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U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

PUBLIC MEETING

THURSDAY, SEPTEMBER 6 2018
9:00 A.M.

Recorded by: Jennifer Razzino, CER

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1 P R O C E E D I N G S

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3 MR. STUBBLEFIELD: All right. Good morning.
4 I'm officially, I guess, opening our committee meeting.
5 Good to see all of you here again. Just a few
6 announcements before I turn it over to our chair.

7 Okay, thank you. Thank you for the feedback.
8 Okay. We're going to -- we're going to make a couple
9 of adjustments to the schedule, if you will, like at
10 11:00 I'm going to talk about the -- I was going to
11 talk about the CDFI project update. And I'll do that
12 in the afternoon.

13 We're going to have folks in from Cap Access
14 or Capital Access Office to talk about the guarantee
15 fee. Because I know there's been a lot of concern
16 about the guarantee fee. So I've asked Dianne Seaborn
17 and her team to come down and just talk about the
18 process and how they see this going forward. So I'll
19 talk about the CDFI piece in the afternoon.

20 And the only other thing I want to say
21 before I turn it over to our chair is the last time we
22 were together, I was the acting -- I was acting in this
23 capacity. On the 19th of August, the administrator
24 made the decision to make me the permanent Associate
25 Administrator in the Office of Veterans Business

1 Development. So I'm -- at this time I'm the person, so
2 to speak. And Barb Carson is moving over to our Office
3 of Government Contracting and Business Development.

4 So, with that, I'll turn it over to our chair
5 and we'll try to -- we'll try to recoup the time here.
6 We're like 15 minutes or so off. So, Chair?

7 MR. ZACCHEA: Thank you, Larry, and
8 congratulations and welcome aboard on a permanent
9 basis. We're all looking forward to working with you
10 going forward.

11 I just want to say thank you to everybody for
12 coming today. I know that many of you came from a long
13 trip here. So thank you for coming. And I'd like to
14 get started. I would like to ask Ms. Lynn -- I'm
15 sorry? We have to do a roll call, I'm sorry. Let's go
16 around the room. Let's start on the far right-hand
17 side.

18 MR. CRANE: Eli Crane.

19 MS. PEREZ-WILHITE: Fran Perez-Wilhite from
20 the North Carolina Military Business Center. Good
21 morning.

22 MR. LOWDER: Lynn Lowder from Veterans
23 Business Project, formerly One Vet at a Time.

24 MR. O'FARRELL: The mic wasn't on, Lynn. Try
25 it again.

Public Meeting
Advisory Committee on Veterans Business Affairs

9/6/2018

1 MR. LOWDER: Where is it, Jim?

2 MR. O'FARRELL: Press the face with the
3 little --

4 MR. LOWDER: I'm looking right at it. Like
5 that? I'm a Marine for Christ's sake.

6 MR. O'FARRELL: That was off the record.

7 MR. LOWDER: Lynn Lowder, CEO of Veteran
8 Business Project, formerly One Vet at a Time.

9 MR. STUBBLEFIELD: And Larry Stubblefield
10 again.

11 MR. ZACCHEA: Mike Zacchea, Entrepreneur Boot
12 Camp for Veterans.

13 MS. O'BRIEN: Liz O'Brien, Hiring our Heroes,
14 U.S. Chamber of Commerce.

15 MR. O'FARRELL: Jim O'Farrell, AMSG.

16 MR. ZACCHEA: Okay. I think that's
17 everybody. So --

18 MR. STUBBLEFIELD: Do we have anybody on the
19 line?

20 MR. ZACCHEA: If you're on the call, would
21 you please identify yourself?

22 MR. FENDER: Alex Fender, Funnel Science.

23 MS. TORRES: Beth Torres, VA --

24 MR. SHERWOOD: Matt Sherwood -- Matt
25 Sherwood, Veteran Business Outreach Center.

1 MR. SPOKES: Charles Spokes for Brandon Webb,
2 CEO of Hurricane Group, Incorporated.

3 MR. ZACCHEA: Okay, thank you. First on the
4 agenda, I'd like to call Lynn Boccio from Avis Budget
5 Group.

6 MS. BOCCIO: Good morning, everyone. Thank
7 you for giving me the opportunity to speak today, to
8 Chairman Zacchea, to Mike, to Larry, to Amy, to discuss
9 with you how we can increase business opportunities for
10 our nations' heroes or veterans in the corporate supply
11 chains.

12 I will also be discussing the business case
13 today regarding inclusion of what we now do as a
14 certified minority and women-owned business development
15 program for the inclusion of veterans.

16 Our commitment to veterans at Avis Budget
17 Group and/or approach or best practices that we have
18 been utilizing for the past 24 years to increase
19 opportunities in contracting for our certified minority
20 and women's businesses and how those skills, how that
21 skill set, is easily transferable to our veterans and
22 to the corporate trends in inclusion of veterans today.

23 I'm going to direct your attention to Slide
24 Number 8 where we are going to start today. Yes, sir,
25 yes.

1 When you see references to ABG, it's Avis
2 Budget Group, to the company that I am the vice
3 president of. And I thought we would start on this
4 note where back in the Vietnam War, the Marine
5 Battalion 2-503 actually came to us, and it honored us
6 that our slogan, "We Try Harder," was an inspiration
7 for them in time of war.

8 They requested that we send them -- I don't
9 know for those in the room remember the buttons, they
10 were white with red. We do, sir, and We Try Harder,
11 thank you. And we sent them thousands. But then the
12 military leadership requested change of the Avis button
13 for the troops that were parachuting down into enemy
14 territories. And we stepped in and we redesigned and
15 shipped an additional 5,000 buttons in black letters on
16 camouflage because it was that important to the Marines
17 to be inspired.

18 The next slide, slide number 9 in your deck,
19 talks about our veterans support program awards. And I
20 just pulled a few of them out for the sense of timing
21 here. And in 2017 and 2018, Avis Budget Group was
22 recognized as one of the best of the best top supplier
23 diversity programs by United States Veterans Magazine.
24 That is the team that I supervise, and we were very
25 proud of and we will go into some further detail about

1 inclusion in our supply chain.

2 In 2013, Military Time said it's best for
3 vets. And what sticks out in my mind, everyone, in
4 this slide is in September 2013, Adrian Gugliemmo, who
5 is sitting to my right, came to me and said, Lynn, I'd
6 like you to be a keynote speaker at CitiField for our
7 nation's heroes, and it was my absolute honor to do so.
8 And coming from a family of decorated veterans, I
9 stepped in and I saw hundreds, hundreds, of our nations
10 heroes coming to sit and to listen to various speakers
11 and ask for assistance for that day. And that was for
12 Be a Hero, Hire a Hero. And we spoke about employment
13 and education and contracting opportunities for
14 Corporate America.

15 We were then honored to receive the Seven
16 Seals award in October 2012. So you can see now I'm
17 going back years to demonstrate to you where there is a
18 passion to help on the corporate side, there is a
19 sincere passion. But I will be discussing what I
20 believe that we need to do from a strategic business
21 development perspective for our heroes who have given
22 up themselves and it's now time for us to step in and
23 help.

24 I now direct your attention, please, to slide
25 number 10. Slide 10 basically shows you some of --

1 again, now the reason why I put this up here is, once
2 again, it shows you the intent of our employees on the
3 corporate side. They want to help. They want to help.
4 We need education. We need awareness. And we
5 definitely need some certification of veteran-owned
6 business, which I will discuss.

7 So with USAA, they asked for a discounted
8 rental program for our heroes, and we gave it. And
9 then we had folks internally -- you can see down in
10 golf outings, raising money for golf outings for our
11 veterans. And something that was important to me, if
12 you'd be kind enough to look at the last bullet,
13 Hofstra University School of Law Legal Assistance
14 Program. So that was my alma mater. That's where I --
15 you, too?

16 MS. O'BRIEN: Me, too.

17 MS. BOCCIO: You, too?

18 MS. O'BRIEN: Not the law school, but --

19 MS. BOCCIO: Oh, wow. That's great. So no
20 wonder you're smiling at me. So I was there -- I was
21 asked to do a keynote speech for the incoming law
22 class, and they told me about this program. And I went
23 and I attended the program and then went to the Avis
24 Budget Foundation and applied for seed money to really
25 germinate it and get it going.

1 And basically what I found is there were law
2 students who were veterans, who saw a need and would
3 work with veterans up and down the seaboard, and then
4 brought them in on a day. And you know, ladies and
5 gentlemen, I sat there and I watched the veterans line
6 up around the law school building who were all promised
7 an opportunity to have a pro bono attorney for that day
8 helping them, who could stick with them and could
9 either give them the advice that day or prayfully
10 offer to stay on the case.

11 And so I watched it work. And, once again, I
12 realized a need. So, once again, while this is not the
13 supply chain side, which is my specialization, we're
14 all in it together. We're all in it to help our
15 veterans.

16 And the next page, number 11, please, shows
17 you -- and I have these up here, once again, for a
18 reason to show you the passion, and then I'm going to
19 take it to the business case of inclusion.

20 So we have the national pilot for Veterans at
21 Airports. What we found internally is our veterans
22 make great employees in the aviation industry. It
23 makes sense, doesn't it? So we formed a three-part
24 partnership at the time, and actually Adrian over here,
25 again, was the consultant on it and has helped us a lot

1 in this area. American Association of Airport
2 Executives, which is noted here as AAAE; AMAC, who I
3 just spoke to Emmitt about, Airport Minority Advisory
4 Council, which is the only non-for-profit of its kind
5 on airports to help promote maximum opportunities for
6 our certified minority and women-owned businesses at
7 the airports. And us. And what we did is we wanted to
8 look at opportunities for veterans not only in
9 employment but in the supply chain side, but all
10 dealing in aviation.

11 And now if you go to the next slide, slide
12 12, what do you see again? You see a passion coming
13 out on the corporate side, non-government, where folks
14 just want to jump in and help our heroes. Don't you?
15 You see 25 airports say me, I'll host an event to help
16 our heroes.

17 Now, what I saw, though, which is missing, is
18 that we have a passion, but now we need to look at the
19 business case for inclusion of our veterans. We need
20 to say why -- why aren't we moving it forward? It's
21 not fast enough. We need to be in there to help.

22 So what I did before I came here is I called
23 up internally our human resource department, who is
24 part of diversity, but they're on the employment side
25 of hiring veterans, the transitioning, and I know that

1 Chairman Zacchea and the team from the United States
2 Veterans Chamber, is going to come in and help us --
3 help us make sure that we make the appropriate
4 decisions because we have the desire to help but make
5 sure that we are really moving and shifting and helping
6 our veterans.

7 So here you see that we have a veteran now --
8 and I'm just showing you an example of what's happening
9 in the aviation side, who is now a local market
10 district manager. And he was promoted several times
11 since 2005 and joining our company.

12 Our website, currently being redesigned,
13 features a page detailing our commitment with videos
14 and veteran employees, badges of awards we've won, and
15 a military skills translator to help candidates decide
16 which role at ABG is right for the veteran that's
17 applying for the position.

18 We accept military experience for technical
19 certification credit, for these roles of mechanics and
20 technicians, and we provide opportunities for veterans
21 and spouses to self-identify for our human resource
22 department.

23 On slide 14, you see in this regard we attend
24 military job fairs sponsored by 100,000 Jobs Mission
25 and other veteran organizations. We have salaried and

1 hourly guard and reserved employees who are guaranteed,
2 of course, their same job upon their return. Medical
3 plans and life insurance, continue to cover all
4 employees called to active duty. We have just as a
5 proactive measure, we're doing it anyway, signed the
6 ESGR statement of support, which has been throughout
7 the corporate atmosphere, and we participate in
8 programs in support of veterans or the greater military
9 community such as Toys for Tots, making care packages
10 for service members, the Wounded Warrior Projects, USAA
11 and Adopt a Soldier.

12 Our employee assistance program is available
13 at all times to the military and to their spouses, and
14 we have talented acquisition employees who are
15 themselves veterans trying to help us in our quest.

16 What I will tell you is when I get off the
17 elevator in our corporate headquarters in New Jersey, I
18 was just there two weeks ago, at every floor when I got
19 off there was actually a whole silhouette of the
20 various veterans saying -- with a salute saying Hire
21 Our Veterans, which I was really very happy to see for
22 everybody coming in our building.

23 And now I would like to get to the business
24 case with all of you. So if you look at slide 15, this
25 is the program that I'm responsible for for the last 24

1 years at my job. And there are two prongs to it. And
2 on the top prong, that's the airport compliance side,
3 and that is regulated by 49 CFR Part 23.

4 So while our vendors need to become certified
5 because we are all tenants, or what we call
6 concessionaires at the airport, what I'm trying to show
7 you is on this two-prong, look at the bottom. The
8 bottom is all corporate. So it doesn't mean it's just
9 Avis Budget Group. It means that as you're going to
10 see on the slides that are coming up and the different
11 name brands that are there, we're all doing it. It's a
12 very active, very strategic business development
13 movement, and you will see the trend of inclusion of
14 veterans, but you will see what's missing and what I
15 know has to happen to make veterans really fuel forward
16 where they need to be.

17 So on the bottom you will see that we are now
18 including in our supply chain not only certified
19 minority and women-owned businesses, but what do you
20 see? Veteran, service-disabled veterans, the disabled
21 in the LGBT community. So we are very inclusive in our
22 supply chain.

23 Now, there is what we called Supplier
24 Diversity 101. And what is that, ladies and gentlemen?
25 That is the following: When we are dealing in

1 business, we are looking at markets. And we are saying
2 the following as a corporate officer: We want our
3 supply chains to reflect our customer base. So in our
4 case at Avis Budget, Zipcar, Payless, we want everyone
5 to feel included and rent our automobiles, and as a
6 result, your supply chain is reflective of your
7 customer base.

8 In looking at all of that, when you look at
9 our economy and you look at our population and you look
10 at our heroes that have infiltrated our economy, it
11 makes perfect sense, doesn't it, to be inclusive of our
12 veterans on the corporate side.

13 And when you look at the businesses where the
14 veterans are proliferating in finance and insurance and
15 warehousing, my heavens, doesn't that look like a
16 corporate supply chain? But now -- but now you look
17 and you say, okay, so what's the problem here? Well,
18 the first thing that we do -- so we have certain best
19 practices in supply chain diversity that rank the
20 different companies that are out there and separating
21 the excellent programs.

22 So first we need to measure and track where
23 we are, where we're going, what are our goals. Right?
24 And with regard to my minority contracts, where are we?
25 Women-owned, where are we? Our veterans, our service-

1 disabled veterans. And we can't forget on the veterans
2 the spouses, the caregivers and the gold-star moms.
3 It's a whole village out there, and we all need to help
4 each other.

5 So when you look at this, back in the 1990s,
6 I had John and Betty Lau who owned Applied Info
7 Partners, and you can see on this page all that they do
8 for us. They're our third-party partner that house all
9 of our diversity numbers and all of our certifications.
10 And a best practice of supply chain diversity on
11 corporate, you must have a tracking system, and you
12 only put in the system certified -- underline certified
13 -- which was traditionally minority and women-owned
14 businesses, and today we're talking about inclusion of
15 veterans.

16 So if you call us up and you say, Lynn, I'm a
17 minority business, I'll say that's great. But you need
18 to get certified. Because I can't give those numbers
19 and put them into the system. I also can't give it to
20 our senior leadership, to our board of directors,
21 unless you're certified. And that's for that business
22 protection as well as for us. You want to make sure
23 that the business that is saying that they are
24 minority, women-owned, veteran-owned, are truly
25 minority, women-owned, veteran-owned, so that they are

1 obtaining the folks like us in Corporate America who
2 advocate and push for equal rights for these preferred
3 classes of businesses on your diverse supply chain.

4 So if you look down at the bottom, I've had
5 John and Betty Lau at my side. They're a certified
6 WOSB and an MWBE. They are the inventors of DivTRAK,
7 which is the software, as I said, that measures markets
8 and manages supplier diversity. They also have
9 Department of Defense contracts to support immersive
10 training for the United States Army schools and
11 mission-critical systems, as well as a top secret
12 facilities clearance.

13 One of the projects they are now working on
14 is to create an interactive training for a most
15 advanced robot based upon chemical, biological,
16 nuclear, radiological and a decontamination system.

17 So I feel, once again, with the best practice
18 we are very careful about the veterans that we select
19 on important projects like this, and I can't speak
20 highly enough for Applied Info and John and Betty Lau.

21 Now I'm going to take you, please, to slide
22 17, and if you see Recognized Leadership in Supply
23 Chain Diversity. And the reason why this is here is,
24 number one, that's who we're involved with now. That's
25 who we picked to help us in promoting our maximum

1 opportunities. But besides that is that right now
2 these are also additional venues for the veterans.

3 So, for example, right now I would know that
4 I have veterans that are truly veteran-owned businesses
5 in our supply chain. But I'm thinking of one now where
6 he is certified as a minority business, which he is.
7 But he is waiting for that gold standard of
8 certification that we are lacking, and that's why I
9 have developed these slides.

10 We -- we want to do better. But on the
11 supply chain side, we need to know that we have a gold
12 standard, and I'll go into something about that now.

13 Now, recognition of our supplier diversity
14 efforts. Once, again, see if we can think of this as a
15 business. It becomes a real strategic business portal
16 where you have the veterans representing a very, very
17 strong market. Strong market. And you see here --
18 look at this, how we differentiate our company through
19 supply chain diversity where your efforts -- your
20 efforts are reflected and start to take us as the only
21 car rental company versus our competitors, to be one of
22 WBENCs, Women's Business Enterprise National Council,
23 top corporations for women business enterprises.

24 This is an annual award. We've had it for 17
25 years. We use it as a differentiation tool in business

1 development. And we work very hard to retain that
2 award.

3 Number two, you will see that we were
4 inducted -- and I'm going to talk about it next -- into
5 the Billion Dollar Roundtable, the only car rental
6 company to receive this honor. So now think about it
7 in the corporate world and competition. Your efforts
8 are reflected and now make you different in a good way.

9 And in the Billion Dollar Roundtable, you
10 must be inducted and you must have at least one billion
11 dollars per annum in contracting opportunities in the
12 past with certified and minority-owned business. But,
13 guess what, this past year they changed it. And this
14 is proof of what I was saying, the corporate trend is
15 changing. They said if you want to stay in the Billion
16 Dollar Roundtable, you now must include veterans in
17 your supply and service-disabled veterans. Isn't that
18 fantastic?

19 And this organization is not one that --
20 you'll see on slide 19. You'll see some of the other
21 companies that are in it with us -- or I should say
22 that we are privileged to be in with them.

23 But you get audited every year. So you have
24 to always watch your numbers all year long and make
25 sure that your supply chain is where it needs to be

1 because there's a certain time where you know you're
2 going to undergo the audit and fill out a new
3 application. And we want to stay there.

4 We've also written a book on best practices
5 at Billion Dollar Roundtable and we're now in the
6 process of writing a second book. And the second book
7 is going to actually tie in now, it's going to start
8 tying in the supply chain diversity in Corporate
9 America to the community, to jobs, to employment, and
10 show its effects; how it cascades when you give out
11 contracts; what does that do for our economy.

12 But, once again, we need that gold standard.
13 Because I know for us in corporate that are very
14 careful about our programs, I know that if someone
15 calls me up and says, oh, I can do the certification,
16 no, we need a gold standard. We need a gold standard.
17 We utilize WBENC. We utilize NMSTC. We utilize third-
18 party certifiers that we know are very, very careful
19 about reviewing all the documents of the applicant and
20 very importantly doing the site visit of each and every
21 business.

22 I was on the first certification committee
23 for WBENC back in -- my gosh, I joined in 1996, so I'm
24 showing my age here. So it had to be around 1996 or
25 '97. And I was called in to Manhattan because they had

1 an idea that it was so important for women to be able
2 to be certified. And I actually did some of those
3 certifications and the site visits, and they're not
4 easy.

5 And I also saw how when you take the whole
6 file and you take the bank records and you take the
7 certificates of incorporation and you take the bylaws
8 and you take the signature cards, there were times that
9 we were able to help women and say, we're not granting
10 you certification because you really don't own and
11 control it. And they would say, thank you, we had no
12 idea. We were like, well, so and so can go to your
13 bank account and can wipe it out. There's no counter-
14 signature, there's no control required.

15 So it's all there for a very good reason.
16 It's not just let me take my 51 percent. It's much
17 bigger than that. And it's so important for our
18 veterans that they have their own business and that
19 they control their own business and that what they
20 worked for is, in fact -- is, in fact, protected.

21 And so we are waiting right now and we are
22 working very, very hard. There's a group of us
23 working. And I'm hoping that we will be able to set
24 forth a gold standard because that's what I believe
25 that our veterans need to really propel forward through

1 Corporate America.

2 And so, in closing, if you would like to just
3 look at slide 20, I'm going to thank you now for
4 permitting me the time to speak today and just tell
5 you, if you feel my oomph, the veterans, you're right,
6 my dad was in World War II and Korea and he was a
7 highly decorated veteran. He's not on earth right now,
8 but, my gosh, would he love to be here.

9 And my grandpa was highly decorated and he
10 was deputy commissioner of welfare for the City of New
11 York. And at his eulogy, which I had shared with Mike
12 recently, it talked about the thousands of people and
13 veterans that came. And he was chairman of the
14 American Legion for Rehabilitation for Veterans.

15 And so I can't be passionate enough and I
16 can't thank those in the room who are veterans who have
17 really protected us while we sat home with our
18 families. You were out there and really fighting for
19 us. And I can't say thank you, and so I will
20 tirelessly work on the corporate side to help in
21 whatever way I can do for anyone here to advance on the
22 business side contracting opportunities for our
23 veterans.

24 When I was a trial lawyer, I was involved in
25 some discrimination cases and representation of clients

1 in the city. But people always get a chuckle, but when
2 I came out of law school my first boss was Judge Judy.
3 And she trained me well. And she trained me what you
4 believe and what you have in your heart, you go forward
5 and you push and you advocate. And she still mentors
6 me today. And she has made me a lot of what I am. And
7 so I can't be more delighted to be here and to give up
8 my time and to offer any time you may need me for.

9 So, in closing, I've touched a lot on our
10 initiatives with regard to our strategic business
11 development and our program at Avis Budget Group. But
12 one thing I haven't talked about much is how we're
13 actually doing it. And when I say what I'm going to
14 say next, think about our veterans. When I tell you
15 where our company is going, I'm doing this for a reason
16 because a lot of it is hitting in the area that I see
17 veterans are developing businesses and are very
18 entrepreneurial. So our leadership team understands
19 that we're in the midst of a tectonic shift right now
20 in our company and how people think about mobility, and
21 better yet they are putting significant resources
22 behind our company's evolution.

23 Avis Budget is concurrently innovating
24 through a combination of internal teams, third-party
25 technology, licensing, investing in, acquiring and

1 partnering with new technologies -- technologies and
2 companies, active participation in digital ecosystems,
3 smart cities, incubators and consortiums, and through
4 our own venture group.

5 In short, it's a holistic and a fully
6 integrated effort that is going on right now. So I'm
7 really excited about all of this that we have going on.
8 And I appreciate you taking the time to listen to me
9 today. Thank you very much.

10 MR. ZACCHEA: Thank you, Lynn. I'd like to
11 open it up to questions right now. Does anybody have
12 any questions from the committee?

13 MR. PHIPPS: Lynn, do you have a list of all
14 the organizations you accept certification from?
15 Michael Phipps.

16 MS. BOCCIO: Do I? I can get you the list if
17 you give me --

18 MR. PHIPPS: I saw WBENC on there, which is
19 great.

20 MS. BOCCIO: Yeah. WBENC and NMSTC, and then
21 there's the airports.

22 MR. PHIPPS: Excellent.

23 MS. BOCCIO: Airports is ACDBE certification.
24 It has a little bit different name and there's a
25 personal net worth component into the site visit and

1 certification that is not prevalent on the corporate
2 side. Corporate, they don't care, you can be an MBE
3 and be as big as you want.

4 MR. PHIPPS: Do you accept everybody that the
5 SBA accepts in terms of the third-party certifiers?

6 MS. BOCCIO: If it's like a WBENC, MWOSB, the
7 answer is yes.

8 MR. PHIPPS: Awesome.

9 MS. BOCCIO: But we're very careful about,
10 yes, who we do accept. So if someone calls up and says
11 I'm a self-certified, no, they need the site visit.

12 MR. PHIPPS: And so how do organizations
13 contact you and get involved in your program and into
14 your supply chain?

15 MS. BOCCIO: Sure.

16 MR. PHIPPS: Is it through your website?

17 MS. BOCCIO: Sure. Yes, we have a website.

18 And I have a person on our staff who is part of the DEC
19 (phonetic), Sue Pettit, who you'll see there. She has
20 32 years of purchasing experience. And Sue takes you
21 and puts you into our DivTRAK system. But it's
22 interesting, you can't effectuate completion of your
23 registration as a potential vendor unless you scan your
24 certification in. The certification has to be valid
25 and it has to be active.

1 Once you get in there and you go into the
2 commodity area, I should say that some companies have
3 the "me" in procurement. I'm not. I'm the lawyer that
4 sits outside that advocates for your rights. With Sue
5 and Lyndell, we source to procurement. And so
6 procurement can go in and look at you if you're in
7 there and you're properly registered.

8 And in addition to that, they can call us.
9 You know, it could be airport and it could be corporate
10 supply chain. I'm doing an RFP in the next month for
11 fuel. Oh, do you have any new vendors you've met at
12 the events? And we bring them usually, like, to WBENC,
13 which just had its conference. I try to make sure that
14 we have somebody there from corporate. So we have Sue
15 and that person doing the one-on-one meetings, the face
16 to face. And then they go back. Some of it is timing,
17 sir, you know, and luck.

18 MR. PHIPPS: Well, because we get the
19 privilege to hear a lot of these great programs, we
20 also like to get the word out, especially about
21 programs like this through our networks so people know
22 about it.

23 MS. BOCCIO: Mm-hmm.

24 MR. PHIPPS: And so all the veteran companies
25 that are out there can take advantage.

1 MS. BOCCIO: Right. And you'll --

2 MR. PHIPPS: So thank you very much. It's a
3 great program.

4 MS. BOCCIO: And thank you so much. And
5 you'll see some of the brands. I always say that when
6 you get out on the corporate side, there just is really
7 two handfuls of companies I can think of that really
8 are committed. And I always tell folks when they're
9 out there on the corporate side, just like really
10 target market yourself and look -- like, for example,
11 if you look at WBENC's top corporations for doing
12 business with women in the diversity field, I can't
13 tell you how hard that is to win. I just got the
14 application for next year and I'm like -- it's not
15 easy. You have to have certain things in place to
16 apply.

17 So if I were a small business, whether I be
18 minority, women, veteran, what I would do, with veteran
19 we've got to get that certification solved. But let's
20 say it's there. Then what I would do is I would look
21 at the corporations that have won not just awards but
22 something like that that is so hard to get. And you
23 know there that you have committed folks and supplier
24 diversity with the supply chain. It has to come from
25 the top, because if it doesn't, if your chairman and

1 your president aren't driving it, it's very hard to be
2 a one-armed -- one-person show.

