

U.S. SMALL BUSINESS ADMINISTRATION

INTERAGENCY TASK FORCE ON
VETERANS' SMALL BUSINESS DEVELOPMENT

PUBLIC MEETING

Friday, August 10, 2012
9:10 a.m.

U.S. Small Business Administration
Washington, D.C.

Diversified Reporting Services, Inc.
(202) 467-9200

TASK FORCE MEMBERS PRESENT:

MARIE JOHNS, Chair, Deputy Administrator, SBA

MATTHEW BLUM, Office of Management and Budget, SBA

RHETT JEPPSON, Associate Administrator for
Veterans' Business Development, SBA

JAMES WILFONG, VET-Force

TIMOTHY HALE, New Mexico Department of
Veterans' Services

A G E N D A

| | PAGE |
|---|------|
| Opening Remarks - Marie Johns, Chair Deputy Administrator, SBA | 4 |
| Update on Boots to Business and time line for 2012 Report - Rhett Jeppson, Associate Administrator for Veterans' Business Development, SBA | 9 |
| Overview of National Veterans' Conference - Rhett Jeppson | 21 |
| Subcommittee Updates | 24 |
| Update on Access to Capital - Rhett Jeppson and Jerry Flavin | 25 |
| Update on Federal Contracting - JiYoung Park, GSA, and Farooq Mitha, DOD | 41 |
| Update on Increased Integrity of Certifications - Ms. Johns | 71 |
| Update on Reducing Administrative Burdens - Matthew Blum, OMB | 77 |
| Update on Training and Counseling - Ms. Johns | 83 |
| Update on Improving Federal Support - Jim Wilfong, Vet-Force | 85 |
| Public Comments | 91 |
| Closing Comments | 108 |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

P R O C E E D I N G S

(9:10 a.m.)

OPENING REMARKS

MS. JOHNS: Good morning, everyone. I'm Marie Johns, Chair of this Interagency Task Force on Veterans' Small Business Development.

We welcome you all. I am particularly grateful for all of you who braved the elements. It's a little tough out there this morning. Thank you for coming.

We have a very full agenda. We are looking forward to hearing from our subcommittees and from any members of the public who are with us and have something to share.

I wanted to start the meeting by introducing our newest member. We are so delighted that Timothy Hale, who is Secretary of the New Mexico Department of Veteran Services, is the newest member of the Task Force.

He is a decorated veteran. He is retired as a colonel from the U.S. Air Force after serving for 28 years.

1 We are so happy to have you. It's so
2 important to have the state perspective as part of this
3 conversation among the Federal agencies as to how we
4 can work together to best support our veterans in their
5 small business development.

6 Welcome. We would love it if you could just
7 say a word of introduction.

8 MR. HALE: Thank you very much. It's a
9 pleasure to be here on behalf of Governor Martinez and
10 all the state directors.

11 As you know, the National Association of State
12 Directors of Veterans' Affairs has a very good
13 association, and we work very closely with numerous
14 Government agencies.

15 Coming in from the State of New Mexico,
16 bringing, I believe, a little bit different
17 perspective, coming from one of the western states,
18 because there are a number of different issues that our
19 constituency deals with that maybe some of the folks in
20 the other parts of the country aren't aware of, but
21 again, through NASDVA, we talk about things like
22 certifications and how the small business environment

1 is working very much.

2 My background, again, 28 years in the Air
3 Force. My first combat experience was Grenada, and I
4 ended up coming out of Iraq. Spans a pretty broad
5 expansive United States' history, and I'm proud to be
6 here.

7 I miss my Air Force every day, but it's good
8 to be here doing things for our veterans.

9 MS. JOHNS: Again, we're so grateful that you
10 accepted the invitation to serve on this body, and we
11 are looking forward to the significant contribution you
12 will make.

13 MR. HALE: Thank you.

14 MS. JOHNS: I think what I'd like to do as
15 well, the members of the Task Force are known to
16 everyone, if we could go around the room and introduce
17 the other members -- other individuals who are with us
18 this morning.

19 Lisa, if you would just give your name and
20 affiliation?

21 MS. WOLFORD: Lisa Wolford. (Inaudible.)

22 MS. JOHNS: Michael?

1 MR. CHODOS: Michael Chodos. (Inaudible.)

2 MS. JOHNS: Thank you. I wanted to start
3 today by talking about a very exciting announcement the
4 SBA made a few weeks ago in Quantico, Virginia, and I'm
5 so happy that Michael Chodos is here, and invite him to
6 expand on my brief comment if he would like.

7 One of the three priority areas of our 2011
8 report was to improve and expand counseling and
9 training services for returning veterans.

10 We wrote in the report that "Self employment
11 and small business ownership are increasingly viable
12 options for returning and discharging veterans, Reserve
13 component members, and their families.

14 By providing tailored counseling and training
15 services to veteran entrepreneurs and small business
16 owners, and scaling successful programs, needed to meet
17 the increasing number of veterans who are returning,
18 veterans will have greater prospects for success."

19 Since last year's report, we have been working
20 very closely with the Department of Defense and the
21 Veterans' Administration to include entrepreneurship
22 training in the revamp to the transition assistance

1 program that's being introduced across the Services in
2 2013.

3 We know there's an urgent need for counseling
4 and training services for veterans interested in
5 opening a business, so we have rolled out a new program
6 called "Boots to Business, From Service to Start Up,"
7 and we began offering these programs on a pilot basis
8 at Marine Corps Bases around the country.

9 Boots to Business builds on the SBA's role as
10 a national leader in entrepreneurial training, and with
11 ongoing collaboration with Syracuse University.

12 I'm going to pause there. I know, Rhett,
13 you're going to provide an update on Boots to Business.
14 I don't want to steal your thunder. Of course, as I
15 mentioned, Michael is here to add if he would like.

16 With that, I'd like to turn it over to our
17 Associate Administrator for Veterans' Business
18 Development -- how long have you been with us now,
19 Rhett?

20 MR. JEPPSON: Just a little over three months
21 now. Still kind of wet behind the ears.

22 MS. JOHNS: No, not at all. We're so excited

1 that Rhett is here. He is already making such a
2 difference. It seems longer because of the significant
3 contribution he has made already.

4 Rhett, please.

5 UPDATE ON BOOTS TO BUSINESS AND
6 TIME LINE FOR 2012 REPORT TO THE PRESIDENT

7 MR. JEPPSON: Thank you. Good morning,
8 everybody. A couple of things that we want to cover
9 this morning, I'd like to cover a little bit on Boots
10 to Business, where we're at right now, and let me back
11 up for those who are not familiar with Boots to
12 Business.

13 Boots to Business is part of the redesigned
14 transition assistance program. It's a component of the
15 program that's being rolled out in conjunction with
16 other agencies, including Department of Defense, VA,
17 Labor, Education, and many other agencies.

18 We looked and redesigned the transition
19 program for exiting Service members. From the time you
20 enter the Service to the time you exit the Service, the
21 idea is to have the Service member look at what he will
22 do when he leaves the Service.

1 We know the vast majority of people who join
2 the Service will actually serve one term or maybe two
3 terms and then exit the Service. The percentage that
4 actually goes all the way to retirement is a small
5 percentage, and even those who are retiring will also
6 be required to go through this process as well as we
7 help them transition from a career to another career.

8 There are four areas that the Task Force has
9 focused on. One was education. One was Vo-tec. The
10 other was traditional labor, and then fourth, the
11 entrepreneurship track.

12 As we have worked with the Interagency Task
13 Group on the entrepreneurship track, we have developed
14 and kind of branded our track "Boots to Business."

15 I have passed out kind of a little primer here
16 for you. Let me just expand on what it will entail and
17 then where it is going to go.

18 As we plug into the modules that they have
19 built, DOD and VA have built, for the exiting Service
20 members, there are some basic VA benefits they will
21 receive, and then they will receive some employment
22 type of opportunity benefits, and then they will have

1 the option to choose a higher education track or Vo-tec
2 track or an entrepreneurship track.

3 We realized we were one of the smaller tracks
4 but probably one of the tracks that has a huge
5 potential for an economic impact on the country, but
6 also to help provide those Service members who are
7 going to leave the Service and start a business -- set
8 the stage for success there with them as they exit the
9 Service, making them aware of the entrepreneur
10 requirements, the resources that are available to them,
11 and help them start to think in broader terms as they
12 start a business.

13 I will tell you from personal experience that
14 I can't tell you how many of the Marines I've talked to
15 when we were in the field or traveling, you know, I
16 have this great idea, when I leave the Service, I'm
17 going to do X.

18 This really will inject a little reality into
19 it for that Service member. It will help him realize
20 maybe some of the difficulties in some cases and help
21 him from making mistakes, and others, it will just
22 provide that foundation of resource partners that will

1 help him be successful as he goes out and creates a
2 better life for him and his family, just as we know
3 many veterans have done previously.

4 As we look at what we are going to provide as
5 part of the Boots to Business program, as they enter
6 the track, enter the separation process -- which will
7 happen earlier in the Serviceman's life cycle, in the
8 last year, they will actually be able to go through the
9 course rather than traditionally, like the last 30 days
10 or 90 days, it will happen a little earlier during that
11 last year Service.

12 They will go through and receive those benefit
13 briefings. If they opt into the optional track, we
14 will provide them a two day curriculum as part of that
15 transition course.

16 In that two day curriculum, they will learn
17 how to do a feasibility analysis on a business. If
18 they have a particular idea in mind, they will also be
19 exposed to other options that are out there.

20 They will have the option to enroll in an
21 eight week on line course currently offered by our
22 partner, Syracuse University, as part of Boots to

1 Business, where they actually develop and build a
2 business plan.

3 I think a key thing to remember about this is
4 at this point, we're not just going to give them two
5 days and then an eight week on line course, we're going
6 to tie them into the SBA network of resource partners,
7 the SCORE chapters, the VBOCs, the WBCs, all those
8 others that will be the resource partners.

9 As part of the process, we will actually help
10 them, if they know where they are going to relocate, we
11 will help them find where that resource partner is so
12 that when they get there and they want to start the
13 business, they will know where to go and who their
14 resource partner is.

15 We will also have the different types of
16 things SBA will offer to support them as well as the
17 loan products, access to capital, advice, consulting,
18 the PTAX and the many other services that are out
19 there.

20 They will also have access to the veterans'
21 network that is out there as well, with other veteran
22 entrepreneurs who can help mentor them through some of

1 the process.

2 There is kind of a fact sheet that goes over
3 this in a little more detail on the course.

4 What I'd like to do is show you a video that
5 was produced. If we are looking at spiral developments
6 here, it's not 1.0, it's probably about 0.7, before we
7 come out with the final one. It's the one we are using
8 right now, that we show early on in the general
9 sessions to say if you're interested in the
10 entrepreneurship track, here's a little bit about what
11 we offer and where it can lead you.

12 If we could, I'd like to show that video now.
13 I will just apologize. The projector up here is not so
14 great. We have brought a different projector in.

15 (Video presentation.)

16 MR. JEPPSON: That was our first cut at the
17 video. I think it was a pretty good first cut. We
18 certainly have some things that we think we need to
19 tighten that up a little more. We may need to tailor
20 it just a little bit for each of the Services.

21 You get a sense of where we want to go and
22 what we want to portray to the veterans.

1 In the following meetings, we will actually
2 show you the slides and curriculum that we are using
3 for the two day.

4 Just kind of an update right now on where we
5 are at with Boots to Business.

6 We started an initial pilot with the Marine
7 Corps, where we are rolling it out on four Bases. We
8 will start our first two day courses with them in the
9 very near future.

10 We have a couple of Bases with the Navy lined
11 up right now, and then next week, we will be meeting
12 with the Air Force out in San Antonio to determine
13 where their pilot locations will go.

14 We will conduct the pilots with the Services
15 over the course of the balance of the year here, and
16 starting next calendar year, we will begin the complete
17 roll out plan as we tailor this.

