this performance measure and are substantial but impossible to measure with accuracy.

The second performance objective for Strategic Goal 1 in FY 2019 is that Advocacy will provide Regulatory Flexibility Act compliance training to at least 100 policymakers and regulatory development staff in Federal agencies which promulgate regulations that impact small entities. This is also an outcome measure, with the result that Federal regulatory officials have the expertise needed to develop and publish better rules that achieve their regulatory objectives while minimizing unnecessary burdens on small entities. Reduced RFA-related litigation and better compliance by the regulated community also result.

Executive Order 13272 requires Advocacy to provide the RFA compliance training measured by this performance indicator. Since Advocacy began its ongoing RFA compliance training program in 2004 through FY 2017, such live classroom training has been provided to officials in 18 cabinet-level departments and agencies, 69 separate component agencies and offices within these departments, 23 independent agencies, and various special groups including congressional staff, business organizations and trade associations.

FY 2017 Accomplishments

During FY 2017, Advocacy achieved $1.151 billion in first-year regulatory cost savings, $525 million of which will also be annually recurring savings, although they will not be counted again for the purposes of performance measurement. These savings resulted from actions on 16 separate Federal regulations originating in six agencies (the Environmental Protection Agency, the Department of Labor, the Department of Justice, the Department of Agriculture, the General Services Administration, and the Federal Acquisition Regulation Council). Additional information on these rules will be detailed in Advocacy's annual report on Regulatory Flexibility Act activities for FY 2017. This report and those for past years can be accessed online at http://www.sba.gov/advocacy/regulatory-flexibility-act-annual-reports. Advocacy expects additional significant savings to be achieved as a result of its continuing work

[3] These cost savings are reported in both Advocacy's annual RFA reports (posted at https://www.sba.gov/advocacy/regulatory-flexibility-act-annual-reports) and its annual Congressional Budget Justifications (posted at https://www.sba.gov/advocacy/performance-budget).

on numerous other rules, but savings are not scored until a rule is finalized, and the timing for this is beyond Advocacy's control.

During FY 2017, Advocacy provided Regulatory Flexibility Act compliance training to 195 policy and rule development officials at regulatory agencies, exceeding its annual goal for this activity that at least 100 officials receive such training.

Although not used as performance indicators, two other measures relating to regulatory advocacy illustrate the diversity of activity in which Advocacy was engaged. During 2017, Advocacy provided 24 public comment letters to 9 different agencies on a variety of proposals affecting small business. Also during FY 2017, Advocacy's legal team hosted 14 roundtables in Washington to collect information from stakeholders on a range of issues, and 11 additional regional regulatory roundtables were hosted outside of Washington, including sessions in Baton Rouge and New Orleans, Louisiana; Boise and Coeur d'Alene, Idaho; Spokane, Washington; Lexington, Kentucky; Cincinnati, Cleveland and Cadiz, Ohio; St. Louis, Missouri; and Kansas City, Kansas. Additional field roundtables are planned for FY 2018 and FY 2019.

During FY 2017, Advocacy also provided the Administration with counsel subsequent to Executive Order 13771 (*Reducing Regulation and Controlling Regulatory Costs;* January 30, 2017) and Executive Order 13777 (*Enforcing the Regulatory Reform Agenda;* February 24, 2017) which require Federal agencies to take more aggressive steps to alleviate unnecessary regulatory burdens. These steps include the establishment of a Regulatory Reform Task Force in each agency to identify regulations that eliminate jobs or inhibit job creation; are outdated, unnecessary, or ineffective; impose costs that exceed benefits; interfere with regulatory reform initiatives and policies; or that rely on questionable data, information or methods. The Task Force must report to its agency head progress made towards identifying regulations for repeal, replacement or modification, and agencies must incorporate into their annual performance plans indicators that measure progress towards these goals. The new executive orders are intended to work in tandem with and strengthen the earlier Executive Orders 12866 and 13563, which are both mentioned by name in Executive Order 13777 and through which Advocacy has for years provided counsel to the Administration and Federal agencies on regulatory issues affecting small businesses.

This important regulatory initiative is very much in keeping with Advocacy's mission, the RFA and Executive Order 13272. During 2017, Advocacy continued to examine rules that agencies determined should be reviewed, and the office continues to provide counsel on which of these reviews would be likely to lead to regulatory burden reduction for small business.

Also of major importance in the office's regulatory advocacy activities is its participation in the Small Business Regulatory Enforcement Fairness Act (SBREFA) panels required by Title II of Public Law 104-121, as amended, for significant rules planned by three agencies, the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Financial Protection Bureau. In the panel process, representatives of the rule-writing agency, OMB, and Advocacy are empaneled to solicit information from industry representatives and other sources on the potential effects of a new agency proposal, to consider alternatives that minimize burdens, and to prepare a report with recommendations that must by law be addressed in the final rule. Although SBREFA panels are labor intensive, they have a proven track record of helping agencies write better rules. During FY 2017, no new SBREFA panels were initiated.

FY 2019 Planned Performance

The Office of Advocacy intends to continue to achieve regulatory cost savings and a reduced regulatory burden through its regulatory interventions. The office relies on various types of activities to achieve regulatory cost savings. These include: participating in the SBREFA panel process for regulations promulgated by EPA, OSHA, and the Consumer Financial Protection Bureau; writing official comments to Federal regulatory agencies on their compliance with the Regulatory Flexibility Act and other rulemaking activities; testifying before Congress on small business issues; responding to OMB referrals on proposed legislation and regulatory proposals; participating with OMB during the Executive Order 12866 review process and during implementation of Executive Order 13272; and providing technical and RFA compliance assistance to agencies as requested at all stages of the rule development process.

In FY 2019, Advocacy's goal for regulatory cost savings is $6.5 billion. Although year-to-year fluctuations can and do occur, the 20-year long-term annual average of Advocacy's cost savings metric is $6.62 billion (from FY 1998, the first year in which data are available, through FY 2017). Advocacy continues to review difficulties in the quantification of cost savings resulting from rules on which it has worked. In recent years, Advocacy has helped agencies improve numerous draft rules, reducing burdens on small entities, but many agencies have not provided data upon which cost savings estimates can be based. Because Advocacy was not able to quantify savings on these rules, none were claimed. Advocacy continues to work with agency regulatory development officials and OMB's Office of Information and Regulatory Affairs to improve regulatory cost reporting in the future.

Advocacy will continue to train Federal regulatory agency personnel on RFA compliance, as required by Executive Order 13272. Classroom training has been conducted by Advocacy staff since FY 2004 and will continue indefinitely. Agencies have been responsive to the classroom training that their staffs have received, and many have implemented better regulatory flexibility practices as a result. Almost all Federal regulatory agencies have now received RFA compliance training from Advocacy, but Advocacy will continue to provide refresher training, train new personnel, and train officials of component agencies within major departments. Advocacy expects to exceed its FY 2019 goal of providing RFA training to at least 100 regulatory officials.

In FY 2019, Advocacy will continue to assist regulatory agencies in complying with the requirements of Executive Orders 13563, 13579 and 13610. These orders direct Federal regulatory agencies to promote the coordination, simplification and harmonization of regulations that are redundant, inconsistent or overlapping across agencies. They also direct agencies to consider regulatory flexibility whenever possible, to ensure scientific and technological objectivity in regulatory development, and to identify means to achieve regulatory goals that are designed to promote innovation. The orders and related guidance documents also direct agencies to review existing significant regulations and consider how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. Public participation in this process is encouraged and an accountability framework through agency reporting to OMB has been established.

More recently, President Trump has signed Executive Order 13771 (*Reducing Regulation and Controlling Regulatory Costs;* January 30, 2017) and Executive Order 13777 (*Enforcing the Regulatory Reform Agenda;* February 24, 2017) which require Federal agencies to take more aggressive steps to alleviate unnecessary regulatory burdens. The new executive orders are intended to work in tandem with and strengthen the earlier Executive Orders 12866 and 13563, which are both mentioned by name in Executive Order 13777. Advocacy stands ready to help all agencies in this newly strengthened effort to review regulations and reduce their burdens when possible.

In FY 2019, Advocacy will continue to work with OMB and Federal regulatory agencies as they implement the retrospective review of existing regulations as provided by both Section 610 of the RFA and executive orders. Advocacy will examine rules that agencies determine should be reviewed, and provide further recommendations and technical assistance to encourage regulatory burden reduction for small business.

Advocacy is prepared for new SBREFA panel activity in FY 2019. Although it is impossible to predict with accuracy how many of these labor-intensive panels will be convened in the future, Advocacy is prepared to accommodate this priority work.

At the request of OMB's Office of Information and Regulatory Affairs and the Office of the United States Trade Representative, Advocacy has participated since 2012 in various international working groups on regulatory cooperation and trade initiatives that would affect U.S. small businesses. International regulatory cooperation has become the subject of recent trade negotiations, including disproportionate burdens that smaller businesses may face in international trade. Advocacy's unique knowledge of how regulations affect small business give the office the ability to help the small businesses of America have a place at the table during trade negotiations. The office continues to explore how it can represent U.S. small businesses both in dealing with foreign regulations and those U.S. regulations impeding small business involvement in international trade. Lowering such regulatory barriers could open vast new markets to smaller firms.

On May 18, 2017 the Administration formally notified Congress of its intent to renegotiate the North American Free Trade Agreement. This triggered Advocacy's first ever convening of an Interagency Working Group (IWG) under Public Law 114-125, the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA). This statute established a new role for Advocacy to facilitate greater consideration of small business issues during international trade negotiations. Under TFTEA, the Chief Counsel for Advocacy must convene an IWG whenever the President notifies Congress that the Administration intends to enter into trade negotiations with another country, including re-negotiations of existing treaties. The purpose of the IWG is to conduct small business outreach in manufacturing, services, and agriculture sectors and to receive input from small businesses on the potential economic effects of a trade agreement on these sectors. From these efforts, the IWG is charged with identifying the most important priorities, opportunities, and challenges affecting these industry sectors in a report to Congress. This report must also provide an analysis of the economic impact on various industries, information on state-owned enterprises, recommendations to create a level playing field for U.S. small businesses, and information on Federal regulations that should be modified in compliance with the potential trade agreement.

Advocacy is currently working with its Federal agency partners in developing the information needed for the North American Free Trade Agreement TFTEA report to Congress. Advocacy expects additional TFTEA opportunities in the future and looks forward to this new avenue through which it can use its resources and regulatory experience to help small businesses participate in international trade with a more level playing field.

Advocacy Strategic Goal 2: **To develop and disseminate research and data on small businesses and the role that they play in the economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, innovation, and factors that encourage or inhibit small business start-up, development and growth.**

<u>Implementation strategies</u>

Adding value to raw data. Advocacy itself is not a data collection agency (although in some contract research projects, surveys may be conducted). Instead, Advocacy's Office of Economic Research assembles and uses data and other information from many different sources to develop data products that are as timely and actionable as possible. Advocacy's efforts often add value to existing government data resources by developing information that is useful to small business stakeholders from sources that may not have been originally intended for that purpose. Advocacy economic research funds support the development of small firm data at agencies such as the U.S. Census Bureau. Other agencies which have contributed to Advocacy research include the Bureau of Labor Statistics, the Internal Revenue Service, the Social Security Administration, the Federal Reserve Board, the Departments of Education, Defense and Veterans Affairs, and additional components in the Departments of Commerce and Labor. Advocacy has used data from all of these agencies and other sources in its data and research products. Advocacy aims in all its data publications to respond to the needs of its stakeholders with products that help answer their questions and inform their decisions with the best information possible.

Specialized contract research. Another important activity in meeting this strategic goal is contract research to address specialized issues of concern to Advocacy's stakeholders. These issues are many and varied. Some have been addressed regularly, such as the cost of regulation, innovation, job creation, taxation, and topics relating to firms owned by women, minority and veteran entrepreneurs. Other topics reflect changing policy issues and priorities or respond to requests from stakeholders. Subject to the availability of funding, Advocacy solicits ideas for its discretionary contract research program each year, and announcements for competitive research proposals are published as small business set-asides through the regular government procurement process. Advocacy also uses contract research funds to update older studies of special value when resources are available.

Assistance in regulatory advocacy. Advocacy economists work with agencies throughout government every day to assess the potential impact of proposed regulations on small entities. This is an example of how the various operating divisions within Advocacy work together to advance the office's goals. Regulatory flexibility analyses, and threshold analyses to determine what RFA provisions apply to a given proposal, often turn on how many firms of what size would be affected by that proposal. Advocacy's regulatory economists provide data and economic analyses to help quantify these effects. Advocacy research funds have also supported a competitive "indefinite date – indefinite quantity" (IDIQ) contract for professional assistance on impact analyses that are needed on particularly complex proposals or ones with potentially large impacts.

