



## SMALL BUSINESS ADMINISTRATION

### **Since 2001, the Administration:**

- Provided record numbers and volumes of Government-guaranteed small-business loans (\$105 billion through 2006) and improved customer service, while reducing the per-unit cost of loans from \$3,418 in 2001 to \$461 in 2006;
- Provided \$13.7 billion of direct disaster loans to over 290,000 businesses, homeowners, and renters through 2006;
- Delivered tax relief averaging \$3,641 to 25 million small businesses in 2006; and
- Offered trade promotion services that help small businesses start exporting their products to destinations around the world.

### **The President's 2008 Budget:**

- Provides \$28 billion in Government-backed small business loans for 2008;
- Helps small businesses get needed capital by eliminating the upfront borrower fee under the Section 504 Certified Development Company program;
- Proposes to make the Microloan program self-financing; and
- Continues operational improvements to accelerate the delivery of disaster loans, including deployment of an Internet-based application process for small business.

## **FOCUSING ON THE NATION'S PRIORITIES**

Small businesses provide more than half of the Nation's private sector jobs. The Small Business Administration's (SBA's) mission is to promote small business development and entrepreneurship through business financing and technical assistance programs. SBA also works with other Federal agencies to reduce regulatory and paperwork burdens on small businesses.

In addition to SBA's programs, the Administration has taken important steps to assist small businesses by reducing taxes, encouraging investment, and removing regulatory and other obstacles to growth. As a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003, 25 million small businesses and their owners received tax relief averaging \$3,641 in 2006. The Administration also supports legislation enabling creation of Association Health Plans and other reforms that would reduce health care costs for small businesses and their employees.

### ***Helping Small Businesses Grow***

In order to meet the demand of the growing small business sector, the Budget supports \$28 billion in small business lending. SBA's 7(a) program will support \$17.5 billion in guaranteed loans for working capital and other business expenses. With the implementation of zero subsidy in 2005, the program has increased the number of borrowers 25 percent while no longer experiencing shut downs due to funding shortages. SBA's Section 504 loan program will support an additional \$7.5 billion in fixed-rate guaranteed loans for fixed asset purchases. SBA will also supplement the capital of Small Business Investment Companies with \$3 billion in guaranteed long-term loans for venture capital investments in small businesses.

To ensure that entrepreneurs have the skills and knowledge to operate their businesses, SBA and its 1,600 partners in the Small Business Development Center, Women's Business Center, and SCORE (formerly the Service Corps Of Retired Executives) programs will provide technical assistance, including training, counseling, mentoring, and information services, to more than four million existing and potential entrepreneurs in 2008. The Budget requests \$104 million for technical assistance programs in 2008.

The Budget also includes proposals to strengthen and ensure stability in three business loan programs. These initiatives include stabilizing SBA's Secondary Market program that enhances liquidity and financing terms by facilitating a secondary market for SBA guaranteed loans. The Budget proposes fee authority on new secondary market securities, that would enable the program to operate without cost to the taxpayer or require structural changes to the program. The 2008 Budget also proposes to eliminate the upfront borrower fee on the Section 504 Certified Development Company program. Borrowers will pay one of the lowest fee rates since 1996 for this program. The Administration has supported record numbers and volumes of loans to small, minority, and women-owned businesses through the 7(a) program; given the success of this program, the Administration is proposing reforms to enable the Microloan program to operate at zero subsidy.

### ***Improving Disaster Response***

The 2005 Gulf Coast hurricanes resulted in the largest disaster response in SBA's 53 year history. As a result of Hurricanes Katrina, Rita, and Wilma, SBA processed over 420,000 loan applications and approved \$10.8 billion in disaster loans, nearly three times the level for the second largest disaster, the California Northridge earthquake of 1994.

SBA's disaster response was slower than SBA's performance goals as a result of the catastrophic nature of this event, constraints caused by the agency's new computer system, and the immediate need for a substantial increase in temporary staff and facilities. While SBA has typically responded quickly to disaster victims' needs, the unprecedented 2005 hurricanes provided insight into operational challenges. Based on the lessons learned from this experience, the agency is implementing reforms that will significantly improve its future response to disasters, including a computer upgrade that has been tested to support a four-fold increase in concurrent user capacity.