3 And so those folks are out and about. And
4 then you need to get involved with those -- and between
5 those two organizations, you've got more than enough
6 homework to do.

7 MR. PHIPPS: Thank you.

8 MR. O'FARRELL: Jim O'Farrell. Just a quick
9 question.

10 MS. BOCCIO: Sure, sir.

11 MR. O'FARRELL: First of all, thank you for
12 your presentation.

13 MS. BOCCIO: Thank you.

14 MR. O'FARRELL: I wanted to point out, on
15 slide five you gave some statistics about more of a
16 national view of veteran business enterprises. I
17 wanted to -- on slide 15, you appeared to give your
18 two-prong supplier diversity program approach. What
19 are the actual metrics for your organization in terms
20 of -- if I'm looking at slide 15 on the lower prong
21 corporate supplier diversity program, provides
22 opportunities for minorities, women, service-disabled
23 veteran businesses, disabled, and LGBT. Do you have a
24 slide that basically breaks that out and says the
25 program was started, I believe you said, in 1996, and

1 how that has grown and what the bar charts look like in
2 terms of the makeup between women-owned businesses,
3 service-disabled, veteran-owned businesses?

4 MS. BOCCIO: I don't have a slide chart in
5 here now. But when we applied for the top corp award,
6 we have to say where we are now with regard to
7 certified women-owned businesses, where we were last
8 year. DivTRAK houses all my information. What I did
9 have, though, on the one slide on the Billion Dollar
10 Roundtable on the top right in red --

11 MR. O'FARRELL: What slide number was that?

12 MS. BOCCIO: I'm looking, I'm looking. Here
13 we go. Number 19. I gave you what our spend was in
14 2017 with regard to all of the groups, \$3.6 billion.

15 MR. O'FARRELL: Okay. And so I'm just trying
16 to pull out, do you think it's 1 percent, 5 percent, 20
17 percent, are service-disabled vet companies of that
18 \$3.6 billion?

19 MS. BOCCIO: I would have to look, sir. But
20 I can tell you because of the certification issue it's
21 tough to get a good read for you. That's why I'm here.

22 MR. O'FARRELL: And what -- and then a
23 follow-on question would be what kinds of companies are
24 they that are the service-disabled vet companies? What
25 is a good fit for the Avis group? If we were getting

1 the word out in our networks of service-disabled vet
2 companies, what would be a good company we would bring
3 to the table?

4 MS. BOCCIO: Well, there are -- there's such
5 an array of purchasing. So if you think about the
6 standard corporation, everything from paper and
7 printing and all the way down, and technology, it's all
8 the same in corporate, except what you would add on
9 here in rental car companies, on a big spend item.

10 For example, we have some women-owned
11 fuelers. We have minority fuelers. We have fleet
12 dealers. You have tires. You have folks that come in
13 with different cleaning agents, chemicals, petroleum
14 products, cleaning of seats. Everything that your mind
15 can think of if you were running that business that you
16 would need at your facilities, it all applies.

17 But what happens is if you are one of these
18 diverse suppliers, we're able to help you with that.
19 So if you're certified, for example, and you were to
20 call us, it's more hand-holding for advocacy. Say you
21 came to me and you said, I have fuel and I'm a
22 certified veteran-owned business.

23 The first thing I'm going to do is let Sue
24 talk to you because she has 32 years of purchasing
25 experience. Make sure you're properly set up to deal

1 with corporate supply chain. Then the next thing Sue
2 is going to do is interact with corporate procurement.
3 And she may say to you, you know what, sir, in another
4 five months, the bids are going to come out on fuel.
5 And you'll have the opportunity to bid either for a
6 certain jurisdiction or for all the United States. And
7 we'll give you that mentoring and that guidance that
8 you will need to make a decision. Or maybe you just
9 missed the fuel bid.

10 But we want to get to know you. A lot of it
11 is strategic. And, as I said, irrespective of whether
12 you're minority or women-owned or veteran-owned, some
13 of it is about opportunities in life and about being at
14 the right place at the right time. But the teams like
15 us in the corporate supply chain are there to help
16 small businesses not fall through the crack and to be
17 able to compete and to go to the companies that
18 recognize your value as a veteran and your value as a
19 minority and your value as a woman, and to help you
20 network or to bring you -- I just spoke to Emmett over
21 there. I just met Emmett before we started today. And
22 he came up to me and he said, well, I do security. And
23 I said -- I mean, this is how it happened. I said,
24 Emmett, would you do security at the airport to protect
25 cars? He said, yeah, I could do that.

1 So I said, well, you know what, do you also
2 know about AMAK? Because now I'm thinking aviation,
3 right, airport, and I'm vice chairman of the board of
4 AMAK. And I have good vibes with Emmett over there.
5 So I said, you know what, give me a call. And he knows
6 the president and let's see if we can get you networked
7 into the airport side where the rest of the rental cars
8 are and the other concessionaires at the airport who
9 need security.

10 Now, can I guarantee him something now? No.
11 But am I going to call Salt Lake City airport where I
12 think that you would have a good mentor? Yes. And
13 that's that hand-holding and that mentoring to help
14 propel these businesses forward. And that's what we
15 can give to you.

16 MR. ZACCHEA: So I just want to take one more
17 question from the chairman. We'll -- oh, okay.

18 MS. O'BRIEN: I had a question.

19 MR. ZACCHEA: Oh, okay.

20 MS. PEREZ-WILHITE: I just had a quick
21 question. Your committed airports, are you looking for
22 any more airports or is that a complete list?

23 MS. BOCCIO: The Leave No Veteran Behind is
24 not going on right now. It did for the past few years.
25 But if you have any thoughts, I'm up for listening to

1 it, if you have something good that you think will help
2 veterans, you know, we'll try. Why not?

3 MS. O'BRIEN: Elizabeth O'Brien.

4 MS. BOCCIO: Yes, Elizabeth?

5 MS. O'BRIEN: My mic doesn't work. Do you
6 have an expedited pay cycle for your veteran-owned
7 businesses so that they're paid more quickly than
8 traditional small businesses?

9 MS. BOCCIO: Right now we don't, but we have
10 not had any complaints with regard to our vendors.

11 MS. O'BRIEN: Okay.

12 MS. BOCCIO: But we have a great purchasing
13 team. They're all broken down into commodities. They
14 specialize in certain areas. So -- and if we did have
15 a problem, that business would call Sue or I right away
16 and we would jump on it. I mean, that's exactly how it
17 would happen.

18 MR. LOWDER: Lynn Lowder from Veteran
19 Business Project.

20 MS. BOCCIO: Yes, Lynn?

21 MR. LOWDER: So point of contact and phone
22 number? Did we get that, or did I miss it?

23 MS. BOCCIO: I have cards here. I'm happy to
24 give them out.

25 MR. LOWDER: Okay.

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1 MS. BOCCIO: Is that good?

2 MR. LOWDER: That'd be great.

3 MS. BOCCIO: All right, sir.

4 MR. LOWDER: Thank you.

5 MR. ZACCHEA: I think there was a question on
6 the phone.

7 MR. FENDER: Yeah, Alex Fender, Advisory
8 Committee member. I'm on the DivTRAK website. I'm
9 confused why the website says Disabled Veteran Business
10 Enterprise. That's a term that's used for California
11 specifically. So is Avis a California company and are
12 you restricting this only to California veteran-owned
13 businesses, or is that like a typo and needs to be
14 fixed?

15 MS. BOCCIO: I didn't really hear him. What
16 did he say?

17 MR. ZACCHEA: The question was, he's on
18 DivTRAK right now.

19 MS. BOCCIO: Yes.

20 MR. ZACCHEA: He said it says Disabled
21 Veteran Business Entity. He says that is a title
22 that's only used in California. So he's asking is this
23 only California or is it national?

24 MS. BOCCIO: On the corporate side, we say
25 Disabled Veteran Business Enterprises. So I'm -- maybe

1 I'm missing --

2 MR. STUBBLEFIELD: So it's national.

3 MS. BOCCIO: Yeah. I mean, you know, I guess
4 there's probably, sir, Alex, different lingo. It's not
5 meant to be in any way exclusion. It's all for
6 inclusion. But I do know that when I'm dealing on
7 contracts with Avis on the government, we see WOSB, for
8 example. But when I'm in WBENC and corporate, we're
9 saying WBEs or Women Business Enterprises. So I think
10 it's just where you are. And, no, it's not meant to be
11 exclusionary in any way, sir.

12 MR. FENDER: I think the common term is
13 veteran-owned small business or service-disabled
14 veteran-owned small business. At least that's what I'm
15 aware on the national level. And so -- and I'm on the
16 website and I see that this is the certification that's
17 required, I go Google the certification that y'all are
18 saying on your website to be able to just register, and
19 then I immediately see that I'm disqualified because
20 I'm not in California.

21 MS. BOCCIO: So would you be -- would you be
22 kind enough, if I give you my e-mail address, sir,
23 would you e-mail me?

24 MR. FENDER: Yes, ma'am.

25 MS. BOCCIO: Okay. So my e-mail, it's all

1 lower case, is lynn, l-y-n-n, dot, boccio, b-o-c-c-i-o,
2 at avisbudget with no space between it, dot-com. And
3 please make sure that you e-mail me, as I said, and I
4 will respond to you.

5 MR. FENDER: It will be in your inbox in
6 about 60 seconds.

7 MS. BOCCIO: Before I see it. And your name
8 again? Alex Fender, was it?

9 MR. FENDER: Yes, ma'am.

10 MS. BOCCIO: Okay, sir.

11 MR. ZACCHEA: Okay, thank you. So time on
12 deck is 10:00. We're running about 15 minutes late. A
13 few people came in during Lynn's presentation. So I'd
14 just like to go around the table here and have the
15 people who came in during Lynn's presentation just to
16 identify themselves for the record. And we'll start
17 here on the right-hand side.

18 MR. BANTON: Glenn Banton.

19 MR. PHIPPS: Michael Phipps.

20 MR. SHARPE: Joe Sharpe.

21 MR. GWINNER: Sean Gwinner.

22 MR. ZACCHEA: Okay, thank you. So what I
23 would like to do now is I'd like to ask Ms. Barbara
24 Ashe to come up.

25 MS. PEREZ-WILHITE: Mr. Chair and Mr.

1 Stubblefield, may I ask a quick question before we go
2 further?

3 Mr. ZACCHEA: Okay, sure.

4 MS. PEREZ-WILHITE: This is Fran Perez
5 Wilhite. I heard before we started the meeting that
6 Ms. Torres from the VA is on the line. I know from our
7 conversations yesterday at the IATF meeting she planned
8 to brief us today, and we hoped that she would. Do we
9 have any time in our schedule today that she is going
10 to brief us, and, if so, I hope we do it before she
11 leaves the line. I'm not sure if she's going to be
12 online all day.

13 MR. ZACCHEA: We can make time.

14 MS. TORRES: Yes, I'm on the line.

15 MR. ZACCHEA: Okay. We can make time.

16 Ms. Torres, how much time do you need?

17 MS. TORRES: Mostly I'm here just to answer
18 questions. I can talk about the things that we spoke
19 about yesterday, which takes what, five minutes, maybe.

20 MR. ZACCHEA: Okay. So this is Mike Zacchea
21 again. What I'd like to do is ask Ms. Barbara Ashe to
22 come up. We're running 15 minutes late. How about
23 after Ms. Ashe comes and does her presentation, we take
24 a break, and then we'll squeeze in Ms. Torres and then
25 we'll have Bill Ashton go. Would that be all right?

1 Everybody agree to that?

2 MR. STUBBLEFIELD: Is everybody wondering
3 what the subject is?

4 MR. ZACCHEA: Okay. So, Ms. Ashe, would you
5 come forward?

6 MS. ASHE: Thank you. Good morning. It's
7 been way too long, Joe. Good morning, everyone. I'm
8 Barbara Ashe and I'm National Director of the Veteran
9 Institute for Procurement. And I am thrilled to be
10 here today to -- at the request of the advisory board
11 to just provide a brief update and overview of the
12 Veteran Institute for Procurement.

13 I know that we can't see the slides, but I
14 understand those online can. In -- on your desk and
15 hopefully that those who just joined us, to the
16 advisory board there is a -- we do have extra handouts,
17 and I'll be walking through if you did not get this. I
18 know there's some at the table. Does everybody have
19 it? So I'll walk through. And, thank you, you'll be
20 driving, so I'll let you know when I go through. Okay?
21 Great, thank you.

22 So what is VIP? Well, you know, it's the
23 Veteran Institute for Procurement. And since we are in
24 the government contracting training, you know, you got
25 to have an acronym. And so VIP is what we call it for

1 short. And the program is an accelerator for veteran-
2 owned small businesses that want to enter and/or expand
3 in the federal marketplace. So it's very niche.
4 Again, it's for veteran-owned small businesses that,
5 you know, want -- that are in the federal space.
6 Now, mind you, they can be doing other work in the
7 commercial market or, you know, but we focus on the
8 federal procurement side.

9 How do we do it? We do it as an in-residence
10 program. So it's a -- we do the training over three
11 days in-residence. About 27 hours of instruction.
12 It's -- the instruction is all market-based. We cover
13 over 20 topics and in any one of our classes and
14 curriculums we can have over 33 instructors. So it's
15 pretty comprehensive.

16 The facility is the Boulder Center, where we
17 host the training. It's a government facility, a
18 government leadership training facility. And it has 83
19 acres, 500 hotel rooms, and training rooms. So it's
20 perfect for how we need to use the facility and
21 classroom environment. And we've been there since
22 2011.

23 The program is offered nationwide to veterans
24 at no cost and the application process is online. And
25 each of our curriculums have minimum requirements for

1 participation. Since 2009, we have trained over 1,000
2 companies from four to seven states, D.C., and Guam.

3 In the next slide, you'll get a picture of
4 what it looks like in the classroom. So we -- we host
5 these programs and classes up to 50 veteran businesses
6 from around the country in a classroom environment
7 during the instruction.

8 The next slide you'll see that -- of course,
9 I don't have to tell this group, but veterans are the
10 most naturally diverse group. We do not require that
11 they're service-disabled, but almost 80 percent of them
12 are. We have almost a third are 8(a). The majority
13 are minority-owned. Almost 20 percent are women-owned.
14 That is an increase that we continue to see, which is
15 very exciting. And 12 percent are HUBZone.

16 This year, over the next 12 months, we will
17 train 250 companies over the course of the next, as I
18 mentioned, 12 months in classes of 50. What is going
19 to be unique in October, we're going to have two
20 classes at the same time across from each other of 50
21 in each class, and have 100 graduate at that program.

22 The -- this program only works when they win.
23 And that's how we judge our success. And we take a
24 survey immediately after the class to get feedback not
25 only on their experience and get feedback on how we can

1 make improvements in the training, but then one year
2 after graduation we do survey our graduates. We also
3 watch all of the public -- since this is about
4 government contracting, there's lots of public data on
5 contract wins. And so we are able to track their
6 success in the federal market quite closely.

7 And the reason why we do it is because they
8 continue to win and they continue to grow. And that's
9 what's really been a part of the program from day one.

10 We are very excited to see that one-third of
11 the winners of the VA Vector award were VIP graduates,
12 prime award winners. And I haven't met a Vector team
13 that doesn't have a VIP member on the team. So that
14 you don't get to see, but I haven't met one yet.

15 As I mentioned, we have a number of
16 curriculums. And you'll see here on slide number five
17 the different programs. When we launched in 2009, it
18 was just called VIP. And then when SBA came to us in
19 2014 as a grantor, as a cooperative agreement, we were
20 able to scale in the number of companies that we could
21 graduate each year, and then we also were challenged,
22 quite frankly, by the Office of Veteran Business
23 Development to see if we could help more veterans
24 across their various business developments -- along
25 their various business development lines.

1 And one of them was really -- as I mentioned,
2 we have a survey that we do right after class. And the
3 number one response -- and at that time we probably had
4 500 graduates -- was I wish I had taken this sooner.
5 And Start, VIP Start is really the answer to sooner.
6 And so that has been one of our newer programs. And
7 the entry level to that, as you can see, is different
8 than in what we now call VIP Grow, which is our class
9 that we launched in 2009 and continue to do. So it's
10 for earlier stage companies.

11 And I did want to point out that we do not
12 train individuals. We train companies. So everything
13 about -- they apply as a company. It's not about the
14 person who's attending, how much they know or their
15 experience in the federal marketplace. The company
16 applies.

17 And so if the company doesn't have any
18 experience, even though you might have been running,
19 you know, missile systems somewhere and managing, you
20 know, a \$100 billion project, what has this company
21 that's applying done in the federal market? And so
22 that's a little different. And we don't require that
23 the owner attend the program, but it has to be an
24 executive of the company.

25 I will say, though, about 99 percent of them

1 are the owner and the veteran. Again, we're not
2 training veterans. We're training veteran-owned small
3 businesses in best practices. And I'll -- as we go
4 through the presentation, I'll talk a little bit more
5 about each program.

6 What is, though, unique about VIP, the
7 training and Start, Grow, and International, is our
8 focus. So the curriculums are different, but the focus
9 in the curriculums is a constant. And what we focus on
10 is reducing risk to the company, reducing risk to their
11 customers and reducing risk to your teaming partners.

12 As you all can imagine and know, business
13 mistakes are expensive and oftentimes fatal for a small
14 business. And if you just think about your own
15 personal life when you're trying to solve a problem,
16 how that slows you up. It's like running with your
17 shoelaces tied all day long. And if you're busy
18 solving a problem, you're probably not focused on a
19 customer or the next opportunity and you're probably
20 spending a lot of money fixing a problem. And so we
21 focus on those business land mines and we focus through
22 that through best business practices.

23 And so all of the curriculum is focused on
24 reducing risk. And that in itself is a differentiator.
25 And it was great to hear Lynn present ahead of me.

1 And, you know, they're just as risk adversed as DOD.
2 You know, they don't have a different standard. I
3 would imagine in terms of their protocols, compliance,
4 performance, cyber-security, they have a reputation,
5 they have employees. So they take their vendor supply
6 chain very seriously, and so does the Federal
7 Government, and rightfully so. So we focus on those
8 best practices and make sure that companies can
9 compete, comply, and perform in the Federal
10 marketplace.

11 And I love this next slide because there's a
12 lot of -- and it's one with others plant the -- that
13 says, others plant the seed, we water the plant.
14 Because when we launched VIP Start, it says start. So
15 people thought, well, you know, I want to start, I want
16 to start. Well, again, we -- we're not about starting
17 a company. We're about starting, and VIP starting a
18 company that wants to enter the federal marketplace.

19 And so others, there are great programs
20 offered through SBA, through universities, state
21 programs. You know, many of you are aware of those
22 programs that exist. We were not interested in
23 replicating those great programs. And so what VIP
24 Start does is companies that are already established,
25 have been in business for at least a year, have

1 revenue, have full-time -- the veteran is full-time in
2 the business, managing the business, but wants to enter
3 the federal marketplace. Let's say they've been very
4 successful at Avis and, you know, it's been brought to
5 their attention that, gee, I might be able to help the
6 Air Force with aviation and take what they've learned
7 working with one of the best rental car companies and
8 take that best practice and support the Federal
9 Government.

10 And we see it both ways, right? We see where
11 somebody will be supporting the Federal Government and
12 then take those best practices into the commercial
13 marketplace. So that's what VIP Start is, somebody --
14 so, again, I don't look at -- the company applies. If
15 you've never done business with the U.S. Government but
16 you've supported Avis over, you know, 30 years and have
17 done an outstanding job, fantastic. You're still going
18 to have to go through Start. Because it is a unique
19 market. It has unique requirements, unique marketing.
20 It is different. And you have to be able to
21 demonstrate that you understand that or you're not
22 going to be successful out of the block.

23 Not only is a prime contractor in the federal
24 space not going to take you seriously, neither is the
25 Federal Government. So that's just -- you know, so I

1 wanted to make sure that, you know, we understand when
2 we say Start, I'm not helping companies start a
3 business. I'm helping them get into the Federal
4 market, VIP is.

5 So this program -- and another example of
6 that, you'll see on the next slide, on slide eight, I
7 just want to point out that companies that come into
8 Start on average have been in business five years and
9 have three employees. There's an example. Now, we
10 don't require that they're in business five years and
11 have three employees, but that's the average of what we
12 see coming into that program.

13 And then we have been doing this program
14 since 2016. But as I mentioned, we do survey one year
15 after graduation. So we've only been able to survey
16 two classes. And so we're just starting to see trend
17 lines. Two dots on a graph don't really tell me that
18 there's a trend. But we do watch it closely and we're
19 looking to see and we're very excited to share. And,
20 you know, we ring bells and jump up and down because,
21 quite frankly, we developed this program, we delivered
22 the program, and then we have to wait 12 months to see,
23 you know, did it work. You know, you don't know. You
24 can't -- you just don't know.

25 And in this particular case, one year after

1 graduation, 42 percent growth in federal contracts.
2 I'd say that was successful. And we continue to do it.
3 And we have another survey going out from last year's
4 October class. We'll have three dots on a graph and
5 we'll start getting to see if there's trend lines along
6 the way.

7 As I mentioned in VIP Start, they do not have
8 to be in the federal marketplace. Some are but want to
9 now expand. But they still are not mature enough in
10 the federal market to get into our next class, which is
11 Grow. So just to give you an idea, 72 percent of our
12 applicants have never done federal contracting in VIP
13 Start, whereas 100 percent are in VIP Grow. So that's
14 the difference. Again, that's the answer to I wish I
15 had taken this sooner, you know, because they
16 understand all the mistakes and the costs and where
17 they would be now if they didn't have to learn the hard
18 way. So that's just an example.

19 The next slide, one of the things that we
20 always get is, you know, gee, I wish you could do one
21 of these in Florida or California, Denver, you know,
22 just fill in the blank. And that came from the very
23 beginning. It is strategically here in the Washington,
24 D.C. area because this, quite frankly, is where the
25 customer is and where the capability and the expertise

1 is.

2 So it is better for individuals to come to
3 the Olympic Training Center than it is for us to think
4 that we can take 33 instructors and buyers. And so in
5 any one class, we might have 13 different federal
6 agencies participating. We might have, you know, the
7 expert on a particular -- many of them are the
8 authority on a particular topic. You know, we might
9 have somebody speak just for 35 minutes. And so it --
10 it -- and I wanted to illustrate, I mean, that's how
11 competitive the federal market is. And we are -- we
12 challenge our instructors to shave seconds off their
13 time, milliseconds. And that's what it takes.

14 I mean, there's a lot of incredible, capable
15 companies out there. How are you going to -- how are
16 you going to differentiate yourself? How are you going
17 to win? And so we challenge our instructors to give
18 them those golden nuggets and those best practices, and
19 we pick them accordingly. Those that have demonstrated
20 over time and time again to be able to either advise
21 their clients or they have done it themselves. And,
22 most importantly, they're willing to share it. Not
23 everybody will give their secret sauce, you know? So
24 it's not helpful if you tell me what to do but you
25 don't tell me how to do it. And, more importantly,

1 what's the best way, what really works?

2 So it's -- it's really at that level that we
3 take it to. And so in the Grow class, which I
4 mentioned is what we launched in 2009, we have 777
5 graduates from 43 states, D.C., and Guam. And my
6 favorite number in all these -- I have 20 pages in here
7 -- is that on average they grow 64 percent in one year.
8 That's real. That's real growth.

9 And so that's very exciting. And that number
10 was in the 50s for many years. And the last two
11 classes had incredible growth. And it actually -- it's
12 hard to move a needle now when you've got 700
13 companies. It gets -- takes a lot to move that -- that
14 data point. But, anyway, so we're very excited about
15 that.

16 And as I mentioned, we -- it's public data.
17 So we track their wins around contracts, Inc. 5000,
18 other SBA state winners from -- as business leaders of
19 the year. So we're very excited to be able to see
20 their success.

21 So that's VIP Grow. And as you can see,
22 unlike Start, on average they've been in business eight
23 years and they have 16 employees. Again, how you get
24 an average is -- we don't require that they have eight
25 years, but somebody could come in in year 15 and have

1 100 employees and still be small.

2 And as you all know, also, you can't ever
3 stop learning as a business owner. You will never know
4 everything. I've been in every class since 2009. I'm
5 still learning. Because the market is that dynamic.
6 Not any two curriculums are the same. So we're going
7 to be -- we have a curriculum meeting coming up for the
8 next Grow class in January. You know, what's happening
9 in the market? Everybody updates. And so you have to
10 constantly be honing your skills.

11 So the last program I'll go into detail that
12 we offer is part of the three-day, 27 hours in-
13 residence program, is our newest program and it's
14 called VIP International. And that's to help veteran-
15 owned businesses that want to enter and expand doing
16 federal procurements that are performed overseas,
17 OCONUS, as well as commercial international work. As
18 you can probably imagine, no sooner do you get overseas
19 to support an OCONUS contract and you're sourcing
20 locally and you're no longer dealing in English or U.S.
21 dollars. And so your risk just changed. Again,
22 everything that we teach in VIP is about managing your
23 risk.

24 So we teach -- so two days are on just
25 performing and complying and competing for OCONUS work,

1 and the last day is focused on, you know, what's the
2 difference, now you're doing commercial work because
3 you're locally sourcing. Or you made a relationship,
4 right? So, you know, you locally source and all of a
5 sudden now you're teaming with somebody, you know, in
6 Germany. So you don't want to miss those
7 opportunities.

8 We've only had two classes of VIP
9 International, 2017 and 2018. We've only been able to
10 survey then one class. So, you know -- and this was in
11 response to why we did VIP International and why now,
12 if you recall, SBA changed how they calculate the
13 scorecard. So contracts performed overseas were never
14 a part of the equation in determining the scorecard for
15 federal agencies. And that was changed in 2016.

16 So that is now part of their scorecard at the
17 federal agencies. And we think that that's going to
18 open up new opportunities because now they're going to
19 be measured against those procurements in terms of
20 their performance. And we also think veterans are
21 uniquely positioned to perform and compete for those.

22 You know, it takes a certain amount of
23 intestinal fortitude to be an entrepreneur. Again,
24 veterans, you know, come naturally with that. And,
25 also, many of them have served overseas and, you know,

1 are not foreign to being dropped in a -- you know,
2 another land with another language and having to figure
3 it out.

4 So that -- that sense of, you know, can I do
5 this? Sure, just show me how. So that's why VIP
6 International was launched.

7 So as you can see here, those companies on
8 average have been in business eight years and have 19
9 employees. It is our most advanced class. We do
10 require that they've already gone through a VIP
11 training session. We do not go back and teach what
12 we've taught before. We take it -- the only thing we
13 say in VIP Start and Grow about International is don't
14 dabble. That's it, don't dabble. Because that's
15 another whole course, and it really is. If you don't
16 know what you're doing, you'll lose your shirt or more.