18 With the entire TAP, it is in its pilot stage.
19 It will go through several spirals of development as it
20 matures. You can expect to see the program and our
21 place within that mature as well. We will keep you
22 abreast of where we are at on that.

1 We are pressing forward on that and we are
2 excited. We think it is a great thing for our Service
3 members, our exiting veterans who are coming back,
4 many, as you know, into a less certain economic
5 environment, and provides a lot of opportunity and
6 potential growth for our country.

7 So, that's on Boots to Business.

8 If I can turn to the report to the President,
9 as you know, we produce an annual report to the
10 President. I just want to cover kind of the way
11 forward on that.

12 There will be an Interagency Task Force on
13 Veterans kind of updating the empowering veterans
14 through entrepreneurship report.

15 What this does is kind of give you an outline
16 of how we intend to frame the report this year.
17 Actually, the bulk of the report will be in sections
18 three and four, and this is where we are going to need
19 to concentrate our efforts.

20 To kind of help us flesh out this framework,
21 what we did is there should be a stapled document back
22 there, and I think most of you got this via e-mail. If

1 not, I can provide it to you later.

2 This is the recommendations that we made in
3 last year's report. What we did was we took those and
4 broke those out, and then we have assigned lead
5 agencies or co-lead agencies to come back and provide
6 input into the report here.

7 What we would ask is you go through here, and
8 if your agency is the lead, we will be looking for you
9 to provide that input.

10 We put the recommendations in there so it's
11 easier, but actions, results and next steps are really
12 what we are looking for you to populate. We will pull
13 that out and then put it into the report.

14 This is kind of just a guide. As you peruse
15 this thing, if you think there are areas you have
16 equities in there that we didn't capture, please, feel
17 free to include those and send them back.

18 That's the template we are going to work off.
19 You should actually have a PowerPoint slide similar to
20 this. I have some up here if people in the audience
21 want those.

22 Starting at the bottom of this time line is

1 the Task Force meeting today, where we are kind of
2 kicking off this effort to produce the next report.

3 What we are going to do is take the next two
4 weeks, to the 24th, and ask for your draft inputs to
5 be to us on the 24th. We will take the next week. We
6 will assemble the draft report, and then about a week
7 later, we would like to get a working group together
8 here of the Task Force members, do it in person here,
9 and we will send out a meeting invite. Maybe we can
10 adjust off that if we need to, if that doesn't work.
11 Just get together and go through that draft and have a
12 discussion about where we are at on that and where we
13 think we need to go.

14 See if the time line makes sense, looking at
15 the draft report, whether we should extend, accelerate.
16 Maybe we need to do some more subcommittee work.

17 That will be kind of the next big -- what I
18 like to call an "in progress review" for us, that
19 combined subcommittee meeting.

20 Once we do have a complete draft, we will ship
21 it back out through the staffing process for comments.
22 We will collect those comments back and adjudicate

1 those and then push it up to the Administrator and the
2 Deputy for their review.

3 We allowed about another ten days or so to
4 make sure we get the timing of the report and make any
5 final edits and corrections on that.

6 This is the plan we are proposing right now.
7 Like all good plans, it will survive first contact, and
8 then it will change. We will adjust off that. We will
9 keep this updated and push this out any time we push an
10 update out to the report, an update on the time line.

11 The two big things that we are really looking
12 for is if you're a lead agency, we're looking for your
13 input on your section of the report here within the
14 next two weeks, and then come back together the first
15 part of September, once we have a completed draft.

16 We will make sure that we get that out to you
17 a few days in advance so you can kind of review it and
18 provide comments on that report.

19 For those of you who are out of town, we will
20 make sure we have a dial in number. For the rest of
21 you in town, we would like to do it in person.

22 That kind of takes me through the two topics I

1 had.

2 MS. JOHNS: Great. Thank you, Rhett. As far
3 as the time line, Rhett put this together and we wanted
4 to share it this morning as a guide. If we need to
5 look at some of the dates, make adjustments. If there
6 are issues that Task Force members need to bring to our
7 attention in terms of problematic dates, just let us
8 know and we will work with that.

9 Just another word on the report. I was very
10 proud of the report, the first report the Task Force
11 sent to President Obama, and certainly the big result
12 from that first report was Boots to Business.

13 We identified a serious need in terms of
14 having a more standardized approach to entrepreneurship
15 education for veterans. We feel we have made a great
16 step forward in addressing that with the Boots to
17 Business initiative.

18 This report, we are going to have to tackle an
19 issue that we know is still there and that is affecting
20 our veterans, and that is the issue of certification
21 and verification, and making sure we have a process
22 that is better suited to serve our veteran owned

1 businesses.

2 That area will be a particular area of focus
3 for this report. Rhett and I have discussed ways that
4 we are going to begin to tackle that, and we will be
5 contacting other members of the Task Force, and we
6 definitely will need your help in that regard, as well
7 as input from members of the public.

8 With that, we wanted to provide an overview.
9 At our last Task Force, you may recall that Tom Leney
10 talked about a national veterans' conference that was
11 to be held in Detroit, Michigan.

12 That conference did take place. Rhett and
13 other colleagues from SBA played a central role there.

14 Rhett, in Tom's absence, could you just give a
15 brief overview of that veterans' conference, please?

16 OVERVIEW OF NATIONAL VETERANS' CONFERENCE

17 MR. JEPPSON: Sure. Thanks. We went out
18 there -- I'll talk specifically about what SBA's role
19 was there. We did two things while we were out there
20 in support of the VA's conference.

21 One was we ran a demonstration of the two day
22 course. We had about 35 veterans participate in that.

1 We did the two day course where we did a feasibility
2 analysis.

3 I will tell you it was really well received.
4 We had a great set of veterans. We had a great
5 curriculum.

6 One of the advantages we had there is we had
7 the folks -- may of you saw the video here from
8 Syracuse -- and some other professors come and actually
9 teach the courses.

10 When we teach the courses out in the
11 community, it will be a combination of our resource
12 partners along with some of the Base personnel who will
13 actually teach it.

14 They will use the same curriculum that we
15 have, but we had the advantage of having some world
16 class professors and instructors there with us.

17 We think we have some pretty strong resource
18 partners out there who will conduct that curriculum,
19 and we have a good curriculum that we will continue to
20 refine.

21 We think we will have a great product. The
22 demo was great because we did have the right guys and

1 we had kind of a hand selected audience of veterans,
2 many of whom already had small business start's or had
3 idea already of where they were going to go.

4 That went off really well, in my opinion.

5 The second thing that we did that we'd like to
6 build on and we will discuss with VA is with the big
7 three auto makers, the first morning we did a supply
8 chain initiative between small veteran business owners
9 and the big three.

10 It's a great concept. I think with a little
11 more effort, we can really make something more of it.
12 I think it is something we can do well and could
13 actually support the other parts of SBA, other offices
14 of SBA, because of our relationship with some of the
15 other big industry partners, to do the supply chain
16 initiative where we partner these smaller veteran owned
17 businesses with the larger leaders in industry. In
18 this case, it was with the big three auto makers.

19 We will look forward to working with Tom and
20 those guys at VA to do that type of event again.

21 Obviously, it could have used a little more
22 refinement, but it's a great concept that I'd like to

1 see followed up.

2 That was kind of our participation out there
3 at the vets' conference, and we are pretty pleased with
4 how things went on.

5 MS. JOHNS: How many people would you say
6 participated overall?

7 MR. JEPPSON: Total conference?

8 MS. JOHNS: Total conference. Do you have a
9 sense of that?

10 AUDIENCE SPEAKER: Several thousand.

11 AUDIENCE SPEAKER: 3,500.

12 MR. JEPPSON: How many were actually veterans?
13 How many veterans actually showed up?

14 AUDIENCE SPEAKER: I believe the last numbers
15 that I saw were like 2,900.

16 AUDIENCE SPEAKER: (Inaudible.)

17 SUBCOMMITTEE UPDATES

18 MS. JOHNS: Thank you. Now, let's get to our
19 subcommittee updates. Rhett, I'm going to call on you
20 one more time, if you could kick off with Access to
21 Capital.

22 //

1 UPDATE ON ACCESS TO CAPITAL

2 MR. JEPPSON: Okay. On Access to Capital,
3 there are two things that are of interest to us that
4 we're tracking really closely.

5 One was recommended to us, and that was the
6 crowd funding piece that Mr. Wilfong had asked us to
7 look at. We're going to defer that until we get the
8 actual rulemaking done. We will have something
9 probably at the next or follow on, a little more on
10 where that crowd funding is going.

11 In my previous job, we did a lot with crowd
12 sourcing, and this is kind of a variant on that. I'm
13 pretty excited about that. It will have a definite
14 impact on how business is done in the future.

15 I think it is important that we look at that,
16 especially as it affects veterans.

17 MR. WILFONG: Rhett, I was thinking that maybe
18 we could start a veterans' site for providing that type
19 of funding.

20 MR. JEPPSON: Okay. The second is the
21 Microloan Program. I've asked Mr. Jerry Flavin to give
22 us an update on where SBA's Microloan Program is now.

1 I'd like to turn some time over to Jerry.

2 MR. FLAVIN: I'm here specifically today to
3 talk about the Microloan Program. Just a little
4 background on capital access at SBA.

5 Before I got to SBA, I assumed that everything
6 SBA was doing was making direct loans to the end
7 borrower. That's not the case.

8 The vast majority of what we do at SBA is on
9 the left-hand side of the screen here. Those are loan
10 guarantee programs, the 7A, the 504, Community
11 Advantage, all guaranteed programs, all do great work.

12 What I'd like to talk about today, and as
13 Rhett has asked me to talk about today, is the
14 Microloan Program. It is our only direct loan program.

15 It is a direct loan program but as we will see
16 on the next slide, the concept is simple. SBA loans
17 money directly to a non-profit intermediary. It's a
18 loan from SBA to a non-profit intermediary. The
19 maximum amount of the loan is \$50,000. The maturity of
20 the loan to the end borrower is six years.

21 This is a program because we realize that our
22 borrowers tend to be riskier borrowers, we require the

1 non-profit intermediary to provide technical assistance
2 support.

3 Because that requirement is in the program, we
4 actually have grant dollars to help offset the expense
5 of providing technical assistance.

6 Why is it important? If you're a small
7 business person today, it can be hard to get a loan.
8 If you're a small business person in an under served
9 community, it can be particularly difficult to get a
10 loan today.

11 When all the big players, the traditional
12 lenders, if you will, have said no, there has to be
13 some place that you can go as an entrepreneur to get
14 that money you need to start that business up.

15 That's exactly what Microloan intermediaries
16 are all about. They are a truly local financing
17 source. Very much like traditional lenders, they are
18 going to be concerned with collateral and credit score.
19 They also can take into consideration some intangibles
20 like the commitment, the capacity, and very
21 importantly, the character of the borrower.

22 I use this example a lot. Over the next five

1 years, I think we are going to see something -- I'm
2 sure you all in the room know these numbers better than
3 I -- we're going to see something like a million
4 Service members that are going to be separated from the
5 Armed Forces.

6 As we saw today in that great tape, certainly
7 not all but a good number of these folks that are going
8 to be separated are going to have an interest in
9 entrepreneurship. They skew higher in terms of
10 interest in entrepreneurship than the general
11 population.

12 When all the great work is done by SBA, DOD,
13 VA, and our resource partners and so on, and all these
14 entrepreneurs are kind of trained up and ready to go,
15 it's going to be very important that there is somewhere
16 they can go to get the money they need to start that
17 business.

18 I would submit that's what the Microloan
19 intermediaries are all about. They can provide that
20 kind of support.

21 Let's say you're coming out of the military
22 and you have some experience perhaps as an electrician,

1 a plumber, carpenter, maybe a beautician or cook, with
2 \$50,000, you can go out and buy that truck, buy the
3 equipment you need, get that business up and running,
4 and it's good for you, it's good for your family, and
5 it's good for your community.

