Proceedings

MR. PHIPPS: All right, I want to call the meeting to order. Do we have a dial-in today? Is the dial-in on? Is anybody on the line? MS. CARSON: We are not dialed in.

MR. PHIPPS: We are not dialed in.

Okay, we are going to be dialing in.

Just a quick note about some of the items on your table. I was at a Veteran Resource Group conference a few months ago at the American Legion headquarters in Springfield, Virginia, and Dun & Bradstreet and Justin Constantine were both there, and they had some extra books, and I told them about the veteran committee, that I like to hand them out, and they kindly donated them. So, those are all your gifts for today. It's the Oprah Show. We will just pause for a minute.

(Pause in the proceedings.)

MR. PHIPPS: Okay. So, later this morning, in a few minutes, the deputy administrator is going to be stopping by and going to give a few words. We met last week. We had a very good meeting for about an hour, covered a lot of topics, and I'll put some of those notes out to the committee. So, when he stops by, we will just take a pause and hear some remarks from the deputy administrator.

In the meantime, I guess we can start with Barb and her OVBD update.

MS. CARSON: Thank you very much. It's a pleasure to see all of you. I'm looking forward to the discussions today, everything from agriculture to international trade, and a followup on procurement from Mr. Kidalov. Thank you for joining us again.

We have had some meetings in the interim since our last get-together. John Garcia and I are working hard on a couple of initiatives as well. Blue Star Families has an incredible study with some great data, and I won't give any of it away yet, Kathy, but I'm looking forward to hearing your briefing.

I'll kick us off. You've got my slide deck. It's called OVBD Updates in your folders. First, I want to note that the U.S. Chamber of Commerce, Eric Eversole, who is a member of this committee who could not be with us today, but he was promoted last week, and that is his photo, along with Mike, Jamie, Ray, and Vice-Admiral Braun, Chief of the Naval Reserve. So, we are very pleased for him. He's an 06 now.

Looking at veteran programs, I wanted to give a quick update on what we're doing for training for
veterans, to build their capacity to be successful business owners in whatever sector they end up choosing. So, first -- and I'm very proud of this, and I'm sad that Ray Milano, the director of the Veteran Business Outreach Center, VBOC Program, can't be with us today, but he has just led, with our team, an incredible expansion.

So, we received a larger appropriation in fiscal '16 than planned, and we quickly turned that around to open a competition for additional VBOC locations. There further was demand and a gap in our ability to serve military installations with transitioning populations. So, we'll get to that map in a moment, but I'm very pleased with where we are now located. We have a much better reach and smaller gaps.

A tough competition, a lot of fantastic eligible applicants, and I'm very confident that we've selected a bunch that are going to make a difference right out of the gate.

For Boots to Business, I have a few more slides behind this, so I'll wait to get too deep into it, but please note those top bullets. The first ever outcome reporting that we needed to be doing there. The 2015 part when I got here.

We've caught up now, by and large, with all the VSOs back on there, which was a real problem on our cleaning up what that group is going. We sort of got a pretty good job over the last year sort of done a pretty good job over the last year sort of.

the 18 or 20 or so recommendations that will really be the focal point of what we try to do, the marks that we think still need to be a priority, which of them maybe that's just a couple of weeks before that one is out and then we're completely caught up.

So, that will sort of get us caught up with our homework and let us really focus on where we go from here, and the big work we will be doing in the interagency meeting tomorrow is identifying, you know, the 18 or 20 or so recommendations that will really be the key points of what we try to do, the marks that we set up and try to hit. I think we've done some good intercessional sort of meetings on which of those we think still need to be a priority, which of them maybe aren't as worthy of our efforts anymore, either because we've done a lot of what we can do there and it's just where it is or we think other things are more important.

So, really, setting those between the next two quarter meetings of the task force and then making sure that we're giving folks from that group very clear direction as to what to do. I mean, the interagency process is very difficult to do. The interagency process, that may bring in outside folks as well, only...
So, anything that you all can do to help sort of feed that discussion and continue the good consultations we have had on that, and then also just sharing your perspectives, because that's really what -- by necessity, we live in a bit of a bubble here, either in D.C. or with what people tell me in a very controlled environment, and I think you all provide us an opportunity to get a bit beyond that and really feel what the struggles are for people who are actually living this every day.