Dissemination of research. Advocacy research products receive wide distribution. All data products and contract research studies are published online, and information on new research is included in Advocacy's monthly newsletter, *The Small Business Advocate,* which goes to more than 37,000 online subscribers. Also, Advocacy's specialized research and data listserv goes to more than 28,000 subscribers. National roundtables are held to discuss the office's research products, in addition to conferences and symposia on topics of special interest, such as access to capital and innovation. Advocacy's Office of

Interagency Affairs shares economic research with its contacts throughout government, and Advocacy's field component of regional advocates promotes the office's data and research products in presentations throughout the country. Advocacy data and research products are frequently cited in the press, and they are widely used by congressional offices, government policymakers, and many other stakeholders.

Performance objectives

Advocacy has three performance objectives related to Strategic Goal 2:

- Objective 2.1 - in FY 2019, the publication of at least 20 research and data products related to small businesses and issues of concern to them.
- Objective 2.2 - in FY 2019, at least 360 outreach events by Advocacy's regional advocate team at which research or data developed by Advocacy or policy and regulatory issues are discussed with at least five or more small business stakeholders; and
- Objective 2.3 - in FY 2019, at least 12 presentations by Advocacy economists on Advocacy research to academic, media, or policy audiences.

In addition to regulatory advocacy, the second core responsibility of the Office of Advocacy is the development of economic research and data products relating to the role that small businesses play in the nation's economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, factors that influence entrepreneurship, innovation and other issues of concern to small businesses.

Advocacy economists perform and publish in-house research in addition to managing contract research projects on specific issues. Advocacy economic research funds also support the development of small firm data at other agencies such as the U.S. Census Bureau. Advocacy economists also work with agencies throughout government on a daily basis to assess the potential impact of their regulations on small entities.

Advocacy is continuing its output measure of the number of its published research and data products related to small businesses and issues of concern to them, with a FY 2019 goal of 20 such products. These research reports inform policymakers by providing data on small business demographics, demonstrating the importance of the role of small business in the economy, highlighting the impact of Federal policies and regulations on small businesses, and providing new research on specialized issues of interest to stakeholders.

Advocacy believes that good policy requires good information, and the office's research and data products result in the outcome that policymakers have the information they need to make better decisions.

A second performance objective for Strategic Goal 2 is an output measure that Advocacy's regional advocates participate in at least 360 outreach events with at least five small business stakeholders where Advocacy research or data products or regulatory and policy issues are discussed. Advocacy makes every effort that its research and data products provide information that is both timely and actionable, with the outcome that stakeholders can make better decisions. It is also important that these stakeholders are aware of the availability of Advocacy's work, and how to access it electronically.

Many of Advocacy's stakeholders and users of its research products are located in or near Washington, including congressional offices, Federal agencies, and business and trade associations. However, there is an important need to increase awareness of Advocacy's work not just in Washington, but also in communities throughout the country where the vast majority of small businesses are located. Advocacy's regional advocates promote this awareness in their respective regions. This performance indicator measures this aspect of Advocacy's continuing outreach efforts to disseminate information on economic research products and pending regulatory proposals.

A third performance objective for Strategic Goal 2 is an output measure that Advocacy economists make at least 12 economic presentations to academic, media, or policy audiences each year. Typical events in which presentations might take place include academic conferences, trade association meetings, policy symposia, think tank events, or government-sponsored events.

FY 2017 Accomplishments

During FY 2017, Advocacy met its goal of publishing 20 research and data products. Because of the timing of the procurement process for Advocacy's research contracts, which typically are awarded in the fourth quarter and have one-year completion terms, additional pending projects are expected to be released in FY 2018.

During FY 2017, Advocacy released a new edition of its popular *Small Business Profiles for the States and Territories*, in addition to new editions of *Small Business Frequently Asked Questions,* the office's *Small Business Quarterly Bulletin,* and its *Small Business Lending in the United States*. Two new papers were added to Advocacy's series of *Issue Briefs*, including briefs on women's business ownership using data from the Census Bureau's most recent Survey of Business Owners (SBO), and another on interest rates and non-bank lending to small businesses. A major new data product was released, *Veteran-Owned Businesses and Their Owners,* also using data from the Census Bureau's most recent SBO. Four new items were added to Advocacy's growing list of *Fact Sheets,* including fact sheets on the role of microbusiness owners in the economy, on women business owners, and entries entitled *Dissecting Access to Capital* and *Small Business Job Creation Deconstructed*. A contract research study entitled *Entrepreneurship in Low Income Areas* was also published.

Also during this period, Advocacy added three studies to its Trends in Entrepreneurship series, including *The Arrival of the Immigrant Entrepreneur, Explaining the Emergence of the Immigrant Entrepreneur,* and *The Retreat of the Rural Entrepreneur.* Two new infographics were added to Advocacy's growing list of products in this format, including *What's New with Small Business* and *Women-Owned Business Spotlight.* An interactive online map entitled *3 Reasons to Love Your Region* was posted on Advocacy's website, providing quick facts by region on economic growth, innovation, and international activity. Finally, Advocacy's Office of Economic Research (OER) published a business data appendix to the office's *Guide to the RFA* and the *Annual Report of the Office of Economic Research* for FY 2016.

During FY 2017, Advocacy's Office of Economic Research sponsored six Small Business Economic Research Forums in FY 2017. For these forums, OER invites an expert to discuss a key economic topic and to give a presentation to attendees. The forums are valuable to keep Advocacy's staff up-to-date on the latest data and research from other agencies and researchers. More detail on each forum will be provided in OER's annual report for FY 2017.

Beginning in FY 2013, Advocacy adopted a performance measure for outreach activity by its regional advocates. During FY 2017, Advocacy's regional advocates reported a total of 141 qualifying outreach events, most of which occurred in the first and fourth quarters. Because the ten regional advocates are re-appointed with each new administration, all positions became vacant in January 2017. Although some new regional advocates were appointed during FY 2017, a full team was not in place by the end of the year, with the result that their annual goal of 360 qualifying events was not reached. With the return of full team in FY 2018, it is expected that this goal will be met, as it has been consistently in the past.

Also beginning in FY 2013, Advocacy adopted another new performance indicator, this one for measuring outreach activity by its professional economists. During FY 2017, Advocacy economists had made 28 such presentations to academic, media, or policy audiences, substantially exceeding the annual goal of 12 events.

FY 2019 Planned Performance

Economic research remains one of the office's core statutory missions. Not only does it provide valuable information to Advocacy's many stakeholders, but it also plays a significant role in the office's other missions, including regulatory advocacy in particular. Regulatory flexibility analyses and policy decisions often hinge on how many firms suffer what consequences from a given proposal or policy. Advocacy's economic research also drives many of the outreach efforts that the office conducts to serve its customers. These include publications, symposia and other meetings, regional advocate activities, data requests from other agencies, and congressional inquiries.

In general, Advocacy's economic research budget supports: 1) the development and purchase of small business data from other Federal agencies and special tabulations of unpublished data relating to small business that are held by these agencies; and 2) the commissioning of extramural contract research projects on specialized topics of importance to policymakers and the small business community.

For FY 2019, Advocacy's request includes $150,000 in new funding for economic research purposes. This amount will supplement expected carryover balances which occur when solicitations for contract research proposals, for which funds must be reserved in advance, do not result in technically acceptable proposals. When this happens, the previously reserved but unused funds become available again and can be used to fund new research projects. The FY 2019 request provides sufficient funding to continue data purchases and to support data collection at other agencies that underpins a variety of Advocacy's widely used data products.

Advocacy has an annual goal for regional advocate participation in at least 360 meetings with at least five small business stakeholders where Advocacy research or data products or regulatory and policy issues are discussed. This activity is intended to provide broad distribution of Advocacy's work and to inform stakeholders on the availability of Advocacy resources online, as well as to solicit information from attendees. Advocacy's regional advocates promote this awareness in their respective regions.

Although Advocacy's regional advocates have a specific performance measure for economic research dissemination, they actually contribute to Advocacy's work in many other ways. Regional advocates are the Chief Counsel's eyes and ears outside of Washington and are on the front line in carrying out Advocacy's mission. They interact directly with small businesses, small business trade organizations, governors and state legislatures to educate them about the benefits of regulatory flexibility. Regional advocates conduct outreach to locate participants for SBREFA panels that require small entity representatives. They work closely with the ten regional Regulatory Fairness Boards to develop information for SBA's National Ombudsman. They alert businesses in their respective regions about regulatory proposals that could affect them (for example, by alerting firms that an agency is seeking comment on the small business impacts of a proposed regulation). Regional advocates are vital for the two-way communication that Advocacy needs from the vast majority of small entities that operate outside of the Washington area.

During FY 2019, Advocacy economists will make at least twelve economic presentations to academic, media, or policy audiences at organized events. Typical events in which presentations might take place include academic conferences, trade association meetings, policy symposia, or other government-sponsored events. This goal is intended to encourage Advocacy's professional economists to share Advocacy's work and their own research with other professionals, policymakers and opinion leaders.

Performance Measurement

Following are tables depicting Advocacy performance indicators from FY 2012 through FY 2017, together with FY 2018 and FY 2019 targets.

Advocacy Strategic Goal 1: To be an independent voice for small businesses inside the government and to assist federal agencies in the development of regulations and policies that minimize burdens on small entities to support their start-up, development and growth.

Objective 1.1 - Achievement of regulatory cost savings

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Regulatory cost savings to small businesses ($ billion)	Target	5.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
	Actual	2.45	1.53	4.81	1.61	1.39	1.15	TBD	TBD
	Variance	-55%	-76%	-26%	-75%	-79%	-82%	TBD	TBD

TDB - To be determined.
Additional information: This goal has been used since the establishment of performance measurements in FY 2001.

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cost per $1 million in regulatory cost savings ($)	Target	$1,658	$1,369	$1,301	$1,301	$1,403	$1,434	$1,403	$1,403
	Actual	$3,445	$5,759	$1,793	$5,754	$6,574	$7,055	TBD	TBD

TDB - To be determined.
Additional information: This efficiency measure has been used since the establishment of performance measures in FY 2001. Targets for this measure are established by dividing Advocacy's budget request for any given year by the regulatory cost savings target for that year. Actuals for this measure are established by dividing Advocacy's actual obligations incurred (see accompanying table) by actual cost savings achieved (see preceding indicator). Unlike other performance measures, lower actual costs per million in savings than those originally targeted reflect better than expected outcomes. Accordingly, variance percentages for this efficiency measure are not used.

Objective 1.2 - Provision of Regulatory Flexibility Act compliance training to regulatory development officials throughout government

Performance Indicator		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Newly trained regulatory staff with in-house expertise on Regulatory Flexibility Act (#)	Target	100	100	100	100	100	100	100	100
	Actual	148	159	132	126	157	195	TBD	TBD
	Variance	48%	59%	32%	26%	57%	95%	TBD	TBD

TDB - To be determined.
Additional information: This goal has been used since FY 2004, the function being mandated by Executive Order 13272.

Budgetary Resources	Budgetary obligations incurred						Budget plan	
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Request	FY 2019 Request
Administrative resources ($ thousands)	$8,440	$8,811	$8,628	$9,264	$9,157	$8,113	$9,120	$9,120

Public Law 111-240 established a separate appropriations account for Advocacy effective in FY 2012. Amounts in this table reflect only amounts requested for or incurred by its own appropriations account.

Advocacy Strategic Goal 2: To develop and disseminate research and data on small businesses and the role that they play in the economy, including the availability of credit, the effects of regulations and taxation, the role of firms owned by women, minority and veteran entrepreneurs, innovation, and factors that encourage or inhibit small business start-up, development and growth.									
Objective 2.1 - Publication of research and data products									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Advocacy research & data publications (#)	Target	25	20	20	15	20	20	20	20
	Actual	28	22	22	26	26	20	TBD	TBD
	Variance	12%	10%	10%	73%	30%	0%	TBD	TBD
TBD - To be determined Additional information: This goal has been used since FY 2004.									
Objective 2.2 - Outreach by regional advocates									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Outreach events by regional advocate team using Advocacy work products (#)	Target	N/A	360	360	360	360	360	360	360
	Actual	N/A	607	536	550	509	141	TBD	TBD
	Variance	N/A	69%	49%	53%	41%	-61%	TBD	TBD
TDB - To be determined. N/A - Not applicable. Additional information: This goal has been used since FY 2013.									
Objective 2.3 - Outreach by Advocacy economists									
Performance Indicator		**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Presentations by Advocacy economists to academic, media or policy audiences (#)	Target	N/A	12	12	12	12	12	12	12
	Actual	N/A	17	26	34	52	28	TBD	TBD
	Variance	N/A	42%	117%	183%	333%	133%	TBD	TBD
TDB - To be determined. N/A - Not applicable. Additional information: This goal has been used since FY 2013.									