6 I'm here for two reasons today. One is to
7 kind of get the word out there that there is something
8 called the "Microloan Program" available from SBA and
9 its intermediaries. That's number one.

10 Number two, I'm also here to recruit. I'm
11 trying to reach out to non-profit organizations and try
12 to find out if these non-profit organizations might
13 have an interest in becoming a Microloan intermediary.

14 Let's talk about the qualifications. The
15 first thing is you must be a non-profit. The next
16 thing is you must have at least a year's worth of
17 experience providing loans to small businesses. These
18 loans don't have to be \$50,000. Typically, they're in
19 the 5,000 to \$8,000 range.

20 In addition to that, you have to have a year's
21 worth of experience providing technical assistance and
22 servicing those loans.

1 I think this just makes sense in terms of
2 qualifications. At the end of the day, we have to be
3 prudent stewards of the Government's money, and it's
4 also important because you want to be loaning this
5 money to an entity that has a sense as to how they are
6 going to actually use that money and actually
7 help -- it's all about the mission here, I should say
8 that.

9 It's not about making money for the Microloan
10 intermediary. It's all about doing the right thing for
11 the community or the congregation or the neighborhood.

12 With that, clearly, in reaching out over the
13 last two and a half years, particularly in my space, in
14 the faith based and neighborhood partnerships' space,
15 I've come across a lot of organizations that certainly
16 have the mission. They want to do the right thing.
17 They want to help their neighbors and communities.

18 As it turns out, not many of them have the
19 experience they need to actually apply to the Microloan
20 Program, so we have developed this, which is a
21 Microloan intermediary road map. These are some
22 suggestions as to things you should be doing now so

1 that in the next 12 to 18 months, you can apply and
2 become a Microloan intermediary.

3 I'm here today, as I say, to increase the
4 awareness of the program. I'm also actively
5 recruiting. If we have some folks in the room who
6 think they might be interested or know some
7 organizations that might be interested in becoming
8 Microloan intermediaries, I'd very much like to speak
9 with them.

10 Thanks, Rhett.

11 MR. JEPPSON: Jerry, thank you. A couple of
12 comments to follow on what Jerry said. First, I think
13 this is a great program. We have the beginning's of
14 something good here.

15 When we look at a lot of the businesses that
16 we see right now, access to capital is the hard piece.
17 We have some loan programs and some other products out
18 there that get the larger loans, but the smaller loan
19 threshold and some of the higher risk piece, we don't
20 have covered well.

21 There is a big need for that right now,
22 especially with some of the young entrepreneurships.

1 Kind of build a network of folks, veteran
2 service organizations, there are several new that are
3 focused on the Microloan Program. I think as we move
4 forward, it's an exciting area. I would propose that
5 during the next meeting, we will ask a few of those to
6 brief us on where they are headed as far as the
7 intermediary piece goes.

8 I think this is certainly a niche piece, not
9 maybe a niche, but an area that we need focus our
10 attention on. It's that under served community that
11 some of the larger lending institutions just don't have
12 as much equity in.

13 MS. WOLFORD: (Inaudible.)

14 MS. JOHNS: I'm sorry. We have to be on the
15 record.

16 MS. WOLFORD: Lisa Wolford. Are you in touch
17 with the incubator programs at the various
18 universities? George Mason has them. The university
19 in Maryland has them. That would seem like a natural
20 arm, helping businesses grow, where that Microloan
21 Program might be valuable.

22 MR. FLAVIN: Actually, that's a great

1 suggestion. I am always looking for venues to get up
2 in front of people and talk about the Microloan
3 Program.

4 If you have some other suggestions in terms of
5 incubators that I can follow up with, I would be happy
6 to contact them. Thanks for the suggestion.

7 MR. WILFONG: I was wondering, it used to be
8 that the Microloan Program had a very, very successful
9 pay back. They were paying back at like twice the rate
10 of some of the larger businesses. Is that still the
11 case?

12 MR. FLAVIN: I can't compare it to some of the
13 other loan programs. My sense is in terms of pay back
14 from the actual end borrowers, the Microloan
15 intermediaries are doing a very good job of kind of
16 managing that whole process.

17 Understand, the intermediaries are on the hook
18 to pay us back.

19 MR. WILFONG: Yes, I understand.

20 MR. FLAVIN: At the end of the day, my sense
21 is that the intermediaries are not seeing a lot of
22 loans that they are going to have to write off. I

1 think they are doing pretty well in that area.

2 MR. WILFONG: Also, do you require them to
3 provide collateral or do the intermediaries require
4 that?

5 MR. FLAVIN: Yes, collateral and credit score
6 would certainly go into that, as each intermediary
7 takes a look at that loan. They are going to be
8 concerned a bit about those things.

9 As I said, they can also bring in these
10 intangibles, very importantly.

11 Understand that the intermediary at the end of
12 the day has a lot of flexibility. We make a loan to
13 them. It's up to them.

14 MR. WILFONG: The reason I asked that is that
15 a lot of young veterans don't have much in the way of
16 collateral. When they first get out of the Service and
17 they are 23, 24, 25 years old, maybe they were enlisted
18 people, and they don't have very much for collateral.

19 I think it is an important thing to look at in
20 that regard. It was one of the things I was always
21 really was pushing Bill Elmore for, to have programs
22 that veterans who don't have much collateral can still

1 get a loan to start their business.

2 MR. FLAVIN: I think it's a great point. I
3 would like to go aggressively after non-profits who
4 focus on the veterans' community. I would really like
5 to work with them. If you have some ideas, please pass
6 them on.

7 MR. WILFONG: Yes, I do have some ideas.

8 MR. FLAVIN: Thank you.

9 MR. WILFONG: You're welcome. Thank you.

10 AUDIENCE SPEAKER: My name is Sam Garrity. I
11 have a question about reaching out to other non-profits
12 to participate.

13 With the technical assistance requirement,
14 there are quite a few that come to mind that meet that
15 criteria, fewer come to mind who are already in the
16 business of lending money.

17 Could you give me two or three examples of
18 non-profits that you have identified new to your
19 program? I'm trying to think of who they might be
20 already out there in the business of lending five
21 grand. Where are they getting that money from right
22 now?

1 MR. FLAVIN: That's an excellent question. As
2 it turns out, you're right. There is a lot of
3 experience in kind of the technical assistance piece,
4 particularly in the space I work in, which is faith
5 based and neighborhood partnerships.

6 There is not a lot of experience in terms of
7 making loans. That said, as I said, we put together
8 this Microloan intermediary road map and saying you
9 probably have to make three to five loans in the 5,000
10 to \$8,000 range.

11 With seed money of around 35,000 to \$50,000,
12 you can get your program up and running.

13 I can't speak for banks. Typically, if they
14 are in the position where they are not interested in
15 making microloans, you might want to contact your local
16 bankers and say listen, I'm trying to raise some seed
17 money to get a Microloan Program up and running, can
18 you help.

19 MS. JOHNS: If I may, Jerry, I'll give an
20 example. The whole Microloan Program and Jerry's work
21 with our faith based outreach and young entrepreneurs'
22 outreach, we have a Council on Under Served Communities

1 that we created, that has 20 members who represent
2 various areas of expertise, and they are located around
3 the country.

4 One of the members of our Council on Under
5 Served Communities is a woman by the name of Hilda
6 Kennedy. She is part of the faith based community but
7 she's also a lender. She has been operating in another
8 part of SBA's loan programs. She has recently become a
9 Community Advantage lender. She is also planning to
10 become a Microloan intermediary.

11 She is an example of someone who has something
12 of a non-traditional twist, she's a non-profit, very
13 close to the community, and she is becoming more active
14 in all of our programs.

15 We were also working with the Urban League.
16 They are very close to becoming eligible to come to us
17 and be on the path of becoming a Microloan
18 intermediary.

19 We are talking to a number of faith
20 communities around the country who are doing the same.

21 As Jerry mentioned, the expertise or the
22 experience that is needed to become a Microloan

1 intermediary doesn't require that you have a long
2 history of lending in large dollar amounts.

3 Rather, if you have some experience in
4 managing a loan portfolio, servicing those loans, and
5 we work with these institutions to help them get that
6 experience, that's enough for them to be able to
7 qualify to participate in SBA's program.

8 Again, as Jerry said, we are always looking to
9 cast a wider net for those non-profits out there who do
10 have the capacity to work with us. We know as we get
11 more micro-lenders out there, particularly those that
12 have different constituencies in mind, whether it's
13 veterans, young people, people returning from court
14 supervision, we want to have more of those partners in
15 our micro-lending program so we will have more access
16 to capital for more business start up's who need that
17 support.

18 MR. JEPPSON: Not to belabor the point, from a
19 veteran's perspective, as Jim mentioned, because of
20 some of the younger guys and guys coming out without
21 capital or collateral, this is something exciting.

22 We have actually seen a lot of guys -- because

1 the SBA has been partnering with different Bases for a
2 long time, providing entrepreneurship training, my
3 experience, the vast amount of experience I've had
4 here, sort of dealing with the resource partners out
5 there, many of them have repeatedly told me that we
6 have veterans out there with some pretty good business
7 plans but they don't have the business background, they
8 don't have the collateral or the capital for the start
9 up.

10 Because they are asking for small amounts,
11 some of the traditional lending routes are not
12 available or friendly to them.

13 I'm pretty excited about the micro-lending
14 because it provides an alternative route,
15 non-traditional, take a harder look at some of these
16 businesses that don't qualify or aren't the bigger
17 threshold loans that some of the institutions want to
18 make.

19 There is some real potential here for the
20 vets. I think we are just starting to see those
21 organizations that will be the intermediaries come on
22 line now.

1 For example, LendVets, one that is just
2 forming, and a couple of others.

3 I would kind of like to expand dialogue at the
4 Interagency level here on where we proceed and as to
5 best practices.

6 MR. WILFONG: This is a little off the
7 Microloan side of it. What about -- how are the SBICs
8 doing these days? Are they really as active as they
9 were in providing equity financing?

10 MS. JOHNS: Even more so. The Small Business
11 Investment Company Program is an opportunity for
12 investors to utilize an SBIC license that the SBA
13 grants, and we become a partner with them in providing
14 equity financing for start up's, for those who may not
15 be familiar with the program.

16 Sean Greene, who runs our Office of
17 Investment, that's part of his portfolio, that team has
18 done a great job in streamlining the process.

19 SBIC licenses used to take months, up to 12
20 months. That time is now down to less than six months
21 on average.

22 There has been streamlining of the program.

1 We have created an impact investment fund that is
2 focused on businesses in under served areas.

3 It is a tool that is available and one that we
4 are actively marketing for veteran owned businesses as
5 well as others.

6 Any other questions of Jerry or on capital
7 access from the Task Force members?

8 (No response.)

9 MS. JOHNS: From the public?

10 (No response.)

11 MS. JOHNS: Thank you. We will move on to
12 Federal Contracting. Farooq Mitha is here on behalf of
13 DOD. Welcome, Farooq, and JiYoung Park. If you would
14 please give us your report.

15 UPDATE ON FEDERAL CONTRACTING

16 MS. PARK: Good morning, everyone. Thanks for
17 the chance to give an update. GSA is proud to report
18 that we have made some significant strides in our
19 Service disabled veteran owned small business
20 contracting efforts.

21 For those that don't know, there is a three
22 percent goal Government-wide that all agencies contract

1 spend, that three percent of that should go to Service
2 disabled veterans, and each individual agency has a
3 three percent goal, including GSA.

4 GSA, as of the end of July, we are at 3.1
5 percent. We did not meet this goal in the past couple
6 of years, but we are on track to meet the goal this
7 year. We are very proud of that accomplishment. We
8 have done a lot internally to make sure that everyone
9 is focused on that goal, from our Administrator on
10 down, throughout leadership and everybody on the front
11 lines making these contracts.