In September 2006, SBA initiated the Accelerated Disaster Response Initiative to identify and implement process improvements to quicken the delivery of financial assistance. As a result, SBA reengineered its disaster loan processing operation to improve customer service and the disbursement of disaster loan funds. Based on customer feedback, the agency rolled out an integrated team model where customers are assigned to a case manager so they have a single point of contact that is accountable to help them through the complete loan review and disbursement process rather than being referred sequentially to different agency functional staff. SBA has also implemented numerous productivity metrics to track the status of applications and performance of employees. The metrics are monitored to identify areas that require management intervention. For example, loan modifications that averaged 2.5 months for completion in July 2006, now average just 2 weeks for completion, and continue to decline.

SBA has developed new models that can rapidly forecast loan volume and resource requirements (financial, human capital, and logistical) to better position the agency to respond to large scale disasters when they strike. Moreover, SBA is nearing completion of a plan to leverage its field network to improve local coordination and communication with citizens, lending institutions, and local authorities.

By 2008, SBA expects to offer an Internet-based electronic loan application process to assist businesses, homeowners, and renters applying for disaster loans. This complements the investment SBA made in the infrastructure of its disaster computer system.

### ***Expanding Small Business Procurement Opportunities***

Federal agencies procure more than \$300 billion in goods and services from the private sector annually. The Small Business Act sets a goal that at least 23 percent of the purchases are to be made from small businesses in order to ensure that small businesses have an opportunity to compete in the Federal marketplace.

SBA has undertaken several initiatives to create transparency in small business procurement and increase accountability for Federal agencies. SBA recently issued a regulation that revises small business certification requirements to ensure that contracts and procurement preferences are effectively provided to small and growing companies. Size recertification is now required every five years to allow for firm growth and ensure that larger companies graduate from the procurement preference programs, as intended. SBA is also working with other Federal agencies to reconcile and



FEMA: Jocelyn Augustino  
An SBA customer service representative goes over information from local residents at the Disaster Recovery Center at the Habitat for Humanity Home Center.

correct procurement data discrepancies to ensure the integrity of small business procurement data. SBA also will take actions to strengthen the President's initiative on contract unbundling to provide more opportunities for small business contracts.

During 2007 and 2008, SBA is planning to develop an electronic Procurement Center Representative (e-PCR) system that, when fully implemented, will allow SBA to more effectively analyze individual Federal procurements and give agencies greater ability to identify small businesses that are capable of providing requested goods and services. SBA is also launching in 2007 a small business procurement scorecard modeled after the President's Management Agenda. The scorecard will more effectively track and evaluate agencies' achievement of small business procurement goals, by establishing criteria for agency success and "scoring" agencies against those criteria.

**Small Business Administration**  
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
<b>Spending</b>			
Discretionary Budget Authority:			
Salaries and Expenses.....	306	305	310
Business Loans Administration.....	121	121	135
Disaster Loans.....	—	—	—
Office of the Inspector General.....	14	14	15
Surety Bond Guarantees Revolving Fund.....	3	3	3
Unrequested projects.....	90		
Total, Discretionary budget authority.....	534	443	463
<i>Memorandum: Budget authority from enacted supplementals.....</i>	<i>1,700</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays.....	1,472	780	748
Total, Mandatory outlays.....	-567	-105	-23
Total, Outlays.....	905	675	725
<b>Credit activity</b>			
Direct Loan Disbursements:			
Direct Disaster Loans.....	3,667	1,110	693
Direct Business Loans.....	16	16	18
Total, Direct loan disbursements.....	3,683	1,126	711
Guaranteed Loan Disbursements:			
Guaranteed Business Loans.....	18,860	19,900	21,900
Total, Guaranteed loan disbursements.....	18,860	19,900	21,900