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U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

THURSDAY, SEPTEMBER 5, 2019

9:00 A.M.

Reported by: Jennifer Razzino, CER

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P R O C E E D I N G S

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(9:36 a.m.)

MR. STUBBLEFIELD: Okay, we're going to get started, and let me just start off by apologizing for this technical delay. And we're going to look into the possibility of moving the meetings to another place. We're definitely going to do that. Yesterday, we had the Task Force meeting and everything was perfect. In fact, we had the best Task Force meeting we've had in a long time. Full house, you know, technology working and the whole nine yards. So what a difference a day can make.

But, anyway, Larry Stubblefield, the associate administrator of the Office of Veterans Business Development, and welcome, everyone to today's committee meeting. I know we have a lot of -- because of the weather, we have committee members who are not necessarily present here in the room. So we have a full agenda, and before we get started -- before I turn it over, rather, to the chairwoman, I want to go around the room and on the phone. For committee members only, this is the roll call. So I'll start here in the room and go to my left.

MS. O'BRIEN: Liz O'Brien, Hiring our Heroes.

1 MS. PEREZ-WILHITE: Fran Perez-Wilhite with
2 the North Carolina Military Business Center. Good
3 morning.

4 MR. SHARPE: Joe Sharpe with the American
5 Legion.

6 MR. PHIPPS: Michael Phipps with the
7 Millennium Group.

8 MR. STUBBLEFIELD: Okay, for our committee
9 members on the phone only.

10 MR. O'FARRELL: Jim O'Farrell, AMSD.

11 MR. CRANE: Eli Crane, Bottle Breacher.

12 MR. STUBBLEFIELD: Okay. All right, at this
13 time, I'm going to turn the meeting over to our
14 chairwoman, Liz O'Brien, for her opening remarks.

15 MS. O'BRIEN: Good morning, everyone. To
16 those of you that are in the room, thank you for
17 joining us. And, Fran, appreciate you coming up from
18 North Carolina while many of our committee members are
19 dealing with residual or potential effects across the
20 country from the impending storms.

21 I want to touch on the fact that I think it
22 was actually a great summer in terms of creating and
23 raising awareness around some of the challenges
24 currently facing veterans and military families in the
25 space of small business. I know the Small Business

1 Administration hosted their summit. We hosted a summit
2 over in Northern Virginia, where Michael Phipps and
3 Brandon Shelton participated, so it was great to have
4 representation from the folks that are part of this
5 community and fighting that battle.

6 We recently had meetings with Google, who I
7 know has reached out to Small Business Administration
8 looking to partner going into National Veteran Small
9 Business Week. So I think that the conversation across
10 the country is starting to rise, due in large part to
11 the fact that our committee members are going back and
12 having discussions in their communities across the
13 country and starting to get outside our traditional
14 audiences that we are interacting with.

15 So I think there's residual effects by the
16 folks that are coming in and sharing, like VetFran who
17 will join us today. And as we pull in other nonprofits
18 and organizations that are in this space, it really is
19 on us, though, to go forward and carry this message
20 into our communities if we actually intend to impact
21 change, and conversations can't stop once we leave the
22 basement of the SBA.

23 So I think we're coming off of a good summer,
24 and looking forward, I know September, October,
25 November, a lot of activity goes on, especially going

1 into National Veteran Small Business Week, so looking
2 forward to those outcomes and certainly where we can
3 get our committee members out into the community.

4 So that's it, Larry. Thank you.

5 MR. STUBBLEFIELD: All right. Thank you.

6 Thank you, Liz.

7 So in the interest of time, what we're going
8 to do is if you look at the agenda, we're going to skip
9 the OVBD updates for now. I'll get them in, you know,
10 later, and so we're going to go straight to our VetFran
11 update.

12 MR. DRAGOMACA: Excellent, Larry. Thank you
13 so much, and thank you again for having us. I think
14 this is our second time speaking at this committee, and
15 we are always thrilled to have an audience of people
16 from across the private and the public sector who are
17 so positively engaged in this important space.

18 The IFA has been actively engaged in this
19 space since 1991. Our program currently has nearly 550
20 companies in it, all of them offering discounts to
21 veterans, as well as meeting other stringent quality
22 criteria to be included in the program. We're proud of
23 the commitment that the franchise industry has to
24 veterans, and we are grateful for the attention of this
25 committee on a very specific issue that we've raised

1 here before and that we hope the committee will seize
2 up and put into their annual report to join us in
3 fixing a few things that would enable veteran franchise
4 owners to qualify for the government certification
5 programs.

6 To that end, I'd like to introduce my
7 colleague, Caleb Gunnels from the government relations
8 side of the International Franchise Association, who
9 will be speaking more in-depth on this topic, and for
10 all of those following along, we brought packets for
11 everyone. Caleb, did we -- yep, I think everyone's got
12 packets around the room.

13 There's three documents there. There's the
14 statement which we'll be presenting today; there is a
15 VA fact sheet that we'll be referring to; and we've
16 brought a three-page excerpt from a six-page rejection
17 letter received by one of our franchisees that lays out
18 some of the rationale that all franchises would fall
19 under.

20 So with that, I'm going to hand it over -- oh,
21 final thing, for those joining us on the phone, these
22 documents are being emailed to you as we speak, so
23 hopefully you'll be able to open them up and follow
24 along as well. Thank you.

25 Caleb.

1 MR. GUNNELS: Thank you, Radim. And good
2 morning, everyone. My name is Caleb Gunnels. I work
3 for the Government Relations Department at the
4 International Franchise Association. I just thank you
5 so much for the opportunity to be here and to provide
6 some insights about franchising, to clear up any
7 misconceptions about our business format, and also just
8 to share the experiences and concerns held by some
9 franchise businesses, and I guess concerns about the
10 Veterans First Federal Contracting Program.

11 Quick background on the IFA. We are the
12 world's oldest and largest organization representing
13 franchising worldwide. IFA promotes economic impact of
14 more than 733,000 franchise establishments, which
15 support nearly 7.6 million jobs and \$674.3 billion of
16 economic output for the U.S. economy. Specifically,
17 IFA and its member companies promote veteran
18 entrepreneurship in franchising through a program
19 called VetFran, which is what Radim was speaking on a
20 moment ago.

21 The VetFran initiative facilitates transition
22 of veterans into franchising by encouraging franchisors
23 to offer discounts and incentives to these veterans.
24 Veterans have always been drawn to the franchise
25 business model, and franchisors have long recognized

1 that entrepreneurial veterans are some of the best
2 qualified, motivated, and successful prospective
3 franchisees out there. So even though veterans account
4 for only 7 percent of the population, they account for
5 14 percent of franchisees. And, also, veteran
6 franchisees are certainly more likely to hire veterans,
7 so that has certainly just been an awesome opportunity
8 to combat veteran homelessness, which is something that
9 is an issue in our country.

10 Recently, 65 percent of franchisors have
11 indicated that the rate of hiring veterans has also
12 increased in the recent years. So to get to some of
13 our concerns with, you know, the VetsFirst program, you
14 know, I think the goal is obviously that businesses and
15 its partners in the Government, the goal is to take
16 reasonable steps to promote opportunities for veteran
17 business owners.

18 We understand that many veteran franchise
19 owners seeking to be certified through the VetsFirst
20 contracting program are being rejected for the sole
21 reason that they are part of a franchise. You know, if
22 you look in the packet -- and the email has gone out
23 for those on the phone -- and look at the fact sheet,
24 according to that Franchises and Veterans First
25 Contracting Program fact sheet, franchises are not

1 automatically excluded from applying for verification;
2 however, the fact sheet then states that generally
3 franchise business documents contain provisions which
4 do not allow the veteran or service-disabled veteran
5 owner complete authority in managing and controlling
6 critical elements of the firm.

7 Given what we understand to be the nature of
8 the examination for the Center for Verification and
9 Evaluation of Franchise Agreements of veteran franchise
10 owners when they apply for CVE certification, it
11 appears that franchises, in fact, are effectively
12 disqualified from ultimate verification. Several
13 franchise business owners have applied for the CVE
14 certification and been denied on the basis that they
15 operate a franchise.

16 In a preliminary rejection letter which was
17 issued to Franchisee Timothy Meade, that's also in your
18 packet and will be in the email that's sent out, a
19 number of arguments are made against his eligibility
20 for certification due to the nature of his franchise
21 business. The document also does not appear to offer
22 any means of redress or appeal. So, overall, this is
23 misguided and, candidly, incorrect reading of how our
24 business format works if you look at the rejection
25 letter.

1 Given, you know, if we get into how the
2 franchise business model works, given federal law
3 requires certain franchise controls, which are being
4 used in this rejection letter that we sent out, to
5 disqualify or reject our franchisee, Timothy Meade, and
6 many other franchises from being verified in the
7 certification program. So given the CVE's
8 interpretation of the franchising model, it's beyond
9 dispute that a veteran who purchases, owns, and
10 operates a franchise is virtually guaranteed not to
11 meet the certification standards of the VetsFirst
12 program.

13 Unfortunately, this is not a situation that
14 the franchise community can readily resolve by amending
15 its contract structure to conform to the assumptions
16 and interpretations inherent in the application or the
17 VetsFirst criteria. The franchise business model is
18 itself subject to federal law, restrictions which
19 necessitate certain elements of control by the
20 franchisor over the franchisee. However, these
21 essential controls do not and should not be construed
22 in a way that deprives veteran franchisees access to
23 the program.

24 So to get into some of those federal laws, a
25 certain amount of franchisor control over its licensees

1 and franchisees is critical to the franchise business
2 format. So, in fact, federal law requires it. If we
3 look to the Federal Lanham Act under trademark law, it
4 requires all licensors of trademarks such as
5 franchisors to exercise certain control over their
6 franchisees' operations. The Lanham Act allows the use
7 of trademarks by someone other than the owner only when
8 the owner exercises sufficient control over the nature
9 and quality of the goods or services sold under the
10 trademark of the other.

11 So the stakes are high for franchise brands
12 because as the Ninth Circuit has noted, where if a
13 licensor fails to exercise adequate quality control
14 over a licensee, a court may find that the trademark
15 owner has abandoned the trademark, in which case the
16 owner would be estopped from asserting rights to the
17 trademark. So that would cause the brand as a whole to
18 lose its value. That is the value of franchising
19 itself, and that is the blood of franchising, the value
20 of that trademark and the logo.

21 And losing control of that would destroy the
22 brand in itself and hurt all of the franchisees and
23 even the veteran franchisees who independently operate
24 their business. So that is one reason why at least one
25 court made clear that a franchisor must have freedom to

1 impose comprehensive and meticulous standards for
2 marketing its trademark brand to operating its
3 franchises in a uniform way.

4 Second, the Federal Trade Commission also
5 requires a certain level of control by a franchisor
6 over franchisees. The very definition of "franchise"
7 under the FTC's Franchise Trade Regulation Rule
8 includes the following essential element: the
9 franchisor will exert or has authority to exert
10 significant degree of control over the franchisee's
11 method of operation, or provide significant assistance
12 in the franchisee's method of operation.

13 So when we get into some of those federal laws
14 which require for a franchise to exist, certain
15 controls, one to protect the brand or the trademark,
16 but, two, also to operate as a franchise, it's hard to
17 construe it, even in this program, that those controls
18 would now reject these franchisees for operating in
19 that business model. And so, you know, while these
20 controls are important in franchising, we want to make
21 clear today that franchisees do have full autonomy to
22 operate their businesses on a day-to-day basis. They
23 should be treated as the autonomous, independent
24 business owners that they are, and veteran franchise
25 owners should not be treated differently from similarly

1 situated veteran-owned businesses.

2 Veteran franchisees own their businesses.

3 They hire and fire their own staff. They meet their
4 own payroll. They pay -- they make their own profits.
5 They pay their own bills. They maintain their
6 businesses. They direct the provision of the services
7 and creation of products. They make the same daily
8 decisions that any small business owner would. Because
9 a veteran franchise owner doesn't get to make his own
10 logo or choose the color of his employees' uniforms or
11 is subject to certain federally mandated controls that
12 exist to protect the very brand operated by the veteran
13 does not mean that he or she is any less independent
14 veteran small business owner than I guess anyone else.

15 So, I mean, we understand that the
16 International Franchise Association and I guess
17 everybody in the room understands that in its early
18 years, the program tightened its criteria to make sure
19 businesses weren't abusing the benefits of the program.
20 We understand and applaud efforts to make sure that
21 veterans weren't being taken advantage of as silent
22 partners or otherwise tangentially connected to
23 businesses they didn't run or didn't own so as to make
24 those businesses eligible for certification.

25 However the criteria should be interpreted in

1 a way that doesn't make veteran franchisees collateral
2 damage to that aim. We believe that the CVE
3 certification process should be harmonized in substance
4 and practiced with the intent and requirements of other
5 federal laws that recognize the importance and special
6 characteristics of the franchise relationship so that
7 veteran franchisees are not automatically disqualified
8 from the very program that originally aimed to help
9 veteran small businesses of all types, especially when
10 these veteran franchisees, welcomed to franchising and
11 incentivized by countless companies thankful for their
12 service, comprise an ever-growing percentage of the
13 franchise community.

14 You know, quickly, you know, I want to jump
15 for just a moment. If we look at the rejection letter,
16 when I talk about certain controls and, you know, as
17 far as a franchisee wearing a brand or a logo or
18 certain things like that, if you look to this rejection
19 letter for Mr. Timothy Meade when he applied for the
20 CVE program, what was used in the rejection here was
21 that the franchise agreement and what was used against
22 him as a rejection was that the agreement included
23 prohibitions on the limited right to use the name,
24 logo, website, phone number, and email contacts of
25 CertaPro, ongoing training approved by CertaPro, or

1 reporting requirements and franchise fees.

2 These are all things that are necessary for a
3 franchise business, and if this is the criteria in the
4 interpretation of what would reject a franchise from
5 applying for this program, then every franchise will be
6 excluded. There's not a franchise that does not
7 institute these sort of controls, and some of these
8 controls, especially the brand and log and things like
9 that, are required by federal law.

10 So at the end of the day -- you know,
11 certainly we'll be open for questions if anybody has
12 any, you know, if you'd like to contact me I'll hand
13 out a business card or whatever it may be, but at the
14 end of the day, we'd just ask this committee to join us
15 in calling for a revision of the guidance and
16 interpretations that currently make it impossible for a
17 franchisee to qualify for these certifications while
18 having a franchise agreement that complies with legal
19 mandates pertaining to franchises.

20 We stand ready to work with this committee to
21 assist in drafting language for the committee's annual
22 report to that effect. Further, we stand ready to work
23 with the SBA, the VA, and any other body to work at a
24 technical level on proposing those changes that will
25 preserve the aims and integrity of the certification

1 process, while recognizing the veterans and service-
2 disabled veterans who own and operate a franchise and
3 should not be ineligible for these certifications.

4 Thank you so much for your time. I'm happy to
5 answer any questions that you have. I know we're
6 probably pressed for time today, and I just appreciate
7 it.

8 MS. O'BRIEN: No, we can certainly take time
9 for questions. I know I have some, and I'm sure
10 committee members do as well. I appreciate you
11 gentlemen joining us today. You mentioned that several
12 or many have been denied in this process. Do you have
13 an accurate tally of those that have been denied, that
14 have come back to you?

15 MR. GUNNELS: So at this moment, we don't have
16 an accurate tally. We've reached out to, you know, our
17 member base obviously and have some reachout, but we're
18 planning to, you know, look through that and
19 potentially go through the route of, you know,
20 discovering that, maybe with -- I don't know if that's
21 appropriate or not, but maybe through a FOIA process or
22 something just to get how large of a problem this is.

23 We're basically just looking at the
24 interpretation and the fact sheet that's offered. I
25 think it's in your packet -- on the VA's website --

1 which it lists out maybe certain controls that it would
2 deem too much control and rejecting a franchise and
3 also using the rejection letter that we have from a
4 member of ours that lists out certain grand standards
5 as a reason for rejecting.

6 If this is the interpretation of rejecting a
7 franchise, then, you know, certainly we will follow up
8 with you with a number. I would love to, you know,
9 keep in touch with you and get that to you, but if this
10 is the interpretation based on a rejection letter that
11 we have, any franchise at all, any franchisee at all
12 that would apply would automatically be rejected, so...

13 MS. O'BRIEN: Okay, so then let me ask you
14 this. Of your franchisees that are members --

15 MR. GUNNELS: Yes, ma'am.

16 MS. O'BRIEN: -- what percentage of them are
17 veterans?

18 MR. GUNNELS: We have -- so I know as far as
19 the -- I mean, I know as far as the franchise
20 population goes, it's 14 percent of franchise --

21 MS. O'BRIEN: Right. I'm sorry. Let me
22 rephrase.

23 MR. GUNNELS: Yes, ma'am.

24 MS. O'BRIEN: What percentage of them have the
25 CVE certification?

1 MR. DRAGOMACA: I have not encountered any
2 that have the CVE certification.

3 MS. O'BRIEN: None.

4 MR. DRAGOMACA: Un-nuh. Again, I think the
5 FOIA route is going to be the only way to get to hard
6 numbers because they're not accessible to us from our
7 side.

8 MS. O'BRIEN: Okay. And then you had
9 mentioned that your franchisors have seen an increase
10 in veteran hiring. Do you know what percentage of
11 those that are responding with an increase in veteran
12 hiring are veteran-owned franchisees, franchisors, and
13 are -- versus civilian-owned.

14 MR. DRAGOMACA: I can take this. I can answer
15 that. So unfortunately, our research is a little bit
16 dated. 2014 was the last time that we commissioned a
17 research report in this, but we did find -- that report
18 found that veteran franchisees were 30 percent more
19 likely to hire veteran employees, or that the veteran
20 employment rate at veteran-owned franchises was about
21 30 percent higher than at nonveteran-owned franchises.

22 MS. O'BRIEN: All right, and that aligns with
23 small businesses across the country and Veteran First
24 veteran small businesses.

25 Committee members have anything?

1 MR. PHIPPS: Hi, Mike Phipps. So this has
2 been an ongoing issue that the committee's been dealing
3 with for -- it's been going on for -- just the fact
4 that the VA and the SBA are coming up with one common
5 ruling, which has been a long process, and it's
6 something this committee has been addressing. And
7 inherently the issue lies in the fact that the
8 certification program gives certain benefits in the
9 government contracting world.

10 And so -- and there's a number of
11 alternatives. So far, what I think may be an
12 alternative, depending on if there's value in it, one
13 is since the franchisees or the franchisors, rather,
14 are not going to be -- or may not be engaged in any
15 form of government contracting is the inherent value of
16 the CVE more about just the recognition that they went
17 through a certification process. And I'll finish the
18 whole thought because this will help, you know, get
19 your response, the idea being that if there was two
20 different tracks for certification -- a government
21 contracting track and a commercial track, would that be
22 of value to a franchisee, even though they may not be
23 able to compete with government contracting because of
24 they're on a different track within the CVE?

25 MR. GUNNELS: I think there would certainly be

1 value to that; however, you know, at the end of the day
2 we're not -- you know, and our franchisees are not
3 asking for special treatment. They're simply asking
4 for equal treatment, because at the end of the day,
5 these franchisees that are veteran-owned, or any
6 franchisee, those are independently operated
7 businesses. They -- like I said, you know, they
8 certainly make the same decisions that any other
9 independent small business owner makes, you know, the
10 decision to hire, fire, you know, pay the bills, make
11 day-to-day business operation decisions, how many hours
12 their employees work, how much they're going to pay
13 their employees.

14 I mean, all of these decisions are under the
15 business -- an independent business judgment of the
16 franchisee. And so, you know, we would like our -- you
17 know, and our franchisees would like that. I know our
18 veteran franchisees would like that.

19 They would still like the ability to compete
20 for, I mean, government contracting because they are
21 independently ran and operated small businesses, so I
22 mean, I won't say there's not value to that, but I
23 don't necessarily know that we would push for a second
24 track of some sort because if you look at the
25 interpretation of what constitutes maybe too much

1 control, I think I understand the purpose of rejecting
2 a business because there is a third party that has too
3 much control, but if we look at that type of control
4 that we -- I guess the standard of control that we'd
5 like to reject, I would point you, because it's very
6 similar to the standard of joint employer, where --
7 which the Department of Labor and the National Labor
8 Relations Board have just proposed new rulemakings to
9 narrow that scope of joint employer.

10 And what they're looking at is the same thing
11 -- how much is too much control to make a franchisor
12 the employer now of the franchise. And what they've
13 looked at are the essential elements of business of the
14 day-to-day operations. So if the franchisor is
15 controlling the rate of pay or hiring or firing or
16 supervision of the day-to-day operations and those
17 types of things, then a franchisor has exerted too much
18 control and, therefore, would be a joint employer, but
19 it seems that the interpretation here of what is too
20 much control is any type of control.

21 We don't think that's necessary. It's not in
22 line with what current law is becoming, and it's not in
23 line with what one employer from the National Labor
24 Relations Board -- or rather under the NLRB was for 30
25 or 40 years before 2015 under the Browning Ferris

1 decision, but that has been redacted and that new
2 proposed rule is coming out in a month or two, which
3 will bring it back to what a joint employer used to be.

4 So if we had to institute some sort of remedy
5 here, I would just say to look to some of the other
6 agencies and what -- you know, what the law is and what
7 it's becoming to -- I would mirror image that law. The
8 interpretation here is very, very expansive. So I
9 think really the remedy here is can we decide if that
10 is an issue, too much control will get you rejected,
11 can we decide or work together to figure out what that
12 control might look like is kind of where we're at.

13 MR. DRAGOMACA: And to add to that, I think
14 any other avenue of opportunity for veteran franchisees
15 is welcome. And then just speaking from personal
16 experience, one of the most eye-opening things for me,
17 having worked in this industry, is how incredibly
18 diverse it is in terms of the sectors of the economy
19 where a franchisee operates.

20 And I think most people think of quick-service
21 restaurants or hotels, but there are literally
22 hundreds, if not thousands, of businesses in the
23 service sector, so everything from parking lot painting
24 to building maintenance to cleaning, office services.
25 So there are a lot of business formats and a lot of

1 companies out there that do compete for those
2 Government contracts and certainly would be better
3 positioned to do so with the benefit of the
4 certification.

5 MR. PHIPPS: This is Mike Phipps again. So
6 inherently the issue from the small -- we're going to
7 be doing this all day.

8 Inherently, the issue is not really a legal
9 issue, and I think the core of your argument rests in
10 more of the philosophical reasons that those laws
11 exist. And that is if I have an investor in my company
12 or if I am part of a franchise, I have an inherent
13 advantage over the other veteran-owned small businesses
14 that don't have somebody to inject capital, that didn't
15 have the power of a franchise to organize my business
16 for me. And ultimately that's really the core of the
17 issue that you guys are dealing with. It's perceived
18 as an unfair advantage in certain cases.

19 And so I'm not agreeing or disagreeing, right,
20 because I think the opportunities on both sides exist,
21 but your issue is not a legal issue. I think it's more
22 of an emotional and kind of a fair issue, which is the
23 reason that -- the reasons those laws exist. And in
24 government contracting, if I have an investor that is a
25 10 percent or 20 percent owner, but I can get that

1 injection of capital and not have to deal with --
2 yesterday in the IATF, there was an issue with bonding,
3 right? So now certain veteran-owned businesses can
4 only get 6.5 percent.

5 But just say I'm a franchise with a
6 construction company and I can bond at 50 percent that
7 company doesn't deserve the same small business
8 setasides that just say that small business has to
9 compete at a lower level. And so the reason I was
10 suggesting the tracks, it might just line out certain -
11 - certain legal questions that could be answered to
12 maybe get some of those things in line where those
13 advantages and disadvantages occur, just to say at the
14 same -- on the same playing field.

15 MR. GUNNELS: If I may, this is Caleb Gunnels
16 again at the IFA. You know, if we -- if a connection
17 with a franchise would be the reason that they're
18 rejected, I would still argue, even on an emotional and
19 philosophical argument here, if you have a small
20 business owner that is hiring a marketing or a PR firm
21 to do the exact same thing, which is what franchisees
22 do pay for, you know, then you would also reject those
23 small businesses who have hired a marketing or PR firm
24 to help them get, you know, more advantage or whatever
25 it may be, and the same thing would happen for somebody

1 in a distributorship type of agreement. You would
2 effectively -- you would have to throw those guys out
3 for some sort of business advantage that they
4 apparently paid for.

5 These franchisees, they are independently
6 operating in their local communities, they are
7 marketing, and they are expected to market and
8 advertise in their local communities. It is an
9 independent business operation, and if they do not make
10 profits, if they are failing as a business, the
11 franchisor doesn't swing in and pick them up and just
12 hand them cash to keep them afloat. It doesn't happen.
13 That is their business. So you sink or swim.

14 Thankfully, veterans have done very well in
15 franchising. And I would say that they outpace
16 nonveteran franchisees, which is why franchising is a
17 great business model for veterans, and 14 percent of
18 our population are veterans. You know, but to say that
19 they inherently have some advantage because they have
20 federal -- sorry, national marketing or something,
21 which they pay into, that's the same playing field as
22 any small business in this country. If you get a
23 marketing or PR firm and you pay them to do that
24 marketing for you, it's the same thing.

25 MS. O'BRIEN: I think I'd kind of just in

1 terms of discussion here, I don't know that it's the
2 exact same thing if I'm a McDonald's franchise owner or
3 if I'm a small business -- a true small business owner
4 with five employees and I go out and hire a marketing
5 or a PR firm, I think that these are two very different
6 buckets. So what you're saying is franchisors across
7 the board do not receive an influx of capital at
8 different times if they need it.