17 And so VIP International, we don't go back
18 and teach compliance in the federal market. It's just
19 what's different now that you have to perform it
20 OCONUS. And so that's where we start and go forward.

21 So our first year, we've only had, as I
22 mentioned, one survey. We were excited to see because
23 our curriculum committee told us that there's no way
24 you cannot be doing international and one year be
25 international. I mean, it just has a longer sale

1 cycle.

2 But we decided we would keep to the model
3 and we would learn something and we will, of course,
4 you know, measure their success in year two and out
5 years. But we need to know in one year. You know, did
6 anybody see any growth in international? I mean, you
7 know, you have to be able to do that.

8 So 17 percent of the class did enter.
9 Seventy-five said -- 75 percent said they're still
10 planning on entering, you know, they just haven't had
11 that opportunity. And those that were already doing
12 international saw 24 percent growth in international.

13 It's, you know, not what -- I think those are
14 good numbers. My curriculum committee thought it was
15 great numbers. I'm anxious to see year two. So that's
16 where we are on on VIP International.

17 Nothing like having a program where companies
18 are growing 54 percent or 64 percent in one year and
19 nobody can find them and they can't find each other.
20 They come in in a class of 50, they know each other,
21 but they don't know the class that came in before them.
22 Avis can't find them. DOD may not know them. VA.
23 They want to find them.

24 So we launched the VIP Marketplace, which is
25 an online portal for VIPs to find teaming partners, for

1 them to be found through keyword searches by buyers
2 that are in the -- that are -- only buyers are allowed
3 in and only VIP graduates. So if you are a business,
4 you are allowed in. That is a large prime and you can
5 search for capability through keyword searches, match
6 your requirements against capability.

7 And this portal, we spent the last year
8 getting our VIPs enrolled into the program. We had to
9 -- basically it's a marketplace. If you think of it as
10 a store, we had to make sure the store had products on
11 the shelf. We have about 700 companies in there now.
12 So we know we have a very robust market, and now we are
13 in the process of putting in 1,000 buyers. And so I
14 hope to report back one year from now the success of
15 that program. But the goal there was to have them
16 identify teaming partners and for the Federal
17 Government to be able to locate the VIPs.

18 There is no cost to Federal Government. Any
19 buyer on the federal side can come in because, thanks
20 to SBA, they are a funder of the program. And we said,
21 you know, because of SBA, that benefit goes across
22 every federal agency buyer.

23 In the private sector, you have to support
24 the net -- you have to support the marketplace. You
25 have to support the thousand that, you know, will come

1 after this. And you have to be a sponsor of the
2 program to have access to it.

3 So that marketplace we are actively now
4 bringing in buyers across government and industry. And
5 we're very excited that the Department of Energy is
6 committed to putting 600 buyers in. So that's very --
7 very exciting. Lockheed Martin was the first one to
8 come in, and they have 81 buyers in there right now.
9 So that's very exciting. And so we're actively
10 marketing the program to primes and to government. So
11 I'll be meeting with the OSDBU counsel here in the
12 fall.

13 Again, we did not want to rule this out until
14 we had products on the shelf. The worst thing you can
15 do is come in, search for capability, you know,
16 requirements, again, look for capabilities and they
17 don't find it. They'll never come back. So we had to
18 make sure we had that in the system.

19 I wanted to mention the program we have, the
20 Veteran Business Outreach Centers. As part of our
21 ongoing training, we provide webinars nationwide to our
22 VIP graduates as well as make them available to the
23 VBOC nationwide. We also introduce every one of our
24 VIP graduates to their VBOC director.

25 The goal there is to make the -- the VBOC

1 director may not even be aware that they have a
2 veteran-owned business that has past performance and
3 experience in the federal marketplace. They may be
4 counseling somebody that's looking to get into that.
5 And, also, the veteran business has a resource, an
6 advocate, in their community that is focused on their
7 success. So it's connecting those two right after
8 graduation. So that -- that program has been going on
9 for several years, and they -- the VBOC directors also
10 can tap into their expertise as they offer programming
11 and counseling and mentoring.

12 So as you can see in our last slide, I
13 mentioned in our first slide that we'll be training 250
14 a year, and this is how we're going to do it. And
15 these are the dates that they will take place.

16 You'll see here in VIP Grow, and you'll see
17 that Lockheed Martin grant. Lockheed Martin came in
18 this year with a significant grant to support VIP, and
19 we will be hosting a Grow session, an additional class.
20 So up to that point, we can only train 200 a year. Now
21 we can train 250. So that is still open nationwide.
22 It's just that program was added because of that grant
23 and that is supported that way.

24 And then I mentioned it is free to veterans
25 nationwide at no cost. But there is a cost, of course,

1 and the last slide shows you who underwrites this
2 program. SBA has been a funder of this program since
3 2014. It's been a great partnership. We have
4 incredible mission alignment. We're focused on helping
5 veterans enter and expand in the federal market. We
6 have a goal that in three years -- you know, the reason
7 why we launched VIP is that we had not met that goal.
8 Three years later after VIP was launched, it was met
9 and it continues to grow. And we are committed to
10 being a part of supporting that continued success of
11 veteran businesses in the federal market.

12 I wanted to just end with, since it was just
13 perfect timing with Lynn presenting from the commercial
14 side, when we formed our partnership with SBA in 2015,
15 they looked at our survey. And we only measured growth
16 in the Federal market. We only measured just total
17 growth. And so one of the analysts that was in the
18 room at the kickoff meeting, she says, well, you know,
19 it just says total growth. And I said, yeah, these are
20 businesses, that's -- you know, we measure growth. She
21 said, well, how do you know it's in federal versus
22 commercial? And I said, who cares? She says, we care.
23 We want you to help them grow in federal. I said,
24 well, that's fair.

25 But, you know, Lockheed Martin reports one

1 number. We know they report one number. But we want
2 to know two numbers. So what that got us to do is we
3 never realized our impact that we were making. And it
4 makes perfect sense. So now we measure two numbers,
5 overall growth and federal contracting growth. And
6 they almost have equal impact. Because, as I
7 mentioned, if you can do business with EPA, VA, you can
8 probably do business with Disney, GE, and probably
9 Avis, you know? They are highly competitive
10 procurements, highly complex. They're multinational.
11 You know, and so you have to have the capability and
12 understand how to perform.

13 So I just wanted to add, even though we focus
14 on the federal market, what we have found is that many
15 companies do state and local and commercial work, and
16 VIP has an impact across all of those different
17 business units for the VIP.

18 So, with that, I thank you for SBA's
19 continued support. I thank the advisory board for your
20 service in the goal of veteran support. And I'm happy
21 to entertain any questions you might have.

22 MR. ZACCHEA: Mike Zacchea. Thank you, Ms.
23 Ashe. This is great. I'd like to open it up to any
24 questions from the committee.

25 MR. O'FARRELL: Jim O'Farrell. Thanks,

1 Barbara, for coming in and speaking to us today. I
2 very much appreciate it and very informative
3 presentation.

4 I just have a couple of quick questions. If
5 you turn to slide five where you mentioned socio-
6 economic statistics, in prior years, the ACVBA has
7 heard about a -- Mike Phipps and other members of the
8 committee will correct me if I get these statistics
9 wrong, so I'm not even going to try to attempt. But
10 I'm going to say that what we've understood to be the
11 case is that currently women make up a vast majority,
12 or 50 percent, let's say, of our overall population and
13 a -- you know, a significant number of members of the
14 military who have become veterans, and yet are
15 underrepresented in the veteran business community.

16 So I was -- I'm intrigued with your 19
17 percent woman-owned representation, and you said it
18 continues to increase. So to what do you attribute
19 that success in attracting women business owners into
20 your program, and are you tracking their success in the
21 future?

22 MS. ASHE: I have some hunches. I don't have
23 any data, you know, to answer your question. What I
24 will tell you what I think it is as to how we attract
25 them to the program, is that the majority of our

1 applicants, and therefore those that attend the
2 program, come from referrals.

3 And so it takes a while for that to play
4 effect. So as a -- we didn't start out at 20 percent.
5 But as a veteran-owned small business and, you know,
6 they -- they tend to have their own network. There are
7 wonderful woman organizations for entrepreneurs, but
8 they also are in every, you know, walks of life and
9 participate.

10 We've also -- I work very closely with Women
11 Impacting Public Policy, and they're very familiar with
12 the program and they are -- you know, understand the
13 value. And so I know they -- when they run into a
14 veteran and they have board members, so our veterans --
15 I'm looking at Laurie who sits on a veteran group.
16 Amber Peeble sits on -- she's a VIP graduate and she
17 sits on WIPP's board. And they have a platform and
18 they then tell their network.

19 And so I think that is why, because that's
20 how we get our -- so we're seeing an increase in
21 applicants. And when I say an increase in applicants
22 and I see -- we ask them how did you hear about the
23 program? They heard about it from a VIP. I'm guessing
24 it's a network that is working.

25 MR. O'FARRELL: Thanks. Jim O'Farrell again.

1 So a couple of quick follow-on questions. I noticed on
2 slide -- was it slide five, you also have that you
3 started the Grow program in 2009. It might be
4 interesting to do a 10-year survey of those original
5 2009. So you don't really have to answer. Just a
6 thought for you that --

7 MS. ASHE: We did.

8 MR. O'FARRELL: You already did it?

9 MS. ASHE: We did.

10 MR. O'FARRELL: Not even 10 years in yet.
11 You're so ahead of it, Barb.

12 MS. ASHE: We did. And what we did is -- and
13 it's in our fast facts. I brought this in case my time
14 was short and I could just do it quick. And so that's
15 in here.

16 But -- so to get into Grow, you have to be n
17 business two years, a minimum of two years. So at our
18 eight-year mark, those companies I knew were at least
19 10 years old. They could be older, but I knew they had
20 to be at least 10 years old. So I hired an intern last
21 year, the poor thing, and she tracked down all, you
22 know, 1,000 of them, or 700 -- whatever, how many we
23 had at the time. And 85 percent are still in business
24 10 years later. And the national average, according to
25 SBA data, is less than a third.

1 MR. O'FARRELL: That's fantastic. Those are
2 great metrics. So when you also -- on one of the other
3 slides, you said 82 percent, it said they changed the
4 way they do business. Do you have a couple bullet
5 points of what they changed as a result of your
6 program?

7 MS. ASHE: Yes, we do. We asked them -- it's
8 a drop-down that can then fill in the blank and they
9 want to share. Most of them have -- it's across the
10 Board, and that's what's exciting to see. We do look
11 at that, if there's any one category. A lot of it does
12 have to do with program controls, operations. Of
13 course, three-quarters of the class is focused on
14 operations, accounting, finance. But it is across the
15 board.

16 But I will share with you, which is really
17 hard for anybody who runs programs like this, I've
18 always said you can't measure which doesn't take place.
19 And you say, what does that mean? How do you measure
20 what doesn't take place? In our first class, I was
21 very fortunate -- and you like to learn these lessons
22 early -- we had a VIP in the class that, you know,
23 looked a little distressed. And I thought he was
24 having a heart attack. Oh, my God, that kills me, you
25 know, the first class, oh, my God, I'm going to lose

1 somebody, a veteran.

2 And what he was -- he broke into a sweat is
3 that he realized watching the presentation from one of
4 the instructors that he had priced it wrong. And he
5 knew he never should have won. He got the notice of
6 award that day, on the biggest contract. He was
7 currently under 20 employees and this was going to take
8 him to 100 employees in one contract. And he knew he
9 never should have won on price. So when he found out
10 he won on price, he thought -- and then he realized in
11 the class that night that he had priced it wrong. All
12 of those employees were going to be in California.
13 Currently all of his employees were in Virginia. If
14 you know anything about contracting, you know you've
15 just priced something wrong in benefits.

16 And so I bring -- I'm telling this story
17 because what happened is that he was able to sit down
18 until about 3:00 in the morning with this instructor.
19 They were able to come up with something where he
20 wasn't going to lose a dollar on every hour billed and
21 not have to say goodbye to the contract, didn't lose
22 any money, kept the contract, performed on it, and went
23 on to be able to grow his company to 1,000 employees.
24 Matter of fact, he was one of the original T-4 winners
25 at the VA.

1 So if I was to survey him a year later, he
2 didn't have any growth. He already won that contract
3 before he came into VIP. But we saved that company.
4 And if you asked him today, he will tell you that --
5 you know, so how do you measure what doesn't take
6 place? And so that last question on the survey, is
7 there something you learned in VIP that changed the way
8 you do business? Because we want to -- sometimes we
9 just save companies. And that was the 10-year -- to
10 your earlier question, is do we sustain companies? So
11 sometimes you're not growing, but maybe we kept you in
12 business, you know? And that's good, too. That's
13 good, too.

14 MR. O'FARRELL: One final question, and that
15 is, we try to -- we do here at the ACVBA view ourselves
16 as an independent, chartered committee to advise the
17 SBA. And so I always try to ask speakers or the
18 chairman will ask, you know, what is something you'd
19 like to see change in the SBA kind of ecosystem? You
20 know, what's something that can be improved upon that
21 would help your organization better serve veteran
22 business owners as they're starting, growing, and
23 sustaining their companies?

24 MS. ASHE: That's a -- that's a big question.
25 Is there any one thing that I would say change. I

1 would say -- I hear from about three to six VIPs a day.
2 They don't ever really leave us, you know, which is
3 great. I always love hearing from them. So I'm glad
4 they reach out because we can help them.

5 A lot of it has to do with capital still.
6 And I don't know if it's -- you know, that's a bigger
7 problem than SBA, quite frankly. Because that's the
8 oxygen of a company. And most of the time it has
9 nothing to do with -- I -- the contracts are getting
10 bigger. And so to scale up, it takes a lot of money
11 to, you know -- you just won a \$6 million contract, you
12 might -- you know, great news and not so great news,
13 right? And so we have -- as an adjustment to that, I
14 mean, we spend a lot more time in VIP around cash flow,
15 a lot of time around finance. We always did. But we
16 spend even more time.

17 So I think that's a bigger question than, you
18 know, quite frankly, SBA, but I would say access to --
19 you know, figuring that out. It would help everyone,
20 you know. But that's just the -- you know, and that's
21 not an SBA-unique. That's just a challenge to growth.
22 And the contracts are getting bigger, and we're not
23 going to change the market. We have to adapt.

24 MR. PHIPPS: Hi, Barbara. Michael Phipps.
25 When looking at these statistics, we see that your Grow

1 class has the highest percentage. Is that a natural
2 occurrence? Meaning do you have more people
3 participating in Grow naturally as opposed to --

4 MS. ASHE: Oh, I see -- you mean number of
5 graduates. We started that program in 2009. So that's
6 why. And then the -- in 2016, we launched VIP Start.
7 So it's just because we've been doing it longer.

8 MR. PHIPPS: One of the things that we have
9 to do as a committee is make written recommendations --

10 MS. ASHE: Mm-hmm.

11 MR. PHIPPS: -- to the White House, Congress,
12 and the SBA.

13 MS. ASHE: Mm-hmm.

14 MR. PHIPPS: And a lot of work gets done not
15 just sitting around the table because we're just
16 getting your brief. It would be great if you gave us
17 some sort of written high points of the program, things
18 that we may be able to take back and make
19 recommendations for from this committee because you
20 keep a lot of great statistics.

21 We would -- just seeing the additional
22 statistics that you guys keep, if you're able to share
23 that, would shed a lot of light. We love -- we're
24 numbers, and when Jim and I first came onto the
25 committee, we were all about statistics. Because that

1 tells us where the recommendation should go, where the
2 federal dollars should go for what programs. And so
3 that would be hugely helpful to this committee for
4 after the fact.

5 MS. ASHE: Sure. Happy to share. We do keep
6 a lot of data because, quite frankly, I would not do --
7 you know, why would I do this? We have over 100
8 volunteers that we ask to step up and give their time
9 away from their families or business. And so, you
10 know, I have to be able to justify that.

11 MR. PHIPPS: Right.

12 MS. ASHE: And, also, of course, the VIP, who
13 is a business owner that has to leave his company or
14 she has to leave the company for a week and, you know,
15 attend a program. It better work.

16 I did want to get back to -- just make sure
17 that the committee understood because you were asking
18 me about women and their -- we do not track -- the one-
19 year out survey is anonymous. So I don't know -- I
20 know they were in that class because that class got
21 that survey and they responded to that link. But I
22 don't know if they're a woman, if they're a minority,
23 an 8(a). And we did that on purpose. And it's because
24 some of them come back and they -- it's an average.
25 You know, so some are doing really well. And I don't

1 want them to -- they may not tell me the truth if they
2 have to give attribution. And it's not so important to
3 the program that I know that this person did well. I
4 just need to know how that class did.

5 So I can't get it down, a one-year survey to
6 a person. And that's why we track public data, because
7 that's where, you know -- at least, you know, in the
8 Federal Government when you win an award, I know who
9 won. And so then I can say, oh, were they a VIP
10 graduate? You know, I don't know if they answered my
11 survey, you know, but I at least can track them in
12 other ways. But I can't get it down to which company
13 specifically grew. But I know which ones made the Inc.
14 5000. Right?

15 MR. PHIPPS: Right.

16 MS. ASHE: And that's based on -- I know who
17 won, you know, certain things. But I can't -- and
18 that's by design. We don't want to give -- we want
19 them to feel free to tell us how they're doing. That's
20 important. But I'm happy to share, you know, if it
21 would be helpful, the data. Happy to.

22 MR. PHIPPS: Yeah.

23 MS. ASHE: And I will say, the SBA has been
24 an incredible partner. And we did this on our own for
25 five years and it would take me all year to raise

1 enough money to have one class of 50. And people would
2 be waiting for years. And I couldn't tell them if we
3 were going to have it because I couldn't sign a
4 contract if I didn't have the money -- to know if I had
5 the money. And then once you have the contract, then
6 you have to -- you know, then you start putting -- you
7 know, so it's -- night and day, night and day. It
8 really is. It's great to have.

9 MR. O'FARRELL: Barbara, can we just -- Jim
10 O'Farrell again. Can we get you on the record
11 addressing the VA verification program and the
12 potential shift or shift to the SBA. Do you hear about
13 that from your VIP students and/or graduates about the
14 VA verification program, the timeline, the time it can
15 take to get through that program. We know they've made
16 some changes over the last couple of years. But what
17 are you hearing from your students, your graduates,
18 what are your instructors telling you about
19 conversations.

20 MS. ASHE: You know, we -- we're not immune
21 to, you know, sort of the market, you know, what's
22 going on in the market. But we don't advocate or
23 litigate in VIP. We basically -- this is the market
24 conditions, this is what's happening, and we'd rather,
25 you know, adapt, you better figure it out. And so we

1 don't spend any time on debating it. We don't even
2 allow it. It's like this is the way it is until it's
3 not the way it is, and you will -- if you want to do
4 business at VA, this is how you're going to do it.

5 And so from a training standpoint, we don't
6 -- I mean, they can have those conversations in the
7 lunch room and, you know, at night, you know, but in
8 the classroom, it's the market realities. My personal
9 opinion, which is separate from really the program in
10 the sense that, you know, I think everybody would
11 benefit from, you know, a single -- you know, something
12 that was uniform.

13 I mean, I'm very sensitive to the owners'
14 demand on their time. That's the one thing they can't
15 make more of. They can always -- I always tell them,
16 you can always make more money, you can't make more
17 time. So your time is your most precious commodity.
18 And, you know, anywhere where we can, you know, shorten
19 that time. I mean, because they're the chief cook and
20 bottle washers of small business and they don't have --
21 there's nobody else doing that. That's them.

22 And so that's just, you know, my sense, is if
23 there's a way to have it so that one certification
24 works for the commercial market, works for the federal
25 market, you know, versus having to -- I mean, that

1 would be, I think, a gift to any business, you know,
2 not just a veteran business. That's just my -- but we
3 don't let them -- you know, this is how it is, these
4 are the rules, you got to play by the rules, you know?
5 So -- so if that's helpful.

6 MR. ZACCHEA: Thank you, Barbara. Anymore --
7 oh, one more.

8 MR. BANTON: Yeah, one quick one. Glenn
9 Banton here. Kind of in the spirit of our advocacy
10 role obviously for some of our partners, is there an
11 opportunity to attend, you know, one of these training
12 programs in an observational role by, you know, one or
13 multiple members in this room?

14 MS. ASHE: We -- we do not allow -- you know,
15 it's distracting, to be honest with you, and we have at
16 any one time three instructors lined up. And then we
17 have two staff people. So there's five of us usually
18 in the back. And that -- we try to keep that even --
19 you know, to a minimum. So it tends -- and things are
20 -- the instructors are very candid and they always like
21 to know who's in the room. And we give them -- you
22 know, they have that information. So I don't want the
23 -- you know, the instructors to feel as if, you know,
24 who's that just walked in the room, that's not the
25 person speaking next.

1 But we do invite SBA and --

2 MR. STUBBLEFIELD: So graduation --

3 MS. ASHE: Yes. So graduation, absolutely.

4 So we invite -- we'd be happy to extend, and I think
5 it's a great idea. Thank you, Larry, for that, is to
6 invite the advisory board to join us for the graduation
7 where we -- you have an opportunity to see that and
8 meet with the VIPs as well.

9 MR. PHIPPS: And I did that, Barbara.

10 MS. ASHE: That's right. You were an
11 instructor. Yeah, you came and --

12 MR. PHIPPS: I came and spoke on the panel
13 for the graduation.

14 MS. ASHE: Yes, yeah.

15 MR. PHIPPS: And I talked to a lot of the
16 members, and huge, positive feedback. And I -- the
17 business owners on this panel could attend one of the
18 classes.

19 MS. ASHE: Oh, sure. They can apply.

20 MR. PHIPPS: Yeah.

21 MS. ASHE: Absolutely. It's open --

22 MR. PHIPPS: I want to see if somebody gets
23 rejected from this panel.

24 MS. ASHE: You know, it's first come, first
25 basis -- first come, first served basis. So I get a

1 lot of requests that, you know, we'll have -- you know,
2 our waiting list is about a year now. So -- but we
3 take it first come, first basis. And if you meet -- on
4 meeting the qualifiers. So that's absolutely.

5 But, you know, you're welcome and I can
6 certainly -- we have a class coming up. It will be as
7 I mentioned, our class October 9th through 11th. We'll
8 have two classes of 50. So it will be 100 companies at
9 that graduation. And it will be great to have anybody
10 who would like to come from the advisory board there.
11 And SBA is usually there as well.

12 MR. CRANE: How many people are allowed to
13 come per company?

14 MR. ZACCHEA: Would you --

15 MR. CRANE: Eli Crane. How many people are
16 allowed to come per company?

17 MS. ASHE: One, because we train the company
18 and that's why we require that it be an executive that
19 has the interest as well as the authority to implement
20 the recommended changes to the operations. So just
21 one. And so there's -- there'd be, you know, 50
22 companies -- it's up to 50. We usually have about
23 anywhere from 45 to 50 companies in a class. We try to
24 keep it conversational, that's why, not lecture hall.
25 And so 50 seems to be the right number for interaction

1 with the instructors, to ask questions.

2 MR. GUINNER: Sean Guinner. Do you guys
3 accept franchise businesses into this, or is it just
4 startups or scaling businesses?

5 MS. ASHE: If there -- if your focus is --
6 no, you don't have to be just a startup. We've had
7 companies come in fourth generation, been in business
8 40 years, and start, by the way, which was an
9 interesting conversation. But the -- you just have to
10 be a focus. You know, what we'll ask is, you know,
11 what are you going to sell to the Federal Government?
12 So does the Federal Government buy what you sell? Even
13 if you're not selling to them now, I mean, is this
14 something that is set aside for small businesses? Is
15 this something the government has a history? What are
16 -- you know, as a franchise, it depends on what it is,
17 right, to the government. So, no, we do not limit, but
18 you have to be a small business.

19 MR. GUINNER: Correct.

20 MS. ASHE: Right? You have to be a veteran-
21 owned small business. That is a requirement. So 100
22 percent have to be veteran-owned.

23 MR. GUINNER: Given the waiting list is a
24 year right now and let's say a business has only been
25 in business for six months, should they sign up now

1 given that it would be about a year and a half in
2 business the time it comes around?

3 MS. ASHE: That's a good question. When they
4 call, I tell them that.

5 MR. GUINNER: Okay.

6 MS. ASHE: You know, but it's not on our
7 website. The other thing that we find with that, too,
8 is, you know, that doesn't -- you know, even though you
9 meet the qualifiers, you know, at the time you're going
10 to apply, then I don't look at that list until time of
11 when a class is scheduled. Because you can't tell me
12 if you can come until I give you a date, you know, sort
13 of the chicken and the egg. Well, when is it? Well, I
14 don't know. I don't have -- you know, I don't have the
15 contract. We don't have a date.

16 And so what you may find and what we're
17 seeing with a lot of those that enter in so soon,
18 they're not really ready. So we -- that is the other
19 thing. So you think you're going to be ready in six
20 months, but you can only come through once, VIP Start,
21 once. And so we have them take it very seriously.
22 That's a missed opportunity. If you're not ready, if
23 you're not in the -- if your company -- if your
24 development in your company -- even though it's one
25 year, doesn't -- that's a generalization, right? You

1 know, but you may not be -- six months from now, you
2 think you're going to be where you are, but you may not
3 be.

4 So we're seeing that even though we have a
5 lot of applicants, they're not necessarily when it
6 comes time, okay, it's in October, oh, my, this is
7 serious -- oh, yeah, this is real serious. You're
8 going to be in -- you're going to be in a classroom for
9 three days. And so that's the only kind of caveat I
10 would want to, you know, sort of put on, is that it's
11 hard to really know when you're that new, six months
12 seems far. It's really, you know, five minutes from
13 now in entrepreneur land. So --

14 MR. ZACCHEA: So just in the interest of
15 time, it's -- time on deck, I have 10:55.

16 MS. ASHE: Oh, my.

17 MR. ZACCHEA: What I'd like to do is just
18 take a five-minute break, a five-minute head break, and
19 then start again at 1100 if we could. And then we'll
20 -- thank you.

21 (Whereupon, a brief recess was taken.)

22 MR. ZACCHEA: Ms. Torres, are you still on
23 the line? Ms. Torres from the VA?

24 MS. TORRES: Yeah, I'm here.

25 MR. ZACCHEA: Okay. So the time on deck is

1 11:04. Mike Zacchea, chairman. Ms. Torres, would you
2 please give us your five-minute or your brief --

3 MS. TORRES: Oh, okay, sure. Basically what
4 we had talked about yesterday is that in March the
5 Administration had issued its Government Reform and
6 Reorganization Plan. And there is an initiative
7 included in that in creating a -- centralizing all the
8 certification programs into SBA.

9 So we -- what we were saying is that VA and
10 SBA has been working very carefully together on this.
11 We created a working group in January of this year and
12 we've been meeting monthly, discussing what it's going
13 to take, what does the infrastructure look like.