Verification and Validation

Advocacy management has adopted verification and validation documentation in conformity with the standards used by SBA's Office of Performance Management. This documentation is reviewed annually and is on file with that office. It is also published on Advocacy's own **Performance and Budget** website at http://www.sba.gov/advocacy/performance-budget.

Explanations for Variances

As indicated in the preceding charts, significant variances occurred between certain Advocacy goals for FY 2017 and actual results. Explanations for these variances follow.

Regulatory cost savings to small businesses (82% below goal). Advocacy did not meet its goal of $6.5 billion in regulatory cost savings to small businesses, being able to quantify $1.15 billion in such savings in FY 2017. However, Advocacy's annual average from FY 1998 (the first year with data) through FY

2017 was $6.62 billion in savings per year, exceeding the current annual goal. As explained in the preceding section on FY 2017 accomplishments under Strategic Goal #1, significant variations in this measure can and do occur from year to year due to factors over which Advocacy has no control. Cost savings rely on externalities – regulatory agencies make the actual decisions that reduce burdens on small entities, not Advocacy, and these agencies control both the timing and amount of savings when they finalize and publish their rules.

Advocacy continues to address the challenges of the quantification of cost savings resulting from rules on which it has worked. In recent years, Advocacy has helped agencies improve numerous draft rules reducing burdens on small entities, but the agencies have not provided data upon which cost savings estimates can be based. Because Advocacy was not able to quantify savings on these rules, none were claimed. Advocacy continues to work with agency regulatory development officials to improve regulatory cost reporting in the future.

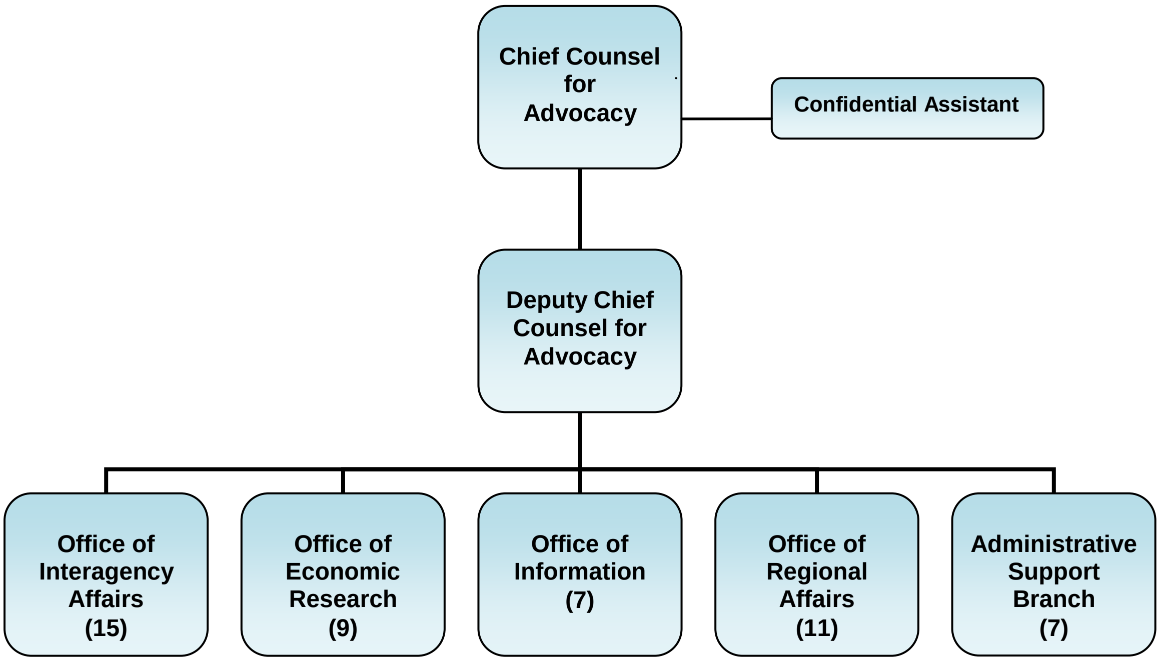
Regulatory staff with in-house expertise on Regulatory Flexibility Act compliance (95% over goal). Advocacy continued its aggressive RFA compliance outreach efforts in FY 2017, and agencies have also responded to presidential directives on regulatory review, including the new Executive Orders 13771 and 13777 signed by President Trump.

Research and data publications (no variance). Advocacy met its FY 2017 goal of 20 research and data publications with the release of 20 such products, including updated revisions to its most popular periodic reports; additions to its *Issue Brief, Fact Sheet, Trends in Entrepreneurship,* and infographics series; as well as a new contract research study.

Outreach events by regional advocates (61% below goal). Advocacy's regional advocates did not meet their goal of participation in 360 qualifying outreach events during FY 2017, with 141 such events. This was largely because of vacancies in the regional advocate positions. Because the ten regional advocates are re-appointed with each new administration, all positions became vacant in January 2017. Although some new regional advocates were appointed during FY 2017, a full team was not in place by the end of the year, with the result that their annual goal of 360 qualifying events was not met. A full team is expected to be on board in FY 2018.

Presentations by Advocacy economists to academic, media, or policy audiences (133% over goal). Advocacy economists substantially exceeded their FY 2017 goal of making presentations to at least 12 academic, media, or policy audiences, with 28 such presentations.

Office of Advocacy Organization



U.S. Small Business Administration

Office of Inspector General

FY 2019 Congressional Budget Justification

This page intentionally blank.

Overview

In fulfillment of the Inspector General Act of 1978, as amended, the U.S. Small Business Administration (SBA) Office of Inspector General (OIG) provides auditing, investigative, and other services to support and assist SBA in achieving its statutory mission. OIG provides taxpayers with a significant return-on-investment (ROI) as it roots out fraud, waste, and abuse in SBA programs. During FY 2016, OIG achieved nearly $145 million in monetary recoveries and savings—close to a sevenfold ROI, and in FY 2017, OIG achieved over $82 million in monetary recoveries and savings.

The mission of SBA 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. While SBA's programs are essential to strengthening America's economy, the Agency faces a number of challenges in carrying out its mission. Challenges include fraudulent schemes affecting all SBA programs; significant losses from defaulted loans; procurement flaws that allow large firms to obtain small business awards; excessive improper payments; and outdated legacy information systems. OIG plays a critical role in addressing these and other challenges by conducting audits to identify wasteful expenditures and program mismanagement; investigating fraud and other wrongdoing; and taking other actions to deter and detect waste, fraud, abuse, and inefficiencies in SBA programs and operations.

For FY 2019, OIG requests $21.9 million, plus an additional $1.0 million transfer from the Disaster Loan program—for a total of $22.9 million. OIG needs these funds to provide effective independent oversight of SBA's programs and operations, including funding to: cover an expected increase in the cost of the independent audit of SBA's financial statements, due in large part to new OIG review mandates incorporated into the Digital Accountability and Transparency Act of 2014 (DATA Act); cover government-wide inflationary costs; meet specific congressional oversight requests and/or Hotline-originated review needs for SBA programs and operations; and ultimately, through monetary recoveries and savings, provide taxpayers a significant ROI.

In particular, the additional resources requested for FY 2019 will allow OIG to:

- <u>SBA's Financial Statement Audit</u>. OIG contracts with an Independent Public Accountant to ensure SBA's financial statements are prepared in accordance with Generally Accepted Government Auditing Standards (GAGAS), and to monitor the Agency's compliance with the Federal Information Security Management Act (FISMA) and the DATA Act. To meet these statutory obligations, the cost of the audit fees is anticipated to increase by $200,000 in FY 2019.

- <u>Enhance audit, inspection, and evaluation review capacity to meet specific congressional oversight requests and/or Hotline-originated review needs for SBA programs and operations.</u> Currently, the OIG's Audits Division is comprised of three groups that oversee SBA's principal, high-risk programs—Business Development and Contracting Programs, Credit Programs, and Financial Management and Information Technology. In the past two years, OIG received Hotline complaints in conjunction with inquiries from congressional stakeholders that resulted in four reviews (Reports 16-14, 17-01, 17-08, and 17-13) by the Audits Division that are not aligned with the expertise and focus of these three groups. OIG is requesting $500,000 in FY 2019 for an additional group in the Audits Division, comprised of an Audit Director and an additional review team, to address the oversight needs of significant allegations of misconduct or mismanagement. Resources currently are redirected from the other groups to address the oversight needs, which significantly diminish OIG's capacity to oversee SBA's approximate $100 billion loan and $100 billion contracting programs. Additionally, both Government Accountability Office (GAO) and OIG have documented the information technology challenges facing SBA, requiring the focus and attention of OIG's existing resources. As such, it is vital that additional resources be provided to OIG to focus on efficiency and effectiveness of SBA management challenges and internal operations.

- Maintain adequate staffing levels. Assuming the amount requested in the President's FY 2018 budget is enacted, OIG will have been funded at the same level for 3 years. OIG has partially offset the costs of hiring new staff through cost-saving measures such as hiring new employees at the entry level, filling positions with student interns instead of permanent staff, and delaying the filling of vacant positions. In FY 2019, OIG requests funds to be able to adequately support a full staffing level to meet increased demands.

- Develop a cross-functional data analytics capability. SBA's loan and contracting operations are increasingly automated and stored in complex databases. As a consequence, SBA is able to more efficiently deliver services but also is gathering and storing data that traditionally would have been organized and stored in paper files. Recognizing the importance of electronic data organization and standardization, the Congress enacted the DATA Act to make information on federal expenditures more easily accessible and transparent.

  Congress has also recognized the importance of data analytics to effective, independent oversight by OIGs. In December 2016, Congress enacted the Inspector General Empowerment Act of 2016. Among the provisions, Congress provided Inspectors General an exemption to the Computer Matching Act, eliminating a cumbersome approval process that was fraught with independence concerns for OIGs. OIG is well positioned with its auditing and investigative resources to use this new tool, but it is an exception for an auditor/analyst or criminal investigator to possess the IT expertise necessary to manipulate the massive databases underpinning SBA operations, whereby the full potential of new data matching tools can be realized. Additional funds to staff a data analytics team would provide a resident expertise to keep OIG on the leading edge of SBA innovations and allow OIG to more proactively root out fraud, waste, abuse, inefficiencies, and misconduct.

  The data analytics function also would work with OIG audit teams and investigators to help improve the organization's overall efficiency and effectiveness. It would promote the production of higher quality audit and investigative evidence and better correlating audit and investigative approaches to risks and assertions. At present, OIG uses high-level analytic tools to assess loan and contract data but believes an opportunity exists to improve effectiveness through the creation of more complex financial and nonfinancial data modeling tools and evaluations.

  Consequently, OIG requests an additional $300,000 in FY 2019 to establish a dedicated cross-functional data analytics function to improve OIG's audit and investigative use of data analytic tools to more efficiently oversee the highest risk areas. These tools are particularly important in a resource-constrained environment. OIG anticipates this capability would provide the following benefits:
  - Expanded OIG coverage through the identification of control issues/fraudulent activities

in near real time.

- Increased capacity of existing auditing and investigative resources without the need to increase the number of such staff.

- Enhanced communication among OIG divisions and creation of investigative leads that conventional audit or investigative teams might not have the current capacity to develop. In short, our existing resources can work both smarter and harder.

- Identification of the best data from governmental, private and public sources and, when necessary, the ability to cross-check them for data validity (i.e., computer match). These sources could include data from Dun and Bradstreet, state government business registration records, court records, university research databases. This activity is generally beyond the scope for conventional audit or investigation due to the time intensive nature of paper-based research.

The funding requested for FY 2019 will also allow OIG to continue to address critical areas and issues, including:

- ➢ Work an active caseload of approximately 225 criminal and civil fraud investigations of potential loan and contracting fraud and other wrongdoing. Many of these investigations involve complex, multimillion-dollar fraudulent financial schemes perpetrated by multiple suspects. During FY 2016, OIG investigations resulted in 45 indictments/informations, 41 convictions, and over $141.5 million in potential recoveries, fines, asset forfeitures, civil fraud settlements, or loans/contracts not being approved or being canceled. During FY 2017, OIG investigations resulted in 35 indictments/informations, 25 convictions, and over $79.9 million in potential recoveries, fines, asset forfeitures, civil fraud settlements, or loans/contracts not being approved or being canceled.

- ➢ Conduct risk-based audits and reviews of SBA activities with a focus on systemic, programmatic, and operational vulnerabilities. During FY 2016, OIG issued 23 reports with 81 recommendations for improving the Agency's operations, identifying improper payments, and strengthening controls to reduce fraud and unnecessary losses in SBA programs. During FY 2017, OIG issued 19 reports with 72 recommendations for improving the Agency's operations, identifying improper payments, and strengthening controls to reduce fraud and unnecessary losses in SBA programs.