9 MR. GUNNELS: You're saying franchisees or
10 franchisors? I'm sorry.

11 MS. O'BRIEN: Franchisees.

12 MR. GUNNELS: Franchisees do not receive an
13 influx of capital. I don't understand --

14 MR. DRAGOMACA: Yeah, but, in fact, it would
15 be the opposite. It's the franchisee who pays a
16 franchise fee to purchase the franchise. So the entry
17 -- the cost to entry into that business might be --
18 even be higher. I think the franchise business model
19 comes with advantages and disadvantages, and I think
20 the fact that they pay annual royalties back to the
21 franchisor is one of the disadvantages. The fact they
22 have to pay for the business model is a disadvantage.
23 I think the biggest thing that they get, it's not
24 additional capital; it's really the strength of the
25 brand that they're paying for, and it's the roadmap --

1 MS. O'BRIEN: Social capital.

2 MR. DRAGOMACA: Yeah, yeah, yeah, absolutely.

3 MS. O'BRIEN: Thanks. Thank you.

4 MR. PHIPPS: So just one -- on that note, I
5 think addressing the root of that is the perception,
6 right? I can't do a national marketing campaign like
7 McDonald's can, right, and get the same -- as a small
8 business, I couldn't afford to have that -- what I'm
9 saying for you guys is if this is ever going to happen,
10 because this has been going on since the inception of
11 the law, addressing those issues and getting involved
12 with the VA and with the SBA to address their issues,
13 basically which is to make an even playing field among
14 all small businesses, that's going to be probably the
15 strength and what you guys are going to need to
16 accomplish.

17 And as the committee, we hear this every --
18 for us, it's better to get more companies that are CVE
19 without government -- government contracting makes up
20 very, very -- I think it's less than 10 percent, right,
21 of small businesses. So for us, we would prefer to hit
22 more veteran-owned businesses to see a commercial and a
23 government track because the impact from a commercial
24 track would be far greater than it would be just for
25 maybe those handful of franchisees that want to do

1 government contracting.

2 And so one of the things that we struggle with
3 on this committee is how do we make the biggest impact
4 not involving government contracting to the majority of
5 the people of veteran owners. And maybe not from your
6 guys' perspective, maybe not reject it, but maybe
7 that's just the first step, right, to -- just that, for
8 us to get accomplished, we're talking would be a long
9 process, but, you know, that might just be a win that
10 would affect a larger effect on the veteran business
11 community.

12 MR. DRAGOMACA: May I pose a question to some
13 of the members of this committee, particularly the SBA
14 and the VA members? So I've been educating myself on
15 this topic over the last year, and today's actually the
16 first time that I'm hearing the argument that the
17 reason for rejection or the underlying reason for
18 rejection is potentially an unfair advantage that the
19 franchisee receives by virtue of the franchise
20 relationship.

21 I had always thought that it was
22 interpretation of the CFR -- I think it was CFR 30A,
23 that basically the standard of control is the issue.
24 Is that, indeed, the sense of the federal agencies that
25 franchisees should be rejected on account of

1 potentially having an unfair advantage?

2 MS. O'BRIEN: I won't speak on behalf of the
3 SBA and the federal organization. This is our thought
4 behind the curtain and just our discussion out there
5 for you, but certainly we'll defer to the SBA folks to
6 answer that specifically, but certainly that's our
7 opinion.

8 MS. HARVEY: Good morning, everyone. I'm Ruby
9 Harvey. I'm the executive director of VA's Office of
10 Small and Disadvantaged Business Utilization. As far
11 as that particular restriction that you spoke about,
12 that is not information that we've had, so certainly we
13 have some policy representation in the room -- Cordell,
14 I'd like to make sure if you've gotten that information
15 to go ahead and speak on it -- but we have been
16 presented with that same set of restrictions.

17 MR. DRAGOMACA: I'm sorry, are you referring
18 to the argument that franchises may be too advantaged
19 to --

20 MS. HARVEY: Correct.

21 MR. DRAGOMACA: -- yeah.

22 MS. HARVEY: Correct.

23 Tom, are you -- Tom McGrath, who is the
24 director of our verification program, Tom, have you
25 been presented with that information?

1 MR. STUBBLEFIELD: Tom, you've got to come to
2 the table and use the mic.

3 MS. HARVEY: Yeah, Cordell, come on up as
4 well.

5 MR. SMITH: To answer that question, no, we
6 would go strictly -- from what I'm hearing here, coming
7 in and have to prove the owner control. This is Tom
8 McGrath. I'm the director of CVE.

9 MR. SMITH: And I'm Cordell Smith. I'm deputy
10 director for acquisition policy. One of the other
11 issues that came out in the discussion -- this was a
12 very enlightening discussion, by the way, so thank you.
13 One of the other issues I heard was the possibility of
14 kind of a separate verification track for different
15 purposes. We would have to take a very careful look at
16 that within the confines of our appropriations
17 authority.

18 Under the revolving fund that we operate from,
19 VA does the verifications as a part of maintaining a
20 system of supply for the VA. This would amount to an
21 expansion of the role of verification beyond what is
22 currently authorized for the appropriations, and we
23 would have to take a look at that. That would be an
24 open issue to examine.

25 MS. HARVEY: I will, however, offer for the

1 sake of the committee's information that we are --
2 we're willing to work with IFA on this topic. Wherever
3 there are economic opportunities for veteran-owned
4 small businesses, we want to know more about the
5 options available to us at VA to support that, so, you
6 know, without having any prior information about what
7 you're hearing, I'm going to commit on behalf of VA and
8 our small business programs that we are quite willing
9 to do some followup with IFA and see if there are
10 additional opportunities that we can explore.

11 MR. DRAGOMACA: No, I think that that really
12 means a lot to us at the IFA Foundation and at the IFA,
13 and I think that's the great strength of this committee
14 that it brings together folks who would not otherwise
15 be in the same room and puts them in a problem-solving
16 mindset. So thank you for that.

17 MS. HARVEY: You're welcome.

18 MR. PHIPPS: This is Mike Phipps. So when you
19 guys meet, what this committee is able to do is make
20 recommendations for legislative change. And so from
21 that standpoint, if you guys do come up with some sort
22 of compromise to be able to articulate that in writing
23 to this committee, it can go right into our annual
24 report that goes through the whole legislative process,
25 it would be very helpful, and we would love to see

1 that.

2 MR. DRAGOMACA: Is there a deadline for
3 submissions of -- and what would be the appropriate way
4 for us to assist the committee in that?

5 MS. O'BRIEN: Can I have it by end of October?

6 MR. DRAGOMACA: Yes, ma'am.

7 MS. O'BRIEN: Thanks.

8 MR. PHIPPS: We do a yearly report, so...

9 MS. O'BRIEN: Right, I want it by end of
10 October so I can put it in the yearly report.

11 MS. HARVEY: And I just shared my information
12 with them, so as soon as you're ready to discuss it
13 with you, we invite you to come over and visit with us.

14 MS. O'BRIEN: Thank you so much, Ms. Harvey.

15 MS. HARVEY: You're welcome.

16 MR. O'FARRELL: This is Jim O'Farrell, a
17 committee member on the phone. Am I able to ask some
18 questions at this point?

19 MS. O'BRIEN: Go ahead.

20 MR. O'FARRELL: For the Veterans -- the CVE
21 members, Tom in particular, could we -- do you have at
22 your fingertips by any chance how many franchisees have
23 submitted applications, say, in the past three to five
24 years?

25 MR. MCGRATH: No, I don't have that data

1 available now. Frankly, I don't track that. I could
2 do a dive on it, deep dive, and see what we come up
3 with.

4 MR. O'FARRELL: Do you know if any of them
5 have been accepted?

6 MR. MCGRATH: Like I said, I don't want to say
7 off the cuff, but I'd have to take a look at what's
8 coming through. Very few, though. I'd be surprised if
9 -- very few based on the criteria that we're using as a
10 franchise, but let me take a look at that for you.

11 MR. O'FARRELL: Sure. Beyond -- because there
12 were other topics mentioned, say, for rationale, if
13 you're approving them or not approving them, the only
14 reason I've ever heard of for not approving has been
15 ownership and control, which isn't really a control
16 issue. Are there any issues or reasons beyond control
17 that you see for not approving them?

18 MR. MCGRATH: Well, generally -- as I said
19 earlier, generally speaking, no. It's control, in the
20 way I'm looking at it in the VAB that we put out, the
21 data sheet, it's a control issue.

22 MR. O'FARRELL: Thank you.

23 MR. MCGRATH: Thank you.

24 MR. STUBBLEFIELD: Okay, I would just ask, I
25 guess for the VA, for our next quarterly meeting if we

1 can have that, that input.

2 MS. O'BRIEN: Sure, absolutely.

3 MR. DRAGOMACA: If I may add to that question,
4 I actually had a chance to speak with Mr. Timothy Meade
5 over the phone, and one thing that he relayed to me,
6 and this is information that would not be trackable
7 quantitatively but is anecdotal, is that a number of
8 veterans in his system -- I believe he is with CertaPro
9 Painters -- decided not to pursue the certification
10 after reading the fact sheet because they basically
11 said, oh, well, you know, I definitely don't meet these
12 criteria, so I won't bother applying. He's one of the
13 few that did apply and then shared the rejection with
14 them.

15 And I think -- I'm not sure who asked the
16 question over the phone, but I hope by now you're in
17 possession of that rejection letter, so you'll be able
18 to read through that rationale there. Control is
19 definitely the overwhelming theme, but I think there's
20 a number of other things that are sort of tangential to
21 control but are also included. Thank you.

22 MS. O'BRIEN: Anybody else have questions on
23 the phone?

24 (No response.)

25 MS. O'BRIEN: All right. Thank you so much

1 for your time, gentlemen.

2 All right, we're going to move forward and
3 welcome Ms. Ruby Harvey. She's the executive director
4 of the Office of Small and Disadvantaged Business
5 Utilization. Thank you so much for joining us today.

6 MS. HARVEY: You're very welcome. And if I
7 may start by just acknowledging the presence of our
8 veterans in the room today. I believe that most of you
9 are, in fact, veterans. And so on behalf of VA, I
10 would like to thank you for your service. I'd like to
11 thank the committee for inviting us to be a part of
12 today's discussions. We believe that we have useful
13 information to offer for your consideration. I want to
14 thank SBA for being such an outstanding partner to VA.

15 For myself, a little bio information is
16 included in the packet. As noted, I'm the executive
17 director, and I've been in the position for just a
18 little over -- approaching eight months, not quite
19 eight months. I've been with VA for ten years, and I
20 will tell you that coming from my prior role as the
21 chancellor of VA's acquisition academy for a number of
22 years, knowledge is power in the small business
23 community. I've found that to be the case, and we've
24 given a lot of focus to ensuring that the small
25 business community, particularly our veteran-owned

1 small businesses, are equipped with sufficient
2 knowledge about our processes and the opportunities
3 that that information can and will position them for
4 success.

5 If I may just pause for just a moment to more
6 fully again introduce my co-attendees. Cordell Smith,
7 who is our policy director attending today. Thank you,
8 Cordell for being here. And Tom McGrath, as he
9 mentioned earlier, is responsible for our verification
10 programs at VA.

11 For me, again, having served veterans in
12 various capacities here at VA over the last ten years,
13 I can tell you that we are fully committed to
14 supporting economic opportunities for veterans. We're
15 certainly committed to the overall mission of VA to
16 care for him who shall have borne the battle, his
17 widow, and his orphan, and that's the folk in this
18 room, of course, and the many others that we support.

19 Today, I'd like to share with you some
20 contextual information about our programs, and then I'm
21 going to move directly into telling you our current
22 statuses as it relates to verifying veteran-owned small
23 businesses. So I'll try to be respectful of the time,
24 and if anyone on the phone feels that you're at a
25 disadvantage, please feel free to give me questions at

1 the end of my comments.

2 So I'll go ahead and get started here. Who's
3 controlling the slides for me? Okay. Oh, thank you so
4 much. I'll give you a nod when I'm ready to move
5 forward.

6 So from a context standpoint, I shared our
7 mission with you. We serve under the leadership of
8 Secretary Robert Wilkie, who is himself a veteran, and
9 Secretary Wilkie has ensured that every employee at VA
10 -- and we number 370,000 -- that every employee
11 understands the criticality of customer service as we
12 attend to our veteran needs. He is also very invested
13 in the belief that veterans who desire to go into
14 business for themselves, that they have every
15 opportunity to do so at VA.

16 I'd like to point out that for the first time
17 in nine years -- I'm looking at Slide 3 for folk on the
18 phone -- for the first time in nine years, VA has
19 raised its goaling number for veteran-owned small
20 businesses in the case of SDVOSBs -- service-disabled
21 veteran-owned small businesses. We've gone from 10 to
22 15 percent. That's quite an increase. And in the case
23 of veteran-owned small businesses on the whole, that
24 number has moved from 12 percent to 17 percent.

25 So, you know, if you do the math, you'll see

1 that as a tremendous increase in our goal numbers. We
2 ran the numbers for as recently as just a few days ago,
3 and we're already well on our way to meeting and
4 hopefully exceeding -- exceeding those goals. Last
5 year alone in 2018, we did 30.6 percent small business
6 contracting at VA, and of that number, for SDVOSBs and
7 VOSBs, we achieved 22.4 percent for SDVOSBs and 23
8 percent -- 23.4 percent for veteran-owned small
9 businesses. So, again, we're very committed.

10 I work extremely closely with the senior
11 procurement executive at VA and the chief acquisition
12 officer for VA to ensure that we're monitoring the
13 numbers, we're gauging whether or not we're on the
14 right trajectory to meet our goal numbers. And while
15 the numbers absolutely are numerically our goals, our
16 real goal is positioning veteran-owned small businesses
17 for success. So for me, to say that we seek to ensure
18 that veteran-owned small businesses are procurement-
19 ready, what we're really saying is that we want them to
20 be well positioned for success to maximize
21 opportunities. Next slide, please.

22 We talked a little bit about the vision, so
23 I'm going to keep moving here to Slide 5. We have
24 multiple groups of stakeholders in the OSDBU
25 organization that we try to work directly with: our

1 veteran-owned small businesses. There are other small
2 business groups that we work with, socioeconomic
3 groups, to include HUBZones, woman-owned small
4 businesses, and the other of the seven socioeconomic
5 groups, but, you know, certainly given that we are VA,
6 we are extremely focused -- laser-focused, I would add
7 -- on what makes sense for veteran-owned small
8 businesses.

9 And we also work with the veteran service
10 organizations. Whenever I'm invited, I try to make a
11 personal appearance to the veteran service organization
12 so that they can directly question me about our intent,
13 about our efforts, where we're progressing, where we
14 perhaps need their help to message into the small
15 business community. We want small businesses to have
16 realistic expectations of what it entails to work with
17 the Government. And so we want to ensure that they
18 avail themselves to the educational opportunities that
19 we offer through the small business programs.

20 I serve on a government-wide council of 24
21 small business organizations headed up by SBA, and
22 through that, we try to ensure that the support for
23 veterans, that that reach goes beyond VA. All federal
24 agencies have a veteran-owned small business goal, an
25 SDVOSB goal.

1 And, you know, where there are opportunities
2 for us to share some of our best practices so that we
3 can all meet that number, we do that. We take
4 advantage of our membership on that council and we
5 reach across and say this is what we're doing, would
6 you like to join us. I often -- or my team members
7 will join the other at OSDBU organizations, at their
8 events, so that we can again cross-communicate VA's
9 commitment and some of the opportunities that are
10 available. Next slide, please. I'm at Slide 6.

11 I noted that I've been with OSDBU since
12 January, and although I've been formally attached to
13 the OSDBU office since January, I've been extremely
14 committed to small business programs during my entire
15 career with VA in one fashion or the other. Prior to
16 being the chancellor, I served as the associate deputy
17 assistant secretary for acquisition program support.
18 That's a long way of saying I managed the money that
19 funded the OSDBU programs and other lines of business
20 at the Department. And so in that role, I had a
21 firsthand opportunity to understand what are the
22 financial resources needed to ensure that the small
23 business programs are well funded, well positioned to
24 do the type of outreach that we need to do to make sure
25 that veterans have the full opportunity to work with

1 VA.

2 So for me personally, I wanted to focus my
3 efforts very quickly in four areas. I wanted to
4 reflect the Secretary's commitment as it relates to
5 customer service. That was number one. The second has
6 to do with outreach. Again, if our veteran-owned small
7 businesses don't understand what opportunities exist,
8 it's going to be difficult for them to fully
9 participate. So we've ramped up our educational
10 training for them. We do it both virtually; we visit
11 their parts of the country. In certain instances, we
12 will have events here in Washington, and we open those
13 up both virtually and for in-person participation. If
14 we don't ensure that veteran-owned small businesses
15 have the opportunity to have some direct access to
16 procurement decision-makers, unfortunately, they won't
17 succeed as well as they otherwise would if we -- you
18 know, if we didn't make that available. So we're doing
19 all that we can to ensure that outreach takes many
20 forms: in-person; virtually; we put information in a
21 webinar format; we speak to groups such as this to help
22 you understand what we're doing. We would be delighted
23 to have you carry our message forward as well, but we
24 can certainly do it on our own.

25 We also knew that there was a critical need to

1 focus on verification. I'll be honest. Coming in, you
2 know, with an outsider's perspective, number one, I
3 want to acknowledge the great work of the OSDBU
4 organization that I found when I arrived. What a
5 committed group of folk. Lean but mean. And so what
6 we did, working under Tom's great leadership here, we
7 took a hard look at our processes. We took a hard look
8 at our metrics as it relates to processing time from
9 the point that you hit "submit" to the time that you
10 learn that you did or you did not receive approval for
11 verification.

12 We took a hard look at that because, quite
13 frankly, even before I walked through the door in
14 January, I started getting emails to say the
15 verification process needs your attention. It needs
16 your attention, and from that standpoint, I knew that
17 we had work to do that would focus our efforts very
18 quickly on the needs of the verification process. If
19 Tom needed resources, we had that discussion. If we
20 needed to simply lean our processes, again I come from
21 an education background, an IT background, it suggested
22 to me that there were opportunities to revisit our
23 processes, so we did that.

24 And then, finally, from an engagement
25 standpoint, internal to VA, and internal to OSDBU, I

1 saw some need to ensure that we were engaging across
2 VA, that I could reach out to the senior procurement
3 executive or the heads of contracting to say this is
4 what I think we're missing out on; here's where I'd
5 like to engage with your organization. Veteran
6 experience office at VA, in my view, yes, veterans want
7 to have job opportunities, but they also want to own
8 small businesses. And so we're doing a lot of internal
9 engagement as well.

10 Some of our core capabilities in OSDDBU, as
11 noted on Slide 7 there, we do verification, as I noted.
12 The direct access, we have a great center in my office
13 that invites small businesses in and some of the VSOs
14 to get us together to talk about what we can do
15 differently. We also provide an oversight role.
16 That's the procurement review process, wherein if a
17 contracting representative wants to give business to
18 other than a small business, we want to know why.
19 There is the rule of two, and so in those instances, we
20 provide a oversight role and responsibility.

21 We also do onsite visits for veteran companies
22 claiming to be veteran-owned small businesses. We want
23 to make sure that the owner is engaged, that the
24 company is indeed veteran-owned and that they are
25 operating in a manner that's going to well serve their

1 fellow veterans. So we do onsite reviews.

2 Tom, in a minute, I might get you to say more
3 about that.

4 MR. MCGRATH: Sure.

5 MS. HARVEY: But we try to do full, holistic
6 program support for any veteran requirements that we
7 are aware. And, again, we do outreach efforts in
8 combination with SBA. Larry, thank you for inviting us
9 along, and we will be there whenever you give us the
10 opportunity to be a part of what SBA is doing.

11 If I could now just talk a little bit about
12 the verification program enhancements, I think that's
13 why we're here today, to hear how's it going, what
14 improvements have we made, what support can we turn and
15 ask you to consider on our behalf. But I'll tell you
16 that, again, I can't give Tom McGrath and his team
17 enough credit for just being willing to hear my and my
18 deputy's vision for processing verifications at VA. We
19 -- I'm actually going to go to page 9 first, and then
20 we're going to come back to Slide 8. How about that?
21 Yes.

22 Because this is a visual that I think matters.
23 On the left, you see how we stood in January 2019,
24 eight months ago. To the right represents our
25 processing levels today. And so I want to just explain

1 what you're seeing here. So from end to end, our
2 average processing time was about 63 days. Now,
3 statutorily, we're required to do 90 days. So VA was
4 doing their work already.

5 But there were those outliers that
6 occasionally would exceed 120 days, but on average, we
7 were hitting about 63 days. But we felt that we could
8 do better because in this era of advanced technology,
9 advanced expectations, we're in a 24/7 cycle of
10 expectation, we wanted to understand what our
11 opportunity areas were. And we identified those.

12 So what we're seeing right now on average is
13 26 days. Here -- the end of August. That was our
14 number, 26 days on average, as opposed to 63 eight
15 months ago. I think that's a good news story for the
16 veteran small business community because that means
17 that -- and we understand that behind every application
18 that comes in, and I'll speak to those metrics in a
19 moment, but there is a business owner waiting, you
20 know, with bated breath lots of times, to find out will
21 I be approved so that I can take advantage of the
22 opportunities available to veteran-owned small
23 businesses like myself.

24 So we have two stages. We have some
25 contractor support that helps us out. We have a fair

1 amount of volume coming through, and then we have the
2 federal role. In each instance, we've identified areas
3 of improvement, and the team is working very hard to
4 keep those numbers going in the right direction, which
5 is a lower direction.

6 Let's go back to Slide 8, please. I wanted to
7 give you that visual because I think it will help you
8 understand Slide 8 a little bit better. Currently, we
9 have over 13,000 verified companies in our database.
10 And of that number the majority are SDVOSBs. VOSBs
11 broken out also there, but as you know, the total is
12 13,000.

13 And so in order for us to move those numbers
14 down in the previous slide, what we did to get there is
15 we did as much as we could through automation. We
16 integrated with the other federal systems, SAM, you may
17 have heard of that; worked closely with other providers
18 to understand our numbers, to understand areas of
19 efficiency; and where we could take advantage of
20 automation, we did that.

21 We also, and I'm really proud of this, we
22 streamlined the federal review process. We decided to
23 just take a more triaged approach to look at what are
24 we doing that's redundant through the many steps of the
25 process. What are we asking for? In some instances,

1 we were asking for the same documentation multiple
2 times in the process. We didn't think that made sense.

3 So we are discontinuing that type of
4 inefficient process without seeing the quality of the
5 outcome suffer. So that was really important that we
6 have some balance in what we were changing about the
7 process and how it would impact the veteran-owned small
8 business. We are -- you saw the numbers for yourself.
9 Where we needed to add to our contractor support or
10 ensure that we were properly resourced, we've done
11 that, but we're also doing it in a way that allows us
12 to work a lot smarter. And so what we're finding is
13 that we're actually saving money. So we're reducing
14 our numbers but we're saving the taxpayer dollar. So
15 we're very pleased about that.

16 And then as far as the intake process is
17 concerned, you may have heard it discussed at VA that
18 we have what we call the white glove treatment for our
19 veteran-owned small businesses. Good morning, Joe.

20 MR. WYNN: Good morning.

21 MS. HARVEY: And what that means is we believe
22 that veterans are deserving of some added support from
23 VA. And so instead of them being left to just a
24 computer-engaged process, we have individuals who are
25 reaching out to those folk throughout the process to

1 say, you know, I noticed that you may have stopped
2 processing, are there questions that we can answer. We
3 will welcome them to the process in one manner or the
4 other, and then we also ensure that we have a very
5 robust customer service process wrapped around every
6 step of the verification process. And we've gotten
7 extremely good feedback about our methods at VA.

8 What we want to do in working with SBA, should
9 we see the point arrive that this work moves over to
10 SBA, number one, we're not going to wait until that
11 decision is made. There is pending legislation right
12 now which has not gone through the full review and
13 voting process, but there is legislation proposed right
14 now that would see the verification process currently
15 performed by VA moved over to SBA. As of July, it had
16 gone out for a voice vote, I think, or some -- oh,
17 comments, I'm sorry, for comments. So we don't know
18 the final outcome.

19 That is going to be left up to Congress to
20 decide that, but what we are very committed to at VA
21 is, number one, we won't stop our efforts to improve
22 the process awaiting that decision. We are working
23 hard to refine our processes to ensure that if we hand
24 off to SBA, we're going to hand off in a way that says
25 they can keep the momentum going. We will not hand off

1 a backlog. We do not have a backlog at this point. We
2 are in a very good place with our processing. But if
3 it's decided that that work is left with VA, I assure
4 you that our efforts will remain very focused on
5 continuing to refine our processes and improve the
6 veteran experience as they go through verification.

7 Let's move forward to Slide 10, please. So we
8 are working very closely with various stakeholder
9 working groups, but we're hearing directly from VOSB.
10 SBA has invited us to be a part of the planning
11 workgroup for the possibility of us moving the work
12 over to SBA. And so Beth -- did Beth --

13 MS. TORRES: I'm here.

14 MS. HARVEY: Hey, Beth.

15 MS. TORRES: I'm right behind you.

16 MS. HARVEY: Beth Torres is our representative
17 from VA, also a veteran, who's working closely with SBA
18 to ensure that if we do a handoff that that handoff
19 goes very smoothly. Some other work that we're doing
20 in the outreach area has to do with large and -- large
21 businesses who might have subcontracting opportunities.
22 We're going to add IFA to this list going forward
23 because we'd like to work with you all as well.

24 You know, I was thinking about the question
25 about many barriers to veterans, maybe going the

1 franchise route, and I think there probably are some
2 questions about fees. A lot of veteran-owned small
3 businesses, they bootstrap their way to that first
4 business opportunity, and sometimes, you know, maybe
5 the fees are prohibitive to them, but I'd like to have
6 discussions with you about what you're seeing, and
7 we'll share what we're hearing. How about that?