12 That represents about \$16 million of our spend
13 to date. Of course, GSA does play another role in
14 Government besides being good stewards of our own
15 funds, we are also responsible for about ten percent of
16 the Federal spend overall. We also play a role in how
17 other customer agencies are doing with their Service
18 disabled veteran owned small business goal.

19 Government-wide, we are shy of the three
20 percent goal. We are at about 2.5 percent. We have
21 work to do. A significant amount, over \$6 billion in
22 contract spend has gone to veteran firms, but again, we

1 recognize we have work to do there, although there has
2 been significant progress from how we have done in
3 previous years.

4 Let me just talk about three quick things that
5 GSA has been doing with this kind of Government-wide
6 role that we have, to assist other agencies'
7 contracting.

8 One is on training. Very important. There is
9 a mandate out there but a mandate without assistance,
10 training and tools, it's difficult for those making
11 buying decisions to really know how to make a mandate.

12 There have been a series of training's, that
13 actually Tony Eiland from GSA has been leading in terms
14 of delivery.

15 We hold an annual training expo with
16 contracting officers from across the Government.

17 We have taken that training and put it on
18 line, so we have done two webinars this fiscal year,
19 reaching again several hundred contracting officers.
20 Those are GSA contracting officers, many of whom do
21 have responsibility for supporting other agencies.

22 Our next step is to record that training so

1 that it can be accessed by whomever, right at their
2 fingertips.

3 That has been a real big push, and many thanks
4 to Tony for the success of those efforts.

5 That training has been accompanied by things
6 like market research tools, how to guides, an
7 acquisition alert. A lot of different tools that will
8 help those who are making buying decisions get to
9 Service disabled veterans. We are proud of that
10 accomplishment.

11 Number two, there is a system that many
12 contracting officers use called "EVI," to get to
13 contractors. That system has been modified and that is
14 now able to be used. That system also tracks how many
15 set aside's are being done, whereas some of the other
16 Government-wide systems have yet to catch up to that
17 ability.

18 In the past three months, we have seen 3,000
19 set aside's placed on schedules, and in the month of
20 June, that represented 18 percent of overall orders.

21 Those numbers don't represent Service disabled
22 veteran owned small business set aside's specifically.

1 However, it is a good measure.

2 We have the veteran firms that are in the IT
3 space, and we have seen 280 orders to date, totaling
4 over \$1 billion. That is a significant opportunity for
5 vets.

6 There are a lot of things that GSA is doing in
7 terms of training and tools to really make it easier
8 for ordering agencies to get to veteran firms.

9 I just wanted to kind of highlight those
10 things. I will hand it over to my colleague over here.

11 MR. MITHA: Just to be brief, DOD as well as
12 the same goal, although we have not reached the goal.
13 Our dollars that have gone to SDVOSBs has increased.
14 We have been doing a lot on the policy front to
15 continue to improve that number.

16 Just on the overall small business side, this
17 year, fiscal year 2012, we are implementing small
18 business performance into the performance evaluations
19 of our senior executives in the Department of Defense.

20 That helps small business overall but it will
21 also help our SDVOSB community.

22 Our Director, Andre Gudger, has been very

1 consistent in his outreach, industry outreach, to
2 SDVOSBs and the veteran community. He spoke at the
3 National Veterans' Conference. He was in Reno. He has
4 had many private meetings with leaders of these
5 communities to really get input on what DOD should be
6 doing and how we can do a better job.

7 One of the most recent things that we have
8 done, which is really from the first of August, is
9 Andre signed a memo to our defense contractors and our
10 contracting officers to let them know about the Rand
11 Study that we commissioned to really identify the
12 barriers that industry faces or SDVOSBs face in winning
13 Federal contracts, and also to look at the barriers
14 that keep us as a department from reaching the goal.

15 In the memo, he has asked for support from the
16 contracting community and also from industry. He's
17 given the points of contact at Rand who are working on
18 the study.

19 We are hoping that is going to shed some real
20 light on what some of the issues are and help us
21 continue to progress toward reaching our goal.

22 MS. JOHNS: All right. Thank you. Any

1 questions from Task Force members?

2 MR. WILFONG: I do have one question. When do
3 you expect the Rand Study to be finished?

4 MR. MITHA: I can't give you a firm date on
5 that. It's still in progress.

6 MR. WILFONG: This year? Next year?

7 MR. MITHA: Probably not this calendar year.

8 MR. WILFONG: Thank you.

9 MS. JOHNS: Questions from the public?

10 AUDIENCE SPEAKER: JiYoung, the use of the
11 VETS GWAC has dropped considerably with the VA dropping
12 off, so the \$1 billion is kind of a little bit
13 misleading, if we factored in the percentage of the
14 work that the VA had done on that.

15 What I see happening from the outside looking
16 in as a VETS GWAC prime, what I see happening from GSA
17 is I see marketing by the small business GWAC center,
18 but the overall GSA does not market the VETS GWAC.
19 They will market other contracts but not the VETS GWAC
20 predominately.

21 They market the STARS contract much more
22 actively, and the VETS GWAC contract requires

1 substantially more support than it has gotten. With
2 the VA dropping off, why is there not more of a push
3 for other agencies?

4 My phrase is DOD is the factory that creates
5 those, VA is the servicing arm. No joke about Service
6 disabled vets. DOD could be actively taking part in
7 achieving those goals through the use of the VETS GWAC
8 and that push.

9 That is what I would like to see happen. The
10 active marketing, not just by the small business GWAC
11 center in Kansas City.

12 MS. PARK: Thank you for your question and
13 your comment. I think that the overall marketing
14 approach for the different IP vehicles is one that they
15 are trying to have more of a portfolio approach so that
16 they're not going out there just promoting the GWACs,
17 but they are out there, GWACs and IT-70, so that IT is
18 IT. Customers are looking for IT solutions, not
19 necessarily one contract over another.

20 I think you make a good point that we do need
21 to make sure the VETS GWAC is very well highlighted,
22 and any of the marketing efforts out there, when

1 somebody is out there talking about IT-70, that they
2 are also talking about VETS GWAC.

3 I think right now it is inconsistently done.
4 That is good feedback that I can take back and say this
5 is an observation brought up, to make sure it is being
6 more consistently marketed.

7 We are working with different components to
8 make sure they are fully aware of the VETS GWAC and
9 also are trained on the delegated authority to use it.
10 There is special training required.

11 We have had some conversations with the Air
12 Force in particular about ways we can strategize and
13 help them make sure they are fully aware of the tools
14 available at GSA.

15 That being said, it is a voluntary program and
16 agencies have their own vehicles and continue to set up
17 their own vehicles that they like to use.

18 Of course, we are doing what we can, as you
19 say, to show why they are advantageous and how there
20 are cost savings involved in using the GSA contracts.

21 At the end of the day, it is a decision of the
22 agencies.

1 AUDIENCE SPEAKER: I agree that is a voluntary
2 vehicle. The Alliance of Small Business Contracting
3 vehicle, I think, has hundreds of primes on it. GWAC,
4 for instance, has 23 firms that can bid prime on it in
5 this second option.

6 If I was a contracting officer having to look
7 at task order bids, would I rather look at a maximum of
8 23 offers or hundreds and never be able to see my
9 children.

10 MR. BLUM: I'm Matthew Blum from the Office of
11 Management and Budget. We have been spending a lot of
12 time in the Office of Federal Procurement Policy in
13 looking at how we can do a better job in using our
14 buying leverage, both to help agencies in avoiding
15 duplication, but also to your point, to think about it
16 from a contractor perspective so that they are not
17 spending bid and proposal costs to get onto lots of
18 different vehicles and then have to first figure out
19 where is the action going to take place.

20 There is a high administrative cost for you
21 that then gets passed back to the taxpayers.

22 Last September, we issued guidance that

1 developed a new process for agencies to develop
2 business cases, which is also accompanied by a portal
3 for agencies to share this information, so that one,
4 when an agency is thinking about creating a vehicle,
5 and this includes GSA, but it also includes all the
6 other agencies that may want to do things for
7 themselves, there is sharing of information.

8 This helps service providers, servicing
9 entities like GSA and others, before they create a
10 vehicle, to know are there any other vehicles out there
11 that actually are duplicating what I'm doing so that I
12 don't have to make this investment, and if it's not the
13 case and they are going to proceed, it also gives other
14 agencies that are thinking about doing the same thing
15 the opportunity to piggy-back onto those contracts.

16 In the future, and GSA has been doing this
17 with us, but not necessarily every agency, so to create
18 greater consistency across Government going forward, we
19 want these agencies to be more coordinated in their
20 actions.

21 That doesn't mean there won't be a GWAC, there
22 should be, and absolutely should have vehicles that

1 give easier access for the Service disabled veteran
2 owned small businesses.

3 Instead of just making it a marketing effort
4 on GSA's part, there will be some rationalized basis
5 for the business case so we are all collectively using
6 our resources better.

7 MR. JEPPSON: I think it's great if we go down
8 that road and tying that back to where DOD can connect
9 the two dots. It should not be hard for us to really
10 make a significant increase on the amount we spend.

11 MS. JOHNS: Bob, did you have a question?
12 Come to the mike. As you are coming, I also wanted to
13 add that SBA has also been working closely with OMB and
14 other partners to help with the training effort that
15 JiYoung mentioned.

16 The Small Business Jobs Act that President
17 Obama signed in the Fall of 2010, there were 19
18 provisions specifically related to procurement. While
19 it is not specifically Service disabled veteran owned
20 small businesses, they certainly do benefit from the
21 improvements in procurement through the Small Business
22 Jobs Act.

1 While we know it is important for us to talk
2 to our small business constituencies about those
3 benefits, it is also very important that we make sure
4 the contracting officers and the acquisition folks in
5 the Government are well trained.

6 We, in fact, just had a major webinar earlier
7 this week where we touched over 2,000 contracting
8 officials across the Government to talk about many of
9 these new tools.

10 That work has been ongoing, various agencies
11 along with the SBA have been very focused there. We
12 are hoping that you are going to see the benefit of
13 that training in terms of the response you are getting
14 from the contracting officers that you deal with.

15 Bob? Your name and affiliation.

16 MR. HESSER: Bob Hesser, First Co-Chairman of
17 VET-Force. Retired Master Chief. Been around a while.

18 What you said about the policy of looking to
19 management with the whole thing, I can't understand
20 with that how -- we personally went up and talked to
21 people. It was planning on taking the \$365 million
22 from GWAC over to T-4, and they did it. It happened

1 once. I'm sure it will happen again. T-4 really
2 killed.

3 Now we have seven Service disabled veterans
4 who are not being serviced properly on a T-4 contract,
5 and we have 23 on VETS GWAC who are losing out.

6 I think more work needs to be done on that, my
7 opinion.

8 MR. BLUM: I would just tell you that the
9 policy was issued last September. It didn't take
10 effect until the Winter time, essentially the T-4, I
11 would say, came just before that policy went into
12 effect.

13 Everybody is doing the best they can. I would
14 say there may have been some additional conversation to
15 kind of rationalize --

16 MR. HESSER: That should have been a boost to
17 the veteran organization, and it really wasn't. You go
18 back and look at the dollars. The big guys are making
19 the money. That's where it's going. It's just a
20 shame. I told them. VET-Force went up to New Jersey
21 to try to do it. We can't stop it.

22 Concerning GSA, those figures you gave to us,

1 JiYoung, was that prime and sub? Was that only prime?

2 MS. PARK: That is prime numbers.

3 MR. HESSER: DOD took some initiative toward
4 doing that a few months back to help us find out that
5 there is a tremendous amount of money being lost for
6 the vet or small business. Big money being lost
7 because of subcontracts.

8 The contracting officers are not doing due
9 diligence on the construction site. They're not
10 checking reports they get weekly. I think it is
11 something we need to work on.

12 Set aside's, yes, it's great. There has been
13 an increase of GSA set aside's on the schedule, and
14 there's been an increase in set aside's on Fedbid.com,
15 but the Vet-Force is forming a committee. We are
16 totally against Fedbid.com. We are going to be making
17 some very firm accusations before long on GSA and
18 Fedbid.com.