- ➢ Provide oversight and monitoring of SBA's IT security and application development activities, including new systems under development and the Agency's compliance with FISMA. OIG has identified systemic problems with SBA's IT systems, and this remains one of the most serious management challenges facing the Agency.

- ➢ Maintain a robust OIG Hotline to receive and process allegations of waste, fraud, abuse, or serious mismanagement in SBA or its programs from employees, contractors, and the public. During FY 2016, OIG Hotline received 1,041 complaints, which hotline staff reviewed and analyzed to determine the appropriate course of action. During FY 2017, OIG Hotline received

848 complaints, which hotline staff reviewed and analyzed to determine the appropriate course of action.

- Through a designated Whistleblower Protection Ombudsman, established pursuant to the Whistleblower Protection Enhancement Act of 2012, educate SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure.

- Pay for required employee background investigations to achieve a high level of integrity in OIG's workforce.

- Adjudicate OIG employees and contractors for issuance of Personal Identity Verification (PIV) cards pursuant to Homeland Security Presidential Directive 12 (HSPD-12) background investigations requirements.

- Review proposed revisions to SBA regulations, policies, procedures, and other directives with an emphasis on strengthening internal controls to preclude potential fraud and wasteful, confusing, or poorly planned initiatives. During FY 2016, OIG provided recommendations to improve 52 of the 119 proposed revisions it reviewed. During FY 2017, OIG provided recommendations to improve 36 of the 101 proposed revisions it reviewed.

- Make present responsibility referrals that may result in debarments, suspensions, and other administrative enforcement actions to foster integrity in SBA programs. During FY 2016, OIG sent 75 suspension and debarment referrals to SBA and was involved with 6 actions other agencies pursued. During FY 2017, OIG sent 106 present responsibility referrals to SBA and was involved with 5 actions other agencies pursued.

- Continue to serve as an educational resource, ensuring that oversight and lending officials develop or maintain technical proficiency in small business issues; suspension and debarment; the Program Fraud Civil Remedies Act; and other topics related to deterring and detecting fraud in government lending and contracting programs. During FY 2016, OIG delivered 74 training and outreach sessions for approximately 1,717 attendees. During FY 2017, OIG delivered 220 training and outreach sessions for approximately 3,556 attendees.

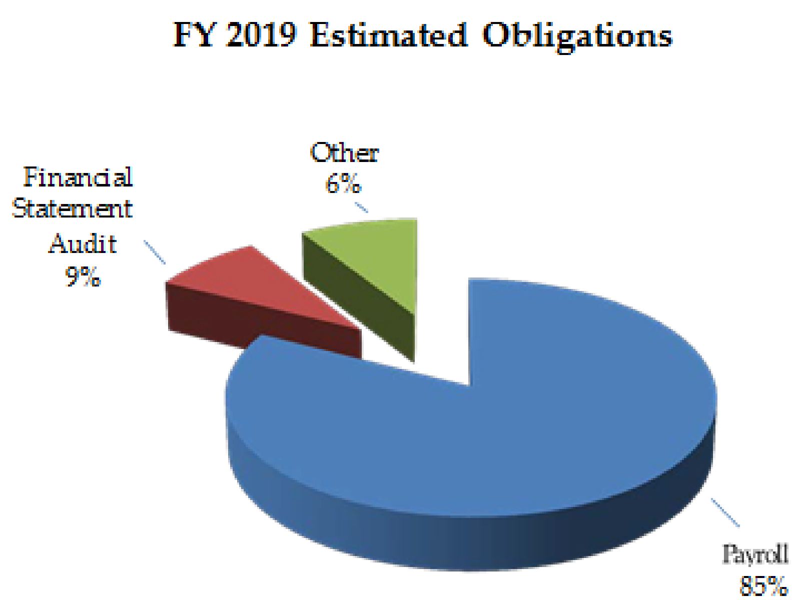
Budget Request

To address the challenges and risks discussed above and in the Critical Risks section below, OIG requests a total of $22.9 million for FY 2019—a direct appropriation of $21.9 million and $1.0 million to be transferred from SBA's Disaster Loan program account for work on disaster program issues.

FY 2019 Budget Request

Dollars in Millions	FY 2017 Actual	FY 2018 President's Budget	FY 2018 Annualized CR	FY 2019 Request	FY 2019 Incr/Decr
New Budget Authority	$19.9	$19.9	$19.8	$21.9	$2.1
Transfer from Disaster Loan Program	1.0	1.0	1.0	1.0	0.0
Total	**$20.9**	**$20.9**	**$20.8**	**$22.9**	**$2.1**

The majority of the funds requested for FY 2019 will be used for salary and benefits for 114 Full Time Equivalent positions, as well as the cost of the annual audit of SBA's financial statements by an independent public accountant.



Critical Risks Facing SBA

Within available resources, OIG must focus on the most significant risks to SBA and the taxpayer. Some of the critical risks facing SBA are discussed below. Many of these risks are addressed in OIG's *Report on the Most Serious Management and Performance Challenges* facing SBA, which OIG issues annually in accordance with the Reports Consolidation Act of 2000.

Risks in SBA's Lending Programs

SBA provides small businesses with capital and financial assistance through several key programs and has a financial assistance portfolio of guaranteed and direct loans totaling nearly $131 billion outstanding, with more than $30 billion in new loans guaranteed each year. Over the years, OIG has worked closely with the Agency to identify potential points of risk and to improve SBA's oversight and controls to ensure that eligible participants most in need of assistance benefit from these programs.

For example, the Agency's largest lending program, the Section 7(a) Loan Guaranty program, is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in acquiring, operating, or expanding an existing business. This program relies on numerous outside parties (e.g., borrowers, loan agents, and lenders) to complete loan transactions, with the majority of loans being made by lenders to whom SBA has delegated loan-making authority. Additionally, SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on—and giving greater independence to—its lenders. Past OIG reviews have reported on these trends, and OIG continues its work to identify risks and/or control weaknesses associated with SBA's lender and loan agent oversight processes.

Criminals use a wide array of techniques to fraudulently obtain—or induce others to obtain—SBA-guaranteed loans. These include submitting fraudulent documents, making fictitious asset claims, manipulating property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or prior criminal records. Consequently, there is a greater chance of financial loss to the Agency and its lenders. OIG dedicates a significant portion of its resources to identifying wrongdoers and, whenever possible, recovering funds.

Through the Disaster Loan program, SBA makes direct loans to homeowners and businesses harmed by disasters to fund repair or replacement of damaged property and to businesses to provide needed working capital. OIG and GAO audits have identified that this program is vulnerable to fraud and losses because (1) loan transactions are often expedited in order to provide quick relief to disaster victims; (2) lending personnel hired in connection with a disaster declaration may lack sufficient training or experience; and (3) the volume of loan applications may overwhelm SBA's resources and its ability to exercise careful oversight of lending transactions.

OIG audits and investigations have identified specific instances of fraud as well as necessary systemic improvements to reduce fraud, provide effective and efficient loan delivery, and protect taxpayer dollars.

Risks Affecting SBA's Oversight of Contracts for Small and Disadvantaged Businesses

The Small Business Act directs SBA to promote the award of federal contracts to small businesses and firms owned by disadvantaged individuals (such as minorities, service-disabled veterans, women, firms from areas of low economic activity, and others). Under a statutory goal, the government directs approximately 23 percent of federal procurement funds to these programs. For FY 2016—the latest year for which information is available—SBA reported that small and disadvantaged firms were awarded 23.34 percent of contracting dollars available to small businesses, which equates to $99.96 billion government-wide in prime contracting assistance. However, OIG audits and investigations have identified numerous instances where firms that do not meet the criteria to be either "small" or "disadvantaged" have improperly obtained contracts under SBA contracting programs.

For example, the co-owner of a Massachusetts construction firm was ordered in Federal court to forfeit $6,756,205 in assets. In addition to the asset forfeiture, the co-owner's sentence includes 30 months in prison, 1 year of supervised release, and a $10,000 fine. A Federal jury had previously found him guilty of conspiracy to defraud the United States and wire fraud. The investigation disclosed that, between 2006 and 2010, the co-owner made false statements to the Department of the Army, General Services Administration (GSA), Department of the Navy, and Department of Veterans Affairs (VA) about his firm's qualifications in order to receive service-disabled veteran-owned small business set-aside contracts. The investigation was conducted jointly with the U.S. Army Criminal Investigation Command, GSA OIG, Naval Criminal Investigative Service (NCIS), and VA OIG, under the direction of the U.S. Attorney's Office.

Risks Associated with SBA's Information Security Controls and Other Operations

SBA's IT systems play a vital role in managing the Agency's operations and programs, including a $124 billion loan portfolio. However, OIG audits and other reviews have identified serious shortcomings in SBA's information systems and related security controls. OIG reviews have found that SBA has not fully implemented adequate oversight of its IT systems, has not established an effective process to remediate security vulnerabilities, and has not developed an effective process to upgrade IT capabilities. OIG has issued management challenges recommending corrective actions in SBA's IT security and acquisition processes.

Risks Associated with SBA's Oversight and Controls of Grants for Entrepreneurial Development

SBA provides training, mentoring, and counseling services to small businesses through a variety of strategic partnerships. The Office of Entrepreneurial Development (OED) oversees a network of programs and services that support the training and counseling needs of small business. The OED manages and leverages three major resources: small business development centers (SBDCs), the SCORE Association (SCORE), and women business centers (WBCs). Although each resource program's goals and target audiences may vary, they share a common mission: to provide business advice, mentoring, and training to small businesses and entrepreneurs. The SBDC program is the largest grant program in the Agency's portfolio. OIG has identified problems with co-mingling SBDC grant funds with private-enterprise contributions and accounting for required matching funds. Some SBDCs are also co-located with WBCs, which makes it difficult to determine what services are associated with each grant program. In addition, having two grant programs delivering similar services increases the risk of duplicating services and contributes to government waste. A recent OIG review determined that an SBDC's subcenters did not adequately document employees' time and effort on the grant (Report 16-06). In addition, for grants awarded under the Disaster Relief Appropriations Act of 2013, OIG found that SBA did not enhance its internal controls to ensure program goals were achieved and expenditures were allowable (Report 17-09) and (Report 17-10).

OIG Oversight Activities

Through audits and other reviews, OIG provides independent oversight of critical aspects of SBA's programs and operations to improve the Agency's efficiency and effectiveness. An important aspect of this work is identifying and following up on SBA's major management and performance challenges, as required by the Reports Consolidation Act. OIG also supports SBA's mission by detecting, investigating, and deterring fraud and other wrongdoing in the Agency's programs and operations. OIG's Hotline operations are poised to receive complaints of fraud, waste, and abuse from the public, Agency employees, and stakeholders. OIG serves as a government-wide training resource for small business fraud and enforcement issues. These activities help to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of SBA programs because it helps ensure that the Agency's resources are utilized by those who deserve and need them the most.

FY 2018 and 2019 Planned Performance

During FY 2018 and 2019, in addition to conducting audits and reviews that are required by statutes and other directives, OIG will continue to focus on the most critical risks facing SBA. Several areas of emphasis are discussed below.

Financial Assistance

SBA paid guaranty claims totaling $0.8 billion FY 2016 and $1.0 billion in FY 2017 for defaulted 7(a) loans and 504 debentures. Some of SBA's losses correlate to similar root causes reported in the mortgage industry, such as limited SBA oversight of lenders and loan agents, poor lender loan processing, unscrupulous borrowers, and complicit brokers and lenders.

OIG will continue to address financial losses in SBA's lending due to lender errors and various fraud schemes. OIG's Early Defaulted Loan Review Group will continue to perform in-depth analyses of high risk 7(a) loans that default within approximately 18 months of final disbursement. When lender negligence is found, this group will recommend non-payment of the guaranty (or recovery if the guaranty is already paid). OIG will also target the most offending lenders to attain corrective actions and identify trends for operational improvement by SBA. When OIG identifies suspected fraud, those loans will be investigated.

OIG will continue to focus on detecting fraud committed by loan agents, such as packagers and brokers. A loan agent is sometimes hired by an applicant or lender to assist the applicant in obtaining an SBA loan. Although honest loan agents help small businesses gain access to capital, some dishonest ones have perpetrated fraudulent schemes involving tens of millions of dollars in loans. These fraudulent loans often default for non-payment, and SBA is forced to use taxpayer funds to purchase the guaranteed portions of the loans.

OIG will also continue to conduct audits of SBA's internal loan program operations and oversight, including audits of SBA's loan origination, servicing, and liquidation processes, loans sold on the secondary market, Microloans, loans to poultry farmers, as well as audits of SBA's oversight of loan agents and loan officers. Past work has shown that loans were not always properly originated and that effective controls and procedures were not in place to prevent improper payments.