8 MS. O'BRIEN: Fantastic.

9 MS. HARVEY: Okay, great. All right. And so
10 getting back to what's going on with the large
11 businesses, we're letting them know that VA has
12 partnered with you in some pretty significant ways when
13 it comes to dollars and cents. And if I could use as
14 an example the EHRM -- Electronic Health Record
15 Management System -- well, we were hearing from
16 veteran-owned small businesses that they wanted to have
17 some input into what opportunities perhaps could be
18 allowed small businesses.

19 And so we worked closely with the program
20 management office for that effort, and we established
21 -- well, we set up an event where small businesses --
22 we had about 800 companies -- join in for discussions
23 about what opportunities for that major VA initiative
24 could be considered for small businesses. And so from
25 that standpoint, again, we are very plugged in to some

1 of the major initiatives work that's going on at VA.
2 And if there is any opportunity for small businesses to
3 participate or to be considered for participation,
4 we're bringing the right stakeholders together at VA to
5 say we'd at least like for you to hear them out. And
6 so that's going extremely well.

7 We're also listening to -- we have ongoing
8 listening efforts in place or programs in place to hear
9 what are the pain points. We have a customer service
10 group, but we actually invite businesses in on a
11 regular basis, quarterly now, to tell us what is
12 problematic about what we're doing. Are we doing okay?
13 Is there more that we can do?

14 Joe -- Joe Wynn -- I'm going to call you out,
15 if you don't mind.

16 MR. WYNN: No, not at all.

17 MS. HARVEY: Because we had your group in not
18 long ago and, you know, you got to hear directly from
19 me and my staff, and we got to hear from you. We do
20 that with other groups as well. So we're very happy to
21 be directly eyeball to eyeball in front of our
22 customers, in front of stakeholders, to hear what's on
23 your mind.

24 One other area that I'll highlight here, and
25 then I'm going to open it up to questions here, we're

1 focused on women veteran-owned small businesses. There
2 is no socioeconomic group for women veteran-owned small
3 businesses. It's women-owned small businesses. VA
4 hasn't met our number in quite a number of years for
5 women-owned small businesses. And what we realize is
6 that there are so many women veteran-owned small
7 businesses, so we're targeting that group.

8 I stood up that initiative. It's led by an
9 Air Force -- retired Air Force colonel, a female, and
10 we're just getting wonderful feedback about that
11 particular initiative because it will move us closer to
12 meeting our overall women-owned small business goal
13 number, but more specifically it allows us to work more
14 closely with women veteran-owned small businesses.

15 Just for your awareness, I talked about those
16 outreach efforts. Slides 12 and a couple of the slides
17 after that speak to what we're doing and when we're
18 doing it to invite our small businesses to understand
19 opportunities. I won't specify all of them, but they
20 are noted there.

21 And early on, I talked about the H.R. 16-15,
22 specifically the proposed bill that Congress is looking
23 at right now. We will keep on top of that, working
24 with SBA. Within VA again, Beth is my representative
25 on that effort, and we have ongoing discussions about

1 what would that look like in the future, what does VA
2 want to see in place for our veterans going forward.
3 So I'd be delighted to provide ongoing updates, Larry,
4 if I may, from a VA standpoint back to the committee.

5 Some other access events are noted here. If
6 we could go to Slide 16, please, I'd like to just
7 highlight that we are very committed to bringing
8 veterans together to have opportunities to engage with
9 each other and VA procurement decision-makers. So our
10 very largest event is going to be later this year in
11 Nashville, Tennessee, so the details are provided there
12 on Slide 16.

13 In addition, we've just given you some useful
14 links to know what we're doing. We're doing a lot, and
15 we'd be here all day if I tried to cover everything in
16 greater detail than I've already spoken about, but I'd
17 just like to say to the committee that I personally
18 thank you for your work. I know so much is decided
19 just based on the feedback that we get from venues such
20 as this, but I know I speak for the entire OSDBU team
21 at VA and the acquisition professionals there when I
22 say that we are very serious about the opportunities
23 that we want to see made available to veteran-owned
24 small businesses, and I thank you for your attention
25 this morning and for having us in. Thank you.

1 MS. O'BRIEN: Okay, I was just going to say,
2 Ruby, before we open up for questions, again, thank you
3 very much for you and your team being here and for your
4 great partnership. I want you to know, and I think I
5 speak for the committee, you have a standing invite --

6 MS. HARVEY: Thank you.

7 MR. STUBBLEFIELD: -- to our quarterly meeting
8 because the committee is always asking for VA
9 involvement. So going forward, we'll always give you
10 that invite.

11 MS. HARVEY: Thank you.

12 MR. STUBBLEFIELD: All right, so any
13 questions?

14 MS. O'BRIEN: Yes, of course. One question in
15 particular. How many start -- how many veterans start
16 the CVE process for certification and don't complete
17 it?

18 MS. HARVEY: Tom, what's our abandon rate?

19 MR. MCGRATH: Well, generally speaking, it's
20 about 70 -- 65 percent. So this -- last year, I got
21 13,000 applications that came in. And we approved
22 about 4,900. This year, I'm on track for 14,000. Did
23 I say 1,300? I meant 13,000.

24 MS. O'BRIEN: You said 13K.

25 MR. MCGRATH: Yeah, and 14,000 this year. And

1 right now, I'm at about 5,200, so you can see the delta
2 there. Some of those are repeats. They'll come back
3 in, but we like to think at the start of the phases,
4 the initiation, that we're able to identify those who
5 aren't going to make it through, or they identify
6 themselves if they don't want to go through the process
7 or something like that.

8 Now, of the -- we have created a submit column
9 also that veterans will come in, look around, see if
10 they're interested. About 40 percent of those drop
11 out. So it's 60 percent of those go through, and then
12 a smaller number get verified. So we think we have a
13 pretty thorough, rigorous process to identify who is
14 who they say they are based on the regulation.

15 MS. O'BRIEN: Right. I'm always curious
16 because we see a lot across the board of folks that
17 start applications in general and walk away. And I was
18 interested if you had metrics.

19 Has the white glove part always existed? Is
20 that a new initiative for folks going through this?

21 MR. MCGRATH: I think we've been very veteran-
22 friendly to help them through. We'd like to get them
23 verified, as long as they meet the -- you know, the
24 requirements of being a veteran and ownership and
25 control. About a year and a half ago, we instituted

1 some calls that were being made initially to veterans.
2 We'll see if we continue those. We do send out emails
3 on a regular basis to the veterans. For instance, when
4 you come up for reverification, we'll send you emails
5 at 150, 120, 90, and 60 days to let you know that you
6 need to get started and moving through the process.

7 When you go through the process, you will talk
8 to no more than three people is the goal. You may --
9 it may vary depending on the complexity of the case,
10 but when you come in, you talk to your intake analyst,
11 and then you'll talk to the person that's doing an
12 assessment, and a federal reviewer. So that way we
13 know who you are. We don't have to kind of do a lot of
14 digging and guessing and things like that because our
15 case analyst will handle about 15 cases at a time so
16 they can stay on top of it and know who you are and the
17 requirements then. So I think we treat the veterans
18 very well.

19 I have a veteran support team of two feds and
20 about four contractors. We're on the phone all day --
21 all day with vets, answering questions, and we'll tell
22 it like it is. We don't sugarcoat anything, so if we
23 need this document, we need that; we need this
24 clarification. We also have webinars that we do a
25 couple times a month of how to get verified, how to

1 stay verified and reverify, and we do training. And so
2 we work with the PTACs also, so I think we're pretty --
3 pretty wide scope when it comes to helping veterans.

4 And we get pretty good feedback from the ones
5 that make it. The ones that drop out, they definitely
6 aren't as happy as the ones that make it through, but
7 we think we're getting the right people through. Does
8 that help?

9 MS. O'BRIEN: It does. It does. And my
10 questions weren't necessarily aimed at success or
11 failure on your part. I'm always curious as to why a
12 veteran or a military spouse or whoever that we're
13 interacting with doesn't necessarily see a process
14 through to completion and not necessarily because of
15 your efforts.

16 Anybody else have questions?

17 MS. PEREZ-WILHITE: Do you track on your end
18 the reasons why they're not finishing the application?

19 MR. MCGRATH: We send out surveys, and some
20 say we weren't verified -- I mean, we weren't
21 qualified, we don't meet the qualifications. Others
22 just kind of drift off. It's difficult with surveys to
23 get answers from people that don't complete. We've all
24 been through that. You get a survey, but the ones that
25 come through, we get a pretty good response rate. So I

1 don't have anything that I'd say right now is good data
2 on why they're dropping out. We are coming up with a
3 new contract with surveys, and we'll be asking those
4 questions and see if we get some good answers on what
5 it is and see if we can help get that through.

6 Hopefully, most who were dropping out don't
7 meet the qualifications and they realize it along the
8 way, but we do have some others in there that you
9 shouldn't be getting in if you're not a veteran because
10 we go directly to the VVA's database in our Pearl
11 system, and it will pull your name right up and tell us
12 everything about you, if you're a service-disabled
13 veteran or a veteran, the disability number, when you
14 served and that sort of stuff so we know who you are.
15 And then we start doing the digging into the control
16 and the ownership. And that -- they may not have that
17 or choose not to go through it.

18 MS. HARVEY: And if I could also just add that
19 we understand that there is a frustration level out
20 there. Some of it, you know, as Tom described, some of
21 the reasons, sometimes, you know, even 23 days is felt
22 to be too long. And so where we -- you know, versus
23 the 63 days that we had. So we're -- as I noted
24 before, we're looking at those opportunities to
25 streamline the process without sacrificing adherence to

1 policy and so forth. So we're committed to continue
2 doing that.

3 We are going to expand our review of those
4 abandonment rates just to try to understand is there
5 more that we can do from a training standpoint, but we
6 get it. We know that there is a frustration level out
7 there, and hopefully we can overcome that in the days
8 to come.

9 MR. SHARPE: You mentioned earlier about your
10 outreach efforts. Are you part of the new -- is your
11 program part of the new TAP program?

12 MS. HARVEY: The new TAC program?

13 MR. SHARPE: TAC.

14 MS. HARVEY: You know, I'm glad you posed that
15 question. I have been in discussions with VBA about
16 ways that we can early on be a part of the transition
17 process. We do hear from veterans that we didn't know,
18 you know, when we were being discharged, we had no idea
19 that these opportunities existed. So VBA has expressed
20 willingness to work with us to see if we can be a part
21 of that process early on.

22 MR. PHIPPS: Hi, Ruby. Mike Phipps.

23 MS. HARVEY: Good morning, Mike.

24 MR. PHIPPS: Thank you guys very much for
25 being here.

1 MS. HARVEY: You're welcome.

2 MR. PHIPPS: I think somebody's mic is on.

3 And, Tom, you guys being here and being part
4 of the verification process has been -- is huge for us.
5 I want to give you a little bit of background about --
6 and, Tom, you might be able to shed some light on this.
7 We've had contradictory information from the VA about
8 the verification process. So my comments are going to
9 be focused on more of the process and what's been
10 reported to us.

11 And so from our standpoint, we've gone through
12 a couple of phases of getting information and then
13 finding out that we know more about the underlying
14 numbers from other veterans that have gone through the
15 process and dealing with Tom Leney and getting some of
16 that information back and forth. So initially, we were
17 told that people don't get kicked out of the queue and
18 rebooted for a certain number of reasons. And that was
19 told to us -- and we took that at face value, I would
20 say, and if Jim is on the phone, he'll -- he has even
21 more information about this. That -- for a couple of
22 years, that was taken at face value.

23 And I would say over the last year, maybe year
24 and a half now, we've had multiple companies that are
25 coming through our channels through this committee

1 channel, we have companies that help other companies do
2 verification that have contradicted those things about
3 getting kicked out of the queue for certain numbers,
4 which would then artificially deflate the 63 days or
5 the 26 days.

6 So what has happened is we've had -- and then
7 we've had a couple of people -- some veterans calling
8 in, and we understand what you guys have to deal with,
9 with the levels of frustration. So something this
10 community was really asking for, I would say back
11 before Tom had left, was can we get information about
12 why people are -- statistical information, we don't
13 need any PII, about why people are getting kicked out
14 of the queue.

15 We've had veterans calling in specifically
16 contradicting what Tom was saying, you don't get kicked
17 out of the queue for X, Y, and Z, and they were calling
18 in and saying that's exactly why we got kicked out of
19 the queue, which would have artificially deflated this
20 life cycle of getting verified.

21 I think another thing that we've heard from
22 the committee is that the counselors that are calling
23 the veteran-owned businesses aren't well versed in
24 business, and so they've had some frustrations about
25 getting their counselor to understand what their issue

1 or understanding business in general. Those are just
2 some -- I would say those are from what I'm recalling
3 right now two of the big points on our list.

4 Having you guys here and, Ruby, you taking
5 over and doing a review just in that short amount of
6 time, for us, is a huge improvement. And we've had the
7 VA say to us, well, we're not always invited to this
8 committee. That was kind of -- that was kind of
9 Larry's comments -- you'll never be rejected by this
10 committee. We love having you guys here, even if
11 there's contention or people calling on the phone.

12 You'll get more of that, but I think
13 ultimately that improves and helps your job, but those
14 are just some of the background that we've seen. And
15 so thank you very much for coming in here, and
16 hopefully that gives a little bit of context from the
17 committee's perspective on some of those charts that
18 you guys were having up.

19 MS. HARVEY: Thank you, Mike. And, again,
20 we would be delighted, and I'll come personally,
21 whenever -- you know, whenever my schedule aligns with
22 this meeting. If you want me here, if you want my
23 deputy here -- I think she was here yesterday, right,
24 you heard from Sharon Ridley yesterday. So we will be
25 here. And I'll make sure that the questions don't

1 necessarily need to always leave the building for a
2 response. I'll bring the experts with me. So thank
3 you for allowing me to have some added expertise here
4 today. I think it saves us time in getting to the
5 answers.

6 MR. MCGRATH: If I may, on some of those -- on
7 some of those points, we've changed the system somewhat
8 with the new information management system. For
9 instance, if you're dormant in the system, you do
10 nothing for 30 days, it's an automatic drop. And you
11 can come back in, no harm, no foul. If you're not
12 providing documents in a timely basis, because we have
13 to keep things moving, we can extend you almost as much
14 as you want, but we'd rather not do that because we
15 have other cases to do, then you could be withdrawn.

16 I've only had 63 denials this year. People
17 have gone all the way through and fought the battle.
18 That's down from 111 last year. I removed only 300
19 companies this year through cancellations or other
20 things, so those are pretty good numbers in that
21 respect of people who were in or try to get through.

22 The other numbers are the dropping. If -- you
23 know, if there's issues, we've got the -- I got a great
24 call center, a very knowledgeable call center, and they
25 can call directly to me or other representatives and

1 we'll try to work with them as much as we can, but the
2 law is pretty clear on ownership and control.

3 Of course, there's a veteran without a
4 dishonorable discharge. We did have issues recently
5 about reservists and Guard, and the rule has been
6 clarified that you had to serve some time on active
7 duty, at least one day, other than training. So that
8 is changed somewhat as coming through. But, please,
9 give us a call anytime you want, and I'll give -- my
10 number is (202) 461-0441. I'll give you my card here.
11 Let us know what you need or issues that are coming up.

12 MR. PHIPPS: I can give that to the people who
13 call us.

14 MR. MCGRATH: Absolutely. Absolutely.

15 MS. HARVEY: Yeah, absolutely.

16 MR. PHIPPS: Knowing those little anecdotes,
17 like you get dormant for 30 days, you get dropped
18 allows us even to -- when we get bombarded, right,
19 because we're kind of like at the top of the pyramid,
20 so just to ask those questions and give some of those
21 anecdotal things back to them and --

22 MR. MCGRATH: And I've got a great support
23 team that does outreach for the -- as a matter of
24 fact, I got a retired first sergeant recruiter, so he
25 knows -- he knows how to talk to people. He's very

1 straight and direct. I've got -- anybody else. My
2 deputy, I talk to veterans all the time, so we'll be
3 more than happy to engage with anybody anytime about
4 their application. And we'll tell you the truth.
5 We'll say this is what we're seeing. And if we're
6 wrong, we'll make -- I usually err on the side of the
7 veteran. Hey, give this guy another chance. He missed
8 it by this time or that time, okay, fine.

9 Even if it's headed off to OHA, which OHA now
10 in SBA makes the decisions, we'll say, hey, why don't
11 you pull it back, we can make this correction because
12 it's something simple. So we like to get veterans
13 through the system if they meet the qualifications.
14 Does that help?

15 MS. O'BRIEN: Tom, do you think when you go
16 back you can share with us of the 63 denials how many
17 were potentially applying through franchises?

18 MR. MCGRATH: I'll try to take a look at that
19 and see what I can pull it up.

20 MS. O'BRIEN: That would be easy --

21 MR. MCGRATH: Yeah.

22 MS. O'BRIEN: Thank you.

23 MR. WYNN: We just had a couple -- a couple of
24 good questions. Good morning again. My name is Joe
25 Wynn --

1 MS. HARVEY: Good morning.

2 MR. WYNN: -- with the Veterans
3 Entrepreneurship Task Force.

4 MS. O'BRIEN: Joe, can we wait for you for the
5 time allotted for public comments?

6 MR. WYNN: I had a question for the
7 presenters. Is that okay? Or you want me to wait
8 until --

9 MS. O'BRIEN: You can go.

10 MR. STUBBLEFIELD: Go ahead, Joe.

11 MR. WYNN: All right, thanks. My question
12 was, first of all, I was on the phone at 9:00 waiting
13 to connect, but actually when I heard that some of the
14 presenters who were here today, you know, I continued
15 my travel to get down here. So one question, though,
16 when I was transitioning from the garage to get in here
17 and lost the connection, the question came up about
18 franchises. I don't know if you answered it, whether
19 or not they could be or was it being looked into that
20 they could be verified as service-disabled veteran-
21 owned businesses. Was that answered, or is that in
22 deliberation?

23 MR. PHIPPS: They're going to be talking to
24 the VA about how to do that.

25 MR. WYNN: Okay. All right. Another quick

1 question. First of all, the time it takes for
2 verification has improved tremendously over the years.
3 I mean, it was taking almost six months at one point.
4 To hear now 26 days, that's phenomenal. The number of
5 businesses that have already been verified, it still
6 looks like, though, it's a very low percentage of those
7 businesses that are getting contracts. It seems like
8 the last we looked it was like 2 percent of the number
9 of verified owned firms were actually getting
10 contracts. Any thoughts on why that might be the case?

11 MS. HARVEY: Joe, we are seeing some evidence
12 of repeat business opportunities for certain veteran-
13 owned small businesses, so I'm going to acknowledge
14 that that is an area of focus for us to spread the
15 wealth, if you will --

16 MR. WYNN: Mm-hmm.

17 MS. HARVEY: -- to ensure that more of the
18 13,000 companies that are verified have opportunities.
19 Some of it -- you know, you've heard us talk about
20 positioning veteran-owned small businesses to
21 understand how to navigate the federal procurement
22 system processes. So we're doing more to educate
23 there. The number is not where we want it to be. It's
24 higher than 2 percent. I believe that number is closer
25 to 7 percent.

1 Beth just gave me more information. I think
2 we need to look at exactly what -- if we're comparing
3 apples to apples and not apples to oranges. Two
4 percent -- 2 percent is not the number that we're
5 working with. Beth has seen it as high as a third, but
6 I know it to be something closer to, you know, less
7 than 10 percent. But we want to understand the reason
8 that more of the small businesses are not seeking out
9 those opportunities that they are actually qualified to
10 perform for the Department.

11 As it stands right now, much of that work is
12 going to IT companies, but as I noted, we have a number
13 of new initiatives at the Department to include those
14 that require program management support, work that's
15 customer-service-related, and we want to ensure that
16 those opportunities are also looked at for small
17 business participation.

18 MR. WYNN: Thank you, because, you know, the
19 whole effort behind getting verified, of course, you
20 know, the companies want to get business with the VA.

21 One last question. Has anything changed with
22 regard to the requirement for service-disabled vets or
23 veterans that want to get verified but they're new to
24 business. Is it any length of time that they have to
25 be in business before they can be verified?

1 MR. MCGRATH: No.

2 MR. WYNN: Okay. All right, thank you.

3 MS. O'BRIEN: All right.

4 MS. HARVEY: I will say, though, Joe, if I
5 may, and I know we're concluding, that brand new
6 business will be looked at for past performance
7 history, you know, and as contracts are being
8 considered for them. So we want to always make sure
9 that they have the ability to evidence past
10 performance, past business performance.

11 MR. WYNN: And, see, that's -- that's one of
12 the issues because verification, does that mean you're
13 trying to apply for a contract, or you're just trying
14 to get verified? See, that's been the issue.

15 MS. HARVEY: Just getting verified.

16 MR. WYNN: If they have to have past
17 performance, then how do they even have it if they're a
18 new business? Now, they may not get a contract.

19 MS. HARVEY: Right.

20 MR. WYNN: I mean, we're talking about just
21 verification. Can they get verified?

22 MS. HARVEY: Oh, they can get verified. They
23 don't have to have that past performance to get
24 verified. The credentials for that -- Tom, why don't
25 you describe --

1 MR. MCGRATH: They really have to be organized
2 as a business. They have to have been set up. They
3 have the licenses and all -- whatever type of business
4 they are. They come in like that, and that's what
5 we'll -- what we view them on as the structure and
6 their ownership and control.

7 MR. WYNN: Yeah, we just -- we just got so
8 much going on with this community and other
9 organizations with Boots to Business, which I'm sure
10 you're familiar with. So we're encouraging more
11 veterans to start their own business, and, of course,
12 they want to get verified. They don't want to hear
13 that we can't because we just started. So...

14 MR. MCGRATH: No, they can. They can and
15 will. We do it all the time.

16 MR. WYNN: Okay.

17 MS. O'BRIEN: All right, thank you so much.
18 In the interest of time, Ms. Harvey, Tom, Cordell,
19 thank you so much for joining us.

20 MR. PHIPPS: Can I just -- I'll let Ruby take
21 it off the record. I will take it afterwards but --

22 MS. O'BRIEN: I'm sorry, is someone on the
23 phone?

24 MR. O'FARRELL: Yeah, this is Jim O'Farrell.
25 I'm a committee member and I just wanted to see if I

1 could get a couple of questions in before you end. I
2 was waiting for all the questions in the room.

3 MS. O'BRIEN: Sure. Go ahead, Jim.

4 MR. O'FARRELL: I'm realizing how difficult it
5 is to not be in the room, I'll try never to do this
6 again, so I apologize for being on the phone. I wanted
7 to see if we could get -- I just wanted to go on the
8 record with a request for the next meeting. Earlier,
9 Larry followed up with a question I had asked about the
10 franchising data and asking them to bring that back for
11 the next meeting, so I kind of wanted to do the same
12 thing here if you all would just bear with me so that
13 it goes into the record and we ask for this.

14 And, Liz and Mike Phipps, I can send this to
15 you and Larry so that it can be transmitted to the
16 folks from the VA.

17 Let me just start by saying I am incredibly
18 thankful for having the member and representatives from
19 the VA today at our meeting. As a past chairman of the
20 ACVBA, you know, we have struggled at times over the
21 past several years with getting information from the VA
22 regarding the CVE verification program. So here's my
23 request. Could we, at the next meeting, and I
24 understand that you may say we don't have that data, we
25 don't have that data for some of these, but let me just

1 throw out a couple of items that I'd like to see
2 addressed.

3 You mentioned that 13,000 businesses were
4 verified last year, and 4,900 -- I'm sorry, 13,000 were
5 submitted and 4,900 completed. What is the number of
6 verified companies since CVE's inception on an annual
7 basis so that we can see what the trend is looking
8 like. Are we holding flat at 13,000, because I think
9 that's approximately the number we've seen the last
10 couple of years, which to me points to the need for,
11 you know, even more improvement to the reach and the
12 outreach and the verification process.

13 You mentioned that -- for the next -- let's
14 see, can you bring metrics on the number of
15 applications per year, the number that were completed
16 per year, the number that were abandoned per year, and
17 the number that were abandoned since the inception, and
18 then the number that's been rejected each year, because
19 there is definitely a difference between abandoned and
20 rejected.

21 And can you also give some of the major
22 reasons for the rejections so that we on the committee
23 can figure out ways to help our veterans, our fellow
24 veteran business owners get through the process? As
25 you're doing that, we'd like to help you with that as

1 well with our annual report and other outreach
2 activities.

3 Do you have statistics or metrics on your
4 mention of the site visits that you do on an annual
5 basis to verify veteran businesses? For example, if
6 you provide us with the number of businesses who have
7 been terminated annually from CVE based on a site
8 visit. So, for example, if you're doing 500 site
9 visits a year, have you terminated 50 companies because
10 you didn't like what you saw when you showed up to do
11 the site visit.

12 And at the next meeting, can you describe --
13 you know, provide the process for the site visit? How
14 are companies being selected? It's been -- it's an
15 understanding from previous years from Tom Leney that
16 if you won the VA Vector IDIQ you were instantly put in
17 for a site visit. Based on those site visits, how many
18 companies are being rejected?

19 Another question that I hear from veteran
20 business owners, they are concerned that SDVOSB
21 companies are doing the verification or are involved in
22 the verification process. Could you explain at the
23 next meeting what SDVOSB companies are contracted to do
24 this work? If you don't want to name them, you don't
25 have to, but we'd like to know what information is

1 being shared with them that might be proprietary and
2 confidential, for example, tax returns of the owners,
3 et cetera.