19 We believe it is inherently the Government's
20 responsibility. We believe the Fedbid.com is hurting
21 small businesses in many, many ways. Fedbid.com
22 consistently is -- for instance, the Veterans'

1 Administration is all Fedbid.com. Army is Fedbid.com.

2 Every solicitation, one after the other, says
3 GSA schedule, must be GSA schedule, or must bid through
4 Fedbid.com. There is this little thing in there that
5 says if the Fedbid.com fee interferes with you meeting
6 your requirements and the GSA requirement, then you can
7 get it waived.

8 That's very confusing for the bidder. It's
9 not exactly fair across the board. This has happened
10 all within a few months. This is before the last
11 meeting of the Task Force. It's moving very, very
12 rapidly, very fast.

13 Billions, or definitely millions, hundreds of
14 millions of dollars is going through there so fast and
15 nobody is doing anything about it. Only those few
16 individuals are given a chance.

17 Only those that want to give up some of their
18 profit margin, which is unjust, because if the
19 Government asked me I want to buy something from you, I
20 want to buy a service, how much are you going to charge
21 me, I'm probably going to give the Government the best
22 price I can because I'm a small business, and small

1 businesses, whether anyone knows it or not, aren't
2 rich. They usually bid the very best they can, low
3 margin, because that's the only way they are going to
4 win.

5 Now what has happened Fedbid.com has put three
6 percent on it. Some agencies say we're saving money.
7 I'm paying three percent more than what I would
8 normally bid.

9 If I want to bid against Jim and I know Jim is
10 a little lower than me, it's unbelievable. Small
11 business is not aware of it. They could be bidding
12 against themselves. Fedbid.com calls you and says this
13 is the low bid, can you beat the bid.

14 They are calling people and contacting people
15 about the bidding. That is an inherently Government
16 responsibility. That is not their responsibility.

17 We are very angry. We are extremely angry
18 about this. It has not stopped.

19 The American Legion is behind me, by the way.

20 MS. PARK: Thanks for your comments and your
21 concerns. Subcontracting, I'm glad you raised that
22 because often we do talk about the prime numbers, and

1 subcontracting is very important. I do want you to
2 know there is a lot we are doing in that area.

3 I talked earlier about training, providing
4 tools and resources so that contracting officers know,
5 and we have ramped up a huge effort in subcontracting.
6 We have put together a desk guide that we recently
7 brought forward to the SBA and the Government-wide
8 advisory committee under SBA's leadership and presented
9 that.

10 I'm going to share that also with OFPP so it
11 can be distributed Government-wide. We have put
12 together some training materials associated with that,
13 and increased our compliance reviews.

14 There is a lot of effort, a lot of education,
15 and increased accountability in this area. GSA has
16 responsibility for subcontracting on behalf of other
17 agencies that run through our schedules and other
18 contracts.

19 The second issue you raised, I'm less familiar
20 with. I would be happy to talk with you off line to
21 hear more specifics about your concerns.

22 MR. HESSER: Absolutely.

1 MR. BLUM: I don't necessarily know all of it,
2 but the Office of Advocacy actually had written to OFPP
3 earlier in the year to ask us to look at the larger
4 issue of use of reverse auctions. Fedbid is involved.
5 There is a third party intermediary. There are a
6 number of issues that are related to the use of reverse
7 auctions.

8 When they are done correctly, they can have
9 very successful results.

10 MR. HESSER: OFPP came out with a thing about
11 outsourcing.

12 MR. BLUM: Right. There are a number of
13 issues related to the use of this tool. Our
14 Administrator, Joe Jordan, will be having essentially a
15 listening tour, where we will be doing a fair amount of
16 outreach, both to agencies.

17 I know VA actually took a time out earlier in
18 the year related to some of these issues to review how
19 their folks were using these tools. I'm sorry Tom is
20 not here today to speak on that further.

21 We want to reach out to the agencies to get a
22 full picture of what's going on. We will definitely be

1 doing outreach. Anybody from this community is part of
2 that process.

3 MS. JOHNS: Please make sure that VET-Force is
4 advised so they can be part of the commentary.

5 MR. HESSER: Back to DOD, on Fast Pay, I think
6 this is something the committee might consider, the
7 Task Force might consider, making U.S.-wide or Federal
8 Government-wide, Fast Pay. It really is a tremendous
9 saver. I've had more comments on that.

10 MS. JOHNS: Bob, If I may interject. The
11 President announced maybe within the last two weeks, as
12 he refers to it, as the quick pay provision, that it
13 has been very successful for small businesses doing
14 business with the Federal Government, and that has been
15 now extended to all Federal contractors or primes.

16 They are now taking advantage of quick pay
17 provisions with the expectation that they also quickly
18 pay their subcontractors, so that it is a cascading
19 benefit.

20 AUDIENCE SPEAKER: (Inaudible.)

21 MS. JOHNS: Then we need to know about that,
22 examples.

1 AUDIENCE SPEAKER: (Inaudible.)

2 MS. JOHNS: We want to know because we can
3 then go back to the agencies and make sure they are
4 complying. That is the policy that the President has
5 recently announced.

6 MR. BLUM: The OMB Director issued a memo in
7 July 2011, and that describe the quick pay initiative,
8 which started last September with the idea that the
9 Government would pay small business prime contractors
10 in an accelerated fashion with the goal of paying
11 within 15 days.

12 That was then extended to where we are paying
13 all of the prime contractors on an accelerated basis,
14 with the idea that the large businesses that have small
15 business subcontractors can pay in an accelerated
16 fashion.

17 It's a two step process. Step one, we have
18 worked with all the agency paying offices to make sure
19 they are paying prime contractors faster. I believe
20 their goal is to get to full compliance there very
21 shortly.

22 The second step takes a little bit of

1 additional work in terms of the slow down to
2 subcontractors, and you can divide the world basically
3 into three buckets, existing contracts, short term
4 future contracts under the policy before we changed our
5 regulations, and then what do we do after we changed
6 the regulations.

7 With respect to existing contracts, it's
8 tricky in the sense that there are existing
9 relationships, so we can't force the prime contractor
10 to make a change unilaterally. It has to be done
11 bilaterally.

12 What we are doing is reaching out to trade
13 associations and encouraging the agencies to reach out
14 through their contracting offices to work with prime
15 contractors, one, to make very clear, as Marie said,
16 this is something that the President is personally
17 interested in and committed to.

18 The second step is the FAR Council has
19 developed a clause that can be incorporated into all
20 future solicitations and contracts to require prime
21 contractors to accelerate their payments to
22 subcontractors.

1 That said, there, too, it has to be a step by
2 step process because what we do know is it can be very
3 industry specific as to what that acceleration should
4 be.

5 In the construction world, we know Congress
6 has legislated this, it's basically a seven day pay
7 period. There was some legislation that was considered
8 a year ago, I believe, and there was a pretty robust
9 discussion where it seemed like there was not consensus
10 about what this should be across the board. Again, it
11 can be very industry specific.

12 You will see a clause that will require
13 accelerated payments, what you won't necessarily see
14 immediately is some sort of days being identified
15 because we need to get smarter, we need to do outreach
16 and work with industry, we need to involve you in the
17 rulemaking process to make sure we do it right.

18 AUDIENCE SPEAKER: What I am seeing is they
19 are wanting extended time frames. We are seeing large
20 businesses coming to us and trying to tie us to a net
21 45. They won't sign contracts unless we agree to the
22 net 45. That's a problem.

1 That's why you need the contractual support,
2 policy support from the Government to force them
3 basically to do the right thing.

4 MS. JOHNS: Bob?

5 MR. HESSER: What I was saying about DOD will
6 now apply -- what is happening in Fast Pay, DFAS is 30
7 days. Construction is seven days. You already have
8 seven plus 30. Fast Pay means 37 days.

9 We want DFAS to change. DFAS is saying we'll
10 change to 15 days. That is going to be seven plus 15,
11 so 22 days. It should be zero, it shouldn't be seven
12 plus zero, it should be one plus zero or two plus zero.

13 In reality, what's happening in DOD, DFAS is
14 still 30. In construction, seven plus one or two days
15 plus 30. See what I am saying? We have to get rid of
16 that, get it down to zero.

17 When we talk about non-DOD, that is something
18 that has to be put in there, as to where the paying
19 agencies is going to actually execute -- the agency may
20 do their job. The contracting officer immediately
21 processes it, get it through, but it still ends up
22 being that 30 days time frame.

1 It's happening. It's there. It happens all
2 the time.

3 Now we have the new one, simple acquisition
4 threshold, SAT, which is wonderful, but how are we
5 going to make sure that's done. We have had several
6 Under Secretary of Acquisition memo's go out. One went
7 out in 2005 that said a three percent goal.

8 MS. JOHNS: If I may speak to that, and any of
9 our other colleagues here can add. We reported before.
10 We have quarterly White House meetings. These are
11 required by the President. We meet quarterly with the
12 leadership across the agencies, Deputy Secretary level
13 meetings.

14 At those meetings, the Simplified Acquisition
15 Threshold has been a matter of discussion because as
16 you know, the FAR rules say those contracts should go
17 to small businesses and many of our agencies have a way
18 to go to meet that requirement.

19 What we have done at SBA is we have provided a
20 report for every agency to identify how they are doing
21 related to the Simplified Acquisition Threshold
22 numbers, and we are monitoring their progress toward

1 improving.

2 There are certain times when an agency has a
3 legitimate reason for why they can't in every case have
4 that particular contract within the SAT constraints go
5 small, but we are being much more focused, and we have
6 data now to help us do a better job of monitoring that
7 progress.

8 That's what we are doing.

9 MR. HESSER: Does SBA have the ability and
10 power to enforce it?

11 MS. PARK: I'll speak from an agency
12 perspective. Marie just talked about going to the
13 White House quarterly and SAT being a very prominent
14 part of the agenda. There is also a separate SAT score
15 card, it kind of ranks by agency who is on top and who
16 has a way to go.

17 That caused a lot of conversation. We have
18 issued memo's internally.

19 MR. JEPPSON: If you look at the impact, VA
20 just recently pulled back several procurements because
21 of the score cards, so the score card is actually
22 having a significant impact. Their leadership is well

1 aware of that and are going to make some changes on
2 that.

3 MR. HESSER: We don't know some of the things
4 you are telling us.

5 MS. JOHNS: The good thing about coming to
6 these meetings is hopefully we are keeping you
7 informed.

8 The last thing I wanted to say on the topic is
9 that what is measured gets done. The thing that we are
10 focused on at SBA, when you ask what role we play, we
11 are measuring, we are distributing those results, and
12 as JiYoung mentioned, we are grading agencies on how
13 they are doing, and that makes a difference in terms of
14 bringing the high level accountability.

15 When Farooq was talking about what DOD is
16 doing and putting these elements, small business
17 results, those elements in the performance standards
18 for senior exec's and not just DOD but we are also
19 asking that be done across the Federal agencies, the
20 combination of those kinds of initiatives are what is
21 going to help us.

22 MR. HESSER: A comment to Rhett about the

1 slide presentation on Boots, I think it's a fantastic
2 program. We are very happy about that.

3 MR. JEPPSON: Thank you. We are at the
4 starting point, so we have a lot of work to do. It's a
5 good concept, a lot of work to do to make sure we get
6 the right information and the right implementation
7 plan. There is a lot to do. It has been a good
8 interagency effort. Farooq has been a great partner on
9 it, him and Andre.

10 MR. HESSER: A picture you had up there, at
11 the last Task Force meeting, I brought up the question
12 about a franchise, whether or not a franchise was a
13 small business or not from the SBA side, and said yes,
14 it can be. VA, absolutely not, it's not 100 percent
15 control. That is being addressed at Congress. A bill
16 was just introduced yesterday.

17 MR. JEPPSON: Sometimes in the meetings here,
18 like our past discussion, it has all been focused on
19 Government contracting. We are certainly not narrowing
20 the entrepreneurship track to Government. That is a
21 component of it.