SBA has implemented an all-electronic application and processing system in the 7(a) loan program. In FY 2017, approximately 24 percent of 7(a) loans were submitted through this system.

Disaster Assistance

OIG audits of SBA's Disaster Loan program will continue to focus on applicant eligibility, loan origination, disbursements, repayment ability, loan servicing, and liquidation activities related to disaster loans. Our focus in recent years has been on providing oversight to SBA's disaster assistance to Hurricane Sandy victims. As SBA responded to Hurricane Sandy, our oversight plans took shape and our work began to root out fraud, waste, and abuse. Aided by vital, supplemental funding, our Audits Division initially focused its reviews on timeliness, eligibility, technical assistance grants, and early defaults. OIG issued ten reports pertaining to our oversight efforts of SBA's Hurricane Sandy disaster assistance, including a review pertaining to loans made pursuant to the "RISE After Disaster Act of 2015." OIG will continue to investigate and audit disaster loans made in the aftermath of Hurricane Sandy—as well as those made in response to Hurricanes Harvey, Irma, and Maria in 2017—to prevent and minimize losses in this program.

Our Disaster Loan program audits will assess whether SBA processed homeowner and business loans in accordance with the Agency's procedures and established goals, ensured applicant eligibility, verified uses of loan proceeds before loans were fully disbursed, and appropriately identified duplicate benefits. In addition to reviews that encompass Hurricane Sandy loans, OIG will also conduct audits to assess SBA's response and readiness associated with more recent disasters, such as the Louisiana Floods, Hurricanes Harvey, Irma, and Maria and ensuing disasters. We will continue to evaluate potential risks in the program such as: timely program delivery, training of reserve workforce, loss verification, and credit elsewhere.

For investigations, OIG will focus efforts against areas of known risk such as unauthorized use of loan proceeds; overstatement of financial losses, material false statements in the application process, false or counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the times of the disasters. As of September 30, 2017, our office has initiated 80 investigations involving allegations of fraud pertaining to Hurricane Sandy. As of September 30, 2017, OIG had 36 open cases involving disaster loans with potential dollar losses of nearly $14.3 million. From FY 2006 through FY 2017, OIG, in conjunction with other law enforcement agencies, produced 91 arrests, 108 indictments/informations, and 103 convictions related to wrongdoing in SBA's Disaster Loan program. As of September 30, 2017, these investigations have resulted in over $14.5 million in court-ordered restitution and related recoveries, as well as the denial of nearly $4.9 million in loans to potentially fraudulent borrowers.

Specific to Hurricane Sandy, in response to the potential for fraud, OIG joined other law enforcement organizations in support of the New Jersey Attorney General's Office Sandy Fraud Task Force. From FY 2014 through FY 2017, OIG, in conjunction with other law enforcement agencies, produced 48 indictments/informations and 33 convictions related to wrongdoing in SBA's Disaster Loan program for Hurricane Sandy. The first OIG Sandy investigation was opened in May 2013. Subsequently, OIG has had 80 Sandy investigations, totaling over $17.1 million in potential fraud. As of September 30, 2017, OIG had 33 Sandy cases open with potential fraud totaling nearly $12.8 million.

During 2017, three additional devastating hurricanes occurred. In August, Hurricane Harvey struck Texas. While the storm's full cost continues to unfold, the state's governor estimated losses at $180 billion. Two weeks later, Hurricane Irma caused significant damage to the U.S. Virgin Islands, Puerto Rico, Florida, Georgia, and South Carolina. Two weeks after that, Hurricane Maria struck the U.S. Virgin Islands and Puerto Rico. Based on early estimates, damage from the three hurricanes could reach $290 billion. OIG currently is conducting inspections to assess SBA's initial response to these disasters.

In the aftermath of Hurricane Harvey, the OIG is collaborating with Federal and local agencies to coordinate responses to disaster assistance fraud. These partners include the National Center for Disaster Fraud in Baton Rouge, LA, as well as the U.S. Attorney's Office (USAO). The OIG is also working with SBA program offices to alert Hurricane Harvey victims about possible fraud schemes.

In the case of the geographically widespread Hurricanes Irma and Maria, the OIG is coordinating its efforts with task forces consisting of other law enforcement agencies and USAOs. In addition, the OIG is exploring data analytic initiatives to combine SBA's and other agencies' data to identify possible fraud.

Government Contracting and Business Development

SBA directs significant efforts toward helping small businesses obtain federal contracts and providing other business development assistance. SBA's Office of Government Contracting and Business Development is tasked with helping small businesses obtain federal contracting opportunities and helping small, disadvantaged, veteran-owned, and women-owned businesses build their potential to compete more successfully in a global economy. During FY 2018 and 2019, OIG will focus on SBA's oversight of—and current issues affecting—government contracting and business development programs, including investigating allegations that ineligible companies are fraudulently benefitting from these programs.

As of September 30, 2017, OIG had 88 open government contracting cases, with potential dollar losses of over $20 billion based on the total dollar value of the contract. The funding requested for FY 2019 will allow OIG to continue investigating fraudulent schemes that take improper advantage of SBA's contracting assistance programs. In particular, OIG has experienced a significant increase in the number of *qui tam* cases that are brought by private-sector whistleblowers alleging fraud in SBA's small business and socio-economically disadvantaged contracting programs in the past 5 years. Although these cases were relatively rare 5 years ago, OIG is currently expending considerable resources to provide both investigative and legal assistance to the government's prosecution of an average of 25 active cases on an ongoing basis. In light of the fact that all *qui tam* actions filed with the government between FY 2008 and FY 2013 nearly doubled, OIG expects this number to increase through FY 2019. For example, during FY 2017, 11 new *qui tam* cases were opened.

Aside from these issues, there are other reasons to be concerned about government contracting programs.

- There is a high level of congressional interest in the government meeting its small business contracting goals. OIG will continue to assess whether SBA is taking adequate steps to ensure the integrity of small business contracting. OIG's work will focus on issues such as the accuracy of reporting small business contract activity, the classification of large businesses as small, adherence to regulations to protect small businesses, training of government contracting personnel, deterring fraudulent acquisition of government contracts, and bundling of contracts.

- The Section 8(a) Business Development program continues to be susceptible to major vulnerabilities. These include limited program oversight; inequitable distribution of contracting opportunities among participants; a lack of measurable, consistent, and mandatory criteria pertaining to economic disadvantage; a lack of implemented criteria defining business success for purposes of program graduation; failure to study the long-term effects of the program on former participants; and misrepresentation by companies as small, minority-owned, or disadvantaged businesses to gain an unfair advantage in the federal marketplace. OIG will continue to review these issues and SBA's management of the Section 8(a) program. OIG is currently conducting an audit and a number of fraud investigations relating to the Section 8(a) program and will continue to devote resources to these investigations in FY 2019.

- The HUBZone program provides federal contracting assistance to small businesses located in economically distressed areas with the intent of stimulating economic development. The Service-Disabled Veteran-Owned Small Business (SDVOSB) program provides more opportunities in federal contracting for disabled veterans who own small businesses. The GAO has identified significant control weaknesses in these programs that have allowed ineligible firms to receive millions of dollars in contracts. Accordingly, SBA implemented a more rigorous HUBZone certification and recertification process in the hopes of preventing ineligible firms from achieving certification. However, in a recent review of the HUBZone certification process, OIG found that 12 firms certified into the program, including 3 ineligible ones, received 94 percent ($34.9 million) of federal contract dollars awarded during a 6-month period in 2012, even though 367 firms were certified during that period. OIG is currently investigating numerous fraud cases under the HUBZone and SDVOSB programs and will continue to pursue prosecution, civil fraud recovery, and debarment of contractors who improperly obtain HUBZone, SDVOSB, and other preferential contracts.

- The Women-Owned Small Business (WOSB) Federal Contract program provides greater access to federal contracting opportunities for WOSBs and economically disadvantaged WOSBs (EDWOSBs). The program allows contracting officers to set aside specific contracts for certified WOSBs and EDWOSBs and will help federal agencies achieve the existing statutory goal of 5 percent of federal contracting dollars being awarded to WOSBs. To encourage an increase in WOSB and EDWOSB contract awards, the National Defense Authorization Act (NDAA) for 2013 removed the caps on the contract award size for which WOSB and EDWOSB concerns have been able to compete. In FY 2016, the federal government awarded approximately $19.6 billion, or 4.8 percent of federal contracting dollars, to businesses in the WOSB program. Similar to other federal government programs, WOSB and EDWOSB contracting may be vulnerable to fraud and abuse. False or incorrect WOSB self-certifications may be a significant government-wide problem, according to an audit report issued by NASA's OIG and SBA OIG (Report 15-

10). The NDAA for FY 2013 and 2015 made major programmatic changes to the WOSB the program. Specifically, the FY 2015 Act will (1) grant contracting officers the authority to award sole-source awards to WOSB program firms, (2) remove firms' ability to self-certify, and (3) require firms to be certified. These mandates will considerably increase SBA's oversight role. SBA has opted to implement the sole-source authority provision first—separate from a certification program. We believe allowing sole-source contracting authority in WOSB program, without implementing the contemporaneously required certification program, is inconsistent with SBA's statutory authorization and exposes the program to abuse. Absent a certification program, the Government is more likely to award WOSB program contracts to ineligible firms. OIG initiated a review of the WOSB program in the third quarter of FY 2017 and plans to continue monitoring SBA's implementation of these changes to the WOSB program.

- OIG has conducted a number of fraud investigations involving the mentor/protégé programs under the Section 8(a) program. In August 2016, SBA issued regulations to implement a statutory mandate that expanded mentor-protégé programs to all other small businesses. The Agency accepted a number of OIG recommendations to revise these regulations to limit the opportunity for fraudulent acquisition of government contracts. Nevertheless, OIG anticipates that these expanded programs
will create opportunities for additional fraud by large, non-disadvantaged contractors, and that greater OIG resources will need to be devoted to investigating this fraud.

Entrepreneurial and Veterans Business Development

During FY 2018 and 2019, OIG will focus on SBA oversight of and current issues affecting entrepreneurial and veterans' business development programs, with emphasis on grants awarded to SCORE's B2B program and the State Trade and Export Promotion Grant program. OIG audited the $840,000 Hurricane Sandy technical assistance grant SBA awarded to the SCORE to determine whether SCORE complied with grant requirements related to Federal expenditures and program performance. We found that SCORE did not always comply with financial grant requirements. Consequently, we questioned costs totaling over $391,000, or 47 percent, of SCORE's Hurricane Sandy grant (Report 17-10). OIG plans to initiate and a review of SCORE to determine whether SBA's controls ensure that is complying with grant requirements.

An OIG review of the Boots to Business (B2B) program found that SBA's program announcement included a process to evaluate B2B grant applications. However, reviewers responsible for evaluating and scoring applications did not consistently follow this evaluation guidance. SBA had no documentation rationalizing its final selection of Syracuse University and it could not demonstrate that it made a merit-based selection in awarding the $3 million grant to Syracuse University (Report 16-12). OIG has an ongoing audit of the B2B program to determine whether SBA's oversight of the B2B program ensured (1) efficiency of program operations, (2) that program goals and objectives were achieved, and (3) that grant recipients complied with grant requirements.

As required by the Trade Facilitation and Trade Enforcement Act of 2015, OIG reviewed SBA's STEP pilot grant program to determine how the funds were used. OIG could not determine the exact amounts awarded and expended for the STEP grant program because of inconsistent financial data provided by SBA. Specifically, the three program offices responsible for managing the STEP grant program reported different totals for the award and expenditure amounts (Report 17-11). As required by the act, OIG has also initiated a review of the new STEP grant program to determine the extent to which recipients of grants under the program are measuring the performance of the activities being conducted and the results of the measurements; and the overall management and effectiveness of the program.

Financial Management and Information Technology

OIG will continue to oversee the audits of SBA's financial statements, as well as FISMA and Federal Information Systems Controls Audit Manual reviews, which are conducted by an independent public accountant under a contract with OIG. The scope and complexity of the audit is anticipated to increase as a result of growing direct and guaranteed loan portfolios and as the Agency complies with the DATA Act.

OIG will provide oversight and monitoring of SBA's IT security and application development activities, including new systems under development and the Agency's compliance with FISMA. The scope of the FISMA evaluation is anticipated to expand as OIG evaluates Agency progress in implementing initiatives designed to strengthen and enhance federal cybersecurity. OIG and the Independent Public Accountant have previously identified systemic problems with security controls over SBA's IT systems and this area remains one of the most serious management challenges facing the Agency.