I mean, I -- the ones I know very well, I'm focused very much on the fact that we're just not making -- and by "we," I mean not just SBA, but with our lending partners -- are not making small-dollar loans the way we should be across the board, and that's why you see a lot of people have been shoved to these sort of Internet sites where they're paying 40 percent. You know, that's a failure by us and the banks -- the traditional banks that we work with, that folks have to go to that resource. But that's cap access. That's something we know we try to hit, and we do, but it's -- you know, the other sort of -- and I know we also focus very much on contracting, because that's a big piece as well, and we've talked in some of the meetings about the new angles on contracting, but if there are frustrations in that space or other things that you think we're just missing that vets see as obstacles in their attempt to start a business, please, you know, let us know that, tell us about those real experiences, because that means the world to us.

So, that's mostly what I had to share, yeah.

MS. ROTH-DOUQUET: I wonder if I could just -- I'm Kathy Roth-Douquet with Blue Star Families.

MR. KRAMER: Yep.

MS. ROTH-DOUQUET: I think there's a growing awareness in the Government and in the military sector that military spouse employment is a separate and distinct issue from veteran employment, with implications for society and the implications for the force of how you address it are separate. This organization, Barb's, has recognized it by putting us, for the first time ever, on this session. There isn't anyone on the Interagency Task Force who is looking at that issue or considering it. We have a report we're going to be announcing here, and we're happy to give you --

MR. KRAMER: Okay.

MS. ROTH-DOUQUET: -- information on that spells out the economic effect on the country and also to the military spouses --

MR. KRAMER: Because I do like a lot of our stats track not only the vets but vet spouses and families, so really comes down to entrepreneurship, and so we try to push that where we can, but I fully acknowledge that that's something that we're not --

MS. ROTH-DOUQUET: The issue is not being addressed, though, in any kind of organized way. That's the only way we're going to getting there. But tackling it on -- by saying veterans and tackling military families on the back of it doesn't answer the mail.

MR. KRAMER: Yeah.

MS. ROTH-DOUQUET: For the last six years, while veteran unemployment has gone down, military spouse unemployment has stayed flat. So, I think that's -- I would just suggest that currently that's a --

MR. KRAMER: Yeah. Is there a need -- we view it largely as a transition and then sort of afterwards thing.

MS. ROTH-DOUQUET: And it's not.

MR. KRAMER: And it's -- it's while they're serving and they're back home as well, that we need to sort of take that timeline as well, right?

MS. ROTH-DOUQUET: Correct.

MR. KRAMER: Or that's part of the point?

MS. ROTH-DOUQUET: It's -- the point is is that a household income is two people's income. So, while you're serving, military people need two incomes. Right now, they're not getting it. Only 10 percent of military spouses work. A lot of them have been educated and have worked in the past. Entrepreneurship is one of the two or three areas in which people wish to work. That's a gap. I just want to make sure that you know it's not being addressed.

MR. KRAMER: That sounds great to --

MS. ROTH-DOUQUET: And if you want to have some representation on the task force in the future, we'd be happy to help you with that.

MR. KRAMER: Okay, thanks.

MR. GARCIA: Another question, John Garcia.

Something Barb and I have been talking about, I recently left the VA, but formerly state director of veterans affairs for my state, and I notice you mentioned...
MR. GARCIA: -- and maybe some type of partnership between the SBA and the VA to team with this particular group.

MR. KRAMER: So, I'm not fully up to speed on the issue or exactly what they do, but conceptually, that's exactly appealing to us, right, because we don't have the sort of resources, especially out in the field, to do that. So, wherever we can plug in to hit our mission goals with the folks who already have sort of the existing resources there, is usually something we're very receptive to. So, that's something that we'll follow up on and see if there's an opportunity.

MR. GARCIA: Yeah, I think it's a prime opportunity, because these state directors are chomping at the bit to do a lot of veteran business development.

MR. KRAMER: Yeah, yeah. And our -- you know, yeah, no, I completely (inaudible).

Well, great. Thank you all very much. Have a great day. I will see some of you tomorrow morning, but wanted to get here at the beginning and -- I mean, I can't get you off to a better start than Barb does on anything, but at least try to redouble her efforts. So, thank you all, and have a good day.

MS. CARSON: Thank you so much. Deputy Administrator Kramer has been an outstanding advocate for our work, and we do have an incredibly talented and deep team in the Office of Veterans Business Development, and I wanted to thank them, as he did, for all the service that made -- not just this meeting, but the things that we're doing day to day, that we're covering right now.

So, I'm coming -- bringing us back to this presentation, talking briefly about Boots to Business -- and, Kathy, thanks for bringing up the military spouse.

We do have in this survey some distinction now where we can see what the spouse participation is. So, more to follow on that, and I will be briefing tomorrow, unless you'd like to come, but that is going to be a topic for the Interagency Task Force tomorrow.

MS. ROTH-DOUQUET: Okay.