22 I will tell you from the franchise

1 perspective, a lot of the veteran franchising
2 organizations are wanting to partner, and we will
3 actually have a module that talks about the
4 opportunities for veterans, the franchising
5 opportunities.

6 MR. HESSER: VET-Force has had an MOU with
7 them since 2000/2001. We signed a Memorandum of
8 Understanding for veterans. They give veterans
9 discounts. They give them extra loans, a longer period
10 of time. They have been a help for us for many years.

11 My very last question is will there be a White
12 House document on the Task Force achievements or
13 whatever? We have seen the reports that went to the
14 White House. We received verbal comments about what's
15 been done with your relationship say with Ms. Jarrett
16 and all the other things.

17 Is there going to be a White House -- if
18 there is a change in the Administration or there is not
19 a change in the Administration, I think there is going
20 to be a period of time there where this thing is going
21 to get into the election cycle, and you aren't going to
22 have another meeting until November. If you do, are we

1 going to see this?

2 This is a very important task force. We don't
3 want to see it die in one Administration or another
4 one. We also want to know what's going on.

5 We have nothing from the White House that says
6 they endorse your -- we have had actions, like the Jobs
7 Act, things that were brought up by the Task Force.
8 The President has done things, absolutely.

9 There is nothing that we can pass out to the
10 veterans that says here, this has been accepted, from
11 the White House.

12 I just wanted to bring that up.

13 MS. JOHNS: On that point, Bob, thank you for
14 raising that. We will ask that question.

15 MR. HESSER: Please.

16 MS. JOHNS: We operate under the
17 assumption -- not the assumption but the direction that
18 the President created this task force. We have the
19 duty to do our work in the best possible fashion, and
20 we have the responsibility to report back to the White
21 House about what we have accomplished.

22 Rhett is part of the team of people, the

1 veteran focused leaders, who meet regularly with
2 Darienne Page who coordinates veterans' activities from
3 the White House. This is an issue we will raise, to
4 see if there is any expectation.

5 The President in his clear focus on military
6 families and veteran issues in general is utilizing
7 this task force and many other pieces of the work that
8 SBA is doing along with other agencies to inform his
9 policies. He has been very focal about the focus on
10 military families and veterans' issues in particular.

11 MR. JEPPSON: I think it's a good point and I
12 think there are a lot of different applications or
13 forms this could take in the future. We will work with
14 them, especially as we issue this next report.

15 MR. HESSER: Thank you. Sorry to take all of
16 your time.

17 MS. JOHNS: No, thank you very much for your
18 comments. We always look forward to your excellent
19 questions.

20 //

21 //

22 //

1 UPDATE ON INCREASED INTEGRITY OF CERTIFICATIONS

2 MS. JOHNS: We are going to move on. Tom
3 Leney is not with us, so just briefly we will mention
4 there was a recent GAO hearing or report on issues
5 related to certification of veteran owned businesses.

6 Members of this Task Force know that is a big
7 issue, that we have work to do to tackle.

8 Rhett has proposed a suggestion which I think
9 is an excellent one, and we are going to move forward
10 in this direction, and that is we are going to create a
11 subgroup to focus specifically on the certification
12 issue, the VA role, the SBA role, and how we improve
13 the process.

14 We know the process needs to be improved for
15 the benefit of veteran owned small businesses and we
16 are committed to taking that on. That is going to be
17 an issue that we will address in this upcoming annual
18 report.

19 Rhett, is there anything else to add there?

20 MR. JEPPSON: Yes, just a couple of things.
21 What I spoke to Marie about proposing was that we have
22 a sub working group that would look at the

1 certification process.

2 Let me be clear. Both VA and SBA operate
3 under statute right now. We each have implemented
4 rules according to the rulemaking process. I'm not
5 proposing that somebody is out of line.

6 There certainly is a dichotomy and confusion
7 in the process that is interjected by having two
8 separate certification systems, one which is about -- I
9 won't say "lax" -- but as easy as it gets, self
10 certification, and then you have a very rigid
11 implementation by the VA with a set of rules.

12 It causes a lot of confusion in the system for
13 the veteran. Having the veterans go through two
14 separate certifications is redundant.

15 If we had the working group look at
16 streamlining the system to make it more efficient, to
17 make it user friendly, or even possibly changes to the
18 legislation that we could propose, it would make it
19 more veteran friendly but protect the integrity of the
20 certification system.

21 We have been down this road before. We have
22 gone through the 8A process and the HUBZone and some of

1 the other processes. It was by trial and error. We
2 developed some case law that supports some of that.

3 With some of the work that we have done, if we
4 could apply some of those lessons learned and look at
5 how we might streamline it and make a better practice
6 of how we do things, it would be mutually beneficial to
7 both VA and SBA here.

8 At the end of the day, we are both concerned
9 about providing service to the veterans, and in this
10 case, the Service disabled veterans, and making sure
11 companies that are qualified have all the access to
12 contracting they can, and we are not preventing anybody
13 who is qualified, but protecting the integrity of the
14 system.

15 If we can find some solutions to do that
16 through the working group and provide them to the Task
17 Force and then forward them up to the President, we
18 would like to do that.

19 We have to move, I think, with some sense of
20 urgency as we move forward on this.

21 MR. HALE: That was going to be my comment. I
22 don't think we can afford another year. We have small

1 businesses that are going under because they are losing
2 millions of dollars because of the process.

3 MR. JEPPSON: I think part of the conversation
4 that we need to have in the next week here -- I come
5 from the military. We formed the operational
6 planning team, and we do crisis reaction kind of
7 planning. I think we need to take a hard look at it
8 that way immediately.

9 I think the conversation needs to happen in
10 the next week as to who is going to be the lead for
11 this. To be honest, VA has to be on that working
12 group. We both have equities.

13 MS. JOHNS: Definitely OMB.

14 MR. JEPPSON: It may make sense that we talk
15 to Joe about OMB heading up that working group. That's
16 a conversation we need to have over the next week.

17 AUDIENCE SPEAKER: (Inaudible.) Veterans are
18 losing. Somebody representing the veterans.

19 MS. JOHNS: Absolutely. Again, the bottom
20 line is we have to strike the right balance between
21 ensuring, as Rhett says, there is integrity in the
22 program. We have to make sure that we have guarded

1 against fraud, waste and abuse to every degree that we
2 can because if we have a program that doesn't have
3 integrity, that doesn't help anybody.

4 We also have to make sure there is a program
5 that is streamlined and user friendly for veteran owned
6 small businesses.

7 Those are really the two major objectives that
8 we have to balance. We will need the best thinking of
9 everybody. Certainly, Jim will be front and center in
10 that discussion, but we as a task force have to get
11 focused on how we can move forward on this really
12 critical issue.

13 We have been talking about it now since our
14 inception. We made progress on some other important
15 fronts. This is the next big hurdle to address.

16 MR. ADAMS: I'd like to make a quick comment.
17 I'm Mark Adams. Part of my affiliation is with the
18 American Legion Small Business Task Force.

19 Relative to this particular issue, we have
20 been having discussions with some Congressmen regarding
21 legislation that they are thinking of drafting right
22 now to address this particular issue, the certification

1 issue, VA, SBA, et cetera.

2 In an off line update, I can bring whomever
3 would be interested up to date on what the Legion group
4 has been doing with that, particularly legislation that
5 is expected to be presented to the House as early as
6 perhaps the end of September. It might be timely to
7 update you on what's going on in that regard.

8 MS. JOHNS: We would be very interested in
9 that.

10 MR. ADAMS: Whoever would like to have that
11 discussion, I can perhaps work with Dan and incorporate
12 that into the Task Force.

13 MS. JOHNS: Yes, please.

14 MR. ADAMS: Thank you.

15 Matthew, anything under administrative
16 burdens?

17 UPDATE ON REDUCING ADMINISTRATIVE BURDENS

18 MR. BLUM: Two points of clarification from a
19 prior conversation and one additional point.

20 One is to Bob's point, on Quick Pay, just to
21 clarify, that is absolutely a Government-wide
22 initiative. If there are any instances where you hear

1 or find it is a prime contractor that is not receiving
2 pay on an accelerated basis, we would like to know.

3 Our sister organization, the Office of Federal
4 Financial Management, is working directly with the CFOs
5 in each of the agencies to make sure, not just DOD, but
6 that civilian agencies are all paying on an accelerated
7 basis.

8 That is happening in real time. Getting to
9 the 100 percent, that's all Government agencies, not
10 just DOD.

11 AUDIENCE SPEAKER: When you say it is
12 different time frames for different industries, what is
13 the time frame for IT? Honestly, I thought it was 15
14 for everybody across the board.

15 MR. BLUM: I'm sorry. With respect to the
16 Government's relationship with the prime contractors,
17 on that relationship, the memorandum that OMB has
18 issued made clear that the goal there for acceleration
19 of payment means the 15 days.

20 It isn't always going to be 15 days in every
21 instance. Once you have a proper invoice, then you
22 make the payment. That's the goal. Every agency

1 hasn't been in the exact same place to start out, as to
2 the number of contractors they have. Everybody is
3 moving and has moved toward the ability to pay, not
4 just their small business primes, but their large
5 business primes.

6 What I was mentioning earlier is at the
7 subcontract level, there are business questions in
8 addition to policy questions with respect to what is
9 the appropriate acceleration of payment.

10 Should it be seven days, 15 days, 30 days.
11 What is it. Today, as you mentioned, it isn't that
12 every small business, for example, the subcontractor,
13 is getting paid in 30 days or 60 days or 90 days.
14 Acceleration will mean different things in different
15 relationships and in different industries.

16 We don't have a specific time frame at this
17 point for figuring that out. I think we need to do a
18 lot more learning quickly before we can speak
19 intelligently to that.

20 My only point was initially what you will see
21 and what you saw in the OMB memo is we didn't expressly
22 try to articulate a specific time frame across the

1 board because I think it would be much more disruptive
2 to some of the existing relationships.

3 AUDIENCE SPEAKER: If I give you one of my
4 cards, can you give me a copy of that memo?

5 MR. BLUM: Yes. We can make that available.
6 The memo's are available on the OMB website. Do a
7 Google search, and my guess is do OMB M-12-16 and
8 M-11-32, either of those. Both of those memo's should
9 come up.

10 One was September 14, 2011. The update just
11 came out in July of this year, 2012.

12 AUDIENCE SPEAKER: On the DOD side, the issue
13 is really work flow. A customer's understanding
14 (Inaudible.) It's in the system. Basically they could
15 care less about going in there and doing that because
16 they just have other things to do.

17 That's an issue for our side of the house, and
18 the invoices aren't getting approved. We had some that
19 were taking months.

20 MR. BLUM: A very quick update, on Business
21 USA, I know we had a very good presentation at our last
22 meeting, from the Program Management Office there,

1 apparently they average 2,500 visitors per day that
2 spend an average of six minutes on the site.

3 They are continuing to focus on content
4 development and also working with agencies to build
5 appropriate bridges to make sure there are timely
6 content updates.

7 Two points in that regard. One is I just want
8 to make sure for the folks that come to these sessions
9 that the Task Force is appropriately informed, if there
10 are any areas on Business USA that you think are
11 lacking, in terms of content or in terms of the
12 functionality and kind of information.

13 We went on there, at least from a contracting
14 perspective, and again, we need to be broader in that.
15 I would broaden this not just to contracting but also
16 to new transition issues and in fact, for folks still
17 in the military thinking years ahead about what they
18 want to do. All that information and data points
19 there.

20 The only things that we really didn't see
21 specifically when we went to the website right away
22 were the small business development centers and the

1 veteran business outreach centers.

2 Again, if there is any information or context
3 that you think either a veteran or soon to be veteran
4 would want to be able to find quickly that's not there
5 when you do a search, let us know, and we will
6 absolutely make sure this information gets back to the
7 Program Management Office.