OIG also plans to continue monitor systems development activities related to improvements to financial and program related systems as well as investments in cloud computing. Specifically, OIG will continue to assess Agency progress in implementing the Federal Information Technology Acquisition Reform Act. This Act requires the Chief Information Officer (CIO) to play a critical leadership role in driving reforms to help control system development risks, better manage technology spending, and achieve measurable improvements in agency performance. Furthermore, the CIO must ensure Federal IT security is deployed in SBA's highly decentralized and dynamic IT environment.

OIG also will continue its mandated reviews of SBA's compliance with the DATA Act, IPERA, purchase card and cash gifts acceptance and reporting guidelines.

Acquisition Processes

OIG audits will continue to focus on SBA's compliance with federal contracting regulations and its policies and procedures over IT systems acquisition and project oversight. OIG efforts will also include monitoring system development activities related to SBAcertify.gov. We will validate capital investment and data security controls as well as assess whether software functionality was delivered to end users in accordance with project requirements.

Agency Management Challenges

As required by the Reports Consolidation Act, OIG annually develops the *Report on the Most Serious Management and Performance Challenges* facing SBA. The management challenges focus on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk and generally have been the subject of one or more OIG or GAO reports. OIG will continue to identify and report serious management challenges facing SBA and will work throughout the year with Agency management to resolve identified issues as quickly and efficiently as possible.

Security Operations

OIG's Office of Security Operations will continue to perform required employee background investigations to achieve a high level of integrity in OIG's workforce and adjudicate OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigation requirements.

OIG Hotline

OIG's Hotline received 1,041 complaints during FY 2016 and 848 complaints during FY 2017. Hotline staff conduct a preliminary review and analysis of all complaints received to determine the appropriate course of action. OIG's Hotline is staffed by OIG employees who process and analyze allegations of waste, fraud, abuse, or serious mismanagement in SBA or its programs from employees, contractors, and the public. As part of the hotline process, staff may coordinate reviews of allegations within OIG, with SBA program offices, or with other governmental agencies. The majority of hotline complaints are submitted through an online complaint submission system located on OIG's website. Those who report information can do so openly, anonymously, and confidentially, without fear of reprisal.

Pursuant to the Whistleblower Protection Enhancement Act of 2012, OIG has designated a Whistleblower Protection Ombudsman within the hotline function to educate SBA employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a protected disclosure. In addition, the National Defense Authorization Act of 2013 created a pilot program extending whistleblower protections to government contractors, subcontractors, and grantees, which was made permanent in December 2016. These provisions may result in OIG Hotline receiving an increased number of complaints. Additionally, this law mandates OIG investigations of these complaints and a report to SBA Administrator to consider corrective action on the part of the contractor/grantee.

Review of Proposed Regulations and Initiatives

As part of OIG's proactive efforts to promote accountability and integrity and reduce inefficiencies in SBA programs and operations, OIG reviews changes that SBA is proposing to make to its program directives such as regulations, internal operating procedures, policy notices, and SBA forms that are completed by lenders and the public. Frequently, OIG identifies concerns in these proposals and works with the Agency to implement recommended revisions to promote controls that are more effective and deter waste, fraud, or abuse. During FY 2016, OIG reviewed 119 proposed revisions of program management or SBA reorganization documents and provided comments on 52 of these. During FY 2017, OIG provided recommendations to improve 36 of the 101 proposed revisions it reviewed.

Debarment and Administrative Enforcement Actions

As a complement to criminal and civil fraud investigations, OIG continually promotes the use of suspensions, debarments, and other administrative enforcement actions as a means to protect taxpayer funds from those who have engaged in fraud or otherwise exhibited a lack of business integrity. OIG regularly identifies individuals and organizations for debarment and other enforcement actions and submits detailed present responsibility referrals with supporting evidence to the appropriate SBA officials. OIG also supports actions at other federal agencies through training and direct case assistance. During FY 2016, OIG sent 75 suspension and debarment referrals to SBA and was involved with 6 actions other agencies pursued, and during FY 2017, OIG sent 106 present responsibility referrals to SBA and was involved with 5 actions other agencies pursued. Most OIG administrative referrals involve the abuse of SBA's loan and preferential contracting programs. When appropriate, OIG recommends that SBA suspend the subject of an ongoing OIG investigation given program risk presented by the continued participation of those individuals and entities.

Training and Outreach

OIG will continue to conduct training and outreach sessions on topics related to fraud in government lending and contracting programs. During FY 2016, OIG provided 75 presentations for more than 1,747 attendees, including SBA and other government employees, lending officials, and law enforcement representatives, and during FY 2017, OIG delivered 220 training and outreach sessions for approximately

3,556 attendees. For example, OIG partnered with the National Science Foundation to present the second annual Small Business Procurement Integrity Seminar. This seminar, which OIG offered in two locations, equipped Federal oversight personnel with the knowledge to identify, develop, and pursue small business contracting fraud cases. The course covered the major SBA small business contracting programs and included a discussion of typical fraud schemes, program rules, and key procurement databases accentuated by multiple case studies. At the end of the session, participants took part in a hypothetical case, which allowed the application of principles taught during the day. OIG has also modified this training for use in one and two hour segments. An abbreviated version of the Small Business Procurement Integrity Seminar is now a component of the Council of the Inspectors General on Integrity and Efficiency Training Institute Criminal Investigator Academy's Contract and Grant Fraud Training Program. OIG personnel have offered the training within that course three times this fiscal year.

OIG personnel also participated in the training of criminal investigators from several Federal agencies and the District of Columbia Office of Inspector General. This training included information on subpoenas, civil remedies, administrative remedies, and small business procurement cases.

FY 2016 and 2017 Accomplishments

During FY 2016, OIG achieved nearly $145 million in monetary recoveries and savings—close to a sevenfold ROI, and in FY 2017, OIG achieved over $82 million in monetary recoveries and savings—over.
During FY 2016, OIG issued 23 reports containing 81 recommendations to improve operations and reduce fraud and unnecessary losses in Agency programs. In addition, OIG investigations resulted in 45 indictments/informations and 41 convictions. During FY 2017, OIG issued 19 reports with 72 recommendations. OIG investigations resulted in 35 indictments and 25 convictions.

Following are summaries of some key reports, investigations, and activities that demonstrate the complex nature of OIG's work and the importance to identifying more efficient and effective business practices. It is noted that OIG investigations often involve multiple subjects, large dollar losses, various joint agencies, and substantial restitution and forfeiture monies returned to the government.

Business Loans and Lender Oversight

- A review of SBA's Microloan Program performed in FY 2017 determined that SBA management did not effectively implement all prior audit recommendations made as a result of a review conducted in 2009 to improve oversight. Furthermore, SBA management did not conduct adequate program oversight to measure program performance and ensure program integrity. In our review of a statistical sample of 52 microloan files from 14 intermediaries, we found that data contained in SBA's information system for 27 of the loans did not match the information included in the intermediaries' loan files. In addition, we found that intermediaries did not have sufficient documentation to support that it originated and closed 44 of the 52 microloans, or 85 percent, totaling approximately $910,000, in accordance with SBA's requirements. These deficiencies affect the reliability of the data reported to SBA by the intermediaries.

As a result, SBA's ability to validate microloan data, conduct analyses across multiple programs and systems, and capture outcome-based measures was impaired, and there was no way to ensure program integrity or measure program success. These internal controls over the Microloan Program are critical as Congress considers expanding the program. OIG made four recommendations to the Associate Administrator for the Office of Capital Access to improve SBA's oversight of the Microloan Program. SBA management agreed with the four recommendations. SBA management's proposed actions resolve all four of our recommendations. (Report 17-19)

- An OIG report presented the results of our ongoing High Risk 7(a) Loan Review program from March 2017 to August 2017 and an overall summary of our work to date. To accomplish our objective, we used an internal loan scoring system to prioritize loans for review based on known risk attributes. A review of five early-defaulted loans identified material lender origination and closing deficiencies that justified denial of the guaranty for one loan totaling $917,107. We also identified suspicious activity on two purchased loans totaling $1.9 million, resulting in formal referrals to our Investigations Division. OIG recommended that SBA require the lender to bring the loan into compliance and, if not possible, seek recovery of $917,107, plus interest, on the guaranty paid by SBA. SBA agreed with the recommendation and has contacted the lender to obtain additional information to bring the loan into compliance.

  Since fiscal year 2014, under the OIG's High Risk 7(a) Loan Review Program, we have reviewed 20 loans with purchase amounts totaling $17.7 million. We have recommended recoveries on seven loans totaling approximately $6 million and have referred another four loans totaling $3.3 million for further investigation. As described above, this report includes our findings and recommendation on one of the seven loans. SBA reviewed the six loans we previously reported on with recommended recoveries totaling approximately $5 million and contacted lenders to obtain additional information on the material deficiencies we identified. To date, SBA has recovered approximately $1.3 million on three loans. SBA did not recover the guaranty from the lender on another loan. SBA is reviewing the remaining loans. (Report 17-18)

- A review of SBA's 504 loan liquidation process showed management and monitoring of the 504 liquidation portfolio at the Commercial Loan Servicing Centers (CLSC) during FYs 2015 and 2016 was effective. Additionally, SBA CLSCs generally maximized recovery when liquidating the 504 loans OIG reviewed. While SBA had established effective policies and procedures and had experienced staff managing its current 504 loan liquidation operations, OIG identified opportunities to improve SBA's internal controls. Specifically, OIG determined that one CLSC had not developed a formal training plan for staff in accordance with established goals and procedures. OIG also determined that the internal policies and procedures for liquidating 504 loans were unique to and applied inconsistently at the centers. In addition, components of the information systems used by each center were developed independently and were not utilized uniformly. Without consistent implementation and application of policies and procedures over the 504 loan liquidation process, the CLSCs' effectiveness in liquidating 504 loans could result in loss to the Agency. Further, in the event of significant turnover or workload fluctuation at a given center, differences in operations could impact the Agency's ability to effectively reallocate resources to meet demand. OIG recommended two actions that will help improve SBA's internal controls over servicing and liquidating 504 loans. The Agency agreed with OIG's findings and recommendations. (Report 16-23)

- As part of the High-Risk 7(a) Loan Review program, OIG issued an Advisory Memorandum to provide SBA with early notification of issues identified during our review. Specifically, we identified a loan with material lender non-compliance with SBA's loan origination and closing requirements. Specifically, the lender neither ensured SBA loan proceeds were used for an eligible purpose nor assessed the borrower's repayment ability and size in accordance with SBA's requirements. As a result, we determined a recovery from the lender for SBA's guarantee payment of $850,791 would be appropriate to cure the lender's material deficiencies on this loan. The Agency agreed with the recommendation to recover funds from the lender. (Report 16-19)

- A review of a $1.3 million 7(a) loan intended to acquire a limousine service identified that a 7(a) lender did not provide sufficient information to support that it approved the loan in accordance with SBA's origination and closing requirements. Specifically, the lender did not inspect or adequately value the significant fixed assets for this limousine and transportation service business, resulting in increased losses to SBA. SBA has agreed to recover the $299,318 guarantee payment from the lender to cure the lender's material deficiencies on this loan. (Report 16-08)

- OIG identified that another 7(a) lender did not provide sufficient information to support that it approved the loan in accordance with SBA's origination and closing requirements. Specifically, the lender did not comply with material SBA requirements regarding new construction of and improvements to an existing building. We also determined that the lender failed to address and mitigate adverse changes affecting both project control and the borrower's financial condition, compounding the risk to SBA loan. As a result, SBA has agreed to recover from the lender the $2 million guarantee payment to cure the lender's material deficiencies on this loan. (Report 16-11)

Disaster Loans

- Hurricane Sandy struck the East Coast of the United States in October 2012, causing approximately $67 billion in damage. As of November 2013, SBA had approved and disbursed 19,295 loans, totaling approximately $758 million; 501 of these loans had defaulted by April 2015. A review of early defaulted Hurricane Sandy disaster loans found that despite the relatively low early default rate of Hurricane Sandy loans compared to other disasters, 17 of the 21 loans reviewed were approved without verifying borrowers' eligibility or were made to borrowers that lacked creditworthiness or repayment ability. OIG considers loans that default within 18 months of initial disbursement as defaulting early. OIG statistically projected sample results to the universe of early-defaulted loans and determined with 95 percent confidence that at least 361 of the 501 early-defaulted loans, valued at $4.3 million, were not approved in accordance with SBA or other Federal requirements. The most prevalent area of concern OIG observed was borrower creditworthiness, as the majority of loans in the sample were made to borrowers with unsatisfactory credit histories. OIG also determined that the Office of Disaster Assistance could improve its disaster loan portfolio risk analysis process to reduce the early default rate. OIG made recommendations to clarify creditworthiness guidance; train employees to adequately determine borrower eligibility, creditworthiness, and repayment ability; and improve portfolio risk analyses. (Report 16-18)