14 One of the things that we know must happen is
15 that legislation is needed in order to create a
16 federal-wide certification program. We have been
17 working very closely. One of the things that we have
18 done is we've developed this joint rule for ownership
19 and control that now resides in the SBA regulation at
20 13 CFR Part 125. And we're also getting ready to issue
21 a final rule of the VA regulation of 38 CFR Part 74
22 that handles all the ancillary issues with the process
23 for verification.

24 We've been having great communication with
25 SBA and there are some wonderful things I think that

1 will really benefit SDVOSBs from the new rules. And
2 things that there are now, things like for
3 extraordinary circumstances to give some protections to
4 minority owners in the case of things like a business
5 shutting down or changing direction or diluting the
6 ownership shares or stock that would help veteran
7 business owners with the -- maybe attracting equity
8 partners.

9 We also are now no longer going to be looking
10 or considering community property laws. So the people
11 that live in those states now, that's not a
12 consideration. You no longer have to get an agreement
13 on that. And there are a number of things that -- all
14 appeals now will go to SBA's OHA for appeals of
15 verification determinations or status protests at VA,
16 or cancellations of the verified status in the VIP
17 database.

18 And all of this is effective October 1st.
19 But we are continuing to work with SBA on a monthly
20 basis looking at all the things that would have to be
21 done in order to create a government-wide certification
22 program for SDVOSBs. And we think that a lot of
23 synergy can be created because then all the
24 documentation for all these programs, the documentation
25 we figure about 80 percent overlaps between all the

1 different programs, the 8(a), the HUBZone, the women-
2 owned, the SDVOSB. So a veteran only has to upload the
3 paperwork to one place, one time, and can get multiple
4 certifications. We think that would be a big win for
5 veterans. But, of course, we're still just looking at
6 how this can be done. And SBA is working very hard on
7 making this happen with their certify at SBA.gov
8 platform on this.

9 MR. ZACCHEA: How about --

10 MS. TORRES: And that's just kind of an
11 update. So I'm just here to answer questions.

12 MR. PHIPPS: Hi, Beth. This is Michael
13 Phipps. And we spoke yesterday. Thank you very much
14 for being on the phone. We always like to have the VA
15 here represented because it's a topic of discussion at
16 every meeting.

17 Can you give us an idea of when -- so
18 currently for people who don't know the VA's
19 verification system is down, and we've been getting a
20 lot of feedback from veteran-owned companies, can you
21 give us just a little update on when that system -- you
22 anticipate that system being back up, and if you don't
23 know it, just provide some information back to us at
24 the committee. Because there's quite a number of
25 veteran-owned businesses that can't submit their

1 certification or who can't get recertified. And I
2 think that's having quite an impact on them.

3 MS. TORRES: You're right. We did have some
4 glitches. We started -- we implemented a brand new
5 system called VEMS. It's a case management system.
6 It's really quite comprehensive. And we had some
7 glitches and the system was down from the end of May to
8 basically the end of July. It is up and running right
9 now.

10 But what we have done is we've extended all
11 the firms that had applied and were in danger of
12 expiring, we've extended their verification for 60
13 days; and any firms that had applied and had expired,
14 we actually reinstated them so that -- we're trying
15 very, very hard not to disadvantage any veterans that -
16 - because of the problem with our system.

17 MR. PHIPPS: So the system is --

18 MS. TORRES: But that is up and running right
19 now.

20 MR. PHIPPS: So the system is up and running
21 right now?

22 MS. TORRES: Yes.

23 MR. PHIPPS: Okay, thank you.

24 MR. O'FARRELL: This is Jim O'Farrell. So
25 with the system being back up and running, if I'm a

1 brand new -- I'm an E7, I came back from Afghanistan, I
2 started a business, I went -- I'm brand new and I'm
3 submitting my VA verification package. How many days,
4 weeks, months, will it take me to become verified
5 today, starting today?

6 MS. TORRES: I can't give you exact number of
7 days, but I can -- we are now --

8 MR. O'FARRELL: Can you give me the number of
9 months?

10 MS. TORRES: Two.

11 MR. O'FARRELL: Two months. So 60 days.

12 MS. TORRES: Yeah. We are now measuring days
13 in what we call application time. And that's from the
14 time that you start your process and submit -- and
15 first talk to a case analyst, all the way until it --
16 until you get a determination. And we -- our guide for
17 that is 60 days.

18 Now, we stop the clock if we -- if at any
19 time we've got a hold of your package and we're either
20 waiting to assign it to a case analyst or working,
21 those days keep going. And it's -- but if we send out
22 -- we want to try to give you every opportunity to
23 submit your paperwork. So if we send out a request and
24 say, well, we received your one-year of your taxes and
25 we need three years of your taxes and you say, well,

1 okay, it's going to take me about two or three weeks to
2 get those, we're fine. We'll stop the clock, though,
3 so that we don't end up just removing the application
4 for --because we're not getting anything from you on
5 that. And if you say, okay, I thought I could have it
6 by the 10th of the month but my accountant now tells me
7 it's going to be the 18th, we'll extend that -- we'll
8 give extensions to all the requests as well.

9 MR. O'FARRELL: Jim O'Farrell again. So
10 currently what are the top three reasons that a veteran
11 business owner is rejected from the verification -- to
12 the verification process, question number one. And,
13 number two, what percentage of veteran business owners
14 are currently being rejected?

15 MS. TORRES: Well, right now for all of the
16 businesses that get a determination, we're at a 98
17 percent approval rating. I think that -- I don't have
18 the list of the top reasons. Typically it has to do
19 with quorum restrictions or undue influence are our top
20 things. It's always -- it's almost always in the
21 control aspects.

22 Now, we also give the opportunity for
23 veterans to -- if we present for, you know, a pre-
24 decision finding saying, okay, here are the issues that
25 we have found that would make you ineligible, if we

1 were to issue a determination today, if you'd like you
2 can correct your paperwork so that -- because a lot of
3 times it might be just an oversight or maybe something
4 doesn't gibe with something else. So it gives the
5 veterans an opportunity to correct paperwork so that we
6 can get to a positive decision.

7 If there's a point where corrections just
8 can't be made very easily, then the veteran can just
9 opt to withdraw the application and not take a negative
10 determination on that.

11 MR. O'FARRELL: Jim O'Farrell again. So --

12 MS. TORRES: But if we --

13 MR. O'FARRELL: Okay, go ahead.

14 MS. TORRES: But, for example, let's say we
15 send out a document request and we don't hear anything,
16 it's like the person fell off the face of the earth.
17 And this happens sometimes. I don't know whether
18 they've decided that it's just not worth their time
19 because they don't have any government contracts or,
20 you know, time -- as we've always said, business owners
21 only have so much time.

22 So if we -- if we don't hear anything even
23 after we tried calling and, you know, trying to reach
24 back to get answers on document requests, after 30 days
25 of no contact we will just remove the application from

1 the process. Because we can't just have all these
2 static applications sitting there.

3 MR. O'FARRELL: So Jim O'Farrell again. So
4 shifting from the initial verification process, my
5 understanding is the time frame is to be -- that the
6 companies are reinspected every two years. Correct?

7 MS. TORRES: That's three years.

8 MR. O'FARRELL: Three years, okay. So now
9 it's three years. And are you still doing the surprise
10 inspections?

11 MS. TORRES: Yes.

12 MR. O'FARRELL: And how many would you
13 anticipate completing in Fiscal Year 2018, and of those
14 that you completed how many are losing their
15 verification status?

16 MS. TORRES: We are doing approximately 400 a
17 year. If you have a large VA contract, you can almost
18 be guaranteed somebody is going to come knocking on
19 your door. Those -- the percentage of those that lose
20 their status is actually quite low. The -- and -- oh,
21 probably 1 percent or less.

22 MR. O'FARRELL: I don't have any other
23 questions. Thank you.

24 MS. TORRES: You're welcome.

25 MR. LOWDER: Lynn Lowder here. In terms of

1 the application process that you're perfecting or
2 working on, what's your internal goal, if I can ask,
3 you would like to see by way of days it would take for
4 a person from day one to apply to get through? Do you
5 have a goal in mind you'd like to get to?

6 MS. TORRES: We don't have a goal in mind on
7 that. Our goal is zero defects. And, you know,
8 quality is our most important aspect on here, giving
9 veterans the right answers. But we certainly are
10 trying to keep application days below 60 days. We'd
11 like to see it closer to 45.

12 MR. LOWDER: Lynn Lowder again. Just in
13 terms of this process and what you're doing, do you
14 have any shortfalls in terms of your staffing level at
15 your unit?

16 MS. TORRES: We had had about a year ago an
17 issue with one of our contractors that were -- that had
18 provided a case analyst. And so we recompeted and we
19 have just recently selected a second contractor to --
20 to be processing applications and making
21 recommendations.

22 So we anticipate that things should speed up
23 once they're completely up to speed. I think the
24 kickoff meeting with them was maybe just last week. So
25 they have 60 days to get completely up to speed to be

1 processing. So we think that everything should be
2 going very smoothly in the near future.

3 Of course, we had a little bit of a backup in
4 the applications due to the problem with our system.
5 So, you know, everything always happens at the same
6 time. So while we're getting -- the system is now up
7 and running. Now we have to get the new contractor up
8 and running so we'll be able to process even more
9 applications.

10 MR. LOWDER: And when will that person be up
11 and running, do you think? You might have told me
12 again, but could you just repeat that?

13 MS. TORRES: Within 60 days they'll be up and
14 running, fully -- fully functional.

15 MR. LOWDER: All right. And that's going to
16 have to happen for you to hit maybe that 60-day mark
17 you're talking about, or goal, so to speak?

18 MS. TORRES: We're already at that 60-day
19 mark.

20 MR. LOWDER: You're at that now. So maybe
21 you could get that lower then, or am I assuming too
22 much?

23 MS. TORRES: That is always -- that is always
24 a hope. That is always something that we work towards.
25 We're not saying that we're picking, okay, you must do

1 it in 30 days or 45 days or whatever. We definitely
2 want to keep it under the 60 days and where we are.
3 And, you know, anything that goes past the 60
4 application days, there are really outliers, you know,
5 when you're talking one or two out of 2,000 that are in
6 process.

7 MR. LOWDER: All right. Lynn Lowder. Thank
8 you.

9 MR. CRANE: Eli Crane. I've got a quick
10 question. Go ahead, Scott.

11 MR. DAVIDSON: I'm sorry, Mike. Can you hear
12 me? I wanted to call in and respond to that.

13 MR. ZACCHEA: Yes, you're on the record.

14 MR. DAVIDSON: Okay.

15 MR. ZACCHEA: Please identify yourself.

16 MR. DAVIDSON: The reason I was told --

17 MR. ZACCHEA: Please identify yourself and
18 your organization.

19 MR. DAVIDSON: Scott Davidson, and I am the
20 president and CEO of GCO. And we are a consulting firm
21 that specifically, among other things we do, assist
22 veterans and anybody in the CVE process, you know,
23 among a multitude of other items for very small to very
24 large businesses.

25 But the reason I was calling in is because in

1 subsequent conversation about this particular item with
2 Michael, we're having very particular difficulties with
3 the updated system. And I wouldn't call an outlier
4 when we have multiple applications that have the same
5 process.

6 And I'll give you an example, and we actually
7 have this documented in writing from your -- I guess I
8 would call them escalated IT help desk from the VA, is
9 what they called it to us. But we were actually told
10 that our questions can't even be answered for up to
11 eight weeks. I couldn't talk to a supervisor. And
12 they said that's because of the backlog of help desk
13 tickets they have.

14 And we have simple type things like where if
15 we're trying to port over legacy data from legacy
16 applications where it doesn't come over and there's 17
17 records that have been produced for some reason, we
18 can't get that fixed. Or something as simple as in new
19 applications where when we go into the system, for some
20 reason it's populated with 175 percent ownership when
21 we haven't touched anything. And that one in
22 particular we're now 60 days over on getting any action
23 or response. And we've called and e-mailed actually
24 almost every single day. Those are extreme examples.

25 And what we're told -- actually the first

1 time they deleted my application after 30 days and they
2 said you have to reapply, we're sorry, after they told
3 us to sit tight and wait because they're trying to
4 figure out how to fix it. But these are just very
5 small examples of, I'd say, I think we have 22 right
6 now that have something similar where we're coming into
7 that 30 and 60-day window, but we're being told it's
8 going to be two months before they're even addressed.

9 MR. FENDER: This is Alex Fender, advisory
10 committee member. I would agree and second that. Last
11 week I was presenting at a veterans group and I heard
12 the same thing from other veterans. I'm the CEO of
13 Funnel Science. We've had the same problem ourselves.
14 It's become such a burden to certify that we've just
15 given up on the process because the website and the
16 technology just sucks. And the oversight and the
17 management is not done well. And the statistics are
18 very misleading that you quoted.

19 If y'all are filtering and purging veteran
20 records, your statistics are in your favor. But
21 they're not accurately portraying what's happening.
22 It's not under 1 percent. I hear this complaint --
23 this is probably the second largest complaint I hear
24 from veteran business owners, is how difficult and
25 burdensome this process is. And it doesn't work and

1 they can't get support.

2 MR. ZACCHEA: Thank you, Alex and Scott.

3 MR. CRANE: Eli --

4 MR. ZACCHEA: Eli, I want to give you a
5 chance, too.

6 MR. CRANE: Thank you. Eli Crane, CEO of
7 Bottle Breacher. I'm just -- maybe this is more of a
8 comment. But I know that we tried to get veteran-owned
9 status probably about two years back, and we were not
10 able to do it because my wife and I own 80 percent of
11 the company, and then we have two investors. And we
12 were asked to get their financials so that we could get
13 veteran-owned status. And because of the size of our
14 investors, we knew that that would be impossible and
15 they would not comply with that.

16 Is this something that might be changed in
17 the future to where a veteran like myself who owns 80
18 percent of my company might be able to get veteran-
19 owned status in the future without presenting the
20 financials of my investors?

21 MS. TORRES: No. We need the financials of
22 all -- all owners of the company.

23 MR. O'FARRELL: This is Jim O'Farrell. I'd
24 like to go back to --

25 MS. TORRES: And that is a VA regulation.

1 MR. O'FARRELL: I'd like to go back to a
2 previous --

3 MR. DAVIDSON: Our original -- our first --
4 our initial complaints are what's being -- sir, did I
5 -- as the other gentleman had said, we're more
6 concerned about we have --

7 (Phone distortion.)

8 MR. DAVIDSON: -- a list of businesses
9 that --

10 MR. ZACCHEA: You're kind of -- you're kind
11 of breaking up. Hey, first of all, Eli, this is Jim
12 O'Farrell. Can -- we want to make sure that as members
13 of this committee we're doing everything we can to
14 serve our veteran business owners. So, first of all,
15 Eli, my comment to you would be, if everything that the
16 gentleman on the phone is saying is true, which I
17 believe it is, then even if you got into the process,
18 you're going to run into a brick wall anyway called
19 broken technology.

20 So, Mr. Chairman and Mr. Stubblefield, could
21 we request that we have the VA show up at our -- and be
22 physically present here at the next meeting? And in
23 the meantime, can the committee come up with a list of
24 questions and have the data that was just -- the
25 statistics that were just provided to us over the

1 phone?

2 I am questioning the veracity of what was
3 provided by this VA representative right now because I
4 started asking these questions and it's 60 days, 60
5 days. But that's not what I'm hearing from the phone
6 right now.

7 MR. PHIPPS: Michael Phipps. What I would
8 like to do, Beth, can you get an immediate update over
9 to Larry so we can get an accurate status report, not
10 wait until the next meeting. We can get this
11 information this week on just what is the current
12 status, the issues. We will bring and I will contact
13 Scott Davidson from GCO. We'll get a list of those
14 companies and those issues so you can address them one
15 by one for the committee. But this is something that
16 we just can't wait another quarter for because we have
17 businesses that are losing business -- losing actual
18 business right now.

19 MR. O'FARRELL: Jim O'Farrell again. I mean,
20 I am immediately reminded of what went on earlier this
21 year when GSA decided that every veteran business and
22 every small business needed to provide a notarized
23 letter providing -- and then they were inundated with
24 notarized letters in hard copy via snail mail. So we
25 were able to in some way --

1 MR. PHIPPS: We were.

2 MR. O'FARRELL: -- interact with the GSA and
3 help get that fixed.

4 MR. PHIPPS: And they pulled that.

5 MR. O'FARRELL: And they pulled back that
6 requirement. So we'd like to be able to work with
7 folks who are interested in becoming veteran business
8 owners and supporting the VA, which as most people know
9 is doing the highest percentage of small business spend
10 to veteran businesses. So they're trying to -- the VA
11 is trying to do the right thing, but for years some of
12 us have felt like this verification process is a bit of
13 an impediment.

14 MR. ZACCHEA: So what I hear is two things.
15 One, an immediate response from Beth to Mr.
16 Stubblefield, and, you know, copy to the rest of the
17 committee about the actual -- what is the current
18 situation right now as of this week, and then a second
19 part which is a quarterly update physically -- with the
20 VA physically present here to tell us what is going on.

21 MS. TORRES: Could you tell us who was just
22 speaking?

23 MR. ZACCHEA: I'm sorry, that was Mike
24 Zacchea. I'm the chairman.

25 All right. So I'm going to wrap this up now

1 as we have a plan of action. I'm going to -- we're
2 going to do a real quick change here. I'm going to ask
3 Mr. Carpenter from Guaranty Fees and Veteran Lending to
4 give us an update on the recent change in lending. And
5 then we're going to go to Mr. Ashton.

6 MR. CARPENTER: All right. Good morning.
7 Robert Carpenter, Office of Financial Assistance at
8 SBA. Every year we get direction from our chief
9 financial officer. We -- I've provided a couple of
10 handouts here. One is just a brief --

11 MR. ZACCHEA: Can you hold up the one you're
12 actually showing?

13 MR. CARPENTER: Yes. One is a brief power
14 point. Sorry I could get it to here to load up for
15 you. The others are --

16 Mr. ZACCHEA: PowerPoint and the notice.

17 MR. CARPENTER: Yeah, and the notices, SBA
18 information notices, 5000180010, and 5000180011. And
19 these are the information notices announcing the
20 proposed fees for FY '19 for all 7A and 504 loan
21 programs.

22 The fees are set to keep SBA at subsidy
23 neutral. We must remain at subsidy neutral for certain
24 program fee relief to remain effective. The fee relief
25 for veterans under the SBA Express program is in

1 statute. That's mandatory and is only in effect if SBA
2 remains at subsidy neutral in the loan programs. So
3 our goal is to remain subsidy neutral. We task the
4 CFO's office with calculating what we can charge and
5 where our goals and directions are and what initiatives
6 the administration has for us for this upcoming fiscal
7 year.

8 The initiatives for FY '18 and FY '19 are to
9 increase lending in rural markets. So we had to
10 transition from fee relief for all loans of a certain
11 dollar amount, \$125,000, now going forward in FY '19,
12 it will be for fee relief for all loans, 7A loans under
13 \$150,000, which are made in rural markets or in HUBZone
14 areas.

15 So if you look at any geocoding maps,
16 HUBZones and rural markets tend to be a pretty
17 significant area population of the United States. So
18 we're talking a vast majority of the areas. If any of
19 those businesses have a physical address in a
20 designated rural or mostly rural community or in a
21 HUBZone, they will be subject to the fee relief.

22 It's important to know that fee relief is not
23 mandatory. Fee relief is something that was initiated
24 in 2009 during the recovery, the recession, to kind of
25 spur lending on. Our economy is in a much better plan

1 than we were 10 years ago, and we are looking to kind
2 of wean ourselves off of fee relief. But we understand
3 in order to reach certain initiatives in certain
4 markets, we may have to use fee relief to kind of spur
5 lending in those communities.

6 We've seen a dropoff in rural lending. So
7 that was why one of the transitions was from all loans
8 under 125 to rural loans and HUBZone loans under 150.
9 As I said, the fee relief for veterans under the SBA
10 Express program remains intact as long as we remain at
11 subsidy neutral.

12 So the fees going forward for FY '19, as I
13 said, for loans in the rural markets are zero, for the
14 upfront -- for the ongoing servicing fee. And for the
15 upfront guarantee fee, we've reduced that fee in half.
16 So instead of 2 percent -- more than half. Instead of
17 2 percent, which is normally what we would charge the
18 lender and they could recoup that from the borrower, it
19 is two-thirds of a percent, .66, .67, and -- or .66 and
20 two-thirds basis points. That fee is charged to the
21 lender, and then the lender can recoup that fee from
22 the borrower at the time of disbursement. And the
23 ongoing servicing fee to the lender has been reduced to
24 zero.

25 The fees for loans over \$150,000 and for

1 those loans under \$150,000 which are not in a rural or
2 HUBZOne market, for under \$150,000 will be 2 percent.
3 For over \$150,000 up to \$700,000, it is 3 percent of
4 the guaranteed portion. Over \$700,000 is 3.5 percent
5 of the first million dollars of guaranteed money, and
6 3.75 of any portion over a million is added to that if
7 we have to guarantee a loan over a million dollar
8 guarantee.

9 So if you had a -- let's say \$2 million
10 guarantee, the first million of guaranteed loan funds
11 are at 3.5 and the second million would be at 3.75.
12 And that is charged, again, to the lender. The lender
13 can recoup that from the borrower after disbursement.
14 So it's usually built into the loan as an allowable use
15 of proceeds and not an out-of-pocket expense to the
16 borrower.

17 The upfront guarantee fee for loans of 12
18 months are less, these are your short-term loans of
19 credit for the most part, has not changed. It will
20 remain at one quarter of 1 percent. And for the 504
21 program, the upfront guarantee fee for non-debt
22 refinance 504 loans, 504 loan program is a fixed-asset
23 financing program. This is primarily for acquisition
24 or construction of real estate or heavy machinery and
25 equipment, long-term heavy machinery and equipment for

1 the use of the business. And the upfront guarantee fee
2 on that program is 50 basis points or half a percent.
3 And the annual servicing fee charged to the CDC is .368
4 or 36.8 basis points.

5 For debt refinance, it's still -- the upfront
6 guarantee fee is still a half a point, and the annual
7 service fee is slightly higher at .395 percent or 39.5
8 basis points. And that is slightly increased because
9 of the cost associated with doing the debt refinance
10 under the 504 program.

11 So I've given you the information notices
12 that announce these fees. I'd be happy to take any
13 questions from you.

14 MR. PHIPPS: Hello, this is Michael Phipps.
15 Can you explain zero subsidies -- zero subsidy and the
16 danger of maybe that expiring and that cycle for
17 everybody who are the non-financial types here?

18 MR. CARPENTER: Okay. For those who do not
19 know, the 7A loan program and the 504 loan programs do
20 not receive any subsidy from Congress in the budget.
21 That is all a self-financed program from the fees we
22 charge the lenders. And so we have to remain at
23 subsidy neutral.

24 We don't want to make a profit at this.
25 We're not a profit-making industry. So when we take in

1 more money than we target, we either have to give fee
2 relief or we have to reduce the fees we charge in some
3 manner. So since the recovery act, we did have to go
4 subsidy positive for a couple of years under the -- in
5 2009 through 2012. Since 2012, we've been subsidy
6 neutral. We have not had to request additional funds
7 to finance the programs. The programs have been paid
8 for through the fees generated from the lenders. As
9 long as we remain subsidy neutral, the fee relief and
10 the statutory provisions for SBA Express for loans to
11 veterans remains intact.

12 Once we have to go to Congress and request
13 appropriations for our loan program in that following
14 fiscal year, we do not have to do that for FY '19. We
15 do not anticipate having to do that for FY '20, but
16 we'll see what happens in the subsidy modeling team in
17 their calculations next year. We tried to get the
18 announcement of the fees out as fast as we could. The
19 subsidy modeling team does not give us the numbers
20 until late August for the following year. And we take
21 those numbers and publish them as soon as we can.
22 Traditionally it's usually been the last week of
23 September and it's kind of been a surprise for most
24 lenders saying, oh, the fees have changed, now we have
25 to do this.

1 So it's a last-minute effort if they had a
2 loan that was ready to go in with a fee relief that was
3 going to be taken away. So we try to give them as much
4 lead time as we can give them to kind of absorb what
5 the differences will be. So if they have any loans in
6 their queue to submit to SBA, now they would have at
7 least -- in this case we announce these in mid-August,
8 so they have six weeks to get those into us.

9 So there's not as much of an impact. And
10 we've seen a slight uptick in lending this last couple
11 of weeks for 7A and for 504 as well, and we think that
12 is because of the announcement of the changes to the
13 fees and the fee structure caused by the subsidy
14 calculations.

15 MR. PHIPPS: And so the cost -- what goes
16 into the cost to run that program that in the future
17 might impact the subsidy neutral position?

18 MR. CARPENTER: Well, the primary cost to
19 running the program, we don't calculate our salaries in
20 that. So the salaries are -- were historically off of
21 that. Unfortunately, there's been a change in the
22 statute provisions and the request from the White House
23 to begin calculating the cost of oversight -- in the
24 salaries and oversight. And that was in the White
25 House proposed budget.

1 And the White House proposed budget also
2 requested an increase to the ongoing servicing fee
3 maximum. We're currently at the maximum of 55 basis
4 points. I believe the White House budget was around 65
5 basis points, maybe a little higher, 68.5. That was
6 declined by Congress for this fiscal year. So we
7 remain at 55 basis points for this year.

8 We did not take the calculation of the
9 oversight manhours into this modeling. So really the
10 calculation of the subsidy goes from what is our loss
11 rate on guaranteeing these loans. We understand a loan
12 guarantee issuance by SBA is usually a loan that a
13 lender would not make. They tell us and certify to us
14 they would not make this loan because of certain
15 factors, credit elsewhere factors, collateral factors,
16 industry factors, newness of the business factors.
17 Many of those reasons increase the risk for the lender.

18 Because of those increased risks, they come
19 to us for a guarantee. We understand we're not getting
20 the best of the best loans. We're getting the riskier
21 -- tend to be riskier loans. And because of that, we
22 model based on our historic loss rates and project
23 based on economic factors what the future loss rates
24 will be on those numbers.

25 And that's the subsidy modeling team. They

1 run those numbers, run them over and over and over
2 again, and based on different economic factors what if
3 this happens, what if that happens. And they basically
4 tell us this is what we anticipate for losses, this is
5 what we anticipate for chargeoffs, and based on that
6 factor we need to have fee income of X number of
7 dollars. And to generate that fee income, this is how
8 we parse the fees based on the statutory maximums.

9 MR. PHIPPS: Thank you.

10 MR. STUBBLEFIELD: I'm just going to ask you,
11 this is Larry Stubblefield again. But I think for the
12 purpose of the committee -- and I'm just asking if this
13 is a true statement. With the Veteran Entrepreneurial
14 Act of 2015, it waives the guarantee fee for all
15 express loans for \$350K.