4 And those are my questions. Thank you very
5 much.

6 MS. HARVEY: I don't see a problem responding
7 to any -- to all of those questions. So we're going to
8 do our best. With respect to the past years for the
9 stats that you're asking for, I'm not going to commit
10 to a number of years right now. I need to find out how
11 much we can access through our records, but I'm pretty
12 certain that you will get at least two or three years
13 if that's sufficient, and we will start there. Okay.

14 MR. O'FARRELL: Thanks, Ruby. I appreciate
15 that.

16 MS. HARVEY: You're welcome.

17 MR. PHIPPS: Mike Phipps. I just want to get
18 two things on the record, and, Ruby, you can respond to
19 Liz directly. These are -- one is the issue going on
20 with AbilityOne and SDVOSBs and AbilityOne potentially
21 getting priority over SDVOSBs. I know the American
22 Legion is preparing a memo that's going to go to
23 Congress on this, so we would just like to get --
24 because I don't think we have official standpoint from
25 the VA on that, so that was one of the requests.

1 And then there was another concern about the
2 Defense Medical Logistics standard support contract and
3 the medical/surgical prime vendor contract getting
4 delayed and the possible effects that's going to have
5 on a number of veteran-owned businesses and how those
6 delays are going to have effect and what's the
7 consequences of the delay of that contract. And so
8 those are two questions that we're tracking and would
9 like answers for.

10 MS. HARVEY: Okay.

11 MS. O'BRIEN: Mike, if you can send those
12 over, and we'll put everything together and send over,
13 it would be helpful. Thank you.

14 All right, Ms. Harvey, Cordell, Tom, thank you
15 so much for your time. I really appreciate it and that
16 you spent extra time with us. And this is refreshing.

17 MS. HARVEY: Our pleasure.

18 MS. O'BRIEN: Appreciate it and look forward
19 to seeing you at the next meeting. Thank you.

20 MS. HARVEY: Thank you.

21 MS. O'BRIEN: So in the interest of time,
22 are you guys okay with pressing on since we have Chris
23 here --

24 UNIDENTIFIED MALE: We need a break. We want
25 to talk and exchange cards and everything. We want a

1 break.

2 MS. O'BRIEN: You want a break.

3 UNIDENTIFIED MALE: Yeah.

4 MS. O'BRIEN: All right. We're going to take
5 a ten-minute break. NO more than that because we have
6 Chris waiting for 11:00.

7 (Meeting in recess.)

8 MS. O'BRIEN: All right, if everyone can go
9 ahead and find their seats, I'd greatly appreciate it.
10 We're going to go straight to the public comments in
11 case folks are dialing in.

12 All right, good morning, everyone. This is
13 Liz. Yeah, we're almost to the afternoon. We're going
14 to go back on the record. We want to check if there's
15 anybody on the phone that has anything to add from the
16 public side. We're going to open it to public comments
17 first.

18 We'll give it another 60 seconds in case
19 anyone is late dialing in.

20 (Brief pause.)

21 All right, so if nobody has any public
22 comments, Larry -- oh, Joe?

23 MR. WYNN: Oh, I didn't know this was -- all
24 right.

25 MS. O'BRIEN: All right, we're going to

1 welcome Joe for public comments.

2 MR. WYNN: Okay, thank you. Joe Wynn,
3 VetForce. Just a couple of comments. One is to bring
4 before the Advisory Committee about there was some talk
5 a little while ago about the SBA taking over the
6 verification process for VA. The legislation that I've
7 seen that we've discussed pretty much would direct SBA
8 to verify veteran small businesses for VA contracting
9 only. And a number of us have talked about expanding
10 that to make it government-wide.

11 Why go through all the effort to move the
12 process to SBA only for SBA to verify companies to do
13 business with VA? So I was hoping that this committee
14 would take a look at that, maybe provide some
15 recommendation in support of government-wide
16 verification if SBA is going to take it over.

17 The other comment I wanted to make was about
18 the AbilityOne contracting. We were presented -- a
19 letter was shared with us from several -- that was
20 signed by several congressional members and a few
21 senators, asking the VA Secretary to prioritize
22 contracting for AbilityOne contractors over service-
23 disabled vets at the VA. And we are -- VetForce, you
24 know, our members are opposed to that, and I hope that
25 this committee would also take a look at that.

1 We're not sure what actions the VA Secretary
2 has taken as a result of that letter but to please keep
3 us informed. Hopefully, you know, we'll continue to
4 prioritize service-disabled vets at the VA. Thank you.

5 MS. O'BRIEN: Thank you.

6 Anybody else on the phone?

7 MS. O'BRIEN: All right, then we're going to
8 move forward and welcome Chris Clarke, Office of
9 Procurement Law, and he'll be briefing on behalf of
10 Barb Carson.

11 MS. CARSON: I'm on the line.

12 MS. O'BRIEN: Oh, you're on the line?

13 MS. CARSON: I am.

14 MS. O'BRIEN: Okay. Welcome.

15 MS. CARSON: Thank you.

16 MS. O'BRIEN: All right, we're just holding
17 one second.

18 Oh, okay, we're just holding. They're doing
19 an update to your presentation, Barb and Chris.

20 MS. CARSON: And please forgive me, I'm
21 cutting in and out just a bit. Is Chris in the room?

22 MS. O'BRIEN: Barb, Chris is in the room. Do
23 you want to start with any opening remarks, Barb?

24 MS. CARSON: Certainly, Liz, sure. It's so
25 nice to be back with the veterans. I miss you all very

1 much, and I hope that we're going to do good work for
2 you. I just listened to the VA presentation of
3 procurement, and we want to reinforce that getting
4 firms procurement-ready, which is what VA needs and so
5 does the rest of the Federal Government, we really hope
6 that I can support you from my role in Government
7 Contracting and Business Development.

8 And many of you know it comes down to some
9 really fine details, that if you don't get them right,
10 you're going to have trouble. So I'm pleased to turn
11 it over to Chris Clarke, an attorney who's been an
12 incredible advocate for veterans who pursue work with
13 the Federal Government. And I will stay on the line to
14 see if there are questions I can answer at the end, but
15 thanks for giving us this opportunity.

16 MS. O'BRIEN: Thank you, Barb, for joining us,
17 especially while you're on the road.

18 Chris, we'll certainly welcome you for
19 remarks, and once the slides are ready to go.

20 MR. CLARKE: We can go with the slides.
21 There's just one mistake. I'll point out where it is
22 when we get in. It's not a very big deal.

23 Along with myself, I also have Sam Le here,
24 and he'll presenting some of the -- want to introduce
25 yourself?

1 MR. LE: Hi, everyone. I'm Stan Le. I'm in
2 SBA's Office of General Counsel. I'm also on a detail
3 temporarily to be the acting director of the Office of
4 Planning Policy and Liaison within Government
5 Contracting and Business Development. Thanks for
6 welcoming me here, and good morning.

7 MR. CLARKE: Okay, so what Sam and I are going
8 to do is we're going to go through quickly the slides
9 and basically give a brief update of everything that
10 the Office of Government Contracting and Business
11 Development is currently doing, where we are with each
12 thing we're doing and basically where we're going in
13 the next couple of months so you'll have an update.

14 MR. CLARKE: The first slide that we're
15 looking at is the veteran-owned small business concerns
16 surplus property. This was a change made in the
17 Veteran Small Business Enhancement Act of 2018, and
18 what this act did is GSA runs a federal government
19 surplus property program, and there's an entire system
20 run by GSA where as things move down different tiers,
21 different entities are eligible to receive federal
22 government surplus property.

23 Congress directed that for veteran-owned
24 businesses should be one of the entities that could get
25 in in one of those tiers, so SBA is currently working

1 with GSA in drafting the proposed rules for how that
2 will happen. The rules are currently drafted. They're
3 being reviewed by GSA and SBA right now. They've been
4 deemed not significant by OMB, which will speed up the
5 process, meaning we should not have to do an
6 interagency, 90-day period.

7 So we look at that rule -- proposed rule being
8 published in the next month or so, give or take. It is
9 the end of the fiscal year, so things can slow down
10 just as -- but basically in the next month, month and a
11 half published with a 60-day comment period to the
12 public. It'll close after 60 days. SBA will then take
13 probably a month and a half to review the comments and
14 publish a final rule. And at that point, there will be
15 a program.

16 And concurrently with that, we'll be working
17 with GSA and the state agencies for basically making
18 sure that when the final rule is ready, the program is
19 basically program-ready. The date -- close to with the
20 date of the final rule. So that's where we are.
21 Basically SBA's on time for basically what it said it
22 would do at the beginning of the summer. So we're
23 basically right on line with having that happen. Next
24 slide.

25 MR. CLARKE: The other major rule that's

1 currently finished the proposed and it's in the final
2 rule stage, which is the WOSB certification program,
3 the comment period for this closed in the middle of the
4 summer. SBA received, you know, about 300 comments
5 from 300 different people, but the comments had about
6 600 -- north of 600 actual comments. SBA is close to
7 finishing reviewing all of the comments and
8 implementing and we should be drafting a final rule
9 soon now that we've reviewed most of those comments.
10 Next slide.

11 MR. CLARKE: So just to give you, like, some
12 of what was in the proposed rule, this slide has the
13 one mistake that was noted, which is one of the changes
14 was the WOSB program has an economically disadvantaged
15 women-owned small business component, which is very
16 similar to the 8(a) program. So what we've proposed
17 doing was having one economic disadvantaged standard
18 for both programs.

19 So currently for 8(a), the continuing
20 eligibility standard is 750, but it had an initial
21 eligibility standard that was lower. So we proposed
22 making it one standard for both programs and having it
23 be the 750 because that was the common number between
24 the two programs. So one of the things -- next slide.

25 MR. CLARKE: So we'll go on to HUBZone, but

1 that's basically the proposed rule for women. That
2 was, like, one of the main changes. There will be a
3 certification program. There's third-party certifiers,
4 and everything was in the proposed rule, and we're
5 reviewing it.

6 The next rule that was a proposed rule and we
7 received comments and we're getting ready to issue the
8 final rule is the HUBZone comprehensive review. So if
9 you haven't read the HUBZone proposed rule or anything
10 about what was being done with the HUBZone rule, one of
11 the issues that SBA had received feedback from, from
12 like the contracting community and the participants in
13 the program, is that basically the way the HUBZone
14 program was structured is there was a lot of variance
15 from day to day in terms of, like, coming in and out of
16 compliance, with employees, with HUBZones themselves
17 being removed from the program.

18 So if you read the rule and basically our
19 proposed rule and, like, our preamble, what we said we
20 were doing and what our proposed changes were is
21 basically efforts to stabilize the program while still
22 meeting the policy objective of, you know, utilizing
23 business in HUBZones. So basically eliminate some of
24 those issues with, like, employees quitting and, like,
25 the time frames. So that's why you can see one of the

1 things that we were trying to, like, stabilize was new
2 definitions for attempt to maintain, basically what
3 you're doing when you have, like, employees of multiple
4 firms and stuff like that.

5 And one of the big changes is we are moving
6 from basically once you're in the HUBZone program, you
7 get basically certified for a year and you're in for a
8 year. So you're not basically having to worry about
9 going in and out of compliance throughout the year,
10 which was, like, one of the big issues that firms had
11 was just, like, compared to the other programs that we
12 have, maintaining constant compliance was a lot of
13 extra work, and a lot of the things that you have to
14 comply with weren't in the control of the business. So
15 we've tried to kind of, like, smooth that out. That
16 was the attempt. Next.

17 MR. CLARKE: So this is just more -- so these
18 slides are going to be made available, but so this is
19 just more of what we were doing. One of the things
20 that you're going to see coming up is if you look at
21 the third one on this is we've had issues on all of our
22 contracting with what are we doing with your multiple-
23 award contracts and orders, and it's the same thing.
24 We want to basically make sure firms are eligible but
25 not have basically this where you're having to, like

1 basically constantly maintain, like, compliance with
2 things that are out of your control. So that's another
3 thing that the HUBZone rule was trying to do there.

4 Next slide.

5 MR. CLARKE: And this is where Sam comes in.

6 MR. LE: This is about the Small Business
7 Runway Extension Act of 2018, which was signed by the
8 President on December 17th, 2018. A bit of a history
9 lesson is called for here. Since SBA was founded in
10 1953, and at that time, SBA used just an employee-based
11 size standard of 500 employees, and then starting in
12 1956, SBA decided to create another set of size
13 standards. We used receipts-based size standards,
14 basically revenues.

15 And at that time in 1956, we determined that
16 using just one year of receipts to gauge whether a
17 business was small would create too many fluctuations
18 for a business that might have, you know, a good year
19 and then a bad year and then another good year. So we
20 decided to go to a three-year average at that time in
21 1956.

22 Then fast forward about 40 years to the 1990s.
23 Congress decided to allow other agencies to introduce
24 their own size standards, but the kicker on that was
25 that other agencies would have to use SBA's three-year

1 average. And as a result, our statute, the Small
2 Business Act, provides that other agencies may
3 introduce their own size standards for particular
4 programs and, you know, outside of procurement, so it
5 might be a loan program or an export assistance
6 program, but they have to use that three-year average.

7 The way the statute is structured is there's
8 actually two parts where the statute calls for a three-
9 year average. One part is for businesses that provide
10 services, and then another part is for any other
11 business that's under a receipts-based average. And
12 what that ends up being is construction or agricultural
13 or retail trade.

14 Well, December 17th, the President signs the
15 Small Business Runway Extension Act, which changes two
16 words in the Small Business Act: three years to
17 another two words, five years. And immediately SBA had
18 to interpret that statute, and we sent out an
19 information notice that same week. It was actually the
20 Friday before the government shutdown. We went on
21 furlough for 30-plus days. On that Friday, we sent out
22 an information notice to state that the statutory
23 changes occurred, but it requires SBA to issue rules to
24 implement the statute, to actually change that three
25 years to five years.

1 And we later explained in a proposed rule that
2 I'll assess in a second that the reason that we had to
3 do rules is, first of all, the part of the statute that
4 was changed says we had to do rules, so we were just
5 following the statute. But another reason is that the
6 section of the statute that changed was the section
7 that applies to other agencies, that is, the section
8 that was passed in the 1990s, not the one that dates
9 back to 1956.

10 That's created some controversy. There are a
11 good number of contractors out there that wanted SBA to
12 interpret the statute differently and put in a five-
13 year average right away, but we -- first of all, we
14 wanted to make sure that we were considering the views
15 of all small businesses. You know, this might help
16 businesses who have increasing receipts or have been in
17 business for five or more years. But if you're a new
18 business that's been in business for less than three
19 years, if you're a smaller small business, the statute
20 doesn't really help you. And, in fact, some might
21 argue that it creates increased competition for those
22 businesses.

23 So we wanted to make sure we looked at those
24 businesses and get their views on it through notice and
25 comment rulemaking, and then we also wanted to make

1 sure that we're fair across the board for everybody
2 that participates in any SBA program, including loans,
3 entrepreneurial development, and government
4 contracting. So that's why we introduced a notice and
5 comment rulemaking process for this.

6 Now, the businesses that thought that this
7 should be implemented right away filed challenges at
8 the GAO, the Government Accountability Office, and at
9 SBA's Office of Hearings and Appeals. You can see on
10 the slide here at the bottom bullet that GAO upheld
11 SBA's interpretation and found that the Runway
12 Extension Act did not immediately change the size
13 standards to a five-year average. And that's that
14 TechAnax case. There's also a decision that will
15 probably be released in the next few weeks from SBA
16 that will interpret the Small Business Runway Extension
17 Act. Next slide.

18 MR. LE: This is about our proposed rule. We
19 issued a proposed rule in June. Comments were due in
20 August. Our proposed rule stated that we were
21 proposing to calculate average annual receipts based on
22 five years for all industries, so not just for the
23 services but include the construction and agricultural
24 and the retail trade. It would not just be limited to
25 the service industries as provided in the statute. And

1 it would only go into effect after SBA receives the
2 comments, processes the comments, issues the final rule
3 and sets an effective date.

4 And then until the effective date of that
5 rule, SBA will continue to apply the three-year average
6 for calculating average annual receipts. So as a case
7 study of this, there's an SDVO business that's
8 submitting an offer right now, you know, end-of-the-
9 year contracting is submitting an offer. They should
10 be calculating their size using three years as an
11 average, not five years. And there might be businesses
12 that would benefit from averaging over five years, but
13 that's just not in place yet. It's not in place until
14 we get in all the comments and we issue a final ruling.
15 The next slide.

16 MR. LE: We did, however, provide significant
17 relief to businesses operating under receipts-based
18 size standards in a rule that we issued in July that
19 was effective August 19th. We increased all the
20 receipts-based size standards for inflation. We do
21 this every five years, and inflation over the last five
22 years was a little over 8 percent, so we increased the
23 size standards for about 8 percent. Mathwise, that
24 turns out to be about half a million for the lowest
25 size standard and up to 3 million increase for the

1 highest size standards.

2 This means that if an agency is issuing a
3 solicitation after August 19th, the solicitation should
4 include this new size standard, not the only one that
5 hasn't been adjusted. And then, also, if there's a
6 business that's in that gap between the old size
7 standard and the new size standard, they should have
8 received a notice, but even if they haven't, the notice
9 would tell them that they should go into the
10 registration system and change their registration. It
11 doesn't automatically update the yes or no for whether
12 you're small. You still have to go in and, you know,
13 resubmit so that you're recognized under the new size
14 standard after August 19th. Next slide.

15 MR. LE: We also issued earlier this year a
16 new methodology for how we will calculate size
17 standards. This methodology will be used for our next
18 update of all the size standards. Every five years, we
19 look at every single size standard, all several
20 thousand of them, and look at the current Census Bureau
21 data on the employees or the receipts of particular
22 businesses. And we update the size standards to keep
23 up with changes in the industry and general business
24 practices.

25 We're starting that process right now, and

1 we're going to use this methodology that we released in
2 2019. One big change in the methodology is to move
3 from an anchor approach to a percentile approach for
4 evaluating industry characteristics. And, in practice,
5 what that will essentially mean is that size standards
6 will be allowed to float more instead of being anchored
7 at certain parts.

8 You might have seen a slide a couple slides
9 ago that we had a list of size standards, and they were
10 kind of separated by 2 or 3 million, but we're going to
11 let them float a bit more so they don't cluster at
12 particular spots using this new percentile approach.
13 So you may -- you'll probably see a larger number of
14 particular figures for the size standards. We'll also
15 take into account more federal contracting industry
16 characteristics.

17 Just quickly on a couple more rulemakings that
18 we're going through for the National Defense
19 Authorization Act implementation for 16/17 and the RISE
20 Act. We're making changes to the limitations on
21 subcontracting to exempt purchases from particular
22 industries from inclusion in limitations on
23 subcontracting. You can see that in the numbered list
24 up here. And then next slide.

25 MR. LE: For small businesses that are

1 subcontractors, they may be interested in the list that
2 we're currently finalizing on examples of failure to
3 exercise good faith in small business subcontracting.

4 A large business prime contractor is required to
5 exercise good faith in trying to allocate subcontracts
6 to small businesses, but we've never really defined
7 what good faith is before. So here, in this rule for
8 the first time, SBA is going to issue some examples of
9 what it means to not exercise good faith.

10 You can see here some of the examples we said
11 were not entering data into the electronic
12 subcontracting reporting system, not conducting market
13 research for subcontracting, not addressing SBA's
14 concerns with how that business is doing in
15 subcontracting, and not paying small business
16 subcontractors on time. That's just a few of the
17 examples that we put into our proposed rule. We're
18 finalizing this rule right now. It should probably be
19 out, I'd say, in the next five to six months. Okay,
20 next slide.

21 MR. LE: There's a FAR case that the FAR
22 introduced earlier this summer to allow firms to -- or
23 actually to require firms to get credit for lower-tier
24 subcontracting. So that means if you're a large
25 business prime and you have a large business first-tier

1 sub and then that large business first-tier sub then
2 subcontracts down the line to a small business, that
3 would be counted for subcontracting by the prime large
4 business.

5 Comments were due to the FAR there. That may
6 be overtaken by events because there's some movement in
7 Congress to change the statute that created that
8 program. Next slide.

9 MR. LE: The FAR also issued a rule that would
10 allow the small business programs to apply outside the
11 United States. That's been SBA's position for quite a
12 long time, and, in fact, we include overseas contracts
13 in our goaling numbers, except for DOD, which has a
14 statutory exclusion for certain overseas contracts.
15 But for the most part, we include overseas contracts in
16 our goaling numbers. The FAR is following along on
17 that and allowing the small business programs in the
18 FAR to apply to overseas contracts. And that's a
19 proposed rule. Comments are due October 11th. Next
20 slide, please.

21 MR. LE: Other proposed rules we're looking
22 at, as I mentioned, we're going to go through all our
23 size standards and look at them based on industry
24 characteristics. We're looking at consolidating our
25 two existing mentor-protégé programs at SBA. We have

1 an 8(a) program. We have an all small program. They
2 have the same rules, some of the same benefits. It
3 doesn't really make sense to operate two separate
4 programs, so we're going to try to consolidate those.

5 We have a requirement by the end of -- or by
6 the beginning of next year to allow governors to
7 propose or designate areas to qualify as HUBZones, so
8 we're going to issue a rule on that. And then we're
9 also part of the President's Regulatory Reform
10 Initiative, and we'll be trying to cull through our
11 rules to see if there are any that are unnecessary or
12 duplicative. Next slide.

13 MR. LE: The FAR, in addition to the ones that
14 I mentioned, is looking at updating -- cleaning up some
15 definitions about affiliates, increasing the thresholds
16 based on last year's NDAA, and then, finally, in 2014,
17 the FAR started a rule about setasides under multiple-
18 award contracts. That's from a 2010 statutory change,
19 so that's nine years ago. I hear that is just a few
20 weeks away, but I might have been hearing that for a
21 few years now. But we'll get there, we'll get there on
22 multiple-award contracts.

23 And then, finally, the long-awaited changes to
24 limitations on subcontracting should be coming out at
25 some point soon. That was from a 2013 statutory change

1 that SBA made in 2016. Next slide.

2 MR. LE: This committee may already have heard
3 that OMB in April -- the Office of Management and
4 Budget -- in April issued a memorandum encouraging
5 agencies to come up with a plan for category
6 management. The idea there is that certain categories
7 of products would be centrally managed through
8 particular agencies, and agencies -- buying agencies
9 should use those best-in-class vehicles or category
10 management vehicles. Under this memorandum, agencies
11 create goals, they develop plans, they share their
12 prices paid with other government buyers, and they
13 trained our employees in category management
14 principles.

15 Significant for this group, the memo
16 recognized that category management has to be
17 consistent with the small business and service-disabled
18 vet, HUBZone, 8(a), women-owned goals, and with the
19 requirements on -- in those programs. So if you see
20 that memo, if you happen upon that memo, I'll point you
21 to Footnote 31 in that memo, which states that the
22 agencies cannot violate small business program
23 requirements, such as the 8(a) release requirement by
24 using category management as an excuse. The category
25 management is not a substitute for the small business

1 programs because the small business programs for the
2 most part are still mandatory.

3 That's all I have. Thank you very much for
4 your time.

5 MS. O'BRIEN: Thank you. I have a quick
6 question if that's all right. You mentioned
7 consolidating the mentor-protégé program. Is there an
8 analysis for how much money that would save or the
9 impacts for the program in terms of estimated veterans
10 that can be served through that consolidation?

11 MR. LE: I don't have numbers on me, but, yes,
12 we did a cost/benefit analysis for that rule. It's
13 going through the Office of Management and Budget right
14 now, and they look very closely at the costs and the
15 benefits of the rule, I think. The biggest benefit for
16 businesses is when they're looking at these two mentor-
17 protégé programs, they won't have to figure out any
18 differences between the programs. They can just go to
19 one set of program rules and benefits and eligibility.

20 Another big benefit of it is the all small
21 program uses an electronic application through
22 Certify.SBA.gov, whereas the 8(a) mentor-protégé
23 program has a decentralized process through the
24 district offices. So once we consolidate these,
25 everybody will be able to go through the electronic

1 application that should be able to decrease processing
2 times and get people to have their mentor-protégé
3 agreements approved much faster.

4 MS. O'BRIEN: Thank you.

5 MR. LE: Of course.

6 MR. PHIPPS: Michael Phipps. So you had
7 talked about the woman-owned certification program
8 being allowed -- third parties being allowed that were
9 -- and we've had some of those third parties that have
10 come in here. So just for a comment for the group, it
11 seems like the woman-owned -- getting a woman-owned
12 certification would be much easier than going through
13 the veteran-owned certification and giving that
14 socioeconomic group much more advantages in terms of
15 certification than the VA process.

16 And so have you guys looked or are you guys
17 interacting when you're looking at the proposed rule
18 with what's going on with possibly the SBA taking over
19 verification for SDVOSBs on what third-party
20 certification might look like for service-disabled
21 veteran-owned businesses? I know that's a lot to --

22 MR. CLARKE: That's a lot. So one is kind of
23 defining third-party certifiers. So in the proposed
24 woman's rule, the VA is an accepted third-party
25 certifier. So if you go through the VA process to get

1 your veteran-owned business certified and you also
2 happen to be a woman, we would accept that as being --
3 verifying ownership and control. So we count -- so you
4 might be talking about, like --

5 MR. PHIPPS: The opposite way. If I go
6 through the third-party certifier --

7 MR. CLARKE: Well, what I'm saying is the VA
8 is a third-party certifier for SBA.

9 MR. PHIPPS: Right.

10 MR. CLARKE: So are you -- but we have -- so
11 we have private third-party certifiers like those
12 entities that we have other government agencies that we
13 treated as third-party certifiers. We have, like,
14 Department of Transportation and the VA. And then you
15 have basically the ones that we have, like, agreements
16 with.