Entrepreneurial Development

- An OIG report presented the results of our reassessment of eligibility requirements for 30 firms in SBA's 8(a) Business Development program. In a prior audit of 8(a) program eligibility, OIG determined that for 30 of the 48 applicants reviewed, the Associate Administrator for Business Development (AA/BD) approved the firms without fully documenting in the Business Development Management Information System how all areas of concern regarding eligibility raised by lower-level reviewers were resolved. OIG's reassessment determined that SBA resolved eligibility concerns for 20 of the 30 firms that we reviewed. However, OIG continues to question the eligibility of 10 of the 30 firms. The AA/BD, who has the final authority to determine whether an applicant is admitted into the 8(a) program, did not sufficiently establish that the 10 applicants met the eligibility requirements of the 8(a) program. (Report 17-15)

- SBA awarded approximately $1.9 million to the Tennessee SBDC (Lead Center) hosted by Middle Tennessee State University for calendar year 2013. An OIG review found the Lead Center generally complied with grant requirements for reporting, budget management and control, and its Federal expenditures and matching contributions were, in general, properly authorized, classified, supported, and charged to the grant. However, a significant portion of the personnel expense transactions that OIG tested did not sufficiently document the actual time personnel spent working on the grant (of the $1.9 million that SBA awarded to the Lead Center, the approved budget designated nearly $1.2 million to be used for personnel costs). For every dollar that lead centers receive from SBA, SBDCs must provide a dollar-for-dollar match. Because employees' time and effort spent on the grant counted towards the Lead Center and subcenters' required match, if this time and effort was overstated, the match could also be overstated. SBA plans to implement both recommendations that we made. (Report 16-06)

- In 2012, SBA provided Syracuse University $450,000 to develop a new, pilot veteran's assistance program, called the Boots to Business (B2B) program. In February 2014, SBA announced the B2B program as a full program and posted the announcement on Grants.gov. SBA staff retrieved 10 eligible applications from the system and eventually selected Syracuse University for the $3 million grant. We found that SBA's program announcement included a process to evaluate B2B grant applications. However, reviewers responsible for evaluating and scoring applications did not consistently follow this evaluation guidance. Additionally, although officials in the Office of Veterans Business Development (OVBD) met with the reviewers to discuss which applicant should be selected to receive the $3 million award, SBA has no documentation rationalizing its final selection of Syracuse University. Because SBA lacked such documentation, it could not demonstrate that it made a merit-based selection in awarding the grant. Overall, these issues may have been prevented if officials in the Office of Grants Management and OVBD had provided effective oversight, and SBA had a current Standard Operating Procedure for grants management that (1) provided clear guidance on how to develop program-specific review criteria, (2) clearly defined the roles and responsibilities of grants and program personnel involved in the evaluation process, and (3) ensured grants and program personnel maintained a record of the evaluation process. SBA implemented our four recommendations. (Report 16-12)

Improving IT Systems and Controls

- FISMA requires that OIG review SBA's information security program. This review found that SBA continues to progress in certain FISMA evaluation categories, but still needs to implement

28 longstanding open recommendations and related unresolved vulnerabilities in the FISMA reporting areas. The results of the FISMA report indicates that until SBA takes steps to address longstanding weaknesses in its IT systems and control structures, the Agency will be at risk of data loss or system penetration. (Report 17-14)

- OIG issued the DATA Act Readiness review to assess SBA's progress in meeting the requirements of the DATA Act. OIG found that SBA developed a project plan as prescribed by the eight key steps in Treasury's DATA Act Implementation Playbook. We further determined that the Agency has made significant progress implementing the initial steps of its project plan and identified two potential risk areas that may affect the Agency's ability to meet the DATA Act reporting requirements. (Report 17-05)

Preventing and Reducing Improper Payments

- OIG annually evaluates SBA's compliance with the Improper Payments Elimination and Recovery Act (IPERA) requirements. OIG objectives were to (1) assess progress made by SBA to remediate improper payment-related recommendations, and (2) determine whether SBA complied with IPERA reporting requirements using guidelines outlined in the Office of Management and Budget (OMB) Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*. Our overall qualitative review showed that SBA continued to make progress in its efforts to prevent and reduce improper payments. SBA published and posted an Agency Financial Report (AFR) on its website, conducted program-specific risk assessments, published improper payment estimates for all programs and activities identified as susceptible to significant improper payments, published extracts from the applicable programmatic corrective action plans in the AFR, reported a gross improper payment rate of less than 10 percent for six of seven areas tested for FY 2016 reporting, and published and met the annual reduction target for six of the applicable seven areas tested. However, SBA was not compliant with IPERA reporting requirements because disbursements for goods and services had an improper payment rate that exceeded the 10 percent threshold; and 7(a) loan guaranty purchases did not meet their annual reduction target. (Report 17-12)

- OIG also annually assesses the effectiveness of Agency controls over travel and purchase charge card programs in accordance with OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. For FY 2016, we found SBA implemented most of the key internal controls and guidance to administer its travel and purchase charge card programs. (Report 17-07)

Agency Management

- OIG reviewed purchase cards and conducted a risk assessment for SBA's travel card program for fiscal year 2017. This evaluation was performed in accordance with Office of Management and Budget Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012. Our objectives were to (1) assess risks of illegal, improper, or erroneous purchases and payments associated with SBA's purchase and travel card programs and (2) determine the status of prior year recommendations.

While SBA has implemented internal controls and guidance to administer its travel and purchase charge card programs, vulnerabilities remain in the management and oversight of the purchase card program. Specifically, SBA personnel did not always comply with Federal guidance and SBA policies regarding the pre-purchase, purchase, and reconciliation processes when the Government purchase card was used to acquire goods and services. We made two recommendations to strengthen SBA's risk management controls for charge card programs. The agency agreed to implement the recommendations. (Report 17-17)

- OIG reviewed SBA's management of the FY 2014 Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) program. VERA provides agencies the option to offer voluntary early retirement when restructuring as well as when downsizing. VSIP, often combined with VERA, allows agencies to offer lump-sum payments to employees who are in surplus positions or have skills that are no longer needed in the workforce, as an incentive to separate. Our objective was to determine whether SBA accomplished its FY 2014 VERA-VSIP program goals.

  We found that while SBA made limited progress in restructuring and reshaping the workforce, it did not accomplish its stated goals of the VERA-VSIP program. As a result, SBA paid $2.1 million for early retirements for positions that were not restructured following VERA-VSIP. Overall, SBA may have been more successful in achieving its goals had it properly managed the VERA-VSIP program by developing specific and measureable VERA-VSIP goals, including accurate information in the VERA-VSIP plan, making significant changes to its organizational structure, and making substantial changes to job functions following VERA-VSIP. (Report 17-13)

- OIG reviewed SBA's procurement practices for contracts to acquire IT products and services. For FYs 2013 and 2014, SBA obligated $161.7 million on new contract actions, of which $109 million (67 percent) were IT product or service contracts. We found that SBA personnel did not adequately plan for contracts and inconsistently evaluated vendor quotes while performing a best value determination for one contract. If these problems persist, SBA will be unable to determine whether it is receiving its IT deliverables at fair and reasonable prices. In addition, for the six contracts awarded by the Department of the Interior's Interior Business Center (IBC) on behalf of SBA, the agency did not comply with Federal Acquisitions Regulation (FAR) requirements when determining whether using IBC was the best procurement approach. As a result, SBA spent over $600,000 in service fees to use IBC for the six contracts we reviewed. SBA could incur an additional $1.3 million in contract services fees if the six contracts are fully exercised. We also found that SBA funded 8 of the 12 contracts—with a total estimated value of $64.3 million—using a variety of SBA appropriations that Congress authorized for specific purposes without providing justification or documentation. (Report 16-05)

- As part of OIG's ongoing review of SBA's pay setting practices, we identified that Executive Resources set initial pay higher than allowed for 4 out of 10 Senior Executive Service (SES) employees reviewed. Additionally, for one political SES hired in March 2015, Executive Resources set the initial pay based on the 2015 SES pay table instead of 2013, which resulted in an overpayment of $969. Furthermore, because SBA lost its SES certification on August 25, 2015, the pay levels for newly appointed political SESs hired after that date must be based on 2013 rates of basic pay for agencies without a certified SES performance appraisal system.

Nevertheless, Executive Resources set the initial pay for three political SESs above level III of the 2013 executive pay schedule after SBA lost its SES certification, whichamounted to overpayments totaling
$6,704. In total, the four SES appointees received overpayments totaling $7,673. Accordingly, this advisory contains three recommendations to strengthen internal controls over pay setting practices. SBA management agreed to implement these recommendations, including recovering the overpayments. (Report 16-20)

In a subsequent review during the first half of FY 2017, OIG identified that SBA did not prepare the required documentation to justify the higher initial pay determinations for Schedule C political appointees (Schedule Cs) hired during 2014–2016. While we determined that all 10 Schedule C appointees SBA hired in 2014 met the criteria supporting superior qualifications for higher pay, SBA did not adequately document each use of the superior qualifications authority. SBA took steps to correct this deficiency during 2015–2016; however, SBA still hired six Schedule C employees without all the necessary documents to comply with Federal regulations and internal policies. Personnel responsible for setting pay did not receive fundamental training on the use of the superior qualifications authority. Additionally, SBA's SOP on the superior qualifications authority insufficiently provides guidance specifically for Schedule Cs. Without systematic controls in place to assure compliance with all documentation requirements, SBA is susceptible to improperly using the superior qualifications authority, resulting in potential salary overpayments for future Schedule C hiring. Accordingly, this advisory contains two recommendations to strengthen internal controls over pay setting practices. SBA management's planned actions resolve these recommendations. (Report 17-08)

In a third review of SBA's pay setting practices, we identified that SBA improperly approved pay increases for six SES members in 2015 and one SES member in 2014, for a total of $19,277 in improper payments. Specifically, SBA's granting of maintain relative pay increases (MRPs) did not align with Office of Personnel Management guidance and Federal regulations. Three SES members received MRP pay adjustments in January 2015, even though their FY 2014 performance ratings were below the required threshold to receive any MRP increase. During the same appraisal period, three other SES members rated below an outstanding, received MRP pay adjustments without a proper justification to support the increase. Furthermore, Federal regulations prohibit more than one increase in the rate of basic pay during a 12-month period. Nonetheless, SBA provided one SES member a performance increase to base pay in January 2014 and another in December 2014. As a result, the pay increase granted to the SES member in December 2014 was unallowable. These instances occurred because the Office of Human Resources Solutions (OHRS) did not have effective internal controls in place to detect these improper payments. In addition, OHRS' policies and procedures did not include sufficient guidance for SES performance based pay increases. If these internal control deficiencies persist, SBA is susceptible to making future improper pay increases and risks losing the Certified SES Performance Appraisal System. (Report 17-16)

Investigative Actions

- <u>Colorado Real Estate Firm Owner to Pay over $950,000 in Restitution and Serve 48 Years in Prison.</u> The owner of a Denver, CO, real estate investment firm was ordered to pay $951,571 in restitution and $3,745 in prosecutorial costs. He had previously been sentenced in State court to

24 years of incarceration and 5 years of parole. This sentence will run consecutively to his earlier sentence of 24 years of incarceration for domestic violence. In June 2016, a jury had found the man guilty on 11 counts, including violating the Colorado Organized Crime Control Act; making forged (false) statements to SBA, a California bank, and the State of Colorado; criminal impersonation; and theft of funds from various lenders. He and five other family members had been originally indicted on 37 total counts. Those family members have pled guilty and have been sentenced. The investigation showed that the owner obtained a $2,323,000 SBA-guaranteed loan to refinance his office building and other existing debt. To obtain the loan, he concealed his extensive criminal history and the fact that he was on probation. He also falsified documents related to his debts. The investigation also discovered that the owner and five other family members created a criminal enterprise by using their status as real estate industry professionals to execute a large long-term fraud-for-profit scheme. The scheme primarily centered on mortgage fraud, including the manipulation of multiple real estate transactions through fraudulent statements, material omissions, false identification and notary commissions, and "straw buyers" to buy and sell real estate. This case was initiated after the OIG received a referral from the California bank. This was a joint investigation with the Colorado Attorney General's Office, Colorado Bureau of Investigation, Federal Bureau of Investigation (FBI), and Federal Housing Finance Agency OIG.

- New Jersey Man to Pay over $4.3 Million. A New Jersey man pled guilty in Federal court to making false statements. In December 2007, he submitted an SBA loan application for $1,750,000 and a commercial loan application for $2,000,000 to a bank, purportedly for restaurant financing. The $1,750,000 SBA loan and commercial loan funds, for a total package of $2,082,229, were disbursed in March 2008. The loan terms required that the money be used for construction, acquisition of machinery and equipment, and working capital. The man instead used the funds for his own benefit, including paying off gambling debts, sending money to family members, and paying a federal tax bill. Under his plea agreement, he must pay $2,657,687 in restitution and forfeit $1,696,506. This investigation is being conducted in conjunction with the FBI and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP).