16 MR. CARPENTER: \$350,000.

17 MR. STUBBLEFIELD: As long as we remain
18 subsidy neutral. And so I know you're probably hearing
19 it, you know, from the field in terms of the rate
20 changes and so forth. But I'm asking if the 350 --
21 that express loan I think is the most popular loan for
22 veterans. And I'm just asking if everyone here is in
23 agreement. So the position here is that as long as the
24 express loans, you know, they're statutory and they
25 remain neutral -- subsidy neutral, you know, that we

1 may be in pretty good shape.

2 MR. CARPENTER: Yeah. Robert Carpenter
3 again. Yeah, I would agree with that. The Veterans
4 Entrepreneurship Act of 2015 did incorporate the
5 permanent fee relief for SBA express loans made to
6 qualifying veterans and their spouses. So as long as
7 that business is 51 percent owner and controlled by a
8 veteran, spouse, or other eligible individual, or
9 individuals, we can waive the upfront guarantee fee for
10 that particular loan, as long as we remain at subsidy
11 neutral for our requests for that fiscal year. So if
12 we are subsidy neutral for this fiscal year, we are
13 subsidy neutral for FY '19 as proposed. So FY '19 it
14 will continue to have the fee relief for veteran loans
15 under SBA express.

16 It's also important to understand that the
17 collection of information from the borrowers,
18 especially the demographic information, is purely
19 voluntary. So if they tell us they're veteran or don't
20 tell us they're veteran when they are, it may have some
21 impact on our numbers and reporting in loans to
22 veterans and loans to non-veterans. And when there's
23 no incentive for the veterans to get a fee relief, many
24 times they just leave that area blank.

25 So we see many applications and we can't

1 force anybody to fill out a certain section because
2 it's purely voluntary. It's -- and we state on the
3 application it's voluntary. So if they give it to us,
4 we can document it. The only time we make it mandatory
5 is if they're seeking the fee relief, and then they
6 have to document with a DD-214 or other such
7 documentation to support that they are, in fact, a
8 veteran or qualifying veteran or spouse.

9 So that's one of the factors. You know, a
10 lot of the -- as I said, a lot of the demographic data,
11 the race, gender, ethnicity, veteran status, that type
12 of information is purely voluntary for the most part.

13 MR. ZACCHEA: Okay, thank you.

14 MR. CARPENTER: All right. I've left some
15 business cards up here if you have questions for later.
16 So -- and I'll leave you to that.

17 MR. ZACCHEA: Thank you, Larry. Bill, are
18 you here still? So the time on deck I have is 11:46.
19 What I'd like to try to do is go to -- get the morning
20 wrapped up by 12:30, take a half-hour break for lunch
21 real quick, and then we'll get back on schedule at
22 1300.

23 MR. ASHTON: Good morning, everyone. My name
24 is Bill Ashton and I'm from the Department of
25 Agriculture. And I don't know if you've had

1 representatives come over here before from USDA.

2 MR. ZACCHEA: We have.

3 MR. ASTHON: Okay. So some of the stuff may
4 be repeated, and I apologize for that. First I would
5 just like to thank you all for inviting me over here to
6 give an oral brief of what we do at USDA for our
7 veterans. And, also, for everyone in the room and on
8 the advisory committee, I'd like to thank you if you're
9 a veteran for your service. I, too, am a veteran of 21
10 years with the United States Navy, 10 years enlisted
11 and 13 as an officer.

12 So what I'd like to do, if we can do it, is
13 go to the next slide. And the next slide is a video.
14 It takes about a minute and 30 seconds of our
15 Secretary. You may have to go back again. It has to
16 load.

17 Okay. Well, thinking about time, we'll move
18 on here. On the last slide here, there is a website to
19 where we're located on the internet. And if you scroll
20 down on the front page of it, you'll see this picture
21 here at the bottom. And it's the Secretary talking
22 about his support of veterans and how important
23 veterans for USDA.

24 I've been in the job here for all but seven
25 months. So I can still use the excuse, gosh, I don't

1 know, let me get back to you. So if there's any
2 questions afterwards, I may be taking notes.

3 This picture here just gives you an idea
4 overall of some of the things we do. On the top left-
5 hand corner up there is a Navy veteran who started her
6 own juicing company. And she's an entrepreneur. And
7 then to the right there are what we call smoke jumpers.
8 When I first got there and somebody mentioned smoke
9 jumpers, I just thought it was somebody who was smoking
10 a cigarette and jumping out of a plane, but got
11 educated real quick on that. And these are guys who
12 just go behind enemy lines and fight fires from the
13 other way.

14 In the bottom left-hand corner is a retired
15 E-9 from the United States Air Force, and he works in
16 our commodities section. And he actually is a master
17 instructor and he actually wrote the curriculum for us
18 to have an apprenticeship in commodities.

19 And the next one over is a United States
20 Marine, and he got out of the Marine Corp, went back
21 home to his family's farm, and just started to produce
22 condiments from his family's farm. And the last person
23 on there is an Air Force veteran who was just
24 interested in agriculture and volunteers her time
25 visiting veteran farms.

1 You can go to the next slide. So the
2 question is, why veterans in agriculture? Well, you
3 know, you can see here, 22 million veterans are in the
4 United States. Nineteen percent of them come from
5 rural America. And approximately 4 million are living
6 in rural America. And, you know, veterans want
7 meaningful work.

8 Purdue University has done a study. There's
9 going to be a need for 70 percent increase in our food
10 production that is needed by 2050 to lead a growing
11 global population. And we at USDA honor our veterans
12 and we know they have the -- shall we say, the right
13 stuff, to come and help us do that. And that's feed
14 America, keep our food supply safe and secure. And you
15 will hear our Secretary in there talk about the fact
16 that, you know, agriculture is a national security
17 issue. God forbid if anything ever happened to any of
18 our farms or how we transport our foods and things like
19 that. So it's pretty high up there.

20 Preserve and strengthen our rural
21 communities. If you have not had the opportunity, the
22 President signed an order for our Secretary and a
23 number of other agencies to do a study on prosperity --
24 rural prosperity in agriculture. And this is -- it's
25 on the internet if you want to find it. But what

1 you'll find in here in relation to veterans is that
2 veterans can make a major difference in going back to
3 rural America. You know, those of you who are
4 veterans, you know that in areas where we have bases or
5 installations and things like that, veterans are very
6 much involved in the community, the church, the PTA.
7 And so that's what we need to bring back to rural
8 America.

9 Many other things that you probably hear
10 numerous times throughout on different briefs about,
11 you know, I remember when I went through the Transition
12 Assistance Program and they told me about some of the
13 characteristics that I would bring to the work force.
14 And I was just -- these are things that are embedded in
15 us when we go through the military service. Your
16 decision-making and leadership, adaptability, tenacity,
17 and attention to detail and discipline and teamwork, we
18 just think those things are natural.

19 But I'll tell you at least from my
20 perspective when I got out, I found that not everybody
21 has this. So these are great characteristics that we
22 need.

23 So if you'd go to the next slide. So what we
24 do is we have three pillars that we talk about when
25 we're talking about veterans. We talk about

1 employment, education, and entrepreneurship. And if
2 you'll go to the next slide and we'll talk about
3 employment.

4 Next slide. So the goal at USDA is to have
5 25 percent of our veterans -- our employees be
6 veterans. We have 100,000 employees throughout the
7 United States, and we are in 2,100 counties throughout.
8 And one of the things that we do with my team, all
9 three of us, is we get -- we go to things like Hire our
10 Heroes and any other job fairs we get invited to, and
11 then we collect resumes and we actually review the
12 resumes and give feedback to them. And then we also
13 talk to veterans about how they can be hired, the
14 direct hiring with Schedule A and things like that.

15 And when we talk to people about what's
16 available in the USDA, some people are really shocked
17 about some of the jobs that are available. Most
18 people, including myself prior to coming to USDA, when
19 you say Department of Agriculture, the only thing I
20 thought about was, like, green acres, you know, it's
21 all farming. Well, I'm probably going to get fired one
22 of these days, but the truth of the matter is it's not
23 all about farming.

24 At USDA, they see things like criminal
25 justice. And somebody says, well, what, you guys, got

1 problems over there? Criminal justice is, you know, we
2 do crop insurance. And so like any other insurance
3 company, you know, if you get into a car accident or
4 something like that, somebody is going to come out and
5 verify what happened. And so we hire people like
6 military police, master at arms from the Navy, people
7 who can write reports correctly. And so we look for
8 them.

9 Contract and procurement, information
10 technology, those are typical things from a major
11 business that would need them.

12 Food inspection and public health. And
13 that's quite an interesting one. I think I told you I
14 was from the Navy. In the Navy, we eat what they tell
15 us to eat. We probably don't even care if it was ever
16 inspected. But, you know, the Air Force and the Army
17 happen to have a military occupation specialty on food
18 inspections. So we actually do direct hire of the
19 people who have that MOS in -- where we need food
20 inspectors.

21 I mentioned the smoke jumpers. I mentioned,
22 also, that USDA is a bank. That was a shocker to me.
23 Never knew that. And so -- and we actually do loans in
24 USDA. And so anybody who has any kind of finance
25 background from the military experience, we need those

1 type of people, also, in economics.

2 Next slide, please. So we have two approved
3 apprenticeships currently going right now. And you
4 know the President has been pushing very much for this
5 and we're trying to expand our apprenticeships. But we
6 have agriculture commodity graders, and that's a 12-
7 month program. They're normally hired into a GS-5 or
8 7. And then we make a decision after a year if this is
9 what that person wants to do and they're, you know,
10 filling in exactly what we need, obviously they stay.

11 And then we have wetland firefighters, a
12 3,000 hour on-the-job learning program out in the
13 Pacific Northwest for Forest Service. I mention dairy
14 graziers there. That is not a USDA-approved
15 apprenticeship. It's an outside apprenticeship. But
16 we also talk about, you know, the outside
17 apprenticeships that are out there for people.

18 I don't know how many people are familiar
19 with DOD's SkillBridge program. The DOD SkillBridge
20 Program is a great Program. What it does is it allows
21 the commander of our service members to make an
22 agreement with an outside business that has a training
23 program that will enhance the service members' chances
24 of getting a job. It is not a guaranteed job
25 afterwards. And what actually happens is you're

1 allowed to go to this company, get the training while
2 you're still on active duty. So it's up to 180 days.

3 Most of the ones that we've seen are not 180
4 days. I mean, most commanders don't necessarily allow
5 their people to leave for 180 days, and then they have,
6 you know, 60 days of terminal leave, and then they
7 throw in TAP and permissive TDY for house hunting.
8 So -- but most of them are four to six weeks.

9 Next slide, please. So when we give the
10 brief, these are all of the links that we'll give you
11 for the information on what I went over.

12 The next slide. So education. The next
13 slide there. So Purdue University did research for us
14 and came out to say that between the years 2015 and
15 2020, they're expecting that 57,000 jobs -- 57,900 jobs
16 are going to be needed in the agriculture world each
17 year with a higher education, obviously, you know, at
18 least a bachelor's degree. And there is a list there
19 of what we are looking for for people to have degrees
20 in agriculture-related areas.

21 I bring up two of them in particular when I
22 talk to people about this, is precision ag. I told you
23 I was there for seven months. If you haven't figured
24 out from my accent, I am from the south, a place south
25 of Boston, and it's called New York. But I'm not a

1 farmer. And so I had a president of a college call me
2 one day and said, hey, I understand your Secretary
3 wants to take care of veterans; we want to do something
4 and we want to get into this precision ag. And I was
5 like, yeah, okay, sounds like a good idea to me. But
6 let me get back to you. I told you early on I could
7 use that excuse up to a year.

8 And I went and seen one of the coworkers who
9 actually is a farmer. And I said, this guy called me
10 about this precision ag thing. I don't even know what
11 the heck he's -- what is it? He said, well, you know,
12 you ever see those rows -- those photos of farms where
13 the rows are just perfect, you know? I said, yeah,
14 they're probably using Photoshop or something like
15 that. He says, no, no, no, no. They're using GPS. He
16 said, and half the time nobody is even driving that
17 tractor. It's being run by GPS. And I said, wow,
18 that's pretty interesting.

19 So it's -- I take it as, you know, cyber-
20 security type things that you have to look into.
21 Another example he gave me was down in South Carolina,
22 years ago, chickens have to be fed at a certain
23 temperature, not at a certain time. So somebody, a
24 rocket scientist, decided that if you control the
25 temperature in the chicken house, you can feed them at

1 a certain time. Go figure.

2 Well, somebody hacked into that chicken house
3 and adjusted the temperature. And so when they went
4 out to feed them, there was thousands of chickens that
5 were dead. So when I found that out, now I understand
6 what precision ag is all about. So it is something
7 that is necessary, and, again, going to the national
8 security that I talk about.

9 Veterinarian medicine. I talk about that
10 because our Secretary, Secretary Perdue, is the former
11 governor of the State of Georgia. He is an Air Force
12 veteran and he is also a veterinarian. And when you
13 see the video on our website, you'll see if you've
14 never met the guy he's the real deal. And he'll tell
15 you that, you know, he's a farmer, also.

16 And then we have -- there's many institutes
17 that just have certificate programs, and then there's
18 student farms that we can have people go through. One
19 of them is right here in Alexandria, if you're familiar
20 with the area here, Arcadia. I was talking to an Army
21 lieutenant colonel who told me he went through their
22 program. It's about a year long. And I said, geez,
23 the Army let you out for a year to go to a farm? This
24 particular farm actually allows you to do it all on the
25 weekends. So he was able to do that.

1 Okay, next slide. So we have -- I said, farm
2 training and apprenticeships, the two that we have
3 there to get them. And then we have Armed to Farm
4 Program is for military veterans and provides training,
5 conferences, presentations, two-day seminars. And if
6 you're not familiar with it, we have the Farmer-Veteran
7 Coalition that provides assistance to our veterans.
8 And what it really does there, to be honest with you,
9 is two things. One is they can brand their product by
10 Home Grown by Heroes, and the second part of that is,
11 you know, being in the military we have, you know, sort
12 of our own lingo and the camaraderie of another
13 veteran. So this enables them to do that. And then we
14 have extensions out there that work with our
15 universities that provide nonformal training and
16 learning for our farmers.

17 So, next slide. And here's the resources for
18 this. Before I go to the next slide, I would like to
19 say two things that I tell veterans when I'm giving
20 briefs. One is USDA does not want you to fail. There
21 are enough training and nonprofit groups that are
22 funded through grants through USDA to ensure that you
23 don't fail.

24 And the other thing I tell them is this: If
25 mom and dad are not giving you the land to farm on,

1 you're going into debt. And in some cases, you're
2 going into debt really big. I don't paint a picture
3 for people that I wouldn't paint for myself. And so
4 when I tell them that, I want them to understand
5 exactly what they're getting into.

6 So one of the other things before I get into
7 the entrepreneurship part of it is -- and I heard it
8 talked about when the VA was on the phone, not in
9 conjunction with what I'm about to tell you. But voc
10 rehab, if you're familiar with that, and I think it's
11 you're 30 percent or higher, you can go into voc rehab.
12 You get approved by the VA.

13 I've heard from veterans saying that when
14 they talked to their voc rehab counselor, they're not
15 allowing them to get into agriculture. And some of
16 them come from rural America and want to go back there,
17 and they want to get more training in that area.

18 So we have spoken to the people at VA and
19 they've been very, very welcoming of us. And so next
20 month we, my team, are going to hold training for all
21 the counselors throughout the United States for the voc
22 rehab counselors because they just don't know about
23 what agriculture does.

24 And to go one step further, you know, it's a
25 very sad day if you're from the D.C. area, you hear it

1 on WTOP every single day, it drives me crazy, 20
2 veterans committing suicide a day. Well, there was a
3 study done by a Ph.D in the VA who has stated that
4 agriculture, in fact, helps people with PTSD. I say
5 helps. It doesn't fix it, but it helps them.

6 And then the other part of it is just
7 recently the VA had a \$4 million grant internal to the
8 VA that they put out to the clinics and the hospitals
9 that have land, and they applied for a portion of that
10 grant and they could start an agricultural training
11 program at the VA for both inpatient and outpatient
12 people. So the VA is seeing also that agriculture can
13 help with our veterans.

14 The next slide. So entrepreneurship. We
15 work with our friends here at SBA. I said, also, that
16 we also have our own loans. People always ask me,
17 well, what specifically do you have for veterans? I'm
18 a veteran, why am I so special? Well, the specialty
19 is, one, you're eligible for all our loans. Secondly
20 is our microloans, which are \$50,000, are only open to
21 veterans and socially disadvantaged people.

22 The other thing I tell our veterans when I do
23 this, because occasionally there'll be an old-time
24 farmer there in the audience, and when I talk about
25 microloans and everything like that and I say it's

1 \$50,000, and that old-time farmer in the back gets up
2 with, well, you know, damn, \$50,000 don't even buy a
3 tractor. Well, you want to know something, you don't
4 need a tractor. You know, you can start with five
5 acres, 10 acres, get in a farmer's market and then
6 eventually grow to that. So as -- you know, some of
7 the old folks -- and I guess I consider myself one of
8 them, but not a farmer -- they don't think \$50,000 is a
9 lot of money. So, like I say, you don't have to start
10 big.

11 We have operating loans. When you apply for
12 loans with USDA, like I said, we don't want you to
13 fail. The law says you have to have three years of
14 experience with finances and have some farming
15 experience, also. We've knocked that down to two years
16 for people who have served in the military. Right now
17 we're running a pilot down in Texas A&M Extension, and
18 what that pilot is going to do is then knock it down to
19 12 months or 18 months for a veteran to be eligible
20 when they finish this pilot program, they'll get a
21 certificate and they can go into farm service agency
22 and be eligible for the \$50,000 microloan.

23 We're keeping our fingers crossed that we'll
24 be successful with that, and then we can roll that out
25 throughout. Now, that program is the one and only

1 program that's only open to veterans throughout USDA.
2 And, like I said, they're eligible for all other
3 programs, but that is specifically for them, that pilot
4 program.

5 So, next slide. So we talk -- you know,
6 obviously a farmer is an entrepreneur. And one of the
7 things when I talk to our veterans out there is we have
8 a number of different programs out there, new and
9 beginning farmers. We also have this new farmer
10 discovery tool sort of like TurboTax. You can go in
11 there, you can say I'm a veteran, you say where you
12 want to settle, what state, and you go on to say that I
13 want to raise potatoes. What it will do is lead you to
14 other links to tell you whether that's really something
15 you can really do in that area. And if you can, it
16 gives you some sites to see.

17 The other thing we do, and we got this with
18 SBA, was we also have the Connect with a Mentor, the
19 SCORE Program, the Service Corps of Retired Executives,
20 and that is a free service. You can be mentored by an
21 executive who's been successful.

22 The other thing we have done with SBA, which
23 we're very thankful for, is those familiar when you're
24 transitioning out of the military, there's the
25 Transition Assistance Program, sometimes called GPS,

1 goals, plans and success. It's very difficult to crack
2 that nut to get in there.

3 One of the first things when I came here, I
4 really thought, well, USDA needs to be in that course
5 and hitting our veterans and telling them all about
6 what I'm telling you all about today.

7 And when we were down in Texas A&M Extension
8 to kick off that pilot program, the Secretary had a
9 little get-together of six military families. And he
10 was asking them, you know, hey, tell me, how are we
11 doing, things like that. And this Marine who is a
12 retired Marine said, well, you know, sir, you -- you
13 really need to get into that TAP program because, you
14 know, people don't know about USDA. And he said, oh,
15 yeah, yeah, Bill, he's going to work on getting that in
16 there. And he could see I was biting my tongue because
17 taking this brief to somebody when they're within six
18 months of when they're getting out, it's too late. I
19 mean, getting TAP at the end of your career is way too
20 late.

21 And I do know that they are trying to change
22 that, and God bless them for doing that. But the
23 reason I say SBA has been very helpful is because SBA
24 is in TAP and they have put six slides as part of their
25 learning curriculum that deals with USDA specifically

1 with entrepreneurship. So we're very thankful we're
2 working with that.

3 And, also, our Secretary and the
4 administrator from SBA have signed an agreement to work
5 together to help our veterans specifically out in rural
6 America. There was a nice picture of our him. Our
7 Secretary has a tendency to rent a motor home and, you
8 know, goes around in the motor home to different areas.
9 And the Secretary -- or, rather, the administrator of
10 SBA met up with him and they signed an agreement to see
11 if they could work together in a partnership.

12 So, next slide? So this is all about, you
13 know, the veterans entrepreneur. I mentioned that
14 farmers are entrepreneurs. And so I'll just give you a
15 quick story. I was in Maine for AgrAbility. If you're
16 not familiar with AgrAbility, AgrAbility is a nonprofit
17 organization that helps farmers who have disabilities.
18 It's not just for veterans.

19 And so I was there giving the brief. And I
20 said, how many people came from rural America? We
21 probably had 20 people raise their hands. How many
22 people came from a farm? It probably went down to
23 about 10. So I said, are you going back home to run
24 your parents farm? And this one gentleman -- it was a
25 Marine. He said, no, sir. And I said, well, why not?

1 I said, the average age of farmers today is 64 years
2 old. We need those young people to go back to rural
3 America and continue the farming.

4 And I was at a conference last week or two
5 weeks ago when the Secretary of Veterans Affairs said
6 the VA today is not my grandfather's VA. Well, you
7 want to know something, farming today is not my
8 grandfather's farming. I'm not going to say that you
9 don't really work hard. But we do have technology that
10 has helped with things.

11 So the Marine says, no, I'm not going back
12 there. I said, why not? He said, well, I joined the
13 Marine Corps to get away from that stuff. He said, you
14 know, I seen my parents, seven days a week, morning,
15 noon, and night, and then they thought my vacation
16 during summer was me working full-time on the farm.
17 No, that's not for me.

18 I said, geez, we really need you back there,
19 pal. But what are you going to do? Well, I'll get a
20 job. I said, okay, you're going to go back home and
21 get -- no, not going back home, either. What do you
22 mean, not going back home? Don't you love your family?
23 He goes, oh, no, I love my family. There's no jobs
24 there.

25 So I said, well -- he was standing up. I

1 checked him out and I said, you know, Marine, you look
2 like you're in pretty good shape. Yes, sir. I said,
3 well, why don't you go back home and open up a
4 crossfit? And he looked at me with deers in a
5 headlight, like what the heck does crossfit have to do
6 with USDA. And I said, absolutely nothing. What it
7 does have to do with is building rural America. And
8 that's what this is all about, this study. Rural
9 America. USDA is responsible for the development of
10 rural America.

11 I was down in Richmond and I never knew that,
12 like, police departments need new cars, fire
13 departments need new engines. They need a library.
14 They need a hospital. They come to -- they come to
15 USDA for those loans. It's unbelievable.

16 So my point is is that -- and it's really my
17 tag line, and the two briefs I've heard here today just
18 reemphasizes my tag line on veterans. Veterans don't
19 know what veterans don't know. And that goes through
20 pretty much everything. I see people don't know a lot
21 about what's happened with the VA. I can tell you
22 right now in the seven months I've been here, in going
23 out and educating people on what USDA is, I'm really
24 not surprised on how many people have no idea what USDA
25 does for our veterans.

1 The last thing I'll mention to you is the SBA
2 actually introduced me to this group. I'm not sure how
3 many people are familiar with it, but it's VetFran,
4 Veteran's Franchise. 650 franchises strictly with
5 veterans. And they give them breaks on whether it be
6 startups or things like that.

7 And the last part there is, you know, rural
8 is closer than you think. In the next slide, one of
9 the things that -- when I give you the links, if you
10 want to know if you're in rural America, you can punch
11 in your address in this website that we're at and it
12 will tell you if you're in rural America.

13 So, next slide. And, again, this is just all
14 the backup to everything I pretty much said. And the
15 next slide just has our website and an e-mail address.
16 If you have any questions or anything like that, we're
17 more than happy to answer them.

18 And, again, the last one there, if you go to
19 that website, scroll down, you'll see Secretary Perdue
20 talk about his support of veterans.

21 So I'll open up for any questions, and if you
22 don't have any, I may be able to help you get on time.

23 MR. ZACCHEA: Mike Zacchea --

24 MS. TORRES: For the people on the phone,
25 could you repeat those website address?

1 MR. ASHTON: Yeah, I'd be more than happy to.

2 It's www.usda.gov/veterans.

3 MS. TORRES: Thank you.

4 MR. ASHTON: You're welcome.

5 MR. ZACCHEA: Mike Zacchea, Chairman. Bill,
6 this is great and very, very helpful, and thank you.
7 And I want to open it up to any questions from the
8 committee.

9 I think we're good. Thank you.

10 MR. ASHTON: I can see everybody's ready for
11 lunch.

12 MR. ZACCHEA: All right. So last speaker for
13 this morning's agenda is Peter Gibbs, from the Director
14 of the Office of Surety Guaranties.

15 MR. STUBBLEFIELD: Okay. We've got one more,
16 one more presentation real quick. Peter, we're going
17 to get started.

18 MR. FENDER: Did they say what time the
19 resumption was after lunch?

20 MR. ZACCHEA: We're going to get back on time
21 at 1300 after lunch. So half-hour for lunch.

22 MR. FENDER: I'm sorry, what time, 1:00?

23 MR. ZACCHEA: This is Mike Zacchea. Yes,
24 1:00.

25 MR. FENDER: One o'clock, thank you.

1 MR. ZACCHEA: All right, everybody. So next
2 up is Mr. Peter Gibbs. He's Director of the Office of
3 Surety Guaranties.

4 MR. GIBBS: Hello, everyone. Now, I know
5 that I'm between you guys and lunch, but unfortunately
6 this is the only portion that's tested. So you've got
7 to pay attention.

8 Again, my name is Peter Gibbs. I'm a retired
9 lieutenant colonel. I've been working for SBA for
10 about 27 years and I run SBA's Office of Surety
11 Guaranties.

12 So for those who don't know what a bond is,
13 basically it's an agreement between a small business,
14 the owner of a project, and a surety company. Why is
15 this important?

16 Because if you're a contractor and you're
17 trying to get into the federal space, every contract
18 that's 150 and above is going to require a bond. Bid
19 bond, payment bond or performance bond.

20 And even though it's not a requirement for
21 private state, federal -- I mean, state and city
22 procurement opportunities, most of them follow -- they
23 require a bid, payment or performance bond.

24 Why do you need bonding? If you're new to
25 contracting, you're new to -- you're an emerging

1 contractor, if you're a subcontractor seeking your own
2 bonding, if you're trying to get higher limits on
3 contracts, and if you're posting collateral or you're
4 subject to fund control, and if you're paying more than
5 4 percent for a surety bond, I think you should pay
6 attention to what's going on here.

7 So let me tell you before I get to the next
8 slide, one of the most -- I get a lot of calls, many
9 from veterans, and let's say you're a small business
10 and you're a subcontractor and so you got a portion of
11 a contract and you don't have the ability to get bonds.
12 So the general contractor tells you, don't worry about
13 it, you can use my bonds. Right? Typical scenario, a
14 company works as a subcontractor for a GC for three or
15 four years, builds up a company, builds up his staff,
16 and then for whatever reason, good, bad or indifferent,
17 five years later that relationship is broken.