17 MR. PHIPPS: So the ones you have agreements
18 with, and I can't remember the name of that one --

19 MR. CLARKE: So it's National -- WBENC,
20 National Business Council, National Hispanic -- ooh, I
21 know I'm forgetting one. I'm not remembering all
22 three, but those are the three. There's four. So your
23 question is what do we see as compared to the veteran
24 part?

25 MR. PHIPPS: No. And this has to do with our

1 annual report. Why -- with the third-party certifiers
2 that can certify -- I'm not talking about government
3 agencies, the independent certifiers that can certify a
4 woman-owned small business as current. Have you guys
5 looked at also allowing them to certify for veteran and
6 service-disabled veteran-owned businesses as well so
7 you're not relying on -- so the SBA all of a sudden has
8 this requirement to do the certification, are you going
9 to allow third-party certifiers beyond the -- you know,
10 beyond working with the VA to do that?

11 MR. CLARKE: SBA has not looked into that.
12 And just so you can also go -- if you talk to the
13 women-owned, like, third-party certifying entities,
14 those existed for a very long time pre-SBA's program.
15 So they're -- but they were doing certification of
16 woman-owned businesses with a private entity before
17 SBA's program existed. And they have a track record.
18 And they were asked also to look into a national, but,
19 no, SBA hasn't looked at that for veteran-owned
20 programs.

21 MR. PHIPPS: So one of the things that
22 we've discussed internally and in our report is the
23 ability -- if other socioeconomic groups can have
24 third-party certification, what would that look like
25 for veteran-owned and service-disabled veteran-owned

1 certification because it seems like, you know, that --
2 there's not a common standard beyond just the veteran
3 part of the certification, or there's a pretty big
4 difference between going through the CVE and going
5 through the third-party just so you can become a woman-
6 owned certified company. And so we had talked about
7 why can't we or why can't veteran-owned businesses and
8 service-disabled veteran-owned businesses use that same
9 process. Does that make sense?

10 MR. CLARKE: It makes sense. So from SBA's
11 point of view, while not an expert on VA's
12 certification program, the third-party certifier's
13 certification isn't that much different than SBA's in
14 terms of, like, it's not simpler. Like, we require
15 them to look at and do the same level of review that
16 SBA would do. And as the proposed rule is, they're
17 going to be held to the same standards as SBA. SBA is
18 going to be doing one. SBA's is free. That one --
19 they're free to charge. So in our view, we don't make
20 a judgment call on one being better than the other. We
21 expect everybody to be very good and have similar
22 standards for doing that with our third-party
23 certifiers. Does that make sense?

24 MR. PHIPPS: It does. We just can't -- that's
25 the only socioeconomic group that can do that right

1 now.

2 MR. CLARKE: Yeah, and there's also, like, a
3 statute that is -- that sort of told us to do that.
4 Like, one of the reasons why is this for WOSB, Congress
5 told us to have it exist for WOSB.

6 MS. O'BRIEN: Anybody on the phone have
7 questions or comments?

8 (No response.)

9 MS. O'BRIEN: All right. Thank you so much
10 for your time. Very informative.

11 Barb, thank you for dialing in. Do you have
12 any comments? Oh, I'm sorry. Joe Sharpe.

13 MR. SHARPE: Teresa had a comment.

14 MS. O'BRIEN: Okay.

15 MS. LEWIS: Hi. I'm Teresa Lewis, and I am on
16 detail with the American Legion, but as a former OSDDBU
17 director, I have a question about the proposed rule
18 regarding the subcontracting proposal. And so the --
19 from experience, I can tell you that even when the
20 large prime has been found not to be compliant that the
21 agency itself does not take the necessary action. We
22 know liquidated damages have been in the rules forever.
23 Contracting officers don't want to apply that.

24 So as you -- and I think it's great that you
25 are explaining, you know, and providing additional

1 clarification, but I definitely think that there needs
2 to be stricter accountability to the federal agency on
3 mandatorily -- mandatory actions that they must take
4 when they find the prime to be noncompliant, because,
5 otherwise, it's going to fall on deaf ears and it's
6 just going to continue to be the way that it is.

7 MR. CLARKE: Yes, I understand. Thank you. I
8 think -- part of this effort in defining examples of
9 failure to exercise good faith is at least to give the
10 agency the tools that they need to take actions such as
11 liquidated damages or contract remedies. If there's a
12 -- if there's something that we're hearing from the
13 agencies, they -- one possibility is that they don't
14 know how to go about going through the enforcement
15 process or looking at liquidated damages. And having
16 the example there we hope will help them do that.

17 MS. LEWIS: I know that's what you want to
18 believe, but I'm telling you what really happens.
19 Contracting officers from a former 1102, I started my
20 government career as a contracting officer. They know
21 that that is an option. They know how to apply
22 liquidated damages. I've done it for construction
23 contracts.

24 But what I'm telling you is from the OSDBU's
25 perspective, what we saw is that unless that agency --

1 unless SBA has if this happens, then, agency, you must
2 do X, Y, and Z, because it says they may apply
3 liquidated damages, most contracting officers want to
4 continue working with that contractor. So, therefore,
5 they're not going to be -- they're not going to hold
6 that prime accountable, and I'm just saying that, you
7 know, that's nice what you're doing, but if you really
8 want to help the small businesses, you've got to do
9 more to hold the agencies accountable.

10 MR. CLARKE: So on that note, so we'd like --
11 you saw these are, like, the changed proposed
12 regulations, so those are the regulations that are
13 being changed, but if you -- over the last couple of
14 years, you might have noticed that there's been some
15 policy changes around subcontracting. So one of the
16 things is we've increased the amount of subcontracting
17 issues that are included in the Scorecard each year to
18 hold agencies more accountable. So, one, we're
19 tracking what they're doing with subcontracting; and
20 then we let them know that it's going to be part of
21 your Scorecard that you're doing this -- that you're
22 doing this well.

23 The next thing that's changing is in addition
24 to changing these rules, it is the surveillance reviews
25 that we do of agencies now includes whether or not

1 they're doing this correctly. And we're going to grade
2 them on how well they're running their subcontracting
3 compliance. So it's a thing where, like, SBA goes in
4 and looks and we see a routine thing where contracting
5 officers are looking at subcontracting plans, primes
6 are not in compliance, and that agency isn't doing
7 anything, that we'll eventually affect their Scorecard.

8 MS. LEWIS: Okay.

9 MR. CLARKE: So that's the accountability
10 part. So we changed the rules to give them clear rules
11 to follow; then we changed the policies that we -- by
12 the way, SBA cares about this. And then, too, there is
13 a consequence for not doing anything.

14 MS. O'BRIEN: Chris, thank you so much. In
15 the interest of time --

16 MS. LEWIS: Put it in the regs, Chris.

17 MS. O'BRIEN: -- because we are way over time.
18 Teresa, you can send your specific suggestions through
19 Joe. We can make sure that they're forwarded on to
20 you.

21 I want to thank you for your time and your
22 effort and for flexing when we started a little late
23 for your presentation. Thank you so much. We'll
24 reconvene back at 1:00.

25 (Meeting in recess for lunch.)

1 AFTERNOON SESSION

2 (1:11 p.m.)

3 MS. O'BRIEN: All right, so folks on the
4 phone, can you hear us?

5 MR. O'FARRELL: (Inaudible) Jim O'Farrell.

6 MS. O'BRIEN: Got you, Jim.

7 Brandon, are you on?

8 MR. SHELTON: Yep, I'm here.

9 MS. O'BRIEN: Okay. Anybody else on?

10 Eli, are you on? Okay.

11 All right, well, thank you for coming back.

12 Welcome back to everybody. We're going to welcome Bob
13 Carpenter, acting chief of 7(a) program, and Dan Upham,
14 supervisory loan specialist from Office of Capital
15 Access for their update. It's a pleasure to see you
16 again. Thank you so much for joining us, and we'll get
17 into it. Thank you.

18 MR. CARPENTER: Okay. Well, first of all,
19 we've got some of these year-to-date updates compared
20 to the same time year-to-date for the previous five
21 years as well. So you can see the numbers are a little
22 down on 7(a) lending activity, and they're a little up
23 on 504, and there's a couple of reasons for that.
24 Primarily, last year, we gave the 504 program a 25-year
25 debenture, which increased from the normal 20-year and

1 10-year debentures. So adding another level of
2 debenture to the 25-year maturity kind of put it on par
3 with loans to acquire real estate with the 7(a)
4 program, which did permit the 25-year debenture, and
5 that, in turn, kind of took some of those 7(a) loans
6 and merged them down into the 504. So it's kind of
7 just a shift. It's not really too much of a decline,
8 but we have seen some decline. There's been that
9 little shift, but we have seen a little bit of a
10 decline in 7(a) lending.

11 And it's also, we believe, because the economy
12 has been better, we have seen less need for SBA lending
13 as a whole compared to five, ten years ago, so when the
14 economy wasn't doing so robust. So when you have the
15 low unemployment and better economy, the need for
16 access to capital elsewhere drops a little bit. So we
17 see that in our numbers, but we're still ahead of the
18 2014 level, which was also robust. The numbers and the
19 dollars are still ahead of 2014 as well. So we're just
20 kind of coming off that little plateau right now, I
21 believe, staying pretty up-to-date with that.

22 I think we'll probably get a little bit of a
23 push this month with the year-end numbers just because
24 of the uncertainty of the budget authorization for the
25 7(a) program, not so much so in the 504. The 504

1 program authority is fine. The 7(a) authority, we did
2 ask for in the presidential budget request to Congress.
3 We asked for an additional \$99 million or to allow us
4 to increase the fees on the very highest of loans, the
5 largest of loans as an alternative.

6 As you're well aware, the fees go to cover the
7 cost of the program so we do not have to take a
8 subsidy. And based on OMB's numbers given to our CFO's
9 office, and there are revisions to the budget model,
10 the subsidy model. We've had to request \$99 million of
11 Congress for the subsidy for 2020. They have not yet
12 acted on that, and as a result of that, the statutory
13 provision for the fee relief to veterans under the SBA
14 Express Program, which does have a stipulation that it
15 is only allowed in years in which SBA's presidential
16 budget request has -- remains at zero cost.

17 So that request for the \$99 million would put
18 us at eliminating the fee relief on that veteran SBA
19 Express Program, but they have looked at some of the
20 data for our cost, so we believe they're looking at
21 possibly funding that in a separate way and making some
22 legislative changes to remove that provision for zero
23 cost. They have not acted on that yet, but that's
24 something they're looking into. All right, next slide.

25 All right. These are the loans approved to

1 veterans. As you can see, they've dropped a little
2 bit, dropped from 4.9 down to 4.6 percent. The numbers
3 have been pretty much stationary compared to the whole.
4 This, again, is self-reported data from the applicants
5 and the lenders, so it is only verified when the
6 applicants are seeking the fee relief. That's when we
7 have to actually receive the DD-214 documentation that
8 they are a veteran. So most of the time, if they're
9 not seeking fee relief, the lenders just don't fill
10 that part of the application out. So I think there is
11 an artificial suppression here.

12 I've mentioned this before in previous
13 meetings as well, but when we do collect the
14 information, it's usually because it's tied to the fee
15 relief and it is self-reported, but we're seeing a
16 small decline there, and I think the 2015 numbers and
17 '16 numbers you were seeing a lot more fee relief as a
18 whole, not just in SBA Express but other 7(a) programs
19 because we were providing fee relief across the board,
20 and veterans were tied into those other 7(a) programs
21 as well. Now it's only in the SBA Express loan for
22 this fiscal year, which is why you're seeing a little
23 bit more of a drop. It was -- we eliminated the fee
24 relief outside of everything but the veteran fee relief
25 under SBA Express this fiscal year.

1 MR. UPHAM: Hi, I'm Dan Upham, and I run the
2 Microloan Program here at SBA. So Microloan and
3 Community Advantage, which are on the slide, are
4 operated through our mission-based lenders, our
5 nonprofit lenders, and really looking at sort of the
6 smaller side of the Cap Access spectrum, with the
7 Microloan Program offering loans through intermediary
8 lenders up to \$50,000 per small business loan and
9 Community Advantage operating under 7(a) as part of the
10 Guarantee Program, making loans up to \$250,000.

11 The Microloan Program has about 150 lenders
12 nationwide doing about \$75 to \$80 million in microloans
13 and an average size of around 15,000 per loan. And on
14 a percentage basis, the Microloan Program had a record
15 year last year in terms of its lending volume, dollars,
16 and number of loans and is averaging approximately 5
17 percent of its lending to veterans and service-disabled
18 veterans.

19 This year, we're seeing an additional growth
20 in the program, which will end up being somewhere
21 between 5 and 10 percent growth over last year, so
22 another record year. Veteran lending is down slightly
23 over what it was last year but still running at what we
24 feel like is a pretty acceptable clip.

25 Community Advantage is down. As part of 7(a),

1 it's sort of following the trend that the overall 7(a)
2 program is following. Small loans are actually
3 somewhat impacted to a larger degree than what some of
4 the larger loans have been in at least what we're
5 seeing so far in 2019.

6 But the good news is that Community Advantage
7 in terms of lending to veterans is one of our stronger
8 Cap Access programs. It seems to do very well in that
9 space. We do have some lenders that specifically
10 target and are located near large numbers of retired
11 vets or exiting vets. And so it's averaged around 10
12 percent of its loan volume -- both dollars and numbers
13 of loans -- to veterans. And even though lending
14 volume is down this year, that percentage is holding
15 pretty true. I think it's just under 10 percent this
16 year. Next slide.

17 And so we just wanted to break down for the
18 Microloan Program, you know, sort of what some of those
19 numbers look like. As you can see, the Microloan
20 Program targets underserved communities, specifically
21 low-income, minority-owned, women-owned, veteran-owned,
22 startup businesses, and, you know, so that -- those are
23 the markets that our intermediaries specifically
24 target. Those numbers are holding true. Our minority
25 numbers are up a little bit this year. Most of the

1 other numbers are right in line with where they've been
2 in prior years. Next slide.

3 MR. CARPENTER: I'll take this. All right, as
4 I said earlier, the SBA Express Loan Program provides
5 the veteran-owned business with fee relief this current
6 fiscal year, and that fee relief is applied to those
7 loans that are submitted under our SBA express delivery
8 method up to 350,000. And there is no fee charged to
9 the lender or passed on to the borrower on that for the
10 up-front guarantee fee.

11 Currently, other 7(a) loans, non-SBA-Express,
12 up to 150,000. If they are located in a rural or
13 HUBZone community, we are providing fee relief by
14 reducing the fee for the smaller loans from 2 percent
15 down to two-thirds of a percent. And the lender fee
16 has been reduced entirely from the 55 BPS down to zero.
17 And that's to encourage lenders to make loans in these
18 rural communities, underserved areas, and HUBZone
19 markets that have been kind of left to the side by the
20 lenders historically. But that's the current fee
21 relief.

22 Based upon the budget request, the fee relief
23 for the rural and HUBZone areas will be going away in
24 full. And as I said earlier, the veteran free relief
25 will have to go away unless they figure a way to fund

1 it separately on the Hill because of the request for
2 subsidy. And the way they can do that, like we said,
3 it's either the fee on the very highest of loans to
4 cover that offset or they could fund it separately and
5 remove that stipulation in the statute that requires no
6 fee relief be provided in years in which we receive a
7 subsidy. That's the ongoing discussion.

8 When Congress gets back to work next week,
9 we'll find out a lot more about what's going on, I
10 guess. We're just kind of waiting until Monday or
11 Tuesday to see what's going on. It is a very closely
12 watched item on the budget by our resource partners and
13 our stakeholders. Nagle (phonetic) is on the Hill
14 constantly talking to members of Congress about the fee
15 relief and the 7(a) authority.

16 So, unfortunately, if they don't act either
17 way, they just have to act one way or the other to give
18 us the authority to continue to operate from October 1,
19 but if they don't operate or act either way, our
20 programmatic authority for 7(a) just stops. It does
21 not affect 504 or the Microloan Program, but it does
22 affect the 7(a) program if they do not act on the
23 subsidy request one way or the other.

24 Lender Match, what can I say? We're trying to
25 -- you got more on Lender Match?

1 MR. UPHAM: I can give you a quick update. I
2 was traveling with our associate administrator a couple
3 of weeks ago in the Midwest, and he was giving
4 briefings on Lender Match over and over, so I kind of
5 have what he was talking about down. So as you know,
6 Lender Match is like our Match.com referral tool.
7 Small business borrowers can go on the SBA.gov page and
8 very quickly get routed to our Lender Match program.
9 They fill out a series of about 20 questions and can be
10 routed to lenders that are interested in working with
11 them to complete a loan and/or training and technical
12 assistance.

13 We had been getting a lot of feedback from our
14 participating lenders that they were getting bombarded
15 with leads that really weren't in their wheelhouse, and
16 so our tech guys went in and they've added quite a few
17 filters so that lenders can now go in and choose the
18 filters that they want, you know, loan size, loan term,
19 type of equipment, use of proceeds, type of business,
20 to really filter down and only get those leads that
21 they think will more than likely be a better match for
22 them.

23 And as a result, we're starting to see an
24 uptick in the number of matches that we make. Now
25 through the first couple of years, it's been very

1 successful. I think 4 million small business -- small
2 businesses have shown interest by completing a Lender
3 Match input page, and over 200,000 matches have
4 actually been made between a lender and a small
5 business. We do not require that if a lender is
6 interested in a match that comes in from SBA's page
7 that it be completed with an SBA product. It's really
8 just a tool to engage getting interested parties
9 together.

10 So that's sort of the update on -- oh, there's
11 one additional technological improvement that's coming
12 that's not completed yet, but in those instances where
13 a match is made, the next tech update will be to
14 transfer the borrower information that's been inputted
15 in Lender Match over into our E-tran system to help
16 increase the speed in which that application can be
17 reviewed. So the initial input and the information
18 will actually become part of the application for loan
19 guarantee, so reducing the need, you know, for
20 duplicate entries in the separate systems and so forth.
21 So, anyway, that's the update on Lender Match.

22 MR. CARPENTER: I'd like to add we are also
23 working or our tech people in OPSM are working to
24 improve Lender Match to allow it for the smaller loans
25 to come in and do SBSS credit score, which is our

1 liquid credit score that we use for our small loan
2 programs under -- for loans under 350. And if the SBSS
3 score is currently -- we have it set at 140 or better.
4 If that score is at 140 or better, the lender can make
5 that loan with a reduced writeup and analysis of that
6 borrower using much less information. So you may not
7 even have to use financial information or data to do
8 that. And it's based on the FICO liquid credit score
9 that they've modernized and adapted for SBA lending.

10 So we're looking to take the data that is
11 input by the potential borrower in Lender Match and
12 have that so when it does get a referral to that
13 lender, if it's a smaller loan under 350, they can get
14 a SBSS score as well so they can see if this is a
15 viable candidate for borrowing or not, without having
16 to do the analysis themselves. So that's one of the
17 future tools we're going to have with Lender Match that
18 they're developing.

19 I think that's the last slide.

20 MR. UPHAM: Yeah, I was just going to say I
21 think that it's for our sort of prepared presentation,
22 so I guess we can take questions and so forth. It
23 looks like we have about 30 seconds left on the clock.

24 MS. O'BRIEN: You can keep going. We'll give
25 you a little room.

1 I have a quick question. So you said 200,000
2 matches have been made, and I don't know if you'll know
3 this answer because I know it's a little outside your
4 scope, but maybe if you could get it back to us. Of
5 the 200,000 matches made, I was wondering how many of
6 them resulted in a loan.

7 MR. CARPENTER: We actually don't track the
8 number of completed loans. We only track the number of
9 matches at this point. At some point in the future,
10 I'm sure that's, you know, something that we would like
11 to capture. But like I said, you know, it's not
12 important for us that they complete a loan using an SBA
13 product, so in the future, you know, it may well be
14 that a loan is made, but because it's not an SBA
15 product, we're not going to capture the fact that it
16 was ultimately an approval, but I think at some point
17 in the future we will at least be able to see the SBA
18 approvals, but we can't yet.

19 MR. UPHAM: Lender Match was developed with
20 basically \$30,000 of spare cash that -- so this has
21 been a program that has utilized its funding very well.
22 It's not really funded in our budget item to do a lot
23 of things with it, but because we see the potential
24 with it, we're trying to do these other things, such as
25 put the SBSS score and tie that in, using the tools we

1 already have and just have them merge together.

2 So it's -- we're trying to get a little more
3 funding for that part of it as well, so the OPSP team
4 is working on that with the contractors. And to that
5 point, I can't speak to what they're doing, but I know
6 they are pushing to make it so we can see what the
7 outcomes are, whether they get a loan or whether they
8 get an SBA loan, but right now, we just don't have the
9 systems talking to one another, and that's the main
10 problem. We don't see if a lender match occurs. We
11 don't see the data intake and we would have to put out
12 a new collection of information to get that.

13 MS. O'BRIEN: Gotcha. And we're not tracking
14 it through veterans, right?

15 MR. CARPENTER: Not that I'm aware of.

16 MS. O'BRIEN: The 200K

17 MR. UPHAM: I don't believe so.

18 MR. CARPENTER: I don't believe so.

19 MS. O'BRIEN: Okay.

20 MR. CARPENTER: That could be another ask that
21 we could say, you know, if it's veteran, if it's not
22 veteran.

23 MR. UPHAM: Yeah, I mean, I think at this
24 point I don't believe one of the questions that a small
25 business would fill out, somebody that's applying

1 through Lender Match, I don't think that's one of the
2 questions they're asked and wouldn't be until they're
3 actually in the application process where we might
4 collect the veteran status. So it's not something
5 that's tracked yet.

6 MS. O'BRIEN: I'm curious because I feel like
7 probably a lot of veterans don't even know this exists.

8 MR. UPHAM: Right, yeah, I mean, a lot of
9 people, period, don't know it exists. Anybody that
10 does stumble onto SBA.gov, though --

11 MR. CARPENTER: It's right up on the front.

12 MR. UPHAM: -- I mean, it's as soon as you --

13 MR. CARPENTER: It's a big, yellow box.

14 MR. UPHAM: -- say I'm interested in a loan,
15 it's going to take you to Lender Match, so yeah.

16 MR. CARPENTER: I mean, in fact, if you go on
17 the SBA website, in order to read the SBA website, you
18 have to close the box for Lender Match. So, you know,
19 it pops up as a big popup, and most people just think
20 it's a popup ad, but it is "Are you interested in
21 getting financing? Click here to go to Lender Match."
22 And you can click it once to exit down and it brings it
23 smaller but it's still there. You have to click it
24 twice to get rid of it, to move it to the side. So
25 it's persistent.

1 MR. SHARPE: Do you know how many veterans
2 apply for each type of loan?

3 MR. CARPENTER: For the application, we don't
4 track by application, we track by approval. So the
5 numbers we gave are for 7(a). I can give a further
6 breakdown from our data team. We can get the
7 information as a breakdown by delivery method the next
8 time.

9 MR. PHIPPS: I have one question, and it's a
10 holdover from yesterday's IATF. The gentleman called
11 in. He owned a construction company, and he was asking
12 about the bonding, and we hadn't talked about that, the
13 bonding issues. He's limited by the 6.5 million, and
14 then there's another -- I was just looking at my notes
15 from yesterday. There's something else and some sort
16 of financial check he's got to -- he has to pay, like,
17 almost \$5,000 for it to go through this financial check
18 that could just be done some -- maybe just with
19 something like the FICO score, I'm not sure.

20 But, basically, this gentleman's issue was
21 he's limited -- he has to turn down work because he
22 can't get bonding beyond the \$6.5 million. And so
23 because I don't understand what -- you know, the SBA-
24 backed bonding compared to this commercial bonding, if
25 you guys know any insight and can shed any light on

1 that, that would be really helpful.

2 MR. UPHAM: Sure. So SBA does have a surety
3 bond guarantee program. It is really to help small
4 contractors that are having trouble in the commercial
5 market getting a surety bond. A surety bond is
6 basically an insurance policy that a contract --
7 somebody that needs to have some work done wants the
8 assurance that that project is going to be completed,
9 and if it isn't, they have the surety bond that allows
10 a new contractor to come in and take over that work and
11 complete the project.

12 So as a contractor, a lot of times what
13 happens is a contractor will get in business, they
14 won't be able to compete for their own contracts
15 because they may not have the experience. They'll work
16 as a subcontractor under a prime. And a lot of times,
17 as they're getting started, they'll actually work with
18 the prime on, you know, using their surety bond and
19 won't get their own, which is a big disadvantage
20 because then when it does come time for them to get a
21 surety bond and start bidding on their own projects,
22 one of the questions on that surety bond questionnaire
23 is what is your largest bonded project. And if they've
24 just been working on somebody else's surety bond, the
25 answer is zero.

1 And so for instances like that, and for
2 contractors that are just smaller contractors that
3 maybe are just, you know, not able to work in the
4 commercial market because of the size of the projects
5 they're working on, the SBA Surety Program -- Surety
6 Bond Program does -- is set up to help those specific
7 types of contractors.

8 The other thing that I think we see in the
9 Surety Bond Program is that, you know, as these
10 companies do grow and they're out in the commercial
11 market, in a lot of cases, they're paying way more for
12 their surety bond than what they need to be paying.
13 And I don't have the exact numbers. I'm not a surety
14 bond expert, per se, but I believe the number is, if
15 you're paying more than 3 percent for your surety bond,
16 you're paying way more than you need to.

17 But, you know, Peter, the director of our
18 Surety Bond Program, says, you know, time after time
19 after time he'll be out talking with contractors,
20 spreading the word, and, you know, find folks that are
21 paying huge amounts above, you know, sort of what they
22 really need to be paying. And so, you know, a lot of
23 it is, you know, just understanding sort of what the
24 market is, understanding what the program is, how it's
25 priced, you know, what they should or shouldn't be able

1 to get and do.