8 On Business USA, I would mention as an
9 invitation on their part, they are very interested in
10 doing outreach and participating at events.

11 I know they spoke at VA's event in the Summer
12 that you were speaking to, Rhett. I know they are
13 speaking at a number of DOD events coming up.

14 If there are others where you think it would
15 be useful for them to do a presentation and help
16 acclimate the community --

17 AUDIENCE SPEAKER: (Inaudible.)

18 MR. BLUM: Willette Allen, who I think is here
19 at SBA, she handles the outreach. That is
20 Willette.Allen@sba.gov. If you contact her, they will
21 be happy to support these events.

22 MS. JOHNS: Questions by Task Force members

1 for Matthew?

2 (No response.)

3 MS. JOHNS: Further questions from the
4 audience?

5 (No response.)

6 UPDATE ON TRAINING AND COUNSELING

7 MS. JOHNS: Unfortunately, Maria Temiquel was
8 not able to join us today, but just a couple of updates
9 on not specifically training and counseling but
10 somewhat related, more related to outreach.

11 I just wanted to advise the Task Force members
12 and our audience that at the SBA, we have entered into
13 two strategic alliance memorandum's with two important
14 organizations, U.S. Black Chamber of Commerce and the
15 U.S. Hispanic Chamber of Commerce, with the purpose of
16 working more closely with those organizations and
17 crafting specific entrepreneurship resources for their
18 members, information on contracting, et cetera.

19 While that's not directly related to veteran
20 owned small businesses, we know there are veteran owned
21 businesses within those membership organizations, and
22 so I wanted to make you aware of the fact that the SBA

1 has entered into those agreements because we feel a
2 stronger partnership with those organizations will help
3 us improve opportunities for contracting across the
4 board, including veteran owned businesses.

5 Also, Chris James, our colleague who heads our
6 Office of Native American Affairs, and I hosted a group
7 of leaders earlier this week here in headquarters,
8 leaders of Native American trade organizations.

9 Native Americans over index in terms of their
10 representation in the Armed Services, so we wanted to
11 talk to these leaders and organizations to find out how
12 we can ensure we are working as closely with their
13 organizations as possible as well, in order to again
14 make more procurement and business growth opportunities
15 available. Included in the meeting was the Native
16 American Contracting Association, National 8A
17 Association and others.

18 We at the SBA feel very strongly that those
19 relationships that we are strengthening are going to be
20 to the benefit of small business contracting
21 opportunities including veteran owned small businesses.

22 That is just an update for you there.

1 Finally, Jim, on improving Federal support.

2 UPDATE ON IMPROVING FEDERAL SUPPORT

3 MR. WILFONG: Thank you very much.

4 As some of you may remember, this working
5 group has taken an interest in a lot of different
6 areas. I will quickly cover some of those.

7 We are very happy with what's happening with
8 education. We have been big proponents of having
9 entrepreneurial education available to veterans
10 beginning with TAP.

11 I called on the Director of TAP in 2001, I
12 think, the first discussion that I can remember we had.

13 It has really come a long way to get it
14 included and TAP. This boot camp program is very
15 valuable.

16 What we will continue to push for and advocate
17 for is community based education that can be a
18 combination of education using technology but also one
19 of the most important things we found out in teaching
20 this type of education up in Maine and across the
21 country in different places is that being in the
22 classroom and the networking that goes on is perhaps

1 one of the most valuable things that takes place.

2 When you just use technology and put together
3 a class and outreach that way, what you are going to
4 miss is going to be the networking that can be very
5 valuable.

6 There is a lot of cross fertilization that
7 goes on there.

8 I congratulate what the Task Force has
9 recommended and what has been carried out by the
10 agencies, the combined efforts, really good job. Thank
11 you very much for doing that.

12 Certification, that is another thing that we
13 are interested in. We know it is difficult. We have
14 to deal with all 50 states. It is something that needs
15 to be done. We can't just let this one lie.

16 I know it's very important to the American
17 Legion, and it's very important to VET-Force.

18 When you learn a trade in the military, it is
19 especially important for enlisted people, I was an
20 enlisted person in the Marine Corps, so it's very
21 important when you come out of the Service, if you have
22 had a lot of experience in electricity or plumbing or

1 whatever it is, a medic or corpsman, then you come back
2 into the community, and you start at zero.

3 Something has to be done in this area.

4 Rhett?

5 MR. JEPPSON: Just as an update, the Veterans'
6 Task Force is looking at this very hard and they are
7 working on that with the Department of Education and
8 the Department of Labor, et cetera. There is work that
9 is being done on that.

10 I think the important part for us, the SBA, is
11 as a lot of these young Service members leave the
12 Service, they will take the certification or at least
13 get the credit for the work they have done in the
14 Service, for those that go the vo-tec route, many of
15 those guys that go the vo-tec route will be small
16 business owners.

17 I go back a little town in Florida and I
18 become a welder because that's what I learned in the
19 Service, I may need some additional stuff.

20 There is a component that goes to these guys
21 who take an educational route or vo-tec route who will
22 pick up the SBA piece. That's why we think it's

1 important, as part of their transition, although they
2 may be going to higher education or vo-tec.

3 It's also worth noting that we have heard a
4 lot about the higher education opportunity that VA
5 offers. For the Service disabled, the amount of
6 capital they will give them to help them start a
7 company is huge right now.

8 We will probably ask Tom to give us a briefing
9 on that at the next meeting.

10 MR. WILFONG: I think all that is good, but in
11 the end it is whether or not you can actually conduct
12 business because you have a state license to do it.
13 That's the difficult part.

14 All the different states have different ways
15 they license. Getting credit for that as part of your
16 journeyman portion of it, that's the piece that -- I
17 applaud that, that it can be counted towards a vo-tec
18 degree, but what I'm really speaking to in addition to
19 that is the rest of it.

20 We proposed a lot of things six months ago or
21 a year ago, and I don't want anyone to think that we're
22 forgetting about it, because we are not.

1 Property right, that was one of our principal
2 recommendations. We definitely want to see that
3 happen. There is a piece of that I think is going to
4 really help, if you can use part of your G.I. Bill to
5 start a business, and you would have to have a business
6 plan and so forth, so that is one of our principal ones
7 from this working group.

8 Small business competition in the procurement
9 area, this is something that we really want to continue
10 to push. I have mentioned it two or three times.
11 Taking the authority under the 8A law that was put into
12 place originally, and it's still in place, for all
13 small business, and having lines of business activity
14 where there are small business competitions and veteran
15 owned small business and SDVO small business
16 competitions, we would really like to see a lot more of
17 those.

18 I think that would really help on the
19 procurement side. When you're a small business, you
20 just get lost. If there are set aside's where you
21 could get 50 small businesses competing in an area for
22 contracts, that would be very helpful.

1 In the finance area, crowd financing is just
2 one part of what we think would be helpful, as I talked
3 a little bit earlier about, we are really happy with
4 pushing the idea of micro financing. I think that's
5 important.

6 When it comes to equity financing, and they
7 may use this as a debt instrument as well, there are a
8 number of people inside and out of the veterans'
9 community that thinks crowd financing may be a way to
10 democratize equity financing.

11 It could become a Wall Street for small
12 businesses, provided the legislation that was passed
13 and the rulemaking doesn't bury it and make it so
14 onerous that we really can't raise funds that way.

15 We are very interested in that part. I think
16 that is pretty much what we are still working on and
17 thinking about. We would like to have a meeting maybe
18 prior to the working meeting you are speaking of,
19 Rhett.

20 I am always talking to this group on the
21 phone, and it would be nice to have a face to face
22 meeting with a group of people who are not necessarily

1 all part of Government, they are across the veteran
2 community.

3 With that, I will talk to you off line on that
4 one. Thank you very much for all the hard work all of
5 you have put in, and let's just make sure we push this
6 all the way through. We have a lot of good ideas. I
7 think that's what Bob was kind of touching on. Thank
8 you.

9 MS. JOHNS: Thank you, Jim. Questions?

10 (No response.)

11 PUBLIC COMMENTS

12 MS. JOHNS: Now we are at the point of public
13 comment. We have had a lot of public comment already.

14 (Laughter.)

15 MS. JOHNS: Is there any additional public
16 comment? Yes, sir?

17 MR. BAKER: My name is Charles Baker. I am
18 with the American Legion Task Force, chairman, I guess.

19 Basically, our concern is -- we have met with
20 a couple of agencies. Our concern is -- it's a huge
21 concern, between statute, regulation, policies and
22 implementation.

1 We have a lot of great policies, a lot of
2 great laws. There is no compliance check. There is no
3 enforcement. There is very little assistance when
4 requested.

5 In order for the veteran community to be
6 successful, in order for these things to work, let's
7 just use a couple of examples, SAT would be one. It's
8 clearly not working.

9 To give you a classic example of how it's
10 clearly not working, a veteran has a product that is
11 \$5,000 cheaper than the larger business, delivery time
12 is two months earlier, the large business is more
13 expensive, longer lead time, it happens to be for an
14 air conditioning unit. Summer is coming.

15 If you can buy an air conditioning unit before
16 Summer comes but you decide to wait until the end of
17 Summer to get an unit, to go to a large business,
18 that's a problem. It really is, especially when the
19 unit costs \$70,000, and it's well within the mandatory
20 reservation, and the people at the lower level of the
21 implementation, we have all these letters that have
22 been sent to everybody about let's do this, let's focus

1 on this, this is the way to do business, but it's not
2 happening.

3 The individual actually flips a coin to make a
4 decision whether to go with a large business or small
5 business. That's totally inappropriate.

6 MS. JOHNS: Hopefully, we can get more
7 information from you off line regarding the agency and
8 so on. We definitely would want to follow up on that
9 situation.

10 MR. BAKER: One of the things that I would
11 like to suggest, from the veteran community, from the
12 American Legion, and I know we have talked to other
13 veteran organizations, too, we are all in unison with
14 this, we have to do one thing, we have to look at the
15 different agencies and you have to go all the way down
16 to the implementation level, to the contracting level
17 and program level, and do some type of analysis about
18 what's happening.

19 Let me give you an example about fast pay or
20 immediate pay. I've been involved with this since
21 2010, November.

22 The whole 15 day everybody is talking about,

1 the 15 days is the maximum process time. It is
2 supposed to be paid immediately upon approved receipt.
3 That's statute.

4 What the agencies have done is create a fudge
5 time, the total processing time should not include the
6 15 days. What the contracting officers are doing, when
7 they hit the "Submit" button, there is a default that
8 happens, and the default was normally 30 days and then
9 it went to Treasury. This system now populates to 15
10 days. It should be zero days in the system.

11 Now immediate payment is actually happening,
12 actually working.

13 These are the types of issues, if we go from
14 statute to regulation to policy down to implementation
15 and find out what is really happening at these lower
16 levels, we need to do a random survey to find out, is
17 your policies being implemented properly.

18 It's being misunderstood. The immediate
19 payment is very critical to the veteran community
20 because it makes the difference between whether
21 veterans are going to be able to survive. A lot of
22 veterans in business are hurting very much, and they

1 can't carry invoices for 45 days or 30 days.

2 If you had the ability -- if the manufacturers
3 knew they were going to be paid immediately, it totally
4 changes the game of how they do business with our small
5 businesses, and it makes a tremendous difference.

6 We have to stop talking about what we are
7 doing, we have to make sure that's what actually is
8 being done. I just don't know how to say it any
9 better. Hopefully, everyone understands what I am
10 saying about policy and regulation and getting it
11 right.

12 It's kind of sad when you go to get help and
13 your help doesn't even understand what the policy
14 really says.

15 I think we need to figure out how we can work
16 together to make sure that these things are being done
17 properly in order for us to have a successful program.

18 Thank you very much for the opportunity to
19 speak.

20 MS. JOHNS: Thank you for your comments, Mr.
21 Baker. Earlier in the meeting, we talked about a
22 number of the training initiatives that we have

1 underway. You touched on something we recognize is an
2 area of improvement, and that is to make sure the
3 contracting officers know the rules, know the laws,
4 know the policies, and that is what leads to proper
5 implementation.