- Defense Contractor to Serve 5 Years in Prison and Pay over $9.4 Million. A Department of Defense account manager for an information technology firm was sentenced in the U.S. District Court in the District of Maryland to 60 months in prison after pleading guilty to conspiracy to commit wire fraud. He also must pay $9,440,340 in restitution. His firm was one of two subcontractors to an SBA Section 8(a) company. The investigation revealed that he participated in the three companies' scheme to defraud the Government by submitting fraudulent invoices that double-billed against the contract. He also submitted false claims for work not correctly performed, or that was performed with the contractor or subcontractors not complying with contractual or regulatory requirements. The investigation is being jointly conducted with the U.S. Air Force Office of Special Investigations, Defense Criminal Investigative Service, and Naval Criminal Investigative Service.

- Firms to Pay $16 Million in Civil Claims. A diving supply firm and a tactical equipment and apparel firm agreed to pay $16 million to settle a False Claims Act suit related to a fraudulent scheme to use various small business entities to improperly bid on and receive set-aside contracts for which the diving supply firm was not eligible. This matter was jointly investigated with GSA OIG, alongside the U.S. Department of Justice Civil Frauds Division and the U.S. Attorney's Offices for the District of Columbia and the Eastern District of Virginia.

- Chicago-Area Entrepreneur to Serve 4 Years in Prison and Pay over $2.1 Million in Restitution. A Chicago-area entrepreneur was sentenced after two separate prosecutions in State court. Pursuant to his prior guilty plea to financial institution fraud, he was sentenced to 4 years of incarceration and 2 years of mandatory supervised release. He was also ordered to pay $2,117,842 in restitution. Pursuant to his guilty plea to sales tax evasion, the man was sentenced to 5 years of incarceration and 2 years of mandatory supervised release. The entrepreneur previously had been charged in connection with schemes to defraud SBA, a participating bank, the Illinois Department of Commerce and Economic Development, and the Illinois Department of Revenue. The schemes involved the commercial financing and retail sales tax for his theater businesses. The investigation revealed that, to obtain approval for over $4.86 million in refinancing for his failing business, the man directed his staff accounting manager to prepare false financial statements, alter profit and loss statements, and create bogus tax returns portraying a profitable business. He grossly inflated 2009 through 2012 sales income figures by $50,000 each and every month. Moreover, he submitted the false documents to a lender service provider and a financial institution to support his loan applications. A concurrent investigation by the Illinois Department of Revenue revealed sales tax evasion schemes at his two theaters. The businesses failed to pay at least $1.3 million in collected sales tax. Both businesses defaulted on their mortgages and filed for bankruptcy. This was a joint investigation with the Illinois Department of Revenue and the Illinois Attorney General's Office.

- New York Man to Serve 15 Years in Prison and Forfeit over $2.5 Million. A New York man was sentenced in Federal court to 15 years in prison and ordered to forfeit $2,500,050. Restitution will be determined at a later date. He had previously pled guilty to conspiracy to commit wire fraud. A second man was also named in the original indictment, but was not charged with disaster loan fraud. The two men are accused of participating in mortgage flip and loan modification schemes. In the flip scheme, they are alleged to have fraudulently induced lenders to issue mortgages and then kept some of the proceeds. In the modification scheme, they allegedly defrauded more than a thousand homeowners who paid them advance fees to have their troubled mortgages modified, only to do little or no work on the modifications. Regarding the disaster loan fraud scheme, the investigation disclosed that the first man obtained a $113,900 SBA disaster assistance loan in October 2013 to repair property damaged by Hurricane Sandy. The indictment alleged that he submitted false information to SBA to support his loan application. He also allegedly misused the loan proceeds by paying for personal expenses, including his wedding in Cancun, Mexico. This investigation was jointly conducted with the FBI, SIGTARP, and HUD OIG, under the direction of the U.S Attorney's Office.

- Guam Construction Firm Fraud Results in Nearly $1.9 Million in Forfeiture. A Guam construction firm, its owner, and its vice president (the owner's sister) were individually sentenced in Federal court, subsequent to previous plea agreements. The firm was sentenced to 5 years of probation and a $27,000 fine. The owner was sentenced to 3 years of probation, a $10,000 fine, and $2,334 in restitution. Finally, the vice president was sentenced to 3 years of probation, a $7,500 fine and $1,875,407 in forfeiture, which represented assets frozen by previous investigative efforts. All fines, fees, restitution, and forfeiture claims were paid on the date of sentencing. The firm and the owner had previously pled guilty to conspiracy to commit visa fraud. The vice president had pled guilty to conspiracy to commit money laundering. After the original indictments in 2014, investigators had served a seizure warrant to a bank for $1,875,407. The bank quickly froze the funds and issued an official check payable to the U.S. Department of the Treasury. Immediately after the bank seizure, the owner was located at his firm and arrested. The investigation revealed that the owner and vice president had misused the H-2B visa worker program while working on Section 8(a) set-aside contracts awarded to the firm. Moreover, the owner had a prior criminal history associated with a similar visa fraud violation in March 1998. He failed to disclose this while applying to the 8(a) program and in the firm's annual updates to SBA. His prior criminal history and misuse of the H-2B visa program are violations of the 8(a) program's entry and continued eligibility requirements related to "good character." Because of the non-disclosures, the firm was granted 8(a) status and improperly awarded over $20 million in 8(a) set-aside contracts. The investigation was worked jointly with IRS Criminal Investigation and Homeland Security Investigations.

Additional information on OIG's accomplishments is provided in the Statistical Highlights section of this document and in OIG's *Spring 2017 and Fall 2017Semiannual Reports to Congress*.

Reporting Requirements Under the

Inspector General Reform Act of 2008

The following information is provided in accordance with the Inspector General Reform Act of 2008, as amended (P.L. 110-409).

Dollars in Millions	**FY 2017 Actual**	**FY 2018 President's Budget**	**FY 2018 Annualized CR**	**FY 2019 Initial Agency Submission**	**FY 2019 President's Budget**
New Budget Authority	$19.9	$19.9	$19.8	$21.9	$21.9
Transfer from Disaster Loan Program Account	1.0	1.0	1.0	1.0	1.0
Total	**$20.9**	**$20.9**	**$20.8**	**$22.9**	**$22.9**

The OIG's FY 2019 budget request includes $160,000 for training, which is sufficient to satisfy all training needs for the fiscal year, and $51,000 for the operation of the Council of Inspectors General on Integrity and Efficiency.

Statistical Highlights

FY 2017

Summary of Office-Wide Dollar Accomplishments

As a Result of Investigations & Related Activities:	
–Potential Investigative Recoveries & Fines	$53,742,750
–Asset Forfeitures Attributed to OIG Investigations	$12,723,538
–Loans/Contracts Not Approved or Canceled as a Result of Investigations	$534,155
–Loans Not Made as a Result of Name Checks	$12,951,400
Investigations Sub-Total	**$79,951,843**
As a Result of Audit Activities:	
–Disallowed Costs Agreed to by Management	$2,134,349
–Recommendations that Funds Be Put to Better Use Agreed to by Management	$0
Audit Sub-Total	**$2,134,349**
TOTAL	**$82,086,192**

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-Up Activities

Reports Issued	19
Recommendations Issued	72
Dollar Value of Costs Questioned	$138,588,897
Dollar Value of Recommendations that Funds be Put to Better Use	$0
Recommendations for which Management Decisions Were Made	72
Recommendations Without a Management Decision	14
Collections as a Result of Questioned Costs	$1,098,100

Indictments, Informations, Convictions, and Other Case Actions

Indictments/Informations from OIG Cases	35
Convictions from OIG Cases	25
Cases Opened	86
Cases Closed	63

Program Actions Taken During the Reporting Period as a Result of Investigations

Present Responsibility Referrals to the Agency	106
Suspensions Issued by the Agency	0
Proposed Debarments Issued by the Agency	26
Final Debarments Issued by the Agency	33
Proposed Debarments Declined by the Agency	0
Administrative Agreements Entered by the Agency in Lieu of Debarment	2
Present Responsibility Actions by Other Agencies	5

Agency Legislative and Regulatory Proposals Reviewed

Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed	101
Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances	36

OIG Organizational Structure

OIG has three divisions and several supporting program offices to carry out its functional responsibilities.

The **Audits Division** performs and oversees audits and reviews to promote the economical, efficient, and effective administration of SBA programs and operations. Key areas of emphasis are SBA's loan, disaster assistance, business development, and government contracting programs, as well as mandatory and other statutory audit requirements involving computer security, financial reporting, and other work. The balance of the engagements is discretionary and focuses on high-risk activities and management issues facing SBA.

The **Investigations Division** manages a program to detect and deter illegal and improper activities involving SBA's programs, operations, and personnel. The criminal investigations staff carries out a full range of traditional law enforcement functions. The security operations staff conducts required employee background investigations to achieve a high level of integrity in the OIG's workforce and adjudicates OIG employees and contractors for issuance of PIV cards pursuant to HSPD-12 background investigations requirements.

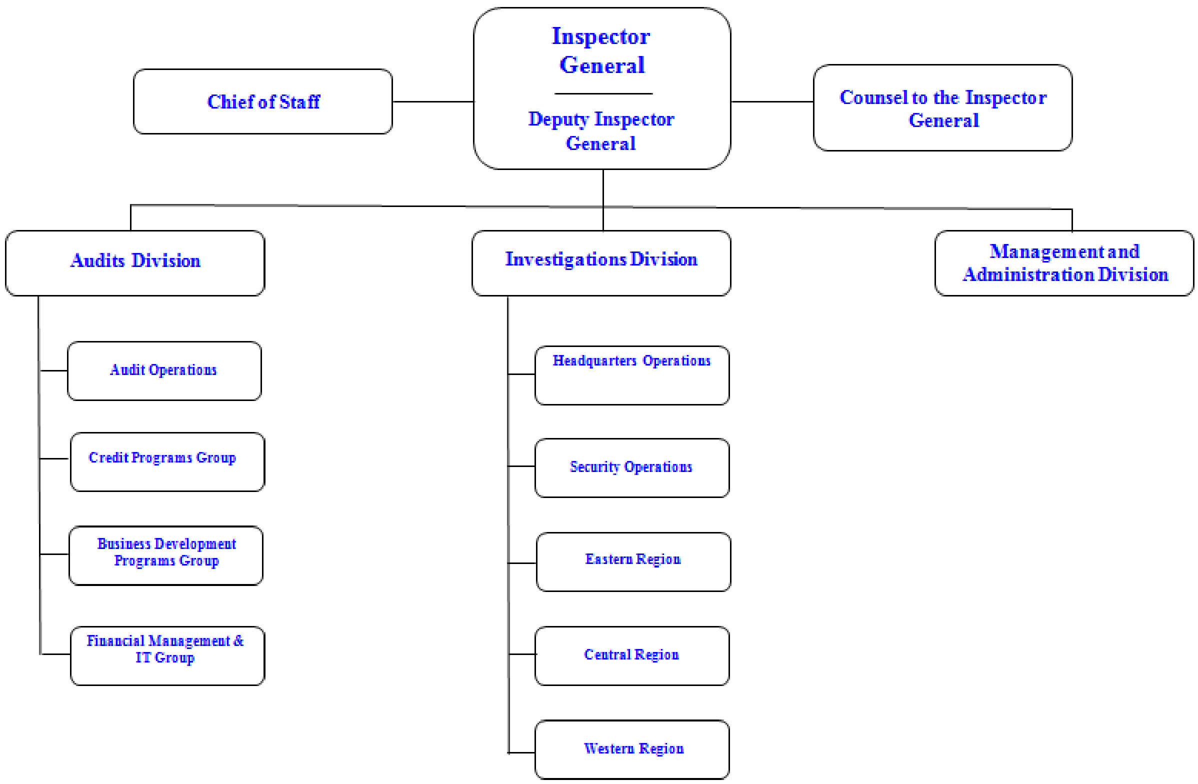
The **Management and Administration Division** provides business support (e.g., budget and financial management, human resources, IT, and procurement) for the various OIG functions and activities.

The **Office of Counsel** provides legal and ethics advice to all OIG components; represents OIG in litigation arising out of or affecting OIG operations; assists with the prosecution of criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests, designs trainings, provides course instructors, and reviews and comments on proposed policies, regulations, legislation, and procedures.

OIG **Hotline,** under the purview of the **Chief of Staff**, reviews allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public. A preliminary review of all complaints is conducted to determine the appropriate course of action. As part of the review process, hotline staff may coordinate reviews of allegations within OIG, with SBA program offices, or with other governmental agencies.

An organizational chart for OIG is provided on the next page.

Small Business Administration
Office of Inspector General



This page intentionally blank.