2 In terms of the guy having to pay \$5,000 for a
3 financial check or something, I'm not quite sure what
4 that is. I know that with the SBA Guarantee Program
5 that we -- you know, they work through contracted
6 licensed agents and so forth and that we have our --
7 you know, our own team here that will help contractors
8 fill out those surety forms and get them in contact
9 with, you know, the partners that work with SBA. And I
10 don't believe there's any charge for helping them get
11 all that application and so forth put together. And
12 the only time they would be paying any kind of fee
13 would be at the point where they actually have that
14 surety bond guarantee. So --

15 MR. PHIPPS: Michael Phipps. What would be
16 your recommendation?

17 MR. UPHAM: Contact the local SBA district
18 office, ask them about surety bonding, and --

19 MR. PHIPPS: I think -- so he had been using
20 the surety bonding, and I think his issue was the limit
21 on the 6.5 million and then being able to do multiple
22 projects, where he just had to turn work down because
23 he couldn't --

24 MR. UPHAM: Right, I mean, if he's outgrown
25 the program -- because I think 6.5 million is the

1 limit --

2 MR. CARPENTER: Did they just increase it? I
3 think they just -- the proposed increase.

4 MR. UPHAM: They may have proposed an
5 increase. I think it's still currently at 6.5. Now,
6 one of the issues is that our guarantee would cut off
7 at 6.5. That doesn't mean that they can't get a larger
8 surety bond. You know, they can go out in the
9 commercial market and get a larger surety bond and
10 simply have a guarantee on that \$6.5 million that SBA
11 would guarantee. But it's also possible that at the
12 point where they're sort of outgrowing that 6.5 million
13 that they really should be in the commercial market and
14 no longer really have that need for the government
15 support.

16 MR. STUBBLEFIELD: You know, I was just going
17 to say, Mike, that we're in the process now with that
18 gentleman of setting up like a roundtable discussion
19 where he's going to come in. We're reaching out to
20 Peter -- Peter who runs the Surety Bond Program -- and
21 then we're going to sit down to just talk all the way
22 through all the issues and then report out --

23 MR. PHIPPS: Oh, that's great.

24 MR. STUBBLEFIELD: -- the next time we get
25 together so that everyone is on the same sheet of

1 music, because you're absolutely right. His point is
2 that the \$6.5 million is limiting his ability to
3 participate. And I know this has been brought up to
4 the acting administrator, because I guess he brought it
5 up in another forum, and we really need to get to the
6 bottom of what the issue is. So this is another issue
7 that we'll report out on in December.

8 MS. O'BRIEN: Does anybody on the phone have
9 any questions?

10 (No response.)

11 MS. O'BRIEN: All right. Well, thank you so
12 much for joining us today. I'm sorry we took so -- it
13 was an easy day for you. We'll see what we can do next
14 time.

15 MR. UPHAM: Thanks, you guys.

16 MR. STUBBLEFIELD: All right, and you know, I
17 know we're getting ready to move over to the all small
18 mentor-protégé program, so I guess you're representing
19 Derrick Brown today?

20 And come to the table, and we all know you,
21 but introduce yourself as well so that the recorder can
22 capture it on the record.

23 Thank you, guys.

24 MR. CARPENTER: Thanks.

25 MR. JONES: Good afternoon, everyone. My name

1 is Stanley Jones. This is my third day in this
2 position as the acting director --

3 MS. O'BRIEN: Ooh, I have lots of questions,
4 then.

5 MR. JONES: -- of the all small mentor-protégé
6 program, so I'm really excited about that. I do serve
7 as the director of the Office of Management and
8 Technical Assistance in the Office of Business
9 Development, so I was just given this extra duty when I
10 came in after the holiday, but it's all good, it's all
11 good. It's fun.

12 MR. STUBBLEFIELD: Well, you have to look at
13 it like I always tell people, more work is better than
14 no work.

15 MR. JONES: That is very true. Absolutely
16 very true. But I am excited to be here to represent
17 them, and we just have some -- a few stats to kind of
18 share with you, what's going on in our program. And we
19 thought would highlight some of those important key
20 indicators and outputs so far this year. And we've had
21 a very successful year in our program. We're
22 approaching 1,000 agreements, which is a major
23 milestone for us. The program came into existence
24 October 1 of 2016 when we started taking applications,
25 so we're really excited about reaching that milestone

1 here before the end of the fiscal year, so we're going
2 to be really celebrating that.

3 So as you can see, 89 percent of our
4 applications that we receive are approved into our
5 program. Again, this is a veterans advisory council,
6 so we do -- we're excited that, you know, 38 percent of
7 our agreements are service-disabled veteran-owned small
8 businesses. So we're excited about that that they are
9 participating in our program, and we know that being a
10 protégé and being mentored will allow those businesses
11 to be able to grow and be able to compete in the
12 federal marketplace.

13 Some of our top NAICS codes are 236220, which
14 is construction. Of course, that's our top NAICS code
15 of those mentor-protégé agreements. And you can kind
16 of follow the rest of the pie chart on those other
17 NAICS codes that are our top NAICS codes.

18 And just for informational purposes, we just
19 kind of identified our top SBA district offices that --
20 where the majority of those agreements are coming from.
21 So we didn't identify all of them, but that's the bulk,
22 and we know WMATA, which is the Washington Metropolitan
23 Area District Office here in DC, that's where the
24 majority of our federal contracts are and most of our
25 businesses are located. So we have 177 agreements here

1 in the DC area.

2 So we move to the next slide, which happens to
3 be the final slide, so this is all they gave me to
4 share today, so I'm excited about that. No, I'm just
5 kidding. We can see again there's a part of our
6 program, there's several levels of assistance that
7 protégés are seeking, and we've kind of identified
8 those and business development systems represent 92
9 percent of all of the agreements that we have. That's
10 the majority of what firms are looking for, the
11 business development assistance to help them to again
12 to be able to compete in the marketplace. And then it
13 just goes down from there to management and technical
14 assistance and so on and so forth.

15 And then another indicator we track is, year
16 over year, full-time employees. So we've had about a 5
17 percent increase thus far from FY18 as far as the
18 number of full-time employees of the protégés, so we
19 measure year over year, again, that those protégés are
20 improving and getting better to be able to compete. So
21 that's -- again, that's just a high level of some of
22 the key indicators of our program and, again, how
23 successful our program has been to date. And hopefully
24 in the future we'll be able to share, you know, some
25 dollars.

1 Right now, we're in the process of, you know,
2 looking at our annual reviews. Mentors and protégés
3 are required to report out on an annual basis, and
4 we're hoping to be able to get some real good data on
5 how well these relationships have been over the past
6 three years and all of the good work that those
7 relationships are producing for the federal
8 marketplace.

9 So I'll open it up for any questions that I
10 may be able to answer at this time.

11 BEY: Yes, my name is Bey, and I'm asking
12 what's the difference -- what is the difference between
13 your protégé program and the SCORE program? Are they
14 one and the same, or are they some different things, or
15 -- if you can enlighten me on that.

16 MS. O'BRIEN: I'm sorry, can you repeat your
17 name for the record, please?

18 BEY: Bey, B E Y. And I was asking a question
19 -- I'm sorry, what's your first and last name?

20 BEY: Bey. And I was asking him the question
21 of the SCORE program and the protégé program, how are
22 they different and how they can -- and how they're
23 helping the veterans.

24 MR. JONES: Well, the mentor-protégé program
25 is -- we have two programs here at SBA. We have the

1 8(a) mentor-protégé program, which the all small
2 mentor-protégé program was mirrored from. And, of
3 course, the 8(a) program is the grandfather of all
4 programs, and that relationship is tied directly to
5 those 8(a) firms that are in our program.

6 So the all small program encompasses all small
7 businesses. And, again, the benefit -- the primary
8 benefit of the program, again, is exclusion from
9 affiliation, and it allows the protégé to gain capacity
10 in those areas for which they lack so that they can
11 compete in the marketplace.

12 So I'm not 100 percent sure of all the
13 programs that SCORE offers, but I know SCORE does not
14 offer these type of programs because the all small,
15 people don't want to say, it's kind of a business
16 development tool, but it really is a contracting tool
17 to allow those protégés to get engaged in the
18 marketplace. So I hope that answers your question.

19 MR. WILSON: This is Nelson Wilson. I have a
20 question. Hello?

21 MS. O'BRIEN: Yep. Go ahead with your
22 question.

23 MR. WILSON: Yes. It's a bit of a convoluted
24 one, but I'll do the best I can. I understand that the
25 mentor-protégé program gives the -- the protégé and the

1 mentor get together for the small -- for the service-
2 disabled veteran status. Does it require business --
3 automatically allow the mentor to then seek contracts
4 under the service-disabled veteran programs --
5 contracts?

6 MR. JONES: Yes. Once they form a mentor-
7 protégé agreement and we approve that agreement, then
8 that agreement takes on the characteristics of the
9 protégé.

10 MR. WILSON: Okay, and then the second part of
11 that question is I understand that the SBA and the VA
12 have come to a decision through the NDAA to eliminate
13 self-representation for service-disabled veterans and
14 that House Bill 16-15 is on the floor to be voted on to
15 go to a federal-wide certification process. How will
16 that affect existing mentor-protégés that are service-
17 disabled veterans?

18 MR. JONES: I don't know the answer to that
19 question, but I'll definitely take it back to my
20 leadership.

21 MR. WILSON: Thank you.

22 MS. O'BRIEN: Are there any additional
23 questions on the line?

24 (No response.)

25 MS. O'BRIEN: All right. Thank you so much

1 for your time. Appreciate it.

2 MR. JONES: Thank you for having me.

3 MR. MCGRANE: On the line, I have a comment.

4 MR. STUBBLEFIELD: Oh, Stanley, wait a minute.
5 Somebody said they have a comment.

6 MS. O'BRIEN: Okay, may I have your first and
7 last name and your comment as well? And we thank you
8 for staying after we closed it. Go ahead.

9 MR. MCGRANE: Sure. My name is Mike McGrane.
10 I'm with Veteran Launch, and I wanted to clarify a
11 point on the Lender Match on the previous discussion or
12 segment. There is a designation on the Lender Match
13 right now for veteran, service-disabled veteran, and
14 other veteran. And that has helped us a lot in trying
15 to, you know, screen -- screen out or hope to identify
16 the veterans as we would like to try to link to.

17 MS. O'BRIEN: Thank you very much for that
18 comment. Those gentlemen have left the room, but we
19 will flag that for them and appreciate the input
20 tremendously.

21 MR. MCGRANE: Great. Thanks.

22 MS. O'BRIEN: Glad to hear it's been of help
23 to you.

24 MR. MCGRANE: Absolutely.

25 MS. O'BRIEN: If there's no further comments

1 or questions, we're -- all right, we're going to take a
2 ten-minute break until -- or a nine-minute break until
3 2:00 and we'll be back on.

4 (Meeting in recess.)

5 MS. O'BRIEN: All right, this is Liz O'Brien.
6 We're going to go back on the record. We did have one
7 last question as a followup from Joe Sharpe, so I'm
8 going to turn it over to you, Joe Sharpe.

9 MR. SHARPE: Yes. One of our business owners
10 wanted to know how do you distinguish management and
11 technical assistance versus business development
12 assistance.

13 MR. JONES: Joe, I knew you were going to have
14 a tough question for me my third day on the job. I
15 knew that. So, again, not knowing all the details of
16 the all small as of yet, business development
17 assistance ranges from, you know, how to prepare your
18 proposals, how to prepare pricing, that's the business
19 development we're talking about in preparation for
20 bidding on contracts and things of those nature.

21 Management and technical assistance is really
22 more of your back-office assistance, you know, the
23 accounting systems, any HR system, employee policy
24 manuals, those type of things to help your business be
25 more efficient. So that's kind of how we look at the

1 two types of assistance that the mentor is providing to
2 the protégé.

3 MR. SHARPE: Okay, thanks.

4 MR. JONES: Thank you.

5 MS. O'BRIEN: Thanks.

6 MR. JONES: I think I might give like three
7 minutes, and then I'll leave after about three minutes,
8 just in case.

9 MS. O'BRIEN: Okay. All right. Thank you so
10 much.

11 MR. JONES: Thank you.

12 MS. O'BRIEN: All right, I'm going to go ahead
13 and turn it over to Randall Smith, the program director
14 from DOL for veteran employment and training,
15 specifically the HIRE Vets Medallion Program.

16 MR. SMITH: All right. Thank you, Liz.

17 Welcome, everyone. I am Randy Smith again
18 from the Department of Labor, the Veteran Employment
19 and Training Service, and I'm the HIRE Vets Medallion
20 Program director for vets. I've got a short briefing.
21 For the folks around the table, I've got a folder for
22 you. For the folks on the line, everything in the
23 folder is available on HIREVets.gov. Hopefully you
24 have the briefing, but pretty much we've strived with
25 this program to make sure that anything we have is

1 available to employers at HIREVets.gov as their
2 resource to find out about the program itself.

3 So with that, let me go ahead and start
4 through the briefing, and I wanted to leave some time
5 at the end for some questions, obviously.

6 All right, Slide 2. This is simply the front
7 page of HIREVets.gov, and it's actually as it stands
8 today. So for HIREVets.gov, as we look in that, we
9 kind of wanted to go, okay, there's the front page of
10 what's on HIREVets.gov, what's important, and for
11 what's important, we actually go to Slide 3.

12 And really we've got three basic things that
13 we want to make sure everybody has and is aware of, and
14 we'll kind of go through those. But you'll see on
15 Slide 3 we've got a fact sheet, a digital toolkit. The
16 2020 version of those are in the process of being
17 improved right now, and so those will be up on the
18 website soon. And what you'll see on the right side of
19 the slide is the program criteria handout. That's the
20 2019 version. The 2020 version has been approved and
21 will be on the website probably here -- it's actually
22 in your folder, and that should be on the website here
23 probably in the next week or two.

24 But, again -- and then there's a copy in the
25 folder of some widgets and some graphics. Again, all

1 of this is available on the website under Resources at
2 HIREVets.gov.

3 So I figured the best way to start out this
4 briefing is why are we doing this. That's always a
5 good place to start with any program. And so if you go
6 to Slide 4, we're doing this as a result of the Hire
7 Vets Act of 2017. And I'll call particular attention
8 to the very first word of what the act is because it
9 kind of drives everything we're trying to do with this
10 program at the Department of Labor. HIRE is short for
11 Honoring Investments and Recruiting and Employing,
12 American Military Veterans Act of 2017.

13 And, again, the law that was passed requires
14 DOL to establish a program to recognize employer
15 efforts to recruit, employ, and retain veterans. And
16 we're trying to stay very true to that intent, and that
17 is all of our messaging to employers that, again, this
18 program is about honoring their investment in
19 recruiting and employing American Military Veterans.

20 And there are some very specific ways and
21 criteria that we believe adds quite a little bit of
22 rigor and credibility to the program as this is the
23 only federal government program that actually does
24 award employers for what they're doing in veteran
25 employment, and one of the very few federal award

1 programs that is open.

2 So now that we answered why are we doing this,
3 there's a better question -- or not a better question,
4 maybe a more often asked and private question, what's
5 in this for me. And that's actually a great question
6 when you're dealing with businesses where you can be
7 honest with about what is in it for you, what's in it
8 to be involved with this program. It's something we
9 should be able to answer very clearly.

10 For employers, we believe there's -- you know,
11 first and foremost, it's a powerful, and in this case,
12 absolutely transparent way for a company to signal its
13 investment in veteran careers. It is the only veteran
14 hiring award at the federal level. And when I say
15 that, I want to, you know, be clear on what there is
16 because there are other awards. The one that most
17 often comes to mind, and a fantastic program in itself,
18 is you may be familiar with the employer support of the
19 Guard and Reserve Awards Program.

20 Another fantastic program that is an actively
21 serving Guard or Reservist ability to nominate their
22 employer for what they're doing for acting Guard and
23 Reservist. So these are complimentary programs, we
24 believe, and quite honestly, if you're doing well in
25 the ESGR's program or you're doing well in our program,

1 more than likely you'll be able to have an easier path
2 to meeting those standards.

3 What's different about ours, as we'll get
4 into, is that there are open standards in law and in
5 rule that have been published by the Federal
6 Government. So one of the things we want to make sure
7 and that we believe makes this program have a chance to
8 being successful is the credibility of being selected.
9 One of the requirements in law is that the CEO or the
10 CHRO of the applicant has to state and attest, under
11 penalty of perjury, that the information they are
12 submitting is true to the best of their knowledge. And
13 we actually have the ability to go in and check, and
14 they agree that we have the ability to go in and check,
15 that information if needed.

16 Quite honestly, I hope it's never -- I hope
17 it's never needed because for the most part -- and I'm
18 sure what you see in dealing with, you know, lots of
19 veteran business -- lots of veteran-owned businesses is
20 that that kind of goes in sync with how we operate here
21 on credibility and, quite honestly, some of the
22 benefits of working with veterans. Those same
23 qualities are available in other spheres with other
24 folks, and that's great, but we know who we're dealing
25 with here, and so we've got it focused for that.

1 The actual receipt of the reward, we believe
2 that will assist the employers in their recruitment and
3 advertising efforts. They do get a certificate signed
4 by the Secretary of Labor, and it is very beautiful
5 because I had a hand in designing it, or perhaps
6 because other folks also had a hand in designing it.
7 And that's great for a wall in the main hallway or
8 wherever it is.

9 They also get the rights to their digital
10 medallion, which, you know, this is one of the first
11 times I've seen this in a while where it actually says
12 in the law that they can use it as part of
13 advertisement, solicitation, business activity, or
14 their product. And it goes back to this idea that
15 you've earned this award, you've met the criteria in
16 writing, and we want it to benefit the employers.

17 And we hope that having -- you know, I mean,
18 the folders, they are pretty, and you can see them on
19 the slides, those medallions look nice. So, you know,
20 like I've told some of the folks I work with, I'd love
21 to have you, you know, paint it on the side of your
22 building in the middle of Iowa where everybody can see
23 it because if it's a three-story building where I'm
24 from, everybody can see it.

25 And, you know, whether that goes on your

1 truck, whether that goes on your card, whether that
2 goes on your signature block, a lot of different ways,
3 the employers who are making these efforts in veteran
4 employment, we think that's another way to attract more
5 veterans. And that goes back, again, to the
6 credibility of the award.

7 The last part for employers is that the
8 Department of Labor has part of the TAP program for
9 transitioning service members, and this information is
10 communicated to those service members and spouses
11 during our work-ship that, yes, there is this award and
12 if you go to HIREVets.gov, you can find employers
13 who've met criteria in law that say -- that really are
14 walking the walk here on what they've met.

15 What's in it for veterans? We think that this
16 is one of the solid ways to truly identify veteran-
17 ready employers. I've been around long enough, as many
18 have, to see the movement from military-friendly to
19 veteran-friendly, and the conversation about what we're
20 really looking here for is it's easy to be military-
21 friendly and veteran-friendly. It's not as easy to be
22 military-ready or veteran-ready.

23 However, it benefits employers by being
24 veteran-ready or military-ready, and, quite honestly,
25 veteran-ready because they're trying to get the ex-

1 military. And so having that have some meaning to it,
2 what does veteran-ready mean? For us, as we get into
3 the criteria, we'll show you what that actually means.
4 And we believe it can facilitate a more focused
5 employment search and, again, goes back to the
6 employers that if you're doing this stuff, it should be
7 easier to attract transitioning service members,
8 members of the military family and so let's give you
9 some tools to help make that happen.

10 All right, we can go to Slide 6, and now we'll
11 cover what it is. So let's talk a little bit of
12 program basics. There's three medallion award
13 categories under the law. The law separated large,
14 medium, and small employers, and on that you can see a
15 large employer, over 500 employees; a small employer,
16 under 50.

17 And we get into some of the basics, and I
18 didn't put it on here, but what I'll tell you, and you
19 can find more information in-depth if you look at this
20 on the site under our FAQs, but what the law goes after
21 and what we put into the rule to make sure we're
22 hitting is the definition of employee. Depending on
23 how you define that, that can make something easy or
24 something really hard. When you get into retention --
25 hiring and retention statistics, how long the retention

1 period is and everything can make something really easy
2 or really hard. And under law, I don't think under law
3 -- the intent was not to make it really hard. On the
4 other hand, there's a clear intent not to make it easy.
5 And the law, I think, did a fairly good job of trying
6 to meet that standard of kind of what is veteran-ready,
7 what is above the norm, not something outrageous, but
8 as you get into different industries, we've found
9 different folks have different opinions, depending on
10 where they're situated, so we'd like to help them along
11 that journey as we go.

12 To get into that, there's a platinum and a
13 gold tier for both of the -- you know, for each
14 category, so there's the platinum award, the gold
15 award. There's also a minimal application fee that
16 covers the processing cost. You may ask, why do we
17 have an application fee, and that has been asked. It's
18 very easy. This is brought on to the law as a no-cost-
19 to-the-Government program. So our charge has been to
20 strike that middle point to get a reasonable fee, and
21 there's about a ten-page financial, economic analysis
22 that we went through the award because we have costs to
23 cover -- we have to cover the cost of the program, and
24 I'm in the wonderful position of having to track every
25 dollar, which, you know, I've decided I want all

1 government to work that way, because it's not easy, but
2 we do do that, and what we've done, then, is I can sit
3 down with any employer who asks what does my \$90 cover
4 for the application fee, I can say it truly covers the
5 cost to process your application. And here's the math
6 behind it; here's the economic analysis; there will be
7 a report to Congress every year on what we've done. As
8 we get into openness and credibility, that applies to
9 the program, also.

10 So if you're a large employer, it takes longer
11 to process your application as we go through review
12 than it does for a small employer. That's why a small
13 employer pays a \$90 application fee. Large employer,
14 you may be a 100,000-employee company, and we're going
15 to charge you \$495 to process your application because
16 it's not that you're 100,000-person employer; this is
17 based on the time that it takes to process your
18 application. So that's really what folks are paying
19 for as this is brought in as a no-cost-to-the-
20 Government program.

21 The other good news of this, and specifically
22 for small and medium employers, is that as -- and this
23 is not only for DOL. This certainly applies to this
24 audience, to SBA, as you have -- you know, work with
25 your veteran businesses, is that there is government

1 services and support available for free to help you
2 meet these standards. And if you're looking to hire --
3 I mean, on your side, if you're looking to start a
4 business, you know, DOL's going to send you over to
5 SBA. If you're looking to hire employees or recruit,
6 there is DOL resources available.

7 Hopefully, you've all heard of American Job
8 Centers. We do also a lot of grant-making to state
9 workforce agencies to help with their programs. Within
10 DOL itself, we have DVOPs and LVERs. Hopefully you're
11 familiar with that. If you're not, you've got my email
12 address. You can ask me, but again, trained folks who
13 are out there to help folks looking for jobs, and these
14 folks are trained specifically to help veterans who are
15 looking for jobs in the state as part of those state
16 workforce agencies.

17 All right, program basics. The advanced
18 course is next. I'm going to give you all the criteria
19 for all the applicants, hope you memorize it in 15
20 seconds. If you don't, you can switch to Slide 7, and
21 it's all laid out for you right there. This is what we
22 try to give out. You know, we want folks to have two
23 products -- the fact sheet on the program and then we
24 want them to have this chart because this chart is the
25 basics of what do I need to do to qualify to meet the

1 criteria for recognition. And, again, you can be on
2 your employment journey anyway here. You may be
3 working to meet the gold criteria this year so that you
4 can apply next year. You may have met gold criteria
5 this year and applied and got it, and now you're on
6 that path to work towards platinum recognition. And
7 we'll help you with that along the way.

8 But this chart quickly, as you look on the
9 left-hand side, the top two categories are hiring and
10 retention. Again, it's in your folder, your briefing,
11 you can blow it up, but as a small overview, for the
12 gold level, we look at 7 percent veteran hiring. The
13 easy way to look at this is we'll talk about right now
14 we're in 2019, all of the folks who applied for the
15 2019 award, they look at who they hired in Calendar
16 Year 2018. If they hired 100 employees, and we look
17 for permanent. We've got it in the rule.

18 We talk permanent employees. And I danced
19 around that a little bit earlier. We're looking for
20 permanent, full-time or permanent part-time employees,
21 those employees that you hire intending to keep them on
22 for a 20-year career and give them the gold watch at
23 the end or whatever that is. That's who we're really
24 looking for as your full-time employees. The reason we
25 put that in is that there's -- there is nothing wrong

1 and there is everything good with hiring veterans for
2 any job they want to be hired for. If that's a
3 seasonal job, if that's a temporary job, fantastic.

4 That may be the gate that gets them started in
5 your company, more power to you, but if we -- and that
6 would make it very easy to meet hiring numbers perhaps,
7 but we are only looking at those permanent, full-time
8 or permanent, part-time. You may hire somebody to work
9 ten hours a week, that's fine, but those permanent
10 employees, where 7 percent of those that you hired were
11 veterans.

12 Now, the reason that becomes important is when
13 we talk retention under our example, we looked at who
14 you hired for permanent employees, and we're going to
15 say for the gold medallion, it's 7 percent; for the
16 platinum medallion, that's 10 percent. As we look at
17 retention, the retention numbers we're looking at are
18 the employees that you hired two calendar years ago.

19 So this is Calendar Year 2017, and we would
20 say out of all those veterans you hired -- and in 2017
21 it might not have been 7 percent, that's okay because,
22 you know, over time you'll meet that -- but for the
23 retention part, if you hired 15 employees, were you
24 able to retain 75 percent of those employees for 12
25 months or longer. Again, kind of a common-sense, basic

1 standard that gets you started that we can track, that
2 the employer can track.