18 Now you as a business, you can drive around
19 town say, hey, I put up that building, put up that
20 building, and I've been doing projects for about
21 500,000, but now you want to go get bonding on your own
22 because you're confident this is what you've been
23 doing. So when you go to a surety agent or surety
24 company, they're going to have this five to six-page
25 contractor's questionnaire. And the first question on

1 there they're going to ask you, what is your largest
2 bonded job? What do you think the answer is?

3 MR. SHELTON: Zero.

4 MR. GIBBS: It's zero. Because you've been
5 under somebody else's bond. It's just an everyday
6 occurrence or call in my office about businesses who
7 are in a position where they can't give bonding because
8 they chose to be under someone else's bond. This is
9 why bonding is important.

10 All these things that you're hearing today is
11 very, very important. But if you can't get a bond, if
12 you're lucky to get a contract, then you won't even,
13 you know, get the job. All right? Because you win a
14 contract and then they're going to tell you you have
15 five, maybe 10 days, to produce a bond. And if you
16 can't produce it, they're going to go to the next
17 person on the list. Right? This is reality.

18 Next slide, please. The SBA advantage. So
19 SBA, just like loans, we have a surety bond office.
20 And how do we -- we operate? We partner with surety
21 companies and surety agents to help small businesses.

22 Just to give you an example of why our
23 program -- our program exists because to help
24 businesses who are having difficulties in the standard
25 bonding market. So if you go to the standard market

1 and you're trying to get a bond, they're going to
2 require you to have 10 percent cash, liquid, in the
3 bank for working capital.

4 If you go through SBA -- if you go through an
5 agent who's authorized by SBA, we -- and for veterans
6 we guarantee 90 percent of a bond. We tell that
7 company that we're okay with 5 percent. So we've
8 helped the business by cutting the working capital
9 requirement to 5 percent.

10 If you're a business -- and this is typical
11 for small businesses -- many of them may not have cash
12 in the bank, but they have a business line of credit.
13 In the standard bonding market, they will not count if
14 you have a business line of credit, the unused portion
15 of it, towards the working capital. In our program, we
16 allow that to be used to calculate for the working
17 capital. So needless to say we have many businesses in
18 our program who have zero cash in the bank but they may
19 have a business line of credit, and they qualified for
20 bonding in our program. Okay?

21 Next slide, please. So typically a company
22 asks for 10 percent, and you can probably get up to 20
23 percent. I've talked about the available line of
24 credit.

25 Next slide, please. Eligibility. You've got

1 to be small. Every -- everyone who is assisted by SBA
2 must be a small business based on the size standards.
3 We guarantee single jobs up to \$10 million if it's a
4 federal contract. But we -- if it's a non-federal
5 project, we can go up to \$6.5 million per job. And it
6 has to meet the SBA and the surety underwriting
7 criteria.

8 I'm proud to say as a veteran that we have
9 what's called a bonding line where you sit down with an
10 agent and the agent says, based on your financials,
11 this is what you're eligible for to get bonds. It will
12 say you're eligible for \$6.5 and your aggregate is \$30
13 million. But our largest bonding line client that we
14 have in our program is a veteran-owned business in the
15 Norfolk area. They currently have a \$6.5 single and a
16 \$34 million bonding line in our program.

17 Next slide, please. So we have -- like I
18 said, \$6.5 and up to \$10 million if it's a federal
19 contract. But we also have what's called a quick app.
20 And those are for contracts that are \$400,000 and
21 below. We don't require anything from the small
22 business. We do know that some of our partners, the
23 surety companies or the agents, they may require --
24 they may look at your credit score. But we don't
25 require anything.

1 Just to give you an example of how successful
2 this is, since 2012 we've done close to 13,000 quick
3 apps, and we have had less than 100 defaults in our
4 program.

5 Next slide, please. The quick app, like I
6 said, we've done a lot and it's a very, very successful
7 program. And it's approved within ours. And our
8 regular application to SBA is approved in less than two
9 days.

10 Next slide, please. The cost of a bond is --
11 you can include that in your cost to the project and
12 it's reimbursable. So to get a bond in our program,
13 the contractor has to pay SBA \$7.29 per thousand of a
14 contract. We're lowering our fees starting October 1
15 from \$7.29 to \$6.00. And sureties collect anywhere
16 from 1.5 to 3 percent of a premium. That's what they
17 charge to contractors. SBA, we get 26 percent of that.
18 We're reducing that to 20. We hope that reducing the
19 fees is going to spur more use of our program.

20 Next slide, please. Typical process. If you
21 go to our website, it will tell you who our surety
22 agents -- our surety companies are. Like I said, there
23 are 35 of them as of yesterday. And -- but most likely
24 a small business will meet with an agent. The agent
25 will sit down with the contractor, the veteran, go over

1 their bonding needs. They will submit an application
2 to us. It's everything. Our process is 100 percent
3 online. They submit it to SBA. Once they submit it to
4 SBA, like I said, we make decisions in less than two
5 days and then we send an e-mail immediately to the
6 agent and the contractor knows that he got the bond.
7 And that's the process.

8 What I would say is, you know, I know that
9 there are many service organizations represented here.
10 The hardest part to getting a bond is understanding the
11 requirements for the first bond. Because once you
12 filled out all the paperwork that the agent and the
13 surety needs, then it's very simple beyond that.

14 Next slide, please. I worked very, very hard
15 to make sure that we have some of the best companies in
16 the world who partner with SBA. Yesterday, we brought
17 in Nationwide. What does that mean? It means that
18 Nationwide has a network of 10,000 plus offices around
19 the U.S. and they're going to open that up to surety
20 nationwide.

21 All these companies, you can look them up,
22 they're very, very large. Travelers, the Hartford,
23 Gray Surety, Philadelphia, IFIC is one of the largest
24 surety companies. And so these companies, you -- as a
25 small business, you probably will not be in contact

1 with the companies because what they do is they empower
2 agents. And in our program, we have over 350 agents.

3 I'd also say that when you go to our website,
4 if you're listed on our site, you have to be active.
5 We don't allow agents just to be on our site for free
6 advertising and then they don't use our program. If
7 they don't use our program, we remove them from our
8 site. And we look at that every three months.

9 The next slide, please. Make sure if you're
10 trying to get bonding that they utilize one of our
11 authorized agents. And, like I said, it's on our
12 website.

13 One of the things that I would like for, you
14 know, the takeaway that I want everyone in here to
15 remember and maybe pass onto whoever they deal with, is
16 you've got to understand the bonding business.
17 Understand that rates are filed by state. There should
18 never be a question about what the rate is.

19 But, also, when you talk to your membership,
20 they need to understand that, you know, compare
21 whatever they're paying to -- you know, what's a
22 reasonable rate. Right? For example, I have been to
23 places where people have walked up to me, veterans, and
24 they say, hey, I'm paying 15 percent for my bonding.
25 Well, if you don't understand that, you shouldn't be

1 paying more than 4 percent. You think you're getting a
2 deal. But you're not going to know these things unless
3 you -- you know, you talk to people and you compare.

4 And the other thing is, you -- an agent, when
5 you sit down with an agent, they might -- you know,
6 they have options. They have SBA, they can put you
7 through an SBA program, or they can put you in the
8 standard market. Right? So they might put you in the
9 standard market, but they'll tie one hand behind your
10 back and tie your legs. And what I mean by that is
11 they'll say we'll give you this bond in a standard
12 market, but we want -- you know, if a contract is a
13 million dollars, we want \$500,000 collateral. So now
14 you have to put, you know, \$500,000 that's tied up for
15 the duration of a project. Right?

16 They may even -- even require funds control.
17 And if you're not familiar with funds control,
18 basically there are companies who get maybe 1 percent
19 of whatever the contract amount is just to pay your
20 bills for you. Right? So the surety says we're going
21 to give you this bond, but, you know, for whatever
22 reason we don't want you to get the money directly. So
23 you have to go to a third party and the owner sends the
24 money to a third party. The third party pays the bills
25 and then pays you the difference.

1 And these things are what we call -- you
2 know, and it's really not advantageous to the small
3 business. So you've got to know how this business
4 works and you've got to know what your rights are and
5 understand that there are options where you should not
6 be in these types of situations.

7 Next slide, please. Just to tell you about
8 our performance, so far we've done over 10,000 bonds,
9 over \$6 billion in contract values. The veteran
10 business assisted, we've -- this year we've helped
11 about over 400 veterans. And understand that this
12 program is for companies who are having difficulties in
13 the standard market. And with that, we -- our default
14 rate is less than 4 percent.

15 Just to give you a comparison, there's an
16 organization called SFAA, Surety and Fidelity
17 Association of America, and they keep statistics on
18 surety. The default rate in the standard bonding
19 market is about 28 percent. We're at less than 4
20 percent.

21 Next slide. Okay. One of the reasons why
22 I'm here is we've seen a decline in veterans receiving
23 bonding. And, you know, we need your help to reach out
24 to the veterans and see how we can help them.

25 Next slide, please. That concludes my

1 briefing. I'm open for any questions that anyone has
2 about the surety bonding.

3 MR. ZACCHEA: So -- Mike Zacchea. Peter,
4 that was great, and I want to thank you for your
5 brevity. Time on deck is 12:34. There may be some
6 questions, but we're getting into lunch time now.

7 MR. PHIPPS: Hi, this is Michael Phipps.
8 What do you guys do to market this to veterans so they
9 know that the program exists and what would be a
10 recommendation from our committee to help you get the
11 word out about this program.

12 MR. GIBBS: So I have three area offices and
13 I have a marketing person. And so we go out to invited
14 events and we go out to events where we see that, you
15 know, there might be a veteran preference, you know,
16 audience. Recently we talked to the VBOC here at SBA.
17 So we do webinars. You know, depending on the size, I
18 may even send someone to an event. You know, if anyone
19 -- if any organization here has an event that they want
20 us to attend, you know, just contact me and we can talk
21 about it.

22 MR. PHIPPS: Is your contact information in
23 the --

24 MR. GIBBS: It is.

25 MR. PHIPPS: Oh, there it is.

1 MR. GIBBS: And I have cards if anyone wants
2 to see me right after this.

3 MR. LOWDER: Lynn Lowder. One of our members
4 on here is a great guy and so sharp, he's with the
5 American Legion. They've got a large reach. I think
6 if you haven't met Joe, meet him.

7 MR. GIBBS: Okay.

8 MR. LOWDER: And get the word out to the
9 Legion members. That could help you out a lot.

10 MR. GIBBS: Okay. Appreciate it.

11 MR. LOWDER: Sure.

12 MR. GIBBS: I think I know him just a little
13 bit.

14 Mr. ZACCHEA: Any more questions? Is that
15 it?

16 All right. I think we're ready to go off the
17 record. Break for lunch. 1300, please.

18 (Whereupon, a lunch recess was taken.)
19
20
21
22
23
24
25

1 we're looking for a big effort for Veterans Small
2 Business Week.

3 Just go to the next slide, please. Just some
4 highlights on some of the outreach events, engagements,
5 things going on. You heard from Barbara this morning
6 about the VIP program. And one thing we highlighted
7 here is that recently she had her 1,000th graduate. I
8 guess she was a little over 1,000, 1,003 or something
9 like that. Yeah.

10 And the next bullet there, the VWISE event
11 that's taking place in San Diego from the 14th to the
12 16th of September, it's their 20th anniversary event.
13 So that's -- we're looking for how we're going to
14 participate in that. And then the last one talks about
15 a military spouse event that's going to occur in
16 Crystal City.

17 Go to the next slide, please. Okay. It was
18 mentioned earlier about our VBOC conference. That was
19 the 7th through the 9th, held right here in this --
20 actually in the Eisenhower Conference Center. We're
21 now up to 22 VBOCs. We had -- we've got two --
22 actually, five new ones. North Dakota, South Dakota,
23 Kentucky, Tennessee, and then we added Wisconsin,
24 Georgia, and Arizona.

25 So those are some bullet points in terms of

1 the highlights from that engagement. And then the last
2 bullet there just talks about the resource partnered
3 funding change. We're requiring the VBOCs now to do
4 100 percent participation in Boots to Business, classes
5 on installations, and the -- you know, leading up to
6 getting up to our number 22, we have the resource
7 partners, you know, SCORE, the SBDCs, the Women
8 Business Centers, helping us -- we were funding that.
9 We're directing all that funding now to the VBOCs as
10 they take this over 100 percent.

11 All right. Before I turn it over to Dena,
12 Mike had asked me, we had the task force meeting
13 yesterday and Mike Phipps had asked me to just update
14 everyone here again on what we talked about yesterday
15 in terms of the CDFI initiative. And this was
16 something that Barb Carson started when she was here.
17 And she was looking at the question about veteran
18 entrepreneurship declining. You know, and the question
19 is, why -- why is that?

20 So there's some drivers, we think, in that
21 regard. We're hearing from DOL, or Department of
22 Labor, that, you know, with a strong economy, the
23 hiring veteran initiatives and so forth, that that may
24 play a part in this. But what Barbara is actually
25 looking at was the problem veterans have with assessing

1 capital. And that really boils down to a couple of
2 areas which I'll talk about in a minute.

3 But the last time we were together, I
4 introduced you to Sid Sankaran, and he was the Yale
5 intern who was in charge of doing this research. And
6 so from the last meeting to this meeting, Sid has put
7 together a report. And I'll share that report. We'll
8 send the report out. Right now it's in draft form.
9 But basically in his report, he wrote that -- the fact
10 that, you know, going to the Census Bureau, new
11 startups -- we go back to 1996 -- 12.3 percent of new
12 startups were veteran-owned businesses. And that's
13 declined to 5.6 percent in 2014.

14 So in his research, what Sid found is that,
15 you know, veterans having access to capital is playing
16 a role in this, and it stems really around a lack of
17 credit history, a thing that he calls social capital,
18 which, you know, you say social capital? Social
19 capital meaning a lot of times veterans do not settle
20 back in their hometown. They settle elsewhere. And
21 now you talk about mentorship, knowing the ropes in the
22 new area and so forth.

23 So the social capital piece was an issue, and
24 -- but the big one was the credit history. So what
25 we're doing with this report, we're -- this report as

1 well as another one that we have from IVMF, which is
2 pointing in the same direction in terms of the access
3 to capital, we've approached the Department of Treasury
4 and we're -- the question we're asking Treasury is, if
5 they could entertain looking at veterans --
6 characterizing veterans as an underserved population,
7 if you will, and then they have what is known as, you
8 know, other targeted populations, OTP. If we could get
9 veteran status for the OTP, that would help in terms of
10 veterans being able to be supported by CDFIs and so
11 forth.

12 So our billmaker, who is the associate
13 administrator in our office of capital access, he's
14 helping us lead the charge with Treasury. We've had
15 two good -- very good meetings with Treasury. And what
16 they've asked us -- initially they said this was going
17 to be a high hurdle. They didn't think veterans were
18 -- you know, really fit the bill in terms of being
19 underserved. But after discussing some of the
20 highlights in these reports, they're actually looking
21 at it now. They've asked us to come back now to bring
22 the -- to close the reports out, if you will, take them
23 out of the draft status and finalize them and then meet
24 for a third time. And so it looks -- it looks very
25 positive in terms of getting OTP status for veterans.

1 MR. PHIPPS: Michael Phipps. Will that lend
2 to -- on the government contracting side, more towards
3 having a veteran business development program and more
4 programs because we're underserved in the same way that
5 the 8(a) program is?

6 MR. STUBBLEFIELD: You know, that's a good
7 question. We haven't gone that far yet. You know, we
8 -- I guess I could best characterize it by saying we
9 just barely have our foot in the door.

10 MR. PHIPPS: I think it's great.

11 MR. STUBBLEFIELD: Yeah. And we're just
12 going to, you know, continue full steam ahead until we
13 --

14 MR. PHIPPS: That's great.

15 MR. STUBBLEFIELD: -- completely convince
16 them. And so what I'm going to do going forward is
17 we'll add this as an agenda item for every meeting.
18 Because it's going to probably take a little bit of
19 time, you know, with Treasury, because they're going to
20 have to socialize this with their folks, their entire
21 staff, if you will.

22 But I will tell you from the first meeting to
23 the second meeting, it was like day and night. Because
24 initially -- when I say high hurdle, those were their
25 words. This is a high hurdle, we'll listen to you.

1

2 But Bill Manger, you know, he's doing a -- he's doing a
3 great job.

4 MR. PHIPPS: At one time we were just told
5 no. And now that you're -- so just to -- this is
6 Michael Phipps. One of the -- there's a set-aside
7 program for government contracting that certain people
8 can get set-aside contracts just for -- for example, if
9 you qualify for the 8(a) program. And I think that is
10 the same -- in order to qualify that, you have to be as
11 an underserved population. And so if veterans can be
12 in that population, it does a huge thing on the
13 government contracting side, something that people have
14 been trying to do since the '70s. So --

15 MR. SHELTON: Can I comment on that?

16 MR. STUBBLEFIELD: Sure, absolutely.

17 MR. SHELTON: And do we have a lot of people
18 on the phone still, or is it just Alex? Okay.

19 So, Brandon Shelton here. I look forward to
20 seeing that data. So this is my whole world. This is
21 what I deal with all day long. The preponderance of
22 these sessions seem to be oriented to government
23 contracting. I get it. It's a government agency. But
24 the vast majority of veteran-owned businesses don't do
25 business with the Federal Government or state

1 government or municipal government, based on data I've
2 seen. Right?

3 Okay. So that's -- Eli, I think that's what
4 you were talking about and stuff like that. So I think
5 it's -- I'd like to see the study, but I would caution
6 all of us -- and I've talked to IVMF and Haney and Nick
7 and all those guys up there. I appreciate tumbling age
8 census data from afar. But a lot has changed since
9 this has taken place. So, mathematically speaking, I
10 think I want to be real careful how we look at that
11 data.

12 Secondarily, the size of the U.S. military
13 and our veteran population has changed in different
14 directions since 1997 or '98 until now. But the
15 greater U.S. population and business -- small business
16 creation has exploded. So I don't -- I personally as
17 an investor don't react to a 5 versus 12 percent. If
18 you're using that to convince Treasury to give -- open
19 more doors for veterans, I'm all about it. I just
20 don't think veterans are necessarily -- again, I cringe
21 when I hear it's an underserved market or the phrasing
22 you're using. Play the game that you need to play
23 within the government channels. I don't think we're --
24 I don't think veterans as a population needs an
25 entitlement or a handout.

1 I think the problem is if it's access to
2 capital, I provide equity capital to veteran founded
3 technology startups, a very rifle shot, is the
4 fundamental problem that the size of the population
5 continues to grow, the size of the veteran population
6 is staying finite or somewhat small, and it's such a
7 unique, incubated experience.

8 I'll get on my soap box here in a little bit.
9 It is near impossible for a 29-year-old, a 35-year-old,
10 40-year-old, male/female, enlisted officer, to
11 articulate what they did between ages 18 and 25 as it
12 relates to the investability of their business. You
13 know, whether you're making a product, a piece of
14 software, like Alex has -- you know, they can't
15 verbalize it. It runs in parallel to probably a list
16 of what you see on the hiring front. It's the same
17 sort of problem. I don't -- thank you for your
18 service. I watched the latest movie. I love seals or
19 whatever. But they cannot inform, like, who are you
20 underneath and how would you react to that training,
21 who are you now as it relates to providing the capital.

22 So I would tell you that I think that's where
23 the gap is, is that the majority of equity providers --
24 and I would argue anecdotally the small business
25 lenders that I'm in contact with, you know, they have

1 an initiative internally and, like, the diversity and
2 everything else for veterans and stuff like that. But
3 they just have no idea. No matter what you say, I'm
4 four years old, I served four years in the military, so
5 I've done this for 20-something years afterwards, they
6 just -- they don't know how to articulate that piece of
7 the journey. I think that's where the gap to access to
8 capital could be.

9 It could also -- also, other factors that
10 could come out of the study. Right? You know,
11 mobility, I go to a market where I wasn't serving
12 because I was four years overseas or something, maybe
13 that helps as well. But just anecdotally I'd like to
14 -- I just -- we've got to be careful tumbling the
15 census data.

16 The second piece is that -- since you have
17 the VBOCs, and I mentioned this to you, Mike. I saw
18 the pictures online on social media of the 22 VBOC
19 leaders, the training here in August. I think that's
20 fantastic. I think it's a really amazing opportunity
21 to make these 22 people giant force multipliers.

22 If the preponderance of the people you listed
23 on here are government people, that's fine, right?
24 Like, they got trained by this and this and this. You
25 know, I've offered, I will sit down with all 22 for one

1 hour each and tell them everything I know around equity
2 financing. I'm sure Bunker Labs would partner with all
3 22 VBOCs and say this is what I know from the
4 networking standpoint. Right? I mean, just -- in
5 large, and compensate for the nongovernment
6 contracting. There's multiple forms and multiple
7 resources across the total spectrum.

8 I think we as a committee could high spot key
9 leaders and knowledge leaders and say as part of their
10 training or movement through the system, on top of all
11 the great things the SBA provided these VBOC leaders,
12 you know, we can greater inform them because they're
13 the ones contacting the small business leaders and
14 their markets and stuff like that.

15 So I think those three things are part and
16 parcel. I just want to make that comment on the study
17 and the VBOCs.

18 MR. PHIPPS: Brandon, that's great. We --
19 what you're talking about right now is two years ago we
20 said let's pick these topics. Access to capital is the
21 biggest one. And we started saying, let's break it
22 down. Because people just use that word, right, access
23 to capital, capital. But when, where, sort of breaking
24 it for this committee. And if you read the last report
25 -- and I have a ton of notes -- because I was doing a

1 lot of the access to capital piece, to break down
2 access to capital and to categorize so we can properly
3 assign, is this a brand new company, is this a startup,
4 is it growing. What level in the maturity model is it,
5 right?

6 And so I think you would be a huge resource
7 to be able to say, okay, you know, if I just get out of
8 the military and I want a million dollars to start a
9 company, just stop, right? Depending on these factors.
10 But for this committee to break down access to capital
11 and start categorizing it is -- you'd be a huge benefit
12 for that. So I'll share those notes and then we can
13 dig into that.

14 MR. SHELTON: Sure.

15 MR. PHIPPS: Because we do written
16 recommendations and see what we can get out of that.

17 MR. STUBBLEFIELD: I wanted to just say, I
18 appreciate your feedback. And probably one of the
19 things that I should have said was, Sid, he actually
20 got recent data, too. Because he was working with the
21 Federal Reserve Bank. And so he -- he was able to get
22 their business credit data. And so that kind of went
23 in the report. And you'll see that. Like I said, I'll
24 send it out to everybody. I'll definitely stay in
25 touch with you as we move forward.

1 MR. SHELTON: Yeah. It's Brandon. I just
2 think the whole committee, I think we have new
3 committee members who live in different states and
4 operate different types of businesses. I think the
5 more as we mature as a committee, you can swing us
6 around and we can work -- you know, we can proliferate
7 knowledge. We can send resources into the studies or
8 -- you know, we can act as a megaphone in different
9 ways outside, I think, the government channels, which I
10 think we talked a lot about this morning.

11 MR. STUBBLEFIELD: Appreciate that.

12 MR. ZACCHEA: Okay. I'm going to turn it
13 over to Dena now. And just so those of you who are
14 veteran committee members, we've been with Dena for a
15 while now. This is Dena's last time in front of the
16 committee. She's taken another position. The good
17 news is, she's not leaving SBA. She's going over to
18 our Office of Entrepreneurial Development. And so
19 she'll be on the sixth floor, whereas before -- we're
20 all on the fifth floor. So we'll just walk up and see
21 her on a regular basis.

22 MS. MOGLIA: Still in the building. Good
23 afternoon, everybody. Dena Moglia, the program
24 director for the Boots to Business and Reboot programs.
25 Just getting right into the slides, because I think you

1 all have a very tight agenda.

2 The agenda items we'll be covering related to
3 the Boots to Business and Reboot Programs. You can see
4 on this slide, I believe it's number six, that 82,000
5 participants trained since program inception. That was
6 -- inception was January 2013. You've probably heard
7 that before. And that number -- we're actually a
8 little bit closer to 90,000 now if you take into
9 account the courses that occurred in July and August.
10 That number, I believe, was as of Q3 data, which closed
11 in June. So we're probably closer to 90K now.

12 Then I'll cover the annual Boots to Business
13 outcome survey. I think that was an area of interest
14 at the committee's last meeting. The curriculum
15 refresh, my colleague, Mark Williams, will discuss that
16 a little bit further again. I think all of these items
17 that you see on this slide were of interest to the
18 committee based on the last meeting.

19 The social marketing pilot, we don't have a
20 dedicated slide to that, but what I can tell you is
21 that's something that our office is working on as we
22 speak. We've identified five pilot areas right now.
23 First up would be Fort Worth, Joint Base Fort Worth,
24 that we're looking at. The idea with the social
25 marketing pilot is to see if we can leverage the Boots

1 to Business social media channels to increase
2 participation at the courses that are ongoing at select
3 installations. That's a finding that I'll mention
4 later for the OIG report. Marketing and outreach was a
5 finding that was identified as an area of improvement
6 for the program. So that's some action that we're
7 taking on it right now.

8 The Carnegie Mellon University evaluation for
9 the Reboot Program is also included in these slides,
10 and then the OIG report which focused on the Boots to
11 Business Program from 2014 to 2016.

12 Next slide. Data, I know you guys like the
13 data. So this is just an update of attendance figures.
14 You can see it's broken out by fiscal year as well.
15 And hopefully you guys can see it. My eyes are pretty
16 poor. So the numbers aren't exactly clear. But it's
17 broken out by fiscal year as well as by course
18 offering.

19 And you can see the FY '18 number, that's
20 partial data, again, through Q3. We are on track,
21 though. That will probably hit the same level of
22 participants that we had the previous fiscal year,
23 which was a little over 17,000. I suspect we'll end up
24 right around there at the end of fiscal year '18. Our
25 goal, just as a reminder for folks for the Boots to

1 Business Program, is to reach 18,000 participants year-
2 in/year-out.

3 The next slide. Those are the number of
4 classes that you see, again, broken out by fiscal year
5 and by course offering. Just off-hand, we do between
6 600 and 700 Boots to Business courses each year and
7 around 100 Reboot courses every year.

8 Moving on to the next slide, this is a newer
9 graphic for us. And I thought it might be of interest
10 to the committee just trying to split out our data in
11 ways that would be of use to you with the areas that
12 you come from. So the idea here is to represent the
13 number of participants and the volume, frankly, of the
14 different parts of the country.

15 And you can see it's different shades of blue
16 based on volume, Region 4 being our heaviest area for
17 participation and course offerings. And Region 1
18 actually is our area that sees the least volume.