6 Earlier, we talked about efforts at DOD, GSA,
7 here at SBA, where we really have focused on making
8 sure those contracting officers have the training they
9 need so they can best serve you when your small company
10 comes to meet with them about opportunities.

11 That is important. As far as the Simplified
12 Acquisition Threshold, we mentioned earlier in the
13 meeting about SBA's new tool of a score card. We are
14 monitoring agencies on what their SAT spending is.
15 There is much more accountability at the agency level
16 to make sure they are monitoring their SAT spending and
17 making sure the agency is making progress towards doing
18 a better job.

19 That is a clear area for improvement and one
20 where we have seen improvement actually since we
21 started measuring and holding the senior leaders of
22 agencies accountable. We are seeing improvement. We

1 have more to do.

2 We are confident we are going to continue, and
3 more importantly, you will continue to see improvement
4 as far as the SAT results as it relates to small
5 businesses.

6 MR. BAKER: Do you think it would be important
7 to do what we are recommending about let's poll some of
8 these agencies and let's look at what is really
9 happening at the military bases, at GSA, Agriculture?

10 If it's DOD, we need to go to the Army, Navy,
11 Air Force. If it's Treasury, we need to look at the
12 different components in there.

13 We need to take a random sample. I think if
14 you pick a random sample, what you find or what you are
15 going to see will allow you to see what's not
16 happening. A lot of it has to do with lack of
17 knowledge, but also it has to do with lack of
18 compliance.

19 That seems to be the biggest issue. A lot of
20 times, they know what the rules are, but they say they
21 are not going to do them. That's just something that
22 has to be resolved in a different approach than what is

1 currently happening now.

2 MS. JOHNS: Thank you for that comment. One
3 thing that I will mention that we are doing differently
4 at SBA, and this is with the support of our colleagues
5 at the Department of Defense, previously we focused on
6 Department of Defense pretty much agency-wide.

7 Now with their support, Karen Mills,
8 Administrator, and myself, we are scheduling meetings.
9 We have held a series of meetings with the various
10 buying commands in the military.

11 Just as you have suggested, we have met with
12 Army buying installations. I have met with the Naval
13 Sea Command, the Naval Air Command, to meet with their
14 procurement teams and to talk specifically about what
15 they are doing, what their results are, how the SBA can
16 work more closely with them to help them improve
17 whatever they are looking to improve.

18 Those meetings have been very effective. I
19 thank Andre Gudger and DOD for their support in this
20 new approach.

21 What we intend to do is take that model and
22 move across the Federal agencies and to drill down more

1 within the agencies to actually have these meetings,
2 accountability sessions.

3 It's a matter of time and capacity challenges
4 that we all face, as to how quickly we can do that. We
5 know that's a model that works, and we are looking to
6 expand that across more agencies.

7 MR. BAKER: I'm very familiar with Ms. Mills
8 has been going to the major buying activities and
9 speaking with three and four star generals about new
10 changes and recommendations.

11 What I am suggesting is you need to go down a
12 little further. You need to go down to the actual
13 transactional level, to the place where this stuff is
14 really happening.

15 If we go to Mr. Gudger's office, it's the best
16 office that has been there, there is no argument about
17 that, but when you go to the field, nothing has
18 changed.

19 The policies and everything, all the letters
20 and all the memo's, you couldn't ask for anything
21 better. The veteran community is 100 percent behind
22 Mr. Gudger, his efforts, everything he is doing, even

1 coordinating the efforts of SBA.

2 What I am trying to be very frank about is
3 that nothing has changed at the base level.

4 MS. JOHNS: I hear what you are saying. I
5 thank you for your comment. What I am trying to say
6 also is that things are changing and things are
7 improving. The work continues. The work is not
8 finished.

9 When you have for the first time SES
10 individuals across the Government who have as part of
11 their performance evaluations how they are doing in
12 terms of small business procurement, that affects what
13 will happen on the front lines.

14 We can't go from where we are to perfection in
15 a short period of time. It's a process. We are
16 putting pieces in place and creating the framework that
17 definitely will have an improvement.

18 To underscore what I am saying, when you look
19 at the last three years of the previous Administration
20 versus the previous three years, small business
21 procurement has increased over \$30 billion. That is in
22 light of a Federal budget that is contracting.

1 We are committed. We are doing everything we
2 can to put in place the framework that is going to
3 continue to make a difference. We welcome your
4 comments and all the comments of the dedicated folks
5 who attend these meetings on a regular basis, and we
6 are taking them to heart. We are doing everything we
7 can to continue to move the needle forward.

8 MR. BAKER: Would it be possible that we could
9 coordinate a meeting so we could actually talk about
10 particular's and ideas and actual scenario's?

11 MS. JOHNS: Certainly. You know how to reach
12 me. Yes, we can certainly schedule such a meeting.

13 MR. BAKER: Thank you. I have no more
14 comments.

15 MS. JOHNS: Okay. Matthew?

16 MR. BLUM: If I may, just to add, all of the
17 exercises that Marie has just described are not being
18 done strictly within the small business offices. It is
19 a joint partnership with contracting offices, and
20 program offices, and OMB feels it is a very important
21 priority to make sure that the chief acquisition
22 officers and senior procurement officers get involved

1 in this process.

2 As one example, we have talked about the fact
3 that there are quarterly meetings with senior
4 leadership. I think it is fair to say that I've seen
5 this in the last Administration for different
6 initiatives, when very senior level leaders are brought
7 to talk to the White House on a quarterly basis, I
8 don't think anybody wants to keep coming back bringing
9 bad news or not complying unless there is a legitimate
10 reason why it's hurting the mission.

11 As a result of these meetings, it does get
12 filtered down, even though they can be very high level
13 discussions. What happens is after the meeting, the
14 agency goes back and develops internal controls, for
15 example, that should have existed but didn't, for
16 example, in the implementation of the Simplified
17 Acquisition Threshold, I think that is one of the
18 examples you were giving, about we have had policies in
19 effect, the law for years, but we haven't had
20 consistent implementation. We haven't frankly had the
21 internal controls.

22 As a result of these senior leadership

1 discussions, we now see agencies maybe doing it in
2 different ways to match their missions or their
3 particular organizational structures, but we are seeing
4 that now filter down.

5 With the numbers, as Marie mentioned, we now
6 have a benchmark so we can see is progress being made
7 and if not, then we can go back with SBA and talk to
8 the agency and figure out what is not happening, is
9 there a legitimate reason, is it work that isn't
10 suitable for small business, is it we still haven't
11 gotten the message down or the proper training for
12 people to know they need to do the market research and
13 make sure they are honoring the rules.

14 MS. JOHNS: Thank you, Matthew. Mr. Baker, we
15 want to know. I look forward to having further
16 discussion. We want to know what you are seeing from
17 your perspective where this policy direction is not
18 being implemented on the ground. We want to know that
19 so we can then go back and address those situations.

20 This is all very helpful but we know it is a
21 360 process. Certainly, the top down is very
22 important, senior accountability is critical to this.

1 We also want to make sure that -- that is why we are
2 doing the training, when we look at the 360,
3 accountability from the top down, but then training on
4 the field level, the front line level, so that people
5 know, contracting officers know what the tools are,
6 what they should be doing, what the new laws are.

7 We are still implementing the Small Business
8 Jobs Act. Many of those contracting provisions were
9 very complicated. As you all know better than I, the
10 FAR process to move a regulation, move something from
11 law to actual regulation through the FAR process, it
12 isn't quick. It takes time.

13 We are still working through that process.
14 Again, the feedback that you provide is helpful, and I
15 look forward to further discussion.

16 Jim?

17 MR. WILFONG: I just wanted to add something.
18 We work in the software engineering area in my
19 business. It isn't perfect down at the bottom part of
20 this as you described. I understand.

21 In an area that we work, we ran into quoting
22 chapter and verse that was coming from Mr. Gudger. It

1 is getting down. It may not be getting everywhere.

2 There is a \$4.4 billion set aside for small
3 business competition up at the SEC, the Software
4 Engineering Command. A set aside in an IDI2, is
5 that -- that showed up for the very first time. That
6 was coming as a direct result of what Mr. Gudger is
7 pushing.

8 MS. JOHNS: You just have to keep pushing.

9 MR. WILFONG: You have to keep working on it,
10 you're right. It's not perfect yet. At least we see
11 one glimmer of hope.

12 MR. MITHA: Even within DOD, every month we
13 meet with your service and support acquisition
14 executives and we ask for what internal controls are
15 developing, what is the status of the memo. We are
16 getting that on a monthly basis through Mr. Gudger and
17 our Under Secretary. We are making sure we are getting
18 all that information.

19 AUDIENCE SPEAKER: What I would recommend is
20 polling of contractors who are actually doing prime
21 work within various agencies and various components of
22 DOD, and the reason I say this, polling them on

1 specific questions.

2 What I see is the contracting officers, follow
3 the FAR, now it backwards and forward. Very squared
4 away. Other DOD contracting officers, not so much the
5 same.

6 What you experience here in D.C. is a little
7 bit different than what people experience in outlying
8 areas. Here in D.C., you have a wealth of training
9 opportunities. You can go to training all day long
10 every day here in the D.C. metropolitan area, whether
11 you are a contractor or a Government employee.

12 Out in Utah, probably not the same. Nevada?
13 Probably not the same. Nebraska? Definitely not the
14 same.

15 My point is polling people geographically,
16 diverse people, again, we are talking about veterans
17 here, our veterans come from every walk of life. They
18 come from every gender. They come from every state.

19 MS. JOHNS: Thank you for that point and point
20 well taken. Anything else?

21 AUDIENCE SPEAKER: I was looking over the
22 recommendations that came out of the November report.

1 One of them was specific to surety bonding and the bond
2 guarantee programs. I am simply asking, one of the
3 actions was the marketing tools and customized
4 materials, increasing bonding up to \$5 million.

5 I know a little bit more about that last one,
6 so you don't have to address that one.

7 The first two having to do with internal
8 behavior within the surety bond guarantee programs
9 since November, have there been any developments to
10 report?

11 MS. JOHNS: Yes, just briefly, and I will be
12 happy to put you in touch with Peter Gibbs who can give
13 you more details.

14 We just announced a quick application for
15 surety bonds, a streamlined application. We are also
16 in the final stages of crafting a partnership with HUD
17 to do marketing and training, particularly focused on
18 small general contractors who would benefit from doing
19 more HUD work as a result of their CDBG, community
20 development block grant program.

21 There are lots of opportunities there for
22 general contractors. Those contractors often need

1 surety bond support. We have found or what we are
2 expecting is this new partnership with HUD is going to
3 create a wealth of new opportunities for those
4 companies around the country.

5 That is just shy of ready to be launched, but
6 certainly stay in touch with Peter, he can keep you
7 posted on the time line of that.

8 AUDIENCE SPEAKER: I also wanted to take the
9 opportunity to amplify something that was submitted in
10 writing to the Task Force regarding an MOU that we have
11 signed with VET-Force to implement a bonding readiness
12 program that we developed and we have been implementing
13 around the country.

14 We actually have an MOU, for example, with the
15 Department of Transportation. It's been a year and a
16 half now. Highly successful. We are still involved
17 with that. We do this program around the country.

18 I wanted the Task Force to be aware that we
19 are working very closely with VET-Force to implement
20 that, and will kick it off probably in the Fall.

21 MS. JOHNS: Thank you.

22 //

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

CLOSING COMMENTS

MS. JOHNS: I don't see any more hands or movements to the mike, so thank you very much for your participation and for the great discussion.

As you know, we are in the heat of developing the report for this year. Anyone who is in attendance who has comments or further contributions that you would like to make to that effort, please be in touch with Rhett or myself. We would welcome that.

Thank you all very much. Have a great weekend.

(Whereupon, at 11:27 a.m., the meeting was concluded.)

* * * * *