3 If you've retained them for 12 months or
4 longer, that forces a lot of stuff on the beginning
5 about finding the right folks, hiring the right folks,
6 and having programs that help you do that. That's the
7 next part of the chart, the middle of the chart, where
8 we talk about integration assistance programs.
9 Integration assistance programs really get at the heart
10 of, you know, where we talk about honoring investments
11 in recruiting and employing. And then we also talk
12 about retention -- What are you doing for recruiting?
13 What are you doing for retention? -- because that helps
14 in all efforts. So we have the efforts where we talk
15 about having a veteran organization or resource group.
16 Does an employer actually have in name, in existence, a
17 veteran organization or resource group? So if it's
18 Smith Industries, it can be as simple as the Smith
19 Veteran Resource Group, right?

20 And in the standards and on the application,
21 it will say, what are you doing for coaching and
22 mentoring of, you know, veteran employees? Because,
23 guess what, that helps retain veteran employees. Every
24 -- probably everyone is familiar with many of those
25 programs.

1 The same thing when we talk a leadership
2 program. Do you have leadership programs that are
3 available to your veteran employees? So this isn't a
4 specific veteran leadership program; it's a leadership
5 program that veterans can take part in. We go down
6 into HR professionals or Human Resources Veteran
7 Initiative. What's that really going after, in your HR
8 function, however huge it is at your 100,000-employee
9 company or however small it is at your one-person
10 company because you just started it and you think, what
11 can I do as a human resources veterans initiative, it's
12 all about how are you doing in your HR function the
13 recruitment and the retention of veterans.

14 So as a one-person starting your company
15 today, you might choose to work with an American job
16 center and use their screening resources and their
17 resume resources, their hiring resources, their job-
18 posting resources as you work with them to attract
19 veterans to your company.

20 The last two, we have a pay differential
21 requirement. What's interesting and what's extremely
22 challenging is that many folks are familiar with what's
23 under Guard and Reserve and part of what Vets does and
24 there's a lot of things in there about five years and
25 different standards. The pay differential for this

1 program is that you cover -- you basically make folks
2 even however long they're on active duty.

3 Now, that could be really challenging if you
4 employed somebody and they went on active duty for 15
5 years. But I don't think there's anybody who's been
6 employed and gone on active duty for 15 years. So
7 you're not going to have to meet that, but it is that
8 in law, it doesn't say we cover it only here and only
9 here. It's we'll make the person whole for however
10 long they're activated on active duty.

11 And the last one, tuition assistance, do you
12 have a tuition assistance program that's available to
13 veterans. So, again, all of those things that make it
14 easier to recruit, employ, and retain veterans.

15 We do do labor law violation checks, and the
16 way that's written under law is that we're looking at
17 final settlements that employer has admitted guilt or
18 culpability in one of these things. And, quite
19 honestly, under USERRA and VEVRAA, there's not very
20 many of those. And there's meant not to be very many
21 of those because that's much more pointed towards
22 mediation and settlements ahead of time before we get
23 into any court cases or anything like that.

24 All right. As we run short, let me take you
25 on to Slide 8. A quick review of what we saw in our

1 first year of the program demonstration. We did do a
2 program demonstration in 2018 where we allowed the
3 first 300 applicants to come in. If you submit your
4 application, we'll go after it. A couple different
5 reasons to do that, you know, check what we're
6 building, and then also get some information from
7 employers and learn from that as we rolled out this
8 year's program, which we're in the middle of.

9 What I'll tell you as you look on the slides,
10 I took the time to break down the numbers. What we
11 really had was we had 67 percent of the applicants were
12 small employers, so that's 50 or less permanent
13 employees. We had 22 percent medium. That equals 89
14 percent. And large employers were 11 percent.

15 The numbers that we're looking at this year,
16 we ended up with the same percentage, 89 percent, for
17 small and medium, but what happened is our small
18 employers were 55 percent of that, medium 34, large
19 stayed at 11 percent. So it just kind of helps us to
20 look at who are we working with, and as we start to
21 develop materials, are we developing the right
22 materials for the right different categories to help
23 those employers.

24 The part that I'm interested in, and obviously
25 want to highlight, is the next slide, Slide 9, how did

1 we connect with these employers. We -- as this is a
2 brand new program, no cost to the Government, watch
3 every penny, we have worked to be creative in how we do
4 outreach. Our primary vehicle is HIREVets.gov,
5 HIREVets.gov, HIREVets.gov. And if you forget
6 everything I've said today, tell your friends you can
7 find out information about medallions and getting
8 recognition for your veteran employer effort at
9 HIREVets.gov.

10 Trust that the folks that work with DOL can
11 repeat the -- can repeat HIREVets.gov. We've got some
12 basic materials. Our outreach materials on what that
13 slide shows you on the right-hand side what's available
14 on HIREVets.gov. You can download graphics; you can
15 print stuff up. We had the State of Tennessee download
16 the two graphics on the right and put up banners in
17 every one of the AJCs. So trying to make it easy for
18 other folks to amplify the program, knowing that I
19 can't just willy-nilly spend \$5 million on it to
20 promote it, even though I really would like to for one
21 year.

22 But we've got some fantastic partners,
23 including yourself. I know this morning you heard from
24 Radim and IFA. That is one of the partnerships, as
25 we've looked for partnerships, that we think is unique,

1 associations, getting this word out to associations so
2 they can get it out to their members. And, quite
3 honestly, what IFA and some of the other associations
4 do in their social media makes our efforts in Vets look
5 -- you know, it's not even pre-K, it's -- and that's as
6 it should be. They live by that, and they do a
7 fantastic word of getting that job out. So let's take
8 advantage of that.

9 Your help as your veteran business outreach
10 centers helped us get the word out of this -- on this,
11 whether it's through our blogs or reamplifying our
12 tweets. And so those partnerships are critically
13 important to us, and we certainly welcome the efforts
14 to do that.

15 Lastly, on Slide 10, I did put the time line
16 up there. You can read that slide whenever you want,
17 but basically, right now, we're in the midst of
18 finalizing the applicants for this year, the
19 recommendations, and on November 6th, all holding, we
20 will have the first official recognition ceremony, as
21 we do this under law, for 2019. And we should be
22 having quite a few folks, hopefully at the great hall
23 at the Department of Labor, for that recognition
24 ceremony, and that's when we'll let those companies
25 know that, hey, this is the official date and go paint

1 that medallion on the side of your building. And if
2 it's four stories, they can probably see it in the next
3 county.

4 With that Iowa humor, I guess that fits better
5 for Kansas, right? It's flatter? I'm not sure. The
6 last slide is the discussion slide. You know, and what
7 I'll say as I finish up, you know, earlier in the
8 brief, I covered the value proposition for employers
9 and for veterans, and, you know, what I'd like to ask
10 you or leave you with is to really consider what's in
11 it, in this case, for SBA. I obviously do think there
12 are some things in there. I had a -- I clipped out a
13 page where I think I saw something talking about 10
14 million employers -- or 10 million businesses and 2.5
15 million started by veterans, and I'm not sure where it
16 was, and I'm not sure what the numbers are for SBA on,
17 you know, veteran-owned businesses.

18 Quite simply, for a small employer, the gold
19 medallion is very achievable in your first year. If
20 you go to HIREVets.gov, you'll see blogs from a local
21 restoration company that we worked with with Radim
22 that started their own company a couple years ago, and
23 it's the -- in this case, the husband and his wife --
24 I'm not sure if the husband's a veteran or if the wife
25 is -- and a few other employees, well, again, if you

1 hire one employee in your first year and that employee
2 is a veteran, and you are a small employer, you've just
3 met the requirements for the small gold.

4 It's not -- it's meant to, you know, again,
5 further this veteran employment journey, recognizing
6 that small employers are at a different place than
7 large employers with different capabilities. We hope
8 that small employer turns into a medium employer that's
9 hiring more veterans and more of the military family
10 and turn into that large employer. And we just want to
11 work with whoever we can to help out as we move forward
12 in that.

13 All right, that's it for me. And I know that
14 there's folks on the line, so if you have any
15 questions, you've got my card in your folders. You can
16 send an email to HIRE_Vets@dol.gov, or you can go to
17 HIREVets.gov, click on the "contact us" form. It will
18 ask you what you want to talk to us about. There's
19 another block, and again, we get that and we can answer
20 that there. So I'm open for questions.

21 MS. O'BRIEN: I have a question, Randy.

22 MR. SMITH: Yes.

23 MS. O'BRIEN: Of the small businesses that
24 receive the medallion, do you know what percentage of
25 them were veteran-owned?

1 MR. SMITH: I do not know what percentage, and
2 part of that gets into what we got approval to ask for
3 on the application itself.

4 MS. O'BRIEN: Right. Is that one of the
5 questions, if you're veteran-owned?

6 MR. SMITH: Right, so as we've gone through,
7 we don't have an exact number of that because it's not
8 a field that we capture. Now, we've started in our
9 gov-delivery efforts and our newsletter efforts to
10 start to tailor that, and we've been able to get a much
11 better picture of who we're working with by asking some
12 of those questions.

13 What we're going to try to do next year is to
14 have a modal popup. There's a couple different things
15 folks want to ask, you know? On our side, it's, you
16 know, who told you about this program, right, so we can
17 see are we advertising in the right folks, do we have
18 that done. If we get things that says, yeah, however
19 that is.

20 The other part that we want to ask about and
21 try to get a little bit more depth is on -- as you
22 talked with Radim this morning, how many are
23 franchises. Now, I can go through 239 applications and
24 kind of figure it out, but that's a lot of time, and I
25 should be able to get to the point where we start

1 asking some of that information and get approval to do
2 that. So that's something we're going to add on is not
3 NAICS codes or SAIC codes but to ask some of those very
4 simple questions that segment that population.

5 MR. GWINNER: Hi, Randy. Sean Gwinner, Bunker
6 Labs.

7 MR. SMITH: Hi, Sean.

8 MR. GWINNER: I love it, just looking at it,
9 just everything that's involved, but as a business
10 owner and then I put myself on the other side, and I'm
11 not being critical towards it, but I have to ask myself
12 this question.

13 MR. SMITH: Yeah.

14 MR. GWINNER: As a business owner or the
15 veteran community that's looking for a job, what's the
16 true value proposition? And I know it's new, so it's
17 in its infancy, plus you have to be very resourceful
18 given you don't have a budget. Is there, like, a
19 strategy to develop these partnerships with these
20 different hiring agencies and stuff like that to create
21 value for that medallion, because me looking at it,
22 again, I love it --

23 MR. SMITH: You bet.

24 MR. GWINNER: -- but I just went through joint
25 commission accreditation for home care, which is -- it

1 was a nightmare, but we got it; however, I wouldn't put
2 myself through the same thing, to be honest, to get
3 that medallion. I would just implement those
4 processes. So I guess the question is what's the long-
5 term value proposition for this.

6 MR. SMITH: Absolutely. It's a great -- it's
7 a great question on that. You know, part of what we do
8 is try to increase that value proposition each year.
9 That's -- you know, utilize the partnerships we already
10 have. That's why it's -- you know, since we get to
11 speak to, you know, depending on the estimates and who
12 gives you the numbers, 175 to 250,000 transitioning
13 service members and spouses every year, you know, part
14 of that value proposition is that we're going to tell
15 those, you know, X number of folks to look for these
16 companies who've proven by criteria in law that they're
17 veteran-ready employers. So we need to get that out to
18 you.

19 Some of the things we're bringing out on the
20 website, in the month of September, we should have our
21 new mapping feature up, where before for the awardees
22 that are listed on the site, you could go through the
23 list and do a really cool -- and you can do today --
24 sorting of who it is, what size, what city and state
25 they are and you can see that under the "about us" tab

1 on HIREVets.gov where you've got the award recipients.
2 That's going to turn into a heat map where you can
3 actually drill down and see where all of the 239 2018
4 program demonstration recipients are.

5 So if I'm in Korea and I'm thinking about
6 coming back to Iowa to work somewhere, this is one of
7 the tools that I can use to look at employers that
8 maybe I reach out to. What will happen in November is
9 that that map will now change to we're going to give
10 employers who apply the ability to give us a URL for
11 the site they want folks to go to.

12 Now, Sean, as an employer, it's going to be on
13 you to keep that URL up-to-date, not me, because if
14 you've ever tried to keep URLs up-to-date, you know
15 what a challenge that can be. So we'll pull it
16 automatically, and you can update it at any time so
17 that when they look for Bunker Labs and they'll click
18 on it, take them to where we want them to go.

19 So, you know, along with that, you know, it
20 really goes into the credibility of the program to make
21 it mean something so at the end of the day you can make
22 that value decision to go, you know what, this is
23 starting to get recognized as I really am a place that
24 appreciates veterans to come in as employees.

25 And there's other places where you can find

1 that, also, but for ours, we'll point to this is a --
2 this is an employer that has hired 7 percent or greater
3 of veterans every year. This is an employer that does
4 retain the folks it hired. This is an employer who
5 does have integration assistance programs, because
6 they've attested to it, you know, under penalty of
7 perjury that they actually do it. And hopefully that's
8 worth the time and the money because time is money on
9 this part that goes through.

10 MR. GWINNER: And are franchises able to go
11 through this?

12 MR. SMITH: Absolutely. We had -- you know,
13 we're lucky that IFA wanted to partner with us and get
14 this information out to their folks. For partnerships,
15 it goes into how we define employers under law, and
16 that's defined by the EIN that shows up on the W-2 so
17 that it's something that, you know, once you get into
18 the employer sphere, that's actually an easier
19 proposition to understand.

20 MR. GWINNER: Right.

21 MR. SMITH: It's like, well, I've got 15
22 different divisions in seven states, look at the EIN,
23 you count the number of employees by how many folks are
24 getting paid by that EIN. And that's worked out great.
25 Franchisors, franchisees, you may have five franchises.

1 If you're paying them all of the same, then you can put
2 that medallion up at all five franchises.

3 On the other hand, if you're the franchisor,
4 you may only have 25 people at corporate, and it's
5 probably 100 people at corporate, maybe 15. Corporate
6 could win it and not put it out on all their
7 franchises, and then they have to get creative in being
8 very careful in truth in advertising on what they're
9 saying. They could say, you know, the corporate
10 headquarters won the award, or they could start to work
11 with us and maybe we can help those franchisees work
12 towards getting that medallion also by helping them
13 find veterans or directing veterans to them, so
14 different ways they can work on that.

15 MR. GWINNER: Well, I got you two big guys, so
16 I just sent it to them to try and get feedback.

17 MR. SMITH: Absolutely.

18 MR. GWINNER: So keep your eyes open.

19 MS. O'BRIEN: I have one last question.

20 MR. SMITH: Yes, Liz.

21 MS. O'BRIEN: What can SBA do better to
22 support your efforts in this?

23 MR. SMITH: I don't think you can do anything
24 better. I think you can -- I mean, we are extremely
25 thankful for, you know, the partnerships we had and the

1 sharing of blogs and information. I think it's simply
2 us continuing to work on the relationship. Part of
3 that's on me to make sure that I'm giving you
4 information, and we've expanded our association
5 toolkits.

6 And I think by working together with SBA on,
7 say, help us tailor the materials that will be
8 meaningful to the folks you work with in the different
9 situations because I'm not going to pretend to be an
10 expert on understanding at what touch points you're
11 working with folks who are starting businesses or what
12 best helps them, but I certainly will be able to take
13 what you give us and say, yeah, we'll -- we can tweak
14 this, we can make this, we can work jointly on this.
15 So I think it's simply continuing to work with us and
16 committing to get it out to the folks that you work
17 with. And we're extremely thankful for that.

18 MR. PHIPPS: Hi, Randy. Mike Phipps.

19 MR. SMITH: Mike.

20 MR. PHIPPS: How do you guys define employees?
21 So you had mentioned it before, sometimes we have a lot
22 of 1099s and, you know, they're subcontractors and, you
23 know, that whole world can just open up. You were kind
24 of referencing it.

25 MR. SMITH: Yeah.

1 MR. PHIPPS: So how do you guys define it in
2 your program?

3 MR. SMITH: I'll go back to the FAQ, you know,
4 and take that one for the record for the exact --
5 because we spelled it out exactly, but at its short
6 side, we look at employees as -- we're really, truly
7 looking at full-time permanent or part-time or
8 employees who are getting a W-2 from that EIN. So you
9 track it back. So as you look at 1099s, it depends,
10 right?

11 You -- what we've often found is you may be
12 working with a subcontractor, and we would love for you
13 to have that conversation with your subcontractor to
14 say, listen, you've got -- you know, we're in a
15 partnership where you've got 25 folks working for us on
16 this project, and you're -- you know, you're paying
17 them. You need to apply for this award because you --
18 you know, number one, you're meeting the criteria.
19 You're doing what the Government, you know, and what
20 we're asking you to do for veterans. You deserve to
21 get recognized for that.

22 MS. O'BRIEN: Amy, you have something?

23 MS. GARCIA: Amy Garcia, OVBD. There is
24 certainly a value in sharing success stories, too. I
25 remember going to the first recognition, and the small

1 business recipient had shared how he received his
2 funding, through Street Shares, I believe, the moving
3 company, right?

4 MR. SMITH: Yeah.

5 MS. GARCIA: So there's a lot of commonality
6 with everyone's stories, and here you've got businesses
7 who are successful and who are employing people, so I
8 think bringing that into the conversation, I don't know
9 -- I'm sorry, I haven't visited the site lately, but
10 even sharing some of their stories of how they got to
11 be successful is a big piece of that, too. And there's
12 so much overlap, so that was nice to hear from the
13 recipients and the winners.

14 MR. SMITH: And to Amy's point, we've got two
15 clips up on the site, so I think you can even do it
16 from your smartphone, although I want you to pay
17 attention to what's going on in the meeting, not be
18 playing with your smart phones, but if you are, if you
19 are and go to HIREVets.gov, you can click on Nick
20 Baucom from 2 Marines, and he'll talk about the
21 recognition and what it meant to them as an employer,
22 as well as one from also...

23 So we want to share those stories. We have a
24 blog on the one from SBA. Well, actually, I'm sorry,
25 the one from Springfield, Virginia. I didn't ask if he

1 had worked with -- and I'm not sure if he worked with
2 SBA or not or VBOCs or not, but those are great stories
3 that we want to tell because at the end of the day, we
4 truly do believe this does benefit those employers and
5 can offer you, you know, benefits in the future.

6 MR. GREEN: Yeah, this is Tim. Yes, he did
7 work with a VBOC because I did a tour of the VBOC, and
8 he was over there, and he talked to me about the
9 program.

10 MR. SMITH: Okay.

11 MR. GREEN: So, yeah, it really is interesting
12 how the dots are connected there. So thank you.

13 MR. SMITH: Absolutely.

14 MS. O'BRIEN: All right, Randy, thank you so
15 much for your time. Appreciate the information. We'll
16 follow up with anything else.

17 MR. SMITH: Thank you, everyone.

18 MS. O'BRIEN: All right, so we asked Eric
19 Eversole here today. I know many of you heard from him
20 yesterday on the Task Force Committee. Yesterday, he
21 was representing Hiring Our Heroes. I did ask him to
22 join today because he's the chairman of ACVETEO for
23 Department of Labor and felt that perhaps there are
24 ways we can better align with efforts that are going on
25 over there as well.

1 So as many of you know, Eric is the vice
2 president, U.S. Chamber of Commerce. He's also
3 president of Hiring Our Heroes and chairman of ACVETEO.
4 So we'll turn it over to you for an update on all your
5 efforts.

6 MR. EVERSOLE: Great. Thank you, Liz, and
7 thanks for inviting me. Smitty is always long-winded,
8 so...

9 MR. SMITH: I appreciate everything you do for
10 us, Eric, and that's for the record.

11 MR. EVERSOLE: Yeah. But thank you for
12 inviting me, and looking forward to discussing a little
13 bit about what we're doing over at the Department of
14 Labor any, you know, what we're seeing from our
15 perspective in the veteran and military spouse
16 employment space.

17 Part of what I want to do as I talk a little
18 bit about what the Department of Labor is doing from
19 the ACVETEO perspective and what we're doing as an
20 advisory committee is really lay the groundwork for
21 what we as an organization, Hiring Our Heroes, are
22 seeing in this space because it's, I think, reflective
23 of a lot of work that we're doing over on the advisory
24 committee. And I think it's instructive for this
25 advisory committee as it thinks about small business.

1 As I mentioned yesterday in the briefing, you
2 know, we started as an organization really focusing on
3 veteran employment events because it's what the Chamber
4 was well-suited to do, which was connect unemployed
5 veterans in small- and medium-sized towns throughout
6 America with companies that were interested in hiring
7 veterans. And the primary vehicle that we made those
8 connections were hiring events. And we did nearly 800
9 in the first three years of our existence, and those
10 events were incredibly well attended, unfortunately
11 that they were incredibly well attended because we had
12 so many unemployed veterans and family members that
13 were really scattered throughout America.

14 The great news is that, you know, through a
15 number of private and public partnerships, working with
16 state and federal agencies, joining forces at the time
17 with -- at the White House, we were really able to put
18 the veteran-owned employment space on a new trajectory.
19 And what we've seen, you know, over the last couple of
20 years are record-low unemployment rates in the veteran
21 space.

22 I thought that -- and, again, I think those
23 record-low unemployment numbers is really a testament
24 as to what private and public partnerships can really
25 achieve, why the work of this committee as well as

1 other committees are so important because they really
2 do set the framework for action at a local level. But
3 there are a couple of observations that I think that
4 are worth making from what we're seeing currently on
5 the ground. And it's really -- these observations are
6 really formed not only by what Hiring Our Heroes is
7 doing but also what the Department of Labor Advisory
8 Committee is doing well.

9 And the first thing that I would emphasize is
10 that those efforts, the collective efforts, the private
11 and public partnerships to really work with
12 transitioning service members as far left of transition
13 as possible, those efforts are working. From what
14 we're seeing as we do events on base throughout the
15 country, we'll do 35 or so events, large career events
16 on base, as well as a number of military spouse events,
17 so the real number is probably closer to 60 events on
18 base, the narrative of working with service members of
19 all ranks, of all backgrounds, to really think about
20 their transition process earlier is working.

21 We have -- as we service on base this year
22 somewhere in the neighborhood of 20- to 25,000 of those
23 active-duty service members and military spouses, we're
24 seeing folks earlier in the process. We're seeing
25 folks who are much better prepared than what they were

1 three or four years ago. They're making decisions, not
2 only for themselves, but in many instances for their
3 families as to what they want to do and where they want
4 to live and how do they get there. And so that has
5 been, from my perspective, you know, one of the great
6 achievements as to, you know, again, those private and
7 public partnerships that we've seen on base.

8 We're also seeing it again from the veteran
9 and military family perspective kind of an emergence of
10 programs that are really geared towards creating
11 experiential opportunities for service members before
12 they transition out. In DOD's parlance, those are
13 called the Skill Bridge Training programs in many
14 instances that allow active-duty service members to
15 essentially do an internship right before they leave
16 active duty. They can be either skills-based training
17 programs or they can be experience-based training
18 programs. We are seeing a proliferation of those
19 programs currently on military installations as an
20 example that the Army and all of DOD only had maybe
21 three or four programs as of 2014.

22 The Army currently has 181 approved Skill
23 Bridge programs that are currently operating on Army
24 installations throughout the world. And the success of
25 these programs are really second to none. You know,

1 we've spent as an organization and as a community
2 trying to help -- to work with companies to help
3 translate experience sets, to get them to open up their
4 aperture as to who they hire and why they should be
5 hired.

6 We've talked about the incredible skill sets
7 that service members and their family members bring to
8 the workforce, but the reality is nothing beats
9 firsthand experience in showcasing those skill sets.
10 And I think, you know, as we think about this
11 committee's work and why this conversation is
12 important, it is -- what I tell people is it's really
13 hard to put "I'm a good leader" on a resume and have
14 anyone buy it, right?

15 I mean, and we know that from a military
16 perspective it's those intangible skill sets that
17 really can make the difference. And those intangible
18 skill sets, quite honestly, are very difficult for
19 service members, if not impossible, to convey on a
20 piece of paper. And so by creating these
21 opportunities, these pathways where service members,
22 while they're still on active duty, have a bridge as to
23 -- as to their time in the military into the civilian
24 sector being able to showcase those skill sets leading
25 to incredible results.

1 I mean, for our program, we've grown from one
2 corporate fellowship program in Washington State in
3 2014 to 18 -- 17 or 18 locations. Currently, this year
4 alone, we'll service more than 1,000 active-duty
5 service members. So that has been an incredible growth
6 curve.

7 Good news, great news, is that of our 1,000
8 fellows, 92 percent of them will be hired within a
9 month of leaving active-duty military, and the average
10 starting salary is \$94,000. So the programs are
11 working. And we're not the only ones doing it. I
12 mean, you look at what's happening with Veterans in
13 Pipefitting; Microsoft has their Software and Services
14 Academy; Amazon has been very aggressive in hiring a
15 lot of fellows. There's a number of great programs out
16 there that really make a huge difference in this space.
17 And I think we're going to see that trend continue to
18 grow.

19 One of the underlying values of benefits to
20 these experiential opportunities, I think, is for small
21 business. When you have -- as Sean was talking about,
22 when you have, you know, smaller teams of employees,
23 it's really hard to look at a piece of paper where it's
24 hard to imagine how those skill sets are really going
25 to translate into your business unless you have a

1 chance to try that person out. And, again, that's why
2 these experience-based opportunities are so important,
3 not only for big business, but, you know, if you're
4 hiring, if you've got ten employees and you're hiring
5 10 percent of your workforce with your next hire, you
6 want to be really sure that the person you're hiring is
7 going to be a good fit. And, again, nothing beats that
8 firsthand experience. So we're certainly seeing the
9 emergence of those.