19 The next slide breaks out the Reboot classes
20 specifically. Boots to Business is pretty much a
21 captive audience, I like to say, because it's folks
22 that are on installation having to go through the
23 Transition Assistance Program. I think the Reboot
24 course offering is probably something of interest to
25 this committee just as much as the Boots to Business

1 Program. It may not be as well known and it may not
2 have as much volume, but I think it would be helpful
3 for you to see that data split out. It really didn't
4 change the numbers much. Region 4 is still our highest
5 volume area in terms of participants, and Region 1 the
6 lightest participant level.

7 I was going to move onto the outcome survey
8 unless anybody had questions on any of that.

9 MR. PHIPPS: So this is Michael Phipps. We
10 had asked at one point how many people and can we get
11 the numbers on who is attending the first day versus
12 the second day of Boots to Business to see what that --
13 what those numbers can tell us about the course, about
14 people who aren't interested. You know, we won't know
15 exactly, but just to get that data. Have you guys
16 started implementing that?

17 MS. MOGLIA: So the challenge -- Dena Moglia
18 again with SBA OVBD. The challenge with that, concur.
19 We're striving for that. It's really dependent on the
20 data sharing that we hope to get activated with DOD.
21 And there's even challenges with that. Just because we
22 get the data sharing agreement in place doesn't
23 necessarily mean we're going to get all the data and
24 it's going to be useful. What we found in discussions
25 with the interagency work group on the Transition

1 Assistance Program is the service branches and even the
2 installations have varied levels of capabilities when
3 it comes to tracking day one and day two attendance.
4 So it's everything from pen and paper to CAC card
5 readers. And so -- and then, of course, if the CAC
6 reader -- this is what I've been told by Navy, if the
7 CAC card reader breaks, then, guess what, they're back
8 to pen and paper for day two. Because that's been
9 known to happen.

10 Day one is captured one way, day two is
11 captured another way. But what we have seen is there
12 -- is attrition from day one to day two. Anecdotally
13 when we've been in the classroom observing, when SBA
14 officials have been in the classroom observing, and
15 when we've seen the sign-in sheets. So hear you and
16 concur. There is that concern over attrition.

17 One thing we are doing that will take effect
18 for FY '19 is one of the performance measures that
19 SBA's performing at the interagency TAP work group is
20 it used to be focused on just participation in the
21 track, in the entrepreneurship track, the Boots to
22 Business course, but we've tried to frame that
23 differently now. And we'll be looking at not just
24 participation, which is still important and still
25 something we'll be tracking, but looking at the

1 capacity and the classrooms on the installations and
2 whether or not the actual attendance is meeting that
3 capacity.

4 So it's a bit of a baby step getting towards
5 day one and day two ultimately. But we're trying to
6 get the services. Frankly, they didn't really -- I
7 don't think they were too thrilled with that measure
8 just because -- I think it's going to identify some
9 facility challenges there. But that's why we put it on
10 the radar, frankly, for FY '19, is hopefully we can
11 start getting people to coalesce around that and take
12 action on improving the data around there.

13 MR. PHIPPS: Sure. Thank you.

14 MR. ZACCHEA: Dena, Mike Zacchea, chairman.
15 I have just a technical question about the slides that
16 have the maps on them. I cannot read -- my eyes are
17 not sharp enough to read what it says about Region 1,
18 what the numbers are. Can -- do you have that where
19 you can just verbally say it?

20 MR. STUBBLEFIELD: Is it 145?

21 MR. SHELTON: It's 143. It's 143.

22 MR. ZACCHEA: And what's the one for the
23 Boots to Business total? Can you read that?

24 MS. MOGLIA: That one looks like 143 for
25 Reboot, but the Boots to Business, the previous slide

1 -- Cheryl, are you able to back it up?

2 MR. WILLIAMS: It's just the number of
3 classes. It's 143 and it's based on -- there's not
4 that many installations in Region 1. There's not that
5 many military installations in that part of the
6 country. So --

7 MR. ZACCHEA: I just can't read the number.

8 MS. MOGLIA: That looks like 890, though.

9 UNIDENTIFIED FEMALE: It's 890.

10 MR. O'FARRELL: 890.

11 MR. ZACCHEA: Okay. Thank you.

12 MS. MOGLIA: Okay. So if you don't mind
13 backing up to the previous slide, Cheryl. Thank you.
14 The outcome survey, again, Dena Moglia with SBA. I
15 know there was some discussion around this particular
16 survey tool at the last meeting. So I just wanted to
17 give you all an overview on it.

18 We have a couple of different tools that the
19 Boots to Business program is using to collect data
20 either from a course quality perspective or an outcomes
21 perspective. So I think there seem to be a lot of
22 interest about the outcomes assessment tool, which is
23 what the next few slides is -- will be discussing.

24 And that survey was developed in, I think, it
25 was 2015. We launched it in 2016. We had to go

1 through OMB approval in order to use it. It's
2 something that we administer online and we send it out
3 to graduates of Boots to Business and Reboot courses
4 one year after they complete that workshop. Then we
5 also surveyed them subsequent years. And we'll talk
6 about it, I think, in the next slide. You can skip to
7 it, Cheryl. Which the response rate -- and you can see
8 it's mentioned under the first bullet there, it gets
9 progressively weaker with every time we send out that
10 assessment tool to those folks in our database.

11 But I just wanted to highlight current
12 challenges. Our team -- and we've got some folks here.
13 Alyssa Hook, in particular, who took a deep dive on our
14 team into the outcome survey. And I really identified
15 a lot of the challenges that we're facing with using
16 this particular tool. And you can see those identified
17 on the slide there.

18 So the lack of generalized ability, which
19 means it's hard for us to make representative
20 statements about the data, because the -- there's an
21 inherent sampling bias with self-reported data. And
22 the response rates are really low with this tool. Even
23 though we know we've trained nearly 90,000 people
24 through the Boots to Business program, we have sent the
25 survey to a little over 10,000. And, Laura or Alyssa,

1 feel free to correct me on the numbers, but I think
2 it's a little over 10,000. And the response rate, the
3 last time I checked it was about 1,300 useful
4 responses. So you can tell from the numbers alone the
5 response rate is not great. But I'll get to courses of
6 action in a minute, but just wanted to call your
7 attention to the other challenges. And, Alyssa, feel
8 free if you want to jump in here at any point.

9 The data quality, because it's such a small
10 pool of data, is probably not as robust as we would
11 like it to be as the Federal Government. There are
12 opportunities for data sharing, which I mentioned
13 earlier with the Department of Defense and those
14 working on the interagency transition assistance
15 program. But we still are faced with the longitudinal
16 tracking challenge right now.

17 So we have data that cannot be ascribed to
18 any one individual. We don't have the right software,
19 frankly, if we wanted to track that and also gauge
20 their progress over time. We don't have the right
21 statistical software to be able to do that.

22 Alyssa, did you want to add anything?

23 MS. HOOK: No. I think you touched on it.
24 Ultimately --

25 MR. STUBBLEFIELD: You have to come over

1 here.

2 MS. HOOK: Sure. My name is Alyssa Hook.
3 Just kind of touching on what Dena said. The data
4 quality, one of the biggest challenges is seeing some
5 missing responses. So individuals completing the
6 survey would answer certain items and skip others,
7 which opens the door for item nonresponse bias.

8 We were also seeing some inconsistent
9 responding in items -- in objective items that should
10 have been immutable over time. So that was a
11 challenge. And then ultimately with the longitudinal
12 data, due to the extremely low numbers that we got as
13 well as attrition rates, we really didn't have the
14 power to pull much from the longitudinal data points.
15 And, frankly, it's a heavy lift to continue sending
16 that survey out. We weren't really seeing the results
17 that we'd like to see. So just kind of piecing
18 together some courses of action on how to fix that.

19 MR. SHELTON: Can I ask a question?

20 MS. HOOK: Mm-hmm.

21 MR. SHELTON: Do we wait, or --

22 MR. STUBBLEFIELD: Go ahead.

23 MR. SHELTON: Sorry, Brandon Shelton. So I'm
24 just trying to help think through this. So remind me
25 again, this program, Boots to Business, is going onto

1 military installations, trying to convince military
2 people to start businesses. Correct? When they ETS,
3 really. Roughly, right?

4 MS. HOOK: More or less. But really we try
5 to refine it with the interagency because everybody
6 thinks that we are pushing people to start businesses.
7 And what we try to refine is it's not to do that as
8 much as it is to give people information to make an
9 informed decision on that.

10 MR. SHELTON: So in terms of outcomes that
11 you're hunting for, I would say if they did start a
12 business and a year later you were trying to figure out
13 was that helpful, do -- in the agenda items, do you
14 guys implore these veterans that we -- if you think
15 this -- at the end of -- I don't know how long a course
16 is. It's really important to us so that we continue to
17 get funding and more support for this to pass it on.
18 We need -- you're going to get a survey one year from
19 today. We need you to take the survey. I mean, is
20 that stressed heavily and it's still giving these data
21 outcomes?

22 MS. MOGLIA: Dena Moglia with SBA. No, it
23 has not been stressed heavily in the course. But
24 that's actually been an area that we've identified that
25 we can do better at. We'd like to integrate that into

1 the curriculum so it's not getting lost.

2 We've also -- we're -- did you want to add
3 something?

4 MS. HOOK: Uh-umm.

5 MS. MOGLIA: I'll let it go at that.

6 MR. SHELTON: So the other -- it's Brandon
7 Shelton, I'm sorry. If you look at like, TEXTARs or
8 some of these other commercial entities, nonprofit
9 entities that are not tied to veterans, there's other
10 types of businesses, they're struggling with the same
11 problem because they want outcomes, they want more
12 funding. So I've seen some of them form kind of like a
13 -- it's almost like an alumni group, if you will. It's
14 not the data sharing I think you were talking about for
15 the VIP program where they got to voluntary coalesce.

16 It's like, no, three and six or 12 months
17 after this course, as part of the course we're all
18 going to get back on a call with your instructor for
19 those maybe who start businesses. I'm just saying it
20 would give you further touches beyond the data that --
21 I'm just trying to figure out how because compelling --
22 I don't know why veterans wouldn't respond, but
23 compelling them to actually feed the data back a year
24 later so you can curate your agenda. I'm trying to
25 throw out some suggestions.

1 MS. MOGLIA: Yeah.

2 MR. FENDER: This is Alex Fender, advisory
3 committee, Funnel Science. So over the last quarter
4 I've reached out, I took a special interest in this
5 topic and I reached out and I spoke to Boots to
6 Business instructors and VBOCs. And I've got a few
7 points that I think we should relay and talk about as a
8 committee.

9 Number one, the main consensus is that Boots
10 to Business is not a business starting program. From
11 the instructors and from the VBOCs, their -- they say
12 the mission is to promote the content and to just
13 explain the resources available. But the mission is
14 not designed to get a member going from TAPs to start a
15 business. The only mission there for Boots to Business
16 is just to share the information.

17 Now -- so that's one aspect of this. The
18 second aspect as it comes to data collection and the
19 survey results and where there's a major flaw in this
20 is this: When you go to TAPs, you're at the base or
21 the installation that you're at. But when you leave
22 the service -- so let's say I left Florida, that's
23 where my TAPs class was at. Well, I stayed in Florida
24 for a couple months but then I transferred to Texas.
25 At that point, the data collection is broken.

1 And the reason for that is because I'm in the
2 system for Florida, but when I -- and then I leave,
3 come back home to Texas or wherever I'm going, my data
4 is not transferred from the Florida VBOC to the Texas
5 VBOC. So when I come into Texas and I pick back up,
6 it's as if I'm a brand new veteran coming in without
7 any of that prior history or that knowledge.

8 So when they go to send the survey or to
9 go -- they don't have the ability to find where that
10 veteran left service, where they're at now and then
11 where they're starting the business. So these -- this
12 survey is going to be flawed just from that one --
13 that's going to be a very common thing. When a
14 military member leaves service, they're probably going
15 to change states. So when they change states, now
16 there's broken tracking between the VBOC and then as it
17 comes back up to the FDA. So that's going to be a
18 major challenge with this survey and the data.

19 MS. MOGLIA: Okay, thank you for that. This
20 is Dena Moglia again with SBA. That was actually one
21 of the reasons that the office acquired the sales force
22 customer relationship management system, was to provide
23 a platform to the Office of Veterans Business
24 Development for -- for housing that data related to
25 folks who had passed through OVBD-funded training

1 programs.

2 So our hope is that by gathering folks into
3 the CRM, the customer relation management system, that
4 we'll be able to track them in the sense that if
5 there's a zip code shift or if there's some type of
6 movement geographically, we can at least get them
7 routed to the local resource partners and
8 entrepreneurial development resources in their area.

9 MR. FENDER: This is Alex Fender again. Is
10 -- do the VBOCs have access to the CRM to sales force?
11 Do they have their own log-ins and are they being given
12 access to this?

13 MS. MOGLIA: Yes, they do.

14 MR. FENDER: What's the adoption rate between
15 the VBOCs and access?

16 MS. MOGLIA: They -- it's a fairly new
17 software package for them. They've been using it for
18 about the past year. And the newer VBOCs, it's all new
19 for them. So they are still getting familiar with it.
20 But they are increasing their familiarity with it the
21 longer we have it. We just rolled it out for veteran
22 business development about this time last year. So
23 we've really only had it operational for about 14, 15
24 months or so. So we're hoping that it's going to
25 become more widely used as folks become more and more

1 familiar with it.

2 MR. FENDER: Now, unless we have 100 percent
3 adoption rate on this, the survey and the methodology
4 of collecting the data is flawed. So instead of
5 looking at 90,000 businesses over the course of this,
6 we should look at how many people were trained in the
7 last 14 months. But really it needs to be drilled down
8 to doing samples within certain locations where they're
9 actually using this information and collecting it the
10 right way. If they don't collect, then it's
11 meaningless. And if we try to report back 14 months
12 over all these years, it's flawed in its inception.
13 There's no way that we're going to collect accurately
14 on this.

15 MR. PHIPPS: Alex, this is Michael Phipps.
16 This is something the committee had made
17 recommendations for almost two years ago because we saw
18 this issue time and time again. Definitely everything
19 you're saying can be a recommendation that will go to
20 the SBA. And let's get that -- let's start
21 articulating that socially amongst ourselves so we can
22 start that right up. And we can absolutely give that
23 to the SBA as a recommendation and then get more
24 information back from the SBA before we actually form a
25 recommendation so we can make an informed

1 recommendation.

2 But I think having that starting is huge
3 compared to just what people were having to deal with
4 in prior. So, I mean, it's a good start. But I think,
5 Alex, some of the points you're making, we can
6 definitely get into a written, formal recommendation.

7 MR. FENDER: Sounds good. I'll channel it
8 later.

9 MS. MOGLIA: Okay. So I was just going to
10 move on. Yes?

11 MR. WEIDMAN: Yeah. The only -- my comment
12 is vets will do for each other that which they will
13 never do for themselves. So if everybody leaves and
14 instead of one person from Texas, however many are in
15 that class, get somebody from the southwest and link
16 them together so that they keep in touch. And stress
17 to people before they leave the program that we're
18 going to be sending questionnaires along and it may or
19 may not help you, but it sure as heck will help your
20 comrades, so please respond to the surveys.

21 MR. SHARPE: Joe Sharpe with the American
22 Legion. Are you aware of the millennium study that's
23 being done by VA and DOD?

24 MS. MOGLIA: I've heard of it, but I don't
25 know the -- I don't have the details.

1 MR. SHARP: Okay. They're tracking 100,000
2 veterans as they leave the military for their next 20
3 or 30 years, and they have questions regarding
4 employment along with health care and other things.
5 That's something you may want to add to their -- to
6 their ongoing study.

7 MS. MOGLIA: Who's sponsoring it? Is it
8 jointly sponsored?

9 MR. SHARPE: It's jointly sponsored.

10 MS. MOGLIA: Okay.

11 MR. SHARPE: It's with Walter Reed Institute
12 of Research, VA, and the Navy and the Air Force.

13 MS. MOGLIA: Great, thank you. Before I get
14 into courses of action, that reminded me, Joe, that I
15 don't know if folks in this room are aware, but I
16 thought I'd mention it because I think the information
17 will be coming out within this month.

18 There is a pilot program that Army has been
19 running, their Office of Economic Manpower Analysis.
20 And they have been looking at a cohort of folks who
21 have -- who are going through the TAP program. And I
22 think the pilot started -- what are we in, 2018? I
23 thought it was in 2016. It's been a couple years in
24 the making. But they expect to have preliminary
25 results available at some point this month.

1 And what they're looking at, they divided the
2 folks going through TAP into risk categories. And they
3 used a few different factors to identify high-risk,
4 medium-risk and low-risk categories. And then they
5 were customizing the services, the TAP services, based
6 on those risk factors and trying to gauge whether that
7 made an impact on the soldier's transition to civilian
8 life and their success in civilian life.

9 So that's something that Boots to Business is
10 a part of. They're looking at folks who have gone
11 through the entrepreneurship track in addition to the
12 other tracks as a part of the TAP.

13 MR. SHARPE: Well, with the upcoming changes
14 to the TAP program that will be implemented shortly,
15 will that affect Boots to Business?

16 MS. MOGLIA: We don't anticipate it will
17 affect Boots to Business right now, at least for the
18 curriculum. We suspect it might increase the volume
19 for the entrepreneurship track. But that's really the
20 only -- the only impact that we foresee. It's -- from
21 what we've heard with our partners, it will impact the
22 Department of Labor more significantly.

23 MR. SHARPE: Right. So if there is an
24 increase in volume since Labor's three-day program may
25 go down to one day, and then SBA will definitely be a

1 part of that, will you be able to handle that value?

2 MS. MOGLIA: I think that's -- I'll defer to
3 my management on that and how -- I believe that there
4 will be discussions among the interagency partners on
5 all of that. Did you want to add --

6 MR. STUBBLEFIELD: No. That's -- I was going
7 to say you hit it on the head. We would have to work
8 through that. If you remember earlier, I was talking
9 about not doing business with our resource partners,
10 you know, and putting this all on the VBOCs. So it's
11 something we're going to have to think through, how to
12 probably do it.

13 MS. MOGLIA: So moving on to the courses of
14 action for improving the outcome survey, there is a
15 couple of different phases that we are going to be
16 tackling. And Alyssa developed a project plan to
17 tackle these COAs. The first thing is revising the
18 survey, making the introductory language a little bit
19 more streamlined, a little bit more engaging, grabby,
20 if you will, and then paring the survey itself down to
21 a few of the more basic key questions. We expect to be
22 working with our colleagues over at the Department of
23 Defense's Office of People Analytics who have a lot of
24 in-house survey design capabilities. Alyssa also has
25 background in survey design, but also would like to be

1 able to leverage DOD capabilities, if possible.

2 And then the second phase would be
3 redesigning the sampling methodology. Did you want to
4 jump in and talk about this, Alyssa?

5 MS. HOOK: Sure. This is Alyssa Hook. So as
6 we identified earlier, a big problem with our data is
7 the lack of generalized ability. And to do that, what
8 we need is a random sample of individuals. We want to
9 make sure that the data we're gathering is from a group
10 of people that represents the whole Boots to Business
11 population.

12 Obviously we're not going to get data from
13 everyone. So we need to try and get the most
14 representative sample that we can. So what we are
15 going to do is implement random sampling. We're going
16 to select basically just a random group of individuals,
17 send the survey out to them, and aim for higher
18 response rates so that we can have a saturated sample
19 and we can say with confidence this is representative
20 of the Boots to Business population. So that's going
21 to be our goal with redesigning sampling methodology.

22 MR. STUBBLEFIELD: Okay. So I'm just going
23 to say here, in the interest of time we can look
24 through the piece about the curriculum refresh. We're
25 not going to go through that today.

1 You can keep going through. We're -- we're
2 up to -- no, he said -- yeah, we have Ken Dodds.

3 MS. MOGLIA: All right. Thank you.

4 MR. ZACCHEA: Thank you, Dena. Last up is
5 Mr. Ken Dodds from the Director of Office of Policy and
6 Planning.

7 MR. DODDS: Good afternoon, everyone. I'm
8 going to update you on the pending regulations, SBA
9 regs, FAR changes and legislation that was passed, the
10 NDA of 2019.

11 I think they're pulling up my slides. We
12 have five open FAR cases that have to do with small
13 business. The first is a revision to the limitation on
14 subcontracting which implements the NDA of 2013. And
15 that will be a proposed rule. We heard from OMB
16 yesterday that they're hoping that that will be issued
17 before the end of the fiscal year.

18 The second case that we're mentioning here
19 involves joint venturing. We changed our rules back in
20 2016 to allow mentor-protégé relationships for all
21 small businesses. That includes -- if you can go to
22 the third slide here. There we go. Okay. So the
23 second case I'm talking about there, we allow SDVO
24 small business concerns to joint venture with their
25 mentor and we considered SDVO for any contract that

1 they go after. Those rules are in effect because we
2 follow the SBA rule when we make eligibility decisions.
3 But we are going to update the FAR to make sure that
4 the FAR language is similar to what our rules say.

5 The third case up there has to do with the
6 set-asides of multiple award contracts and orders under
7 those set asides. That's a case that's from the Jobs
8 Act of 2010 and an SBA final rule from 2013.

9 The fourth case on this list has to do with
10 Part 19 and applies outside of the United States. The
11 current language is confusing. It applies -- to some
12 people it doesn't apply at all. For us, we think that
13 you can use set asides and things like that outside the
14 U.S. if as an agency you decide to do that. So we're
15 trying to get clarifying language put in the FAR to
16 clarify that.

17 The fifth case on there really has to do with
18 large primes. Right now they kind of have goals and
19 report on subcontracting at the first tier. Once this
20 is implemented, they will have goals for lower tier
21 subcontracting and there will be a way to report or get
22 information on awards to small businesses at the lower
23 tier. It's not just at the first tier.

24 Let's go to the next slide and I'll talk
25 about -- we have five pending SBA rules that we're

1 working on. The first one is at OMB for interagency
2 review. It will be a proposed rule. Some of the
3 highlights from that will be that we're going to
4 address some of the issues with the limitations on
5 subcontracting to see if there's certain industries
6 where we need to make some exceptions.

7 We're going to address whether you can set
8 aside an order under a contract that was already set
9 aside. And then we're also going to provide examples
10 of bad faith in small business subcontracting.

11 The second case up there is the one that
12 you're the most interested in, and that's the joint
13 rule that we're doing with the VA on ownership and
14 control of a service-disabled veteran-owned small
15 business concern. We issued a proposed rule, got
16 public comment. We're going to finalize this rule and
17 publish it in the next week or so. And it will be
18 effective October 1 to coincide with the VA amending
19 their rules to get rid of ownership and control from
20 their rules.

21 And then, also, our Office of Hearings and
22 Appeals will have a rule effective October 1 where
23 protest and appeals of VA decision can go to our Office
24 of Hearings and Appeals here at SBA. So we're going to
25 get that done and published in the next -- within the

1 next week or so.

2 The third has to do with the women-owned
3 certification program that we're required to stand up
4 by the NDAA of 2015. So that is in agency clearance
5 right now.

6 The fourth rule for HUBZone, we're trying to
7 make some adjustments to the program to make it more
8 user-friendly. That is at OMB for interagency review.
9 So that will be hopefully published before the end of
10 the year as a proposed rule.

11 And then, lastly, we have a rule that we're
12 working on that isn't even in clearance yet, but we're
13 thinking about consolidating the 8(a) mentor-protégé
14 program with the All Small mentor-protégé program. We
15 have two separate programs. The rules are largely the
16 same. We're going to probably propose to put those two
17 together at some point.

18 All right. Let's go to the next slide. I
19 think this is -- I just -- this was a recent GAO bid
20 protest decision that has to do with set asides and a
21 nonmanufacturer rule. I just wanted to highlight it
22 for you. It's an interesting case. AeroSage is a -- I
23 think an SDVO small business that does protest a lot.
24 In this particular case, they were successful.

25 They challenged a decision of an agency not

1 to set aside a particular contract line item for small
2 business. And what the protester argued was that SBA
3 changed their rules to say that the nonmanufacturer
4 rule limitation on subcontracting did not apply below
5 \$150,000. And the agency had considered that the small
6 businesses were available, but they weren't supplying
7 the product of a small business. So they declined to
8 set it aside.

9 They also argued, the agency, that they were
10 looking at the whole contract but not each individual
11 line item. But as the protestor pointed out, each line
12 item was a separate contract. And so they successfully
13 argued and got a sustain that this -- the agency erred
14 in not considering whether they could set this CLIN
15 aside for small business. So this is a GAO
16 recommendation that came out just in August.

17 Let's go to the next slide. I think a month
18 or so ago the NDA 2019, I think was signed. A couple
19 of highlights. They adjusted the micropurchase
20 threshold for DOD to \$10,000. They had already done
21 that for the rest of the government. Section 823, DOD
22 is going to have to create some kind of performance
23 evaluation for the first tier subcontractors and joint
24 venture partners performing on construction and
25 architecture and engineering contracts.

1 There's been some adjustments to the e-
2 commerce portal. They want -- they're directing the
3 GSA and OMB to come up with -- they want to have
4 multiple portal contractors with that, and they have
5 some things around data.

6 Section 839 up there is implementing a lot of
7 the 809 recommendations on how certain laws should not
8 apply when you're acquiring commercial services and
9 products. If you read the 809 report, I think the
10 first chapter was about how all along these laws were
11 not supposed to apply to these commercial acquisitions,
12 but as time went on more and more laws were starting to
13 apply to these. And they're not supposed to. So they
14 want the FAR council to take a look at that.

15 Next slide, we've got Section 852, there's a
16 policy from OMB that says you should pay small
17 businesses within 15 days when practicable. They also
18 have a policy that said you should pay large primes
19 with small business subcontractors within 15 days.
20 That memo or policy expired and was not renewed. So
21 large primes went to the Hill and got this Section 852
22 that directs the DOD to pay small and large primes
23 within 15 days to the fullest extent permitted by law.

24 Section 855 addresses a common complaint from
25 small construction firms. They want the solicitation

1 to have information on how an agency responds to
2 requests for equitable adjustment, and they want
3 information on the agency's past performance in
4 responding to requests for an equitable adjustment in a
5 construction contract.

6 And then Section 861, addressing Puerto Rico,
7 agencies will get double credit if they award a
8 contract to a firm located in Puerto Rico. They get
9 access to surplus property, and then a Puerto Rico
10 business that has a mentor, some of those training
11 costs could be used for subcontracting plan premises.

12 And let's go to the next slide. All these
13 sections are really in response to the Section 809
14 Panel's recommendation on how DOD needs to do a better
15 job of reaching out to small technology providers and
16 getting the best technology for fighting wars -- you
17 know, for the warfighter. So this is stuff around SBI,
18 funding for PTACs and commercialization assistance. So
19 just to highlight those sections there.