10 On the other side of this coin, where we're
11 still seeing some challenges, especially in the veteran
12 side, there is still a challenge that service members
13 have with the sea of goodwill. They've moved farther
14 left of transition, but many of them are drowning in
15 the amount of information out there, trying to figure
16 out which resources are good ones, what's the pathway
17 look like, those are still very significant challenges.

18 The TAP curriculum has improved significantly,
19 and I think that's helpful, but there's still a lot of
20 work that needs to be done to consolidate kind of the
21 directional paths we put service members in.

22 That's on really the veteran experience side.
23 On the company side, I would emphasize a couple of
24 things. We're seeing companies -- American business --
25 you know, they have jumped in both with their feet in

1 the veteran hiring efforts. I mean, they see the
2 bottom-line value to their business. They understand,
3 you know, the skill sets that are being brought. And
4 where we're probably seeing the most significant change
5 from how American business is really looking at this
6 veteran recruiting effort is that, first and foremost,
7 companies are now treating veteran hiring events,
8 especially active-duty service member hiring events,
9 much like they treat college campus recruiting.
10 They're sending recruiters out. They're recruiting
11 them back to where the jobs are from duty stations
12 where service members are currently located but aren't
13 going to live.

14 And so one of the biggest testaments to that
15 is that when we host a career summit, the companies
16 that came to that event last year on average had an
17 offer rate of 42 percent. So they're coming in,
18 offering jobs. They're doing so on the spot, much in
19 the same way they do college campus recruiting. You
20 can't go to someone and say, hey, you know, I want you
21 to move back to Indiana for a possible job. Pick up
22 your stuff, move your family, and we'll give you an
23 interview. That's not going to get you hired -- you
24 know, hire too many people. So companies are coming
25 and they're being very active, conditional offer

1 served, a big change.

2 The second thing that companies are doing is
3 probably the most significant from a near-term and
4 long-term value proposition to service members is
5 they're coming in willing to train these young men and
6 women, to upskill them and reskill them. They have
7 found that a little bit of up-front investment in
8 training goes a long way. Major companies see -- you
9 know, major corporations see that, you know, regardless
10 of whether they're in the military or, you know, you're
11 average Joe off the street, they're going to have to do
12 some level of training for almost everyone they hire.
13 And they're not going to -- there's not a training
14 program that's off-the-shelf in many instances that
15 will allow them to immediately bring employees in, but
16 instead they're willing to invest up front and provide
17 the training and the skill sets that they precisely
18 need for those future jobs.

19 So we're seeing a pretty significant
20 transformation in that space. And, again, that
21 transformation, all these transformations, are really
22 what the Department of Labor Advisory Committee is
23 focusing on is how do we best capture those
24 experiences.

25 And I think -- so those are two thoughts that

1 the committee is really diving deeply on. But, you
2 know, notwithstanding kind of the improvements in the
3 overall space, the Department of Labor Advisory
4 Committee is also concerned about the populations that
5 are still struggling, and we know that there are
6 populations in the military community that are really
7 struggling mightily.

8 Those include, and at the top of the list from
9 our perspective, are military spouses. Military
10 spouses still face a national unemployment rate of 20
11 percent or greater. It is having a significant impact
12 on retention on the military side, and from a
13 community-based perspective, again focusing on those
14 private and public partnerships, what the Department of
15 Labor can do as it leverages workforce grants and other
16 localized efforts, you know, how do we best position
17 within the context of the Department of Labor's
18 responsibilities and ACVETEO's responsibilities, how do
19 we create pathways for military spouses to find
20 economic opportunity and get past 20 percent
21 unemployment.

22 One of the ways that we've seen and we're
23 taking a deeper dive is that there has been the
24 emergence of some local workforce grants for military
25 spouses. It often comes in the form of displaced

1 worker grants as they transition from one duty station
2 to the next. There are some limits in that, but we're
3 taking a look as a committee as to how we can
4 potentially free up some of those federal dollars, some
5 of those federal funding is going to local agencies to
6 really help focus -- to help focus on that military
7 spouse community and put them back to work.

8 And we've seen great success. We've had as an
9 organization, again putting my Hiring Our Heroes hat
10 back on, we were able to receive one workforce grant
11 out of Southern Maryland to help military spouses get
12 back into the workforce. And in the last two years,
13 we've helped put 150 military spouses back to work
14 through internships, like our fellowship program. It's
15 a six-week program, but seeing really, really
16 significant success at about an 80 percent higher rate
17 for these military spouses. So we're seeing really,
18 really significant results there as well.

19 You know, other populations that we know
20 continue to struggle. Student veterans are a
21 population that continue to have challenges as they
22 really leverage the great educations that many of them
23 are receiving but making that transition from a
24 nontraditional student veteran to a long-term,
25 meaningful career can be challenging. Student veterans

1 are not traditional students, and so it's more
2 difficult for them to participate in internships.

3 And, you know, the challenge for many
4 companies that we've seen is that companies either
5 recruit them as veterans or they recruit them as
6 students. And I can tell you, and I think everyone on
7 this committee knows, that a 25-year-old or a 30-year-
8 old student veteran is not like a 22-year-old student.
9 I mean, they are two different animals. Their focus is
10 different. You know, their energy levels are
11 different. Their experience levels are different.
12 They have significantly more leadership skills, so
13 getting companies to kind of look back and find ways to
14 credit that military service for student veterans is an
15 area of focus as well.

16 And then there are other populations that we
17 know struggle. Female veterans are still facing
18 disproportionately high unemployment rates. There's a
19 bit of a -- we know that many student veterans, based
20 on the work that the Department of Labor is doing,
21 don't self-identify and they don't self-identify at a
22 much higher rate than their male counterparts. So it's
23 an area of significant concern for the committee.

24 And those area really kind of the basic
25 buckets of focal areas, are those underserved

1 populations and how do we look at, you know, expanding
2 some federal funding to these populations that are
3 struggling through some of these workforce grants, and
4 then, also, really continuing to focus on things like
5 TAP, which TAP has undergone, from our perspective,
6 very significant, very positive changes over the last
7 couple of years. But, you know, TAP, from my
8 perspective -- I'll leave it my perspective -- is not
9 necessarily intended to get all service members a job
10 or a career opportunity. It's intended to help provide
11 guidance and broad overviews. And it's doing that
12 incredibly well, and through private and public
13 partnerships, it's really the private sector's
14 opportunity to then be that supplement, that additive
15 to TAP to really provide them the tools and resources
16 to actually get the job done. But we are seeing good
17 progress in that space as well.

18 So with that, I'm happy to answer any
19 questions, happy to talk about whatever anyone on the
20 committee would like.

21 MS. O'BRIEN: I have a question. I always
22 have questions, but what role do you see Small Business
23 playing when you're talking about serving those
24 populations that aren't being taken care of through
25 workforce grants and fellowships? How can small

1 businesses across America and through the SBA better
2 plug into being of service?

3 MR. EVERSOLE: You know, I'm going to answer
4 this in -- I don't think anyone that's left is actually
5 -- Tim and Larry and Stan heard me talk about this a
6 little bit yesterday when we talked to the Interagency
7 Task Force, but I think that this committee and I think
8 what the Small Business Administration needs to really
9 think about is a couple of things.

10 One, how do we define what it means to be a
11 small business in this country, especially in certain
12 populations around military communities? You know,
13 what we're seeing are -- you know, again from my
14 perspective, is we're seeing a very significant
15 increase in especially the military spouse community of
16 the creation of individual sole proprietorships and
17 businesses focused on professional services -- your --
18 Mike, as you were talking about, your 1099 employees.
19 Every time you end up with a 1099 employee, that is the
20 creation of small business.

21 And as we think about those opportunities, I
22 would tell you that most of those people who are
23 creating those service members and those family members
24 and those military spouses who are creating those
25 individual small businesses are doing so without the

1 necessary information to help them succeed from the
2 getgo.

3 You know, what's the legal advice? Do I file
4 as S Corp? Do I -- you know, do I need to set this up
5 as an LLC? What do I need to do to protect my own
6 family's assets in the event something bad happens?
7 What are the insurance requirements, you know? And
8 then how do we maximize some of the tax benefits
9 related to, you know, how do I, you know, amortize my
10 vehicle and do those things for trips or how do I --
11 you know, what percentage of my cell phone can I take
12 as a business writeoff, which had significant financial
13 implications for these military families that, from my
14 perspective, get very, very little information about.

15 We think about small businesses, the
16 storefront that takes, you know, so much capital to get
17 off the ground. That's not the small -- that's not the
18 businesses that we're seeing on a lot of military
19 installations.

20 We also look at e-commerce and the gig
21 economy. Again, significant proliferation of gig-
22 economy-type jobs, whether, you know, it's like the
23 Ubers of the world of, you know, cybersecurity. We've
24 seen some great companies do cybersecurity work on 1099
25 basis. And more companies are using 1099 employees. I

1 think if we think about those individuals as business
2 units, that's some pretty low-hanging fruit that, quite
3 honestly, those 1099 employees are going to go on and
4 create, you know, if they're successful, more people
5 working for them. And that's what we see. So within
6 the core fundamental skill sets, it will be a pathway
7 into a larger population.

8 And, quite honestly, if you work pretty
9 heavily with the spouse population, then you can also
10 have a lot of very direct benefits to the military
11 service member who is going to transition out at some
12 point, you know, asking these fundamental business
13 questions about how do I file with the IRS, getting an
14 accountant, talk to a lawyer, do all the things. I
15 mean, those are going to answer a lot of questions for
16 service members when they transition out. So in my
17 view, that's a really important thing that this
18 committee could focus on that would have a significant
19 impact on that population.

20 I think the other thing that I would think
21 about, and I don't think anybody's really done it in a
22 military community perspective, is, you know, what are
23 the -- you know, from a business perspective, what are
24 the needs in and around military installations that
25 these service members and their family members may not

1 be thinking about.

2 I know a lot of folks when we talked about
3 entrepreneurial opportunities think about it, well, I
4 don't have a big idea, I don't have something that I
5 can sell. But in many instances, profitable businesses
6 aren't coming up with the new best idea. It is taking
7 care of, you know, a clear business need around a lot
8 of these military installations.

9 And the one that I mentioned yesterday that is
10 still top of mind, you think about the tremendous need
11 for childcare across the military, and these are all
12 small business opportunities, but a vast majority of
13 military spouses wouldn't even think about that as
14 either a business opportunity and certainly wouldn't
15 know about how you go about the process by which they
16 get the necessary DOD approval if they -- if it does
17 happen in a reasonable amount, but how do they get that
18 approval to be able to start that small business.

19 Quite honestly, you set up a -- you know,
20 that's a business that's pretty portable, too, because
21 once you start to get the work to get the necessary
22 personal clearances, you can work pretty aggressively
23 to, you know, keep that business up. And it's -- you
24 know, again, it is something that is desperately needed
25 that is -- you know, you're not going -- well, you

1 could be a millionaire, I don't know. It depends how
2 many kinds you're watching, I guess, but it is
3 definitely a very viable business. But I don't think
4 anyone's really looking at, you know, what are those
5 business opportunities in and around the base where
6 military families are not only the best candidates to
7 start those businesses but could have a significant
8 impact on the communities that they live in and serve.

9 So those are kind of two things. But, you
10 know, I think the third thing is I think this committee
11 can work on how do we remove some of the unnecessary
12 restrictions on and near military bases that sometimes
13 prevent businesses from getting off the ground. We
14 know that Secretary Esper, when he was the Secretary of
15 the Army, with one signature was able to remove a lot
16 of restrictions on military bases related to e-commerce
17 activities. For a long time, really forever, if you
18 lived in base housing and you were a military spouse,
19 you couldn't sell products or materials without certain
20 approval from the base and other folks. And that
21 included e-commerce activities.

22 And so many military spouses who would, you
23 know, would have, you know, good products to sell or
24 good opportunity to sell couldn't go down that pathway
25 to start their own business because they didn't want to

1 lose their base housing.

2 And so Secretary Esper tackled that very
3 aggressively and lifted that restriction across the
4 Army. That's a significant change, but, you know, what
5 are the other rules and regulations out there that kind
6 of prevent -- I can tell you, like, you know, even
7 ride-sharing. You know, the services as a whole have
8 incredible different rules about ride-sharing and about
9 getting on base. If you're in the Navy, you cannot
10 come on a military installation as a ride-share
11 company, even if you're an active-duty service member
12 with an ID delivering another active-duty service
13 member on base because the Navy has prohibited ride-
14 sharing drivers coming on base, notwithstanding the
15 fact that they have, you know, an ID that allows them
16 on base.

17 I have a vehicle that has insurance that's
18 allowed on base. You know, so it's the legal aspect of
19 some lawyer's interpretation of the legal aspect of it
20 that is preventing them to do it and then they're
21 dropping people off at the gates. And the Army, too.
22 And it depends on the base. It's base by base. And,
23 again, you know, it's easy to say that, you know, that
24 as a now-retired military officer it's not to say that
25 we should, you know, throw good order and discipline

1 and smart practices out the window to keep our folks
2 safe. It's just that there are some that are created
3 that have a detrimental impact on business and small
4 business that if someone really were to scratch your
5 head and ask the question as to why, you know, it
6 doesn't make a lot of sense in many instances.

7 MS. O'BRIEN: Brandon, did you have a
8 question? Eric, the majority of our committee members
9 aren't here because of weather, so they're on the
10 phone.

11 MR. EVERSOLE: No worries.

12 MS. O'BRIEN: Brandon, are you still on?

13 MR. SHELTON: Yeah, hey. I am. Eric, Brandon
14 Shelton, TFX Capital actually down here in Charlotte,
15 North Carolina. Thanks so much for that. I guess more
16 for the record and open discussion, one of the feedback
17 I just would love from your vantage point is from the
18 hiring side, because I think from my -- again, from
19 what I do in my day job, hiring veterans is very
20 similar to providing unique levels of capital and
21 support to veteran small business owners. So for me,
22 they're of a similar ilk on both sides.

23 How can I interrogate your background, what
24 does that mean for your ability to work with a company
25 and what does that mean for me to lend you money or

1 invest in you or something of that nature?

2 So that's my lens, but the question I have for
3 you, piggybacking off the question that Liz asked you,
4 do you see in your role in relation to hiring veterans,
5 do you see any bifurcation or any type of available
6 data out there for veterans going to work for, let's
7 say, government contractors and veterans going to work
8 for everyone else?

9 And, again, the genesis there is that this
10 committee, in my short time on it, seems to focus an
11 inordinate amount of time on government contractors,
12 government contracting rules, VA rules, for all the
13 right reasons, but they -- on the data I'm aware of, it
14 is a very small percentage of the greater veteran small
15 business world, and so -- again, I'm on the private
16 side and I'm working on opening up resources for, you
17 know, additional trade folks trying to resolve -- you
18 know, create businesses that aren't current government
19 contractors.

20 I was just curious on the hiring firm, and as
21 you look across the United States, have you guys seen
22 any trends, do have any available data? Do you track
23 it that way in terms of the types of companies that
24 former military folks who are being hired by? Anything
25 down that path from your feedback?

1 MR. EVERSOLE: No, I think, you know,
2 that's -- I mean, that's a great question, Brandon. I
3 think the challenge is is that the kind -- the granular
4 data that really starts to point out, you know, where
5 people are transitioning, what those metrics of long-
6 term success look like is a focus of the Department of
7 Labor committee because the data is sparse, at best.
8 And that's just not from a federal agency perspective,
9 but that's generally speaking how do you kind of keep
10 up with all of these folks.

11 So the short answer is, you know, it's a
12 concern, broadly speaking, as to the data set as to,
13 you know, who's going to the private sector versus
14 who's going to the public sector. I can go back and
15 look -- I will tell you that -- this is probably more
16 anecdotal than anything. I think there's been an
17 increase, especially with these Skillbridge-related
18 programs, more veterans going to the private sector
19 because they're able to take that 12-week or whatever
20 time period experience it is where they're still on
21 active duty.

22 Again, this is not that different from what
23 college interns do, right? College interns go spend
24 some amount of time in the summer finding out is this
25 going to be a good fit, is this what I want to do long-

1 term.

2 You know, prior to three or four years ago,
3 service members -- active-duty service members didn't
4 really have that opportunity. So it was in many ways a
5 guessing game as to what was good and what was bad,
6 which in my view it caused a large number of service
7 members to go to the public sector versus the private
8 sector because the public sector was less scary to
9 them. It was something that they either worked with or
10 they may go to a private sector company but really on a
11 DOD contract. You know, going to the public sector
12 type of job, the contracting was the safe bet. You
13 knew what you were getting into and you just -- you
14 know, maybe not what you wanted to do, but it was a
15 safe, safe bet.

16 With these internship Skillbridge-related
17 programs, and I think what we're seeing with it in the
18 small business community, is that you can spend 12
19 weeks in the corporate fellowship program trying out
20 that company, but only 60 percent of the 90-plus
21 percent that get hired end up with the company they do
22 the internship. The other 30-plus percent end up going
23 somewhere else because they're making it an informed
24 choice.

25 And, ultimately, that's what these programs

1 are really about, the emergence of these programs. How
2 do we make both sides of the equation an informed
3 consumer so that they can mitigate their risk as they
4 transition out?

5 And I think once we've started to mitigate
6 this risk from kind of private sector opportunities as
7 well as small business, however we do that by giving
8 them the tools and the resources on the small business
9 side to really understand what they're getting into or
10 whether it's the corporate side to really think about
11 what does that day one look like in private sector, the
12 results -- you're going to see more people go with
13 private sector because it's not as scary as what it
14 would otherwise be without that experiential-based
15 opportunity.

16 So short answer is we don't have, you know,
17 firm data on that. I think it is an area as we get
18 deeper into this will be really important, but what I'm
19 seeing anecdotally is we definitely have more companies
20 or more people who are going to the private sector
21 because we've been able to mitigate those risks and
22 help them understand what they're getting into.

23 MR. SHELTON: That's great. Thank you.

24 MR. STUBBLEFIELD: I was just going to ask
25 you, yesterday you talked about licensing and

1 credentialing. I was just wondering just if you could
2 briefly touch on it for this audience.

3 MR. EVERSOLE: Yeah, you know, licensing and
4 credentialing is a mess for a lot of military spouses,
5 and it's been a mess for a long time. A couple of
6 things are happening that I think are significant.
7 One, you know, very directly, some states are being
8 pretty aggressive at creating things like universal
9 licensing that will allow licenses from other states to
10 be recognized in their state. Arizona comes up at top
11 of mind. Florida is doing some work in this space, but
12 really take a close look at, you know, A, why do they
13 have a license requirement in the first instance, you
14 know, is this really the health and safety of its
15 citizens, so, for instance, you know, do you need to
16 have -- Louisiana jumps out as one that had a -- that
17 if you were going to -- what were you going to do --

18 MS. O'BRIEN: You're going to arrange flowers.

19 MR. EVERSOLE: -- oh, if you were going to
20 arrange flowers, you had to sit before -- you know, you
21 had to do 12 weeks of coursework or six months of
22 coursework, and then you had to sit in front of a board
23 of experts to arrange flowers. That is the antithesis
24 of business, right, in the sense of, you know, you have
25 to arrange flowers in front of a board, all of whom are

1 local florists, and you're now going to be a
2 competitor. It doesn't make any sense, but, you know,
3 many states have created these -- you know, these
4 various licensing requirements.

5 And so what we're seeing at the state level is
6 states are aggressively looking at, one, can we create
7 some universal standards that recognize the good work
8 that people are doing from other states, and, two, do
9 we really need a license in the first instance. Do I
10 really need a license to have someone install a car
11 radio? Probably not, right? I mean, you know, that's
12 probably not something you really need to do. And so
13 that's what states are doing.

14 We're seeing movement in that space, but it's
15 always challenging. I mean, there's a lot more to it
16 than tied to good common sense. I mean, there's a lot
17 of money tied to it as well. And so it's always going
18 to be slow to kind of get states to do that. We are
19 seeing some movement, and I think good movement, work
20 like the Military Spouse JD Network has done some
21 amazing work on licensing requirement for military
22 spouses who are lawyers. Great stuff that's happening
23 on the individual side. But you're picking off one
24 apple at a time, and it's going to take a long time.

25 What we're seeing on the Federal Government

1 side, which I think is encouraging, there's obviously,
2 with the current administration, there is a significant
3 emphasis on licensing and credentialing, how we can
4 ease some of those restrictions, especially for
5 military spouses and service members. But, again,
6 that's a long game.

7 The area where I think -- I'm probably most
8 excited about is that a lot of these federal agencies
9 are really focusing on how do they hire more
10 professionals into their ranks because if you're a
11 nurse, for instance, at the VA, it doesn't matter where
12 you're licensed as long as you're licensed in a state.
13 So the quickest way around a state licensing issue is a
14 federal job.

15 And so as agencies really have ramped up their
16 efforts, work -- you know, at places like the VA where
17 they're taking a hard look at their employment
18 opportunities; they're using some of the expanded
19 federal hiring authority that they have from the
20 President; and they are very aggressively working to
21 hire military spouses and other underserved populations
22 into those federal jobs where, quite honestly, the
23 states' license requirements matter very little. And
24 so that's the other area where, quite honestly, it's
25 the quickest pathway to, you know, really changing

1 licenses.

2 MS. O'BRIEN: The licensing and credentialing,
3 you know, if I want to start a small business and we
4 move, it sets me that much further behind.

5 MR. EVERSOLE: Yeah.

6 MS. O'BRIEN: It's not just about being able
7 to go work for -- it's about being able to launch a
8 small business quickly.

9 MR. EVERSOLE: Couldn't agree more. Couldn't
10 agree more. And then, you know, you add on, you know,
11 how -- which is probably even a bigger hill to climb,
12 maybe more of a mountain, are the status of forces
13 agreements that, you know, if you look at, you know,
14 the restrictions -- you know, if you think what the
15 states are doing from a restriction point of view are
16 tough, I mean, wait until you get overseas. And in
17 most places, you know, even 1099 employees, you know,
18 have a very, very challenging time because of the
19 registration requirements in that host country as well
20 as the tax consequences of doing so. So it's not good.

21 Afghanistan, but even places not like
22 Afghanistan. I mean, if you look at places like
23 Germany -- Italy has some of the most restrictive
24 requirements. I mean, it's almost impossible -- I
25 mean, you know, in some of these instances, you almost

1 have to pay the host country to actually work, and that
2 definitely doesn't make any sense.

3 MS. O'BRIEN: Does anybody else on the phone
4 have a question? Anybody else in the room?

5 Oh, go ahead.

6 MR. O'FARRELL: I have a question here.

7 MS. O'BRIEN: Go ahead.

8 MR. O'FARRELL: Oh, this is Jim, I was saying
9 I do not have a question. It's been a really good
10 presentation.

11 MS. O'BRIEN: All right, Jim, thank you.

12 All right. Well, Eric, thank you for your
13 time.

14 MR. EVERSOLE: Thank you.

15 MS. O'BRIEN: Appreciate it, and appreciate
16 you coming back to that base, too.

17 MR. EVERSOLE: You know, I love the SBA.
18 Thank you all.

19 MS. O'BRIEN: All right, we're going to go
20 ahead and take a break, and then we'll reconvene off
21 the record.

22 Do you want to talk about the report on the
23 record?

24 MR. STUBBLEFIELD: I guess we need to decide.
25 Are we going to talk about if we need to on the record

1 or anything.

2 MS. O'BRIEN: Okay. All right, then we'll go
3 right into it. You want to go right into it and not
4 take a break in the interest of time?

5 MR. STUBBLEFIELD: We put this on the agenda
6 as a talking point.

7 MS. O'BRIEN: All right, well, let's -- all
8 right, we're going to hold for five minutes until Stan
9 comes back, and then we'll reconvene and discuss the
10 report on the record -- on the record for them, okay?
11 And then we'll break after. Thanks. We'll be back in
12 five minutes.

13 (Brief pause.)

14 MS. O'BRIEN: All right, this is Liz. We are
15 back on the record. Who's on the phone line right now?
16 Anybody?

17 MR. GWINNER: Sean Gwinner.

18 MR. O'FARRELL: Jim O'Farrell.

19 MS. O'BRIEN: Brandon, are you on the phone?

20 MR. SHELTON: Yes.

21 MS. O'BRIEN: All right, so we have Brandon,
22 we have Sean, we have Jim.

23 Lynn, are you on the phone?

24 (No response.)

25 MS. O'BRIEN: All right, so we're just going

1 to briefly touch on the record on the status of the
2 report that's due from last year.

3 Mike Zacchea, are you on the phone?

4 (No response.)

5 MS. O'BRIEN: All right, I'm going to turn it
6 over to Michael Phipps just to give a brief update on
7 anticipated timeline for the report.

8 MR. PHIPPS: Mike Phipps. So without going
9 into the details of behind-the-scenes, we have all the
10 input that everybody from the committee has sent in.
11 It's all consolidated. Today, we are going to finalize
12 just a few of the recommendations. And from there, I
13 will consolidate the writeup for the recommendations
14 and have it to Mike Zacchea to add to the bulk of the
15 report by next week.

16 So I don't anticipate very many changes to the
17 framework of the report. It's just to the
18 recommendations, so I don't anticipate it will take
19 Mike very long to complete it, so all being -- by the
20 end of next week, I think he could have it in. I don't
21 want to speak for him, but after today's meeting, if we
22 come to consensus, all the recommendations will be
23 complete.

24 MS. O'BRIEN: Thank you, Michael Phipps.

25 Larry, anything in terms of questions for

1 that?

2 MR. STUBBLEFIELD: No. Nothing for the
3 record.

4 MS. O'BRIEN: All right. So as a reminder,
5 our next meeting will be December 5th, and we're going
6 to close this meeting for today. Thank you.

7 (Whereupon, at 3:38 p.m., the meeting was
8 adjourned.)

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