20 And then I think the last slide is just my
21 contact information. So I kind of went through that
22 quickly. I know you guys are on a time crunch. I do
23 have a 2:00 as well. But I'm happy to answer any
24 questions if there are any.

25 MR. ZACCHEA: One from the audience?

1 MS. ASHE: Hi, Barbara Ashe. Hi, Ken.

2 MR. DODDS: Hi.

3 MR. ASHE: I just have a question. I'm so
4 glad you're looking at the rules for subcontracting and
5 glad to see that, you know, you're not -- I know we
6 collect the data at the first tier and I know you're
7 trying to collect it on the second. I'm wondering if
8 we'll ever have public access to that data like we do
9 now on the prime contract.

10 MR. DODDS: Yeah. The question about public
11 access, I mean, some folks argue that the -- some of
12 that information, I guess, is proprietary or
13 confidential. At the same time, right now all you're
14 really -- you're not even recording the names. You're
15 just recording percentages. They're just really
16 numbers. So -- but historically that has not been
17 public.

18 And I'm not aware of anyone -- we're
19 struggling with how we're actually going to implement
20 this in the current system just in terms of figuring
21 out how to report it. I haven't heard anybody. That
22 can be something that can come up, for example, this is
23 a proposed rule. One of the comments could be from the
24 public, can you make this information, you know,
25 available to the public?

1 MS. ASHE: And this is a followup. Is the
2 thought that these are open comment periods now, all
3 the ones that you're -- that particular one that's
4 still in comment?

5 MR. DODDS: No. It hasn't been -- we're
6 working on it. It will be proposed.

7 MR. ASH: Okay. I just want to make sure I
8 didn't miss it.

9 MR. DODDS: Yeah. You did not miss it. I
10 come here every three months and I update you. We
11 haven't really published a lot of stuff in the last
12 year. A lot of cost benefit analysis that we have to
13 do, that we're learning how to do. The two that I
14 think you'll see is the limitations on subcontracting
15 in the multiple award contracting rules from the FAR
16 the next month.

17 MS. ASH: Okay.

18 MR. DODDS: Lower tier will probably be later
19 this year, would be my guess. And I'll certainly --
20 you know, when we come back in December, I think it
21 will be December, I'll update you. Usually it's a 60-
22 day comment period as well. And I'm sure you'll know
23 about it.

24 MS. ASH: Okay. Okay, thank you. I
25 appreciate your comments.

1 MR. DODD: Yeah.

2 MR. WEIDMAN: We have a strong interest in
3 that FAR being public. To consider it proprietary
4 when, in fact, it's public monies, there's nothing with
5 national security. And we believe and have believed
6 for a long time that big primes do it because they're
7 fudging reports. And if you dig into it, into the
8 contracting and subcontracting, we've discovered
9 Fortune 500 companies on the subcontracting and they
10 were counting on that small business. So the more
11 transparency, the better. And all that does is promote
12 an honest program so that people who are interested can
13 check.

14 MR. DODDS: Yep, that's a good point. And I
15 hope someone brings that up when this rule is proposed.

16 MR. WEIDMAN: Trust me.

17 MR. DODDS: I do trust you. Thank you.

18 MR. PHIPPS: Michael Phipps. Ken, I know we
19 touched on this yesterday and this is not exactly your
20 area. But I just wanted for the record and let
21 everybody on the committee understand what GSA is doing
22 with this e-commerce portal. Yesterday at the IATF we
23 had a representative from GSA come and talk about it.
24 There's been a lot of discussion around this, what
25 Congress has directed GSA to do is make an e-commerce

1 platform.

2 Basically it was originally called the Amazon
3 rule, but they've extended it now to -- they're going
4 to have multiple providers where basically you don't --
5 and they don't know yet, but you're not going to have
6 to be a registered contract in SAM where the government
7 can just go to this portal and just buy kind of like an
8 Amazon. Right? That's the -- we all know that's the
9 model.

10 And so there's a lot of -- there's a lot of
11 nuance issues in here, in this -- so yesterday the
12 program manager's name is Keil Todd. He came and spoke
13 about it. They're trying to go above the micro-
14 threshold purchase. They were trying to, but they were
15 not successful, meaning items on the platform cannot
16 exceed \$10,000. They were trying to get up to \$25,000
17 and eventually go up to \$250,000, which is underneath
18 the SAT.

19 MR. DODDS: Yeah, my understanding, the way
20 the 846 was written is that it was going to apply to
21 anything under the SAT; would not apply above it. They
22 raised that to \$250,000. Now, what they were trying to
23 do is say for their purposes, their micropurchase
24 threshold would be -- instead of \$10,000, \$25,000. So
25 that almost lets you use credit cards and all the rules

1 don't apply for those. They did propose that it did
2 not get in the NDAA of 2019.

3 MR. PHIPPS: So they can still buy things on
4 -- up to \$250,000 on a platform, just not with a credit
5 card?

6 MR. DODDS: Right. It will be subject to all
7 the rules. If it's a micro-purchase threshold, then
8 all the rules -- the FAR doesn't really apply.

9 MR. PHIPPS: Right.

10 MR. DODDS: They were trying to get an
11 exemption up to \$25,000, but they didn't get that. So
12 it's still going to be \$10,000.

13 MR. PHIPPS: We're talking billions and tens
14 of billions and possibly hundreds of billions of
15 dollars that were in government procurement here. I
16 mean, a lot of this is going to affect service-disabled
17 veteran-owned businesses and veteran-owned businesses.
18 There are GSA schedules for all these products that are
19 not going to be on the platform. You would have to go
20 back and put them on the platform. And then there's a
21 lot of just competition and contracting questions
22 surrounding platform. That's just so everybody here
23 knows that this is happening and there's a lot of
24 discussion on it. And there will be more --

25 MR. DODDS: Yeah. I mean, if you -- if

1 you're in the product industry, supplies, it definitely
2 is going to impact you.

3 MR. PHIPPS: One other thing. One of the
4 positives that came out yesterday, a possibility is
5 that all that data, that credit card data can be shared
6 now, and that information we can see what products have
7 been purchased for and how spends are done. One of the
8 big issues with not understanding where credit card
9 data is going came out in a big case against the VA --
10 and, Ken, you might correct me -- but it was in the
11 nine-ish billion dollar range, nine billion dollars'
12 worth of credit card purchases were not going through
13 contracting law, Davey, what?

14 MR. LEGHORN: Seven billion.

15 MR. PHIPPS: Seven billion. Davey Leghorn
16 from American Legion with the comment. Seven billion.
17 So what that does is circumvents any of the rules that
18 the SBA has in place by just using credit cards. So
19 that's all going to come up with this new e-commerce
20 platform.

21 The good thing is there may be a lot of
22 veteran-owned businesses that maybe don't want to
23 register to be government contractors. They will be
24 able to get their products into the system very easily.
25 It's not going to apply to certain things that will

1 have security issues within our supply system. So
2 those are the highlights.

3 MR. DODDS: All right. Thank you very much.
4 Thanks for having me.

5 MR. ZACCHEA: Thank you, Ken. So time on
6 deck I have is 2:13 p.m. That's 1413 to military
7 types. We're at the point now where we're going to
8 open it up to public comment. Anybody from the public
9 want to comment?

10 MR. PHIPPS: Just for the record, I think it
11 was the Department of Labor yesterday had talked about
12 -- I'm just going to mention a couple websites
13 specifically for veterans and employers and workers for
14 compliance. Veterans.gov is a website now. So you can
15 go to veteran.gov. There's all sort of information
16 there.

17 In terms of compliance for labor laws, you
18 have worker.gov singular, and then employer.gov. And
19 what the Department of Labor is attempting to do is get
20 all compliance for both employer and laborer in one
21 location. So if you're a business owner, the
22 employer.gov is going to be a pretty beneficial site.
23 That's it.

24 MR. LOWDER: Lynn Lowder from Veteran
25 Business Project. I just want to make people aware and

1 spread the word that part of our charge is trying to
2 get state loan guarantees or state loan participation,
3 legislation, in every state in America. We have two
4 down and 48 to go. Missouri just passed the
5 legislation unanimously. Recently it went into effect.

6 On the Illinois side -- Illinois is the other
7 state we have -- they've got a pool -- a loan pool of
8 \$5 million where the State of Illinois is a 40 percent
9 contributor to what the veteran is looking for. The
10 max is \$500,000 under the program. The State of
11 Illinois is a subordinate lender. At one point, 5
12 percent below the participating senior lender, which is
13 our community banks that are involved in it.

14 And, you know, we're right in the midst right
15 now of -- I'm hoping we have some good news -- \$1.2
16 million purchase of this iconic restaurant on the
17 southwest side of Chicago called Glenwood Oaks, an Army
18 captain, airborne, two tours in combat, five kids,
19 executive chef, great story. And we hope that we can
20 report out to you on that happening. Because if we can
21 do that in Illinois, for God's sake, we can do it
22 anywhere.

23 Illinois has got a lending pool, as I said,
24 of five million. Missouri has a lending pool of \$720
25 million. And they are looking to help veterans. And

1 under there, Senator Lake devised a program and they
2 fund the whole daggone thing. The whole thing. So
3 they're looking for a combination of agriculture where
4 they can and then the rest of our other businesses.

5 But the main thing I need you guys to do is
6 spread the word and get on your state legislatures,
7 either -- it can be both sides of the house or one
8 side, just looking for a tiger to grab the legislation.
9 Illinois is House Bill 324, and Missouri is House Bill
10 1503. Print it out. Erase Missouri, plug in their
11 state and get going so we can get this done.

12 We need -- you know, we've got so much time
13 with five volunteers on our own dime knocking on doors,
14 that this has not been done. And it desperately needs
15 to be done.

16 The -- still yet today, access to capital.
17 We have Boots to Business, and it's great. But if
18 people can't get loans, that's the difference between
19 49 percent post-World War II and 6 percent now. And I
20 have some -- we had some fine young turks here post
21 9/11. These veterans can do great. But they need a
22 little gas in the tank. So please help us spread the
23 word.

24 Also, we think we're going to be in front of
25 the National State Legislators Conference here in D.C.,

1 and I think I'm going to be able to get up in front of
2 everybody and beat the tub. We're working to get an
3 agreement with the National Guard, because they're very
4 politically involved, to push it down. But they -- but
5 you guys spread the word. I'm telling you, Missouri is
6 open for business. Okay? And my number is -- you guys
7 have got my number. I've got some new cards here.

8 But for anybody listening in, it's 630-222-
9 5155. We used to be One Veteran at a Time. We're now
10 Veterans Business Project. We're also doing a
11 matchmaking project between veterans who would like to
12 buy an existing small business and existing small
13 business owners that would like to sell to veterans.

14 I think it's a much better play, frankly,
15 with the banks if you can go to them and you've got an
16 existing business with customers, cash flows, tax
17 returns and all the rest. And we've been doing this
18 informally for five years. We're doing it formally
19 now. So we're going to be -- you're going to see us.
20 We're going to be spreading the word.

21 Joe, anything the Legion can do to help us
22 get the word out? This is -- and we're nonprofit. So
23 that's what we're about. Okay, thank you.

24 MR. PHIPPS: Lynn, can you share those House
25 bills and that language with us on e-mail?

1 MR. LOWDER: I will.

2 MR. PHIPPS: Thank you.

3 MR. LOWDER: Sure will. Yeah, you bet, Mike.

4 MR. ZACCHEA: Any more comment? Oh, Rick?

5 MR. WEIDMAN: Yeah. I wanted to -- this is a
6 good time to interject. One of the reasons for the 6
7 percent versus 49 percent is part of the original GI
8 Bill was small loans for veterans to open businesses.
9 And VA ran the rap that this was a terrible bust. And,
10 in fact, it was not a terrible bust. You go all over
11 America and you see veterans cab companies, and most of
12 those were started with those loans right after World
13 War II. And it's time to consider doing that again for
14 veterans through the VA and for -- even if it's -- and
15 those were straight-out grants. So it made a big
16 difference. They weren't huge, but they were big
17 enough for the time. Twenty-five thousand dollars in
18 1945 was not \$25,000 today. You could buy a house for
19 \$5,000 or \$6,000.

20 MS. O'BRIEN: I believe it was approximately
21 two and a half years ago Senator Blunt tried to push
22 through something similar that would allow --

23 MR. WEIDMAN: I can't hear you.

24 MS. O'BRIEN: I'm sorry. I think it was
25 approximately two and a half years ago Senator Blunt

1 from Missouri tried to push something through that
2 would allow veterans to have the opportunity to
3 leverage their GI Bill to start small businesses, and
4 it got --

5 MR. LOWDER: Senator Moran.

6 MS. O'BRIEN: Senator Moran, right.

7 MR. LOWDER: Yeah. We were dead in the
8 middle of that, as was Joe Sharpe right there.

9 MR. SHARPE: Yes.

10 MR. LOWDER: We went knocking on doors and we
11 found them, our little engine that could, and we went
12 after it. And I -- we learned very quickly to Rick's
13 point, he's dead on. The difference in World War II,
14 get a degree, get a job, Servicemans Readjustment Act
15 of '44. Second option, get a trade, get a job.

16 This is Rick saying here, if you want to buy
17 a farm or a business property, then the Fed came in
18 with that loan provision. That disappeared. And so we
19 attacked it at the GI Bill level to get it back to the
20 original intent. Who am I looking at across in here
21 and who's pushing back? The VFW. Thank you very much.
22 Not those guys. Those guys are all in. It's the right
23 thing to do.

24 There's something terribly morally wrong
25 about two grunts, let's say, overseas in the Middle

1 East, they're shooting and being shot at, and one guy
2 says, well, when I get out of here, I'm going to go --
3 you know, go to college. You keep your grades up, that
4 aggregate benefit nationally is over \$182,000. Be
5 blessed, that's great, man, we got your back.

6 But the other Marine says, nah, I want to go
7 start my own business in my community, help the
8 community out, hire some people, and we say we've got
9 nothing for you, brother. There's something terribly
10 wrong with that.

11 MS. O'BRIEN: And what's the percentage of
12 veterans that don't leverage their GI Bill?

13 MR. LOWDER: Fifty percent take advantage of
14 the 50 percent to start. Half of them finish. Stupid
15 me, I'm still an Illinois -- downstate Illinois guy. I
16 thought when Joe and I were starting out that, my gosh,
17 all these legislators, they surely want our veterans to
18 have access to the GI Bill in any way they could. I'm
19 pretty slow on the uptake even at age 72. I learned.

20 MR. BANTON: Where can we find more info on
21 that push back?

22 MR. PHIPPS: He said this committee is
23 actually --

24 MR. LOWDER: Oh, right in here. Right in
25 this committee.

1 MR. PHIPPS: Yeah, right in this committee.
2 We have the legislation that actually went, there's a
3 pilot program. I don't -- did the pilot program go
4 through?

5 MR. LOWDER: No.

6 MR. PHIPPS: So all that language is written
7 and we're advocating -- one of the things that is in
8 that language is that there's some sort of entrepreneur
9 training that goes along with the money. Because there
10 was -- you've got two sides of the house, all veterans,
11 pro and against, having the entrepreneurial training
12 part of that, has alleviated a lot of critics, although
13 we still have some critics. But we -- we'll start
14 articulating that language internally because it's --
15 you should be able to use your GI Bill money. You paid
16 into it.

17 MR. BANTON: And, like, in 15 seconds, like a
18 15-second blurb, what is the pushback?

19 MR. FENDER: Veterans of America said that
20 they do not want the GI Bill -- they don't want it to
21 be one or the other. They want it to be both. And so
22 the 2017 Forever GI Bill is an education bill. It's
23 not for jobs and it's not for entrepreneurship. So
24 their pushback is is they don't want it to be one or
25 the other. They would do both. So if it's not both,

1 then they're going to push back on it.

2 MR. PHIPPS: They don't want it to be used
3 for anything but education, I thought. That's their --

4 MS. O'BRIEN: Their thought process is four-
5 year degrees are the only --

6 MR. PHIPPS: It's an education or nothing.

7 MR. WEIDMAN: There's still a residual
8 pushback from Mike Graham, who has since retired from
9 the Veterans Affairs Committee. I had enormous respect
10 for Mike, brother Vietnam vet. Four tours, I think,
11 Navy helicopter pilot. And -- but Michael felt, and
12 felt very strongly, that if the business goes south
13 then they got nothing. He wasn't against guaranteed
14 loans from the VA. He just didn't want to use the GI
15 Bill as that source of income.

16 The problem is, if you can't pay for it, you
17 ain't going to get it through this Congress. You've
18 got to have it paid for unless it's a tax benefit for
19 rich people who don't need it.

20 MR. PHIPPS: There's another funding issue
21 because of the subsidy. We'll get into -- we'll start
22 getting you guys all that information. It's actually
23 not --

24 MR. FENDER: This is Alex. I don't think
25 there's going to be any way to change the GI Bill.

1 It's going to have to be either new legislation or
2 you're going to have to attack it from another way. I
3 think the way to attack is to do the same thing as the
4 VA Home Program, basically adopt something like that at
5 the SBA level. So mimic the VA home loan, but do VA
6 business loan at the SBA level.

7 MR. BANTON: All right. I'd kind of add to
8 that. Again, I don't want to go far into the weeds.
9 But, you know, with the current Administration, even
10 the concept behind the Made in America movement and,
11 you know, skilled jobs, I mean, really what you have is
12 the same challenge with veterans as you have with
13 wholesale anybody going to college. What's the degree
14 actually worth at this point?

15 And if we have what seems like the
16 Administration pushing jobs that are more skilled labor
17 where you're getting some sort of certification to go
18 and start a business quickly, where's the comparable to
19 that on the veteran side of things? And so I don't
20 know if there's any sort of alliances that could happen
21 at that point. But that's a topic that's certainly not
22 in this Administration right now.

23 MR. CRANE: One thing that I'd also like to
24 see, Lynn, and I don't know if you came across this in
25 your studies, but -- okay. We're still doing that?

1 Sweet. Eli Crane, I've got a question for Lynn. Lynn,
2 did you come across any data in your studies to find
3 out how many of these guys that are actually using
4 their GI Bill to get degrees are actually working in
5 fields that represent those degrees?

6 MR. LOWDER: No, I haven't. But I can tell
7 you this: Being in -- I stood up by the veterans
8 program at the University of Central -- are we doing
9 this again? Lynn Lowder. I stood up a veterans
10 program at the University of Central Missouri, and I'm
11 a Vietnam veteran, so that got me into this -- I was
12 intrigued with how many veterans were coming all the
13 time not talking about education, talking about how to
14 get a business started. They knew I had a little bit
15 of business background. We began to talk and all the
16 rest of that. But I became familiar with -- and I
17 don't know how to say this politically. I'm not the
18 most politically correct guy in the world. But
19 education is a business. It's very much a business.

20
21 And so, you know, we beat the tub on the
22 value, supposed value, and everybody, you know, college
23 education, that's great. But it's not for everybody.
24 And I think the bloom is off the rose on a undergrad --
25 general ed undergrad type of a four-year degree.

1 Honest to God, we've got a lot of jobs out there that
2 don't require college degrees. So we're butting up
3 against this education thing.

4 I'm not -- I'm for people taking a good, hard
5 look at things other than necessarily jobs that require
6 a four-year degree, but particularly I'm bullish on
7 veterans getting into business for themselves, creating
8 their own. It's not for everybody. But you guys have
9 everything it's ever taken to be successful in
10 business. You just need some gas in your tank.

11 MR. CRANE: This is just coming from the new
12 guy perspective here as I've sat through two days and
13 two sessions of this. If I could take personally one
14 initiative and run with it, it would be this one right
15 here.

16 MR. LOWDER: Thank you.

17 MR. CRANE: Because I can't tell you how many
18 guys I met in the service that when they opened up the
19 GI Bill for guys to be able to go into a trade school
20 or go get some other type of education, whether it be
21 get their pilot's license or what have it, I can't tell
22 you how many guys I saw get excited about that. And if
23 it's supposed to be their money anyway, you know, I
24 would love to see us be able to push it through, open
25 it up to where these men and women, you know, have more

1 freedom to pursue, you know, whatever they want to
2 pursue.

3 MR. LOWDER: Well said.

4 MR. SHARPE: For the American Legion, the
5 original GI Bill was always for employment. It was
6 never to sit in a classroom for four years. So that's
7 why our position was always do what you need to do to
8 get a job. You can go to college, you can get your
9 license, certification. You can start a farm. You can
10 start a business.

11 So that's the difference between our
12 philosophy and people like Mike Brink who feels like
13 you don't get anything out of if you start the
14 business. Anyone who started a business, you know how
15 much you learn through that. And you're eventually
16 going to do something with it. So the other VSO, SVA,
17 Student Veterans of America and VFW, they still feel
18 that the GI Bill is strictly to sit in the classroom
19 for four years. That's never been our philosophy.

20 MR. CRANE: Well, it sounds like a bunch of
21 BS to me. And it sounds like it's really -- it sounds
22 like it's really in-the-box thinking. It's not
23 unconventional at all and it sounds like it's really
24 doing a disservice to our veterans.

25 I had a buddy that just went through -- he

1 wanted to do some bodyguard work, and that's what he's
2 currently doing. And so he used his -- he was able to
3 use his GI Bill because they dropped some of the
4 regulations and opened it up quite a bit and he was
5 able to put himself through some, you know, PSD schools
6 and several other schools where, you know, he learned
7 offensive driving, he learned all sorts of stuff about,
8 you know, being a bodyguard in the civilian sector.
9 And it would just be great, you know, I mean, to see
10 these -- you know, I know a lot of guys that get their
11 degrees and then can't find work afterwards. It's --
12 to me, it's just insane, you know?

13 MR. PHIPPS: Eli, this is Mike Phipps. And,
14 Eli and Glenn, I'll send you over the language that the
15 Legion has done. We have the -- all the language for
16 the pilot from a Congressional standpoint is already
17 written. We can take a look at it and it just needs
18 another push. Right?

19 MS. PEREZ-WILHITE: Can you send that to
20 everyone, please?

21 MR. PHIPPS: We'll send it to everybody,
22 absolutely.

23 MR. BANTON: Glenn Banton again. What was
24 the timeline when that was originally -- the most
25 recent time it was struck down?

1 MR. SHELTON: Last year.

2 MR. BANTON: It was last year?

3 MR. OFFUTT: No, it was the previous
4 Congress. It wasn't the last Congress.

5 MR. PHIPPS: Previous guy.

6 MR. BANTON: 2016? So --

7 MR. PHIPPS: 2016.

8 MR. BANTON: So not under the current
9 administration.

10 MR. PHIPPS: No.

11 MR. BANTON: Got it.

12 MR. LOWDER: Lynn Lowder one more time. I
13 just want to say that being out here with Joe and Bill
14 Offutt right there, too, behind you, have had a lot to
15 do with this as well. It was a D.C. hand, but it was
16 learning a lot about what's going on out in this neck
17 of the woods and realizing that we were going to be a
18 real uphill grind here, black ops, two ways in, two
19 ways out.

20 We went back to the states and said we've got
21 to get moving here someday, somehow. And that's been
22 the effort at the state level, too, which we're going
23 to push right on through with that. People with the
24 policies out here, they continue to spin around and
25 round and round. I hope we can make some progress

1 because it is your benefit. It will be for you. You
2 all have choices. A lot of people have choices. None
3 deserve it more than you guys do, in my opinion. I
4 better shut her down for now.

5 MR. CRANE: It's going to miss me and a lot
6 of guys in this room because we're already on our way.
7 But, I mean, I think I speak for us all when it's our
8 job to look back and help and provide support for those
9 guys that are coming behind us. That's what we really
10 should be doing in here.

11 MR. LOWDER: Vietnam one more time. I've
12 just got to say this. Nobody cares about us like we
13 care about us. Nobody cares about us like we care
14 about us. And we need it. We need to do it for
15 ourselves and we need to do it for the people behind us
16 especially. So I'm -- hear, hear. It's on us to do
17 it. And we've done lots -- lots more with lots less.
18 This ought to be done. Thank you.

19 MR. STUBBLEFIELD: I was just going to add
20 one factor, too, that you may want to consider or think
21 about. And that's -- and we talk about it in the
22 report that Sid put together. And that's a number of
23 people, veterans, who actually go into an employment
24 situation and are not -- in their opinion, not fully
25 allowed to utilize all the skills that they acquired in

1 the military. And we -- in the Federal Government, we
2 see that with a low retention rate. Sometimes the
3 veterans when they come into a situation where they are
4 not allowed to utilize all the skills and things that
5 they picked up, you know, through military service.

6 MR. CRANE: I'd like to say one last thing
7 about the comment this gentleman made back here. I
8 don't know -- I don't remember who you were talking
9 about, but you said that the guy had some pushback
10 saying that if you don't succeed in business you're
11 left with nothing. And I don't know if that man was an
12 entrepreneur or not, but I would challenge that
13 absolutely.

14 As an entrepreneur myself, if you don't
15 succeed in -- you know, most entrepreneurs will tell
16 you, you only have to be right one time. Right? And
17 most the entrepreneurs I know, they aren't successful
18 their first time. I know I wasn't. But when you start
19 to become an entrepreneur and you start to build a
20 business, probably one of the most valuable things that
21 you build is your Rolodex and your knowledge base. And
22 a lot of times that will spin into a lot of -- a lot of
23 careers and a lot of opportunities for these vets. So,
24 anyway, I just wanted to add that.

25 MR. GWINNER: This is Sean Gwinner. I just

1 wanted to make --

2 MR. WEIDMAN: We didn't get a chance to meet
3 with -- those who know me know that I did push back and
4 push back hard. But he had the chairman's ear and I
5 didn't on this issue.

6 MR. GWINNER: Sean Gwinner. I just want to
7 make a note. I used voc rehab to get my bachelor's,
8 which I don't use and never used after I got it. And
9 I've held onto my GI Bill. But what I noticed is my
10 first business in talking to the effectiveness of
11 having that GI Bill as possible capital, I started up
12 two businesses previously without any capital. So you
13 learn to be resourceful. And I failed in both of
14 those, but the lessons learned now to the third and
15 fourth business I started have had a lot of success.
16 And the fourth one we actually have capital.

17 So the difference in having capital to lead
18 with and hitting past that breakeven to get to where
19 you need versus having to be resourceful and wasting
20 months on that before you've already learned it, it's
21 an amazing lesson. But what I'm saying is if you have
22 the capital based with the education with other
23 entrepreneurs that have failed or been through it, it
24 negates that risk of losing.

25 MR. STUBBLEFIELD: Okay. I think we've gone

1 through the public comment period. And at this time, I
2 will close the formal meeting and turn it over to the
3 chair for your committee administrative matters. Thank
4 you all very much for being here.

5 The next meeting, we're looking at the 6th of
6 December. Cheryl will reach out to all of your travel
7 plans. I know that's around the holidays. So, yeah,
8 we want to work as closely as we can with you to
9 accurately get your travel plans down. So, again,
10 thank you.

11 (Whereupon, the meeting was adjourned at
12 2:36 p.m.)

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s/Jennifer Razzino
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Court Reporter