MS. CARSON: Okay. So, I wanted to give you an update on numbers. 42,000 have -- servicemembers and spouses have gone through Boots to Business since it launched in January '13. That's an incredible opportunity. Whether they start their business right away after service or at least they know what resources there are available when they do decide -- it could be later -- and we're getting a much better connection now than we have ever had before.

And right now, I do want to remind you that we don't do this with just district offices, that our office does grant -- I am going to stand by.

(Pause in the proceedings.)

MS. CARSON: Okay. Nobody's on the line yet, but we will keep listening for that.

So, as I was saying, we do execute Boots to Business at over 200 installations around the world. We have gone over that before, but I didn't want you to forget that we do that hand in hand with Veteran Business Outreach Centers, Women's Business Centers, Small Business Development Centers, and SCORE chapters to bring diversity of, you know, expertise to every installation. And we also have special presenters who are either lenders or successful business owners, and as we were talking earlier this morning, we have folks that are doing farming for veterans that are presenting out in California right now. So, lots of opportunities for us to show the myriad ways one can be a business owner.

For Boots to Business Reboot, I am just going to wait to dive into that until a couple slides back. For women veteran training, our current and only grant is to the V-Wise program. It has just started its final program year, and there will be three in the coming 12 months. The first one will be in San Antonio August 12 to 14. If you have any ideas of fellow VSOs or people who should be notified and included, please let us know now. The next two dates to be determined will be Phoenix and Savannah, Georgia.

The Service-Disabled Veteran Entrepreneurship Programs that we had been funding have entered and completed their final year. The competition for that grant is now open. It's available through June 19, and it's up to 300,000 total. The smallest grant will be 50,000, the largest would be 150,000, and so I'm looking forward to seeing what else has changed in this space.

We had been, as you know, granting primarily to in-residence intensive courses, and there are other offerings out there. So, we are going to evaluate those shortly.

The Veteran Institute for Procurement launched its first-ever VIP Start. If you were familiar before, GROW was for those that already had past performance, a
certain amount of revenue, and number of employees. I still continued to hear, and so did VIP, that it's challenging at the beginning. So, this is not quite the very beginning, where someone hasn't even formed their business, they're in ideation, and they need to be beyond that.

So, to be in federal procurement successfully, it really needs to be your primary focus, that you are running a business primarily and it's not a side job or you're doing two things at once. So, that's within the criteria, but it really is at the beginning, or maybe you have had a subcontract but you've never been a prime. Incredible feedback from that, and we're just finishing up the first -- that program year, and we have dedicated ourselves to doing it again with VIP.

So, in the coming 12 months, there will be two of the standard VIP sessions for those that have already had some performance but really need to grow. They're at the three- to five-year point often and where it's tough to scale. We will have another start, and we will try one -- a new one, VIP International, not just for those who take it in a different cycle, it college-level course, but for those we catch early and take it, this may not be the best time to enter a transition, if you have waited that long to get it done, and if any of you have gone through a transition, if you have waited that long to take it, this may not be the best time to enter a college-level course, but for those we catch early and for those spouses who take it in a different cycle, it can be a good time. Our completion rate, once people commit, is about 50 percent, which is much higher than what we would see in a massively open online course such as this. Next page.

So, Reboot, we continue to do this with Syracuse University, First Data, and Marcus Foundation; however, we are also continuing, as it is now in the statute, that we are -- can take on this program. We're doing it through a grant as well, and we expect to fully transition to grant activity with this in the calendar year. So, so far, you can see we've had over 1200 veterans served in 91 courses, and I am very proud of that. We continue to have high demand for this course. We have been able to tack it on to partner activities, like the American Legion, very successfully, and want to continue that model, bringing it to communities.

All right, turning over to VBOC expansion -- excuse me -- as I mentioned, we chose the locations that were eligible for competition based on gaps and where we could serve in a high demand for transition assistance service, and these are the locations we chose: Honolulu, Hawaii, Carlsbad, California; Mira Costa is south, so it's close to Pendleton; Cochise in Southern Arizona is by Fort Huachuca. There's a lot of cyber there, drone, so some accelerators in D.C. are very interested in having a partner in Southern Arizona.

University of Texas at Arlington hits the northern end of the state, central and north; Georgia Southern University, Florida and North Carolina, we are trying to cover it. It's just not enough. So, we are there. Pardon me.

And the Center for Women and Enterprise, it's a women's business center, is what they currently have -- sorry, thank you -- but they're starting a veteran enterprise organization. Thank you. So, they're well suited to take on this role. They are based out of Providence, Rhode Island, but that's not where the only physical location will be. I will be out there later this month to help them kick that off.

So, we expect, as it says, to have them all by July 1st. The first program year lasts through May. Some unfortunate news, we lost one VBOC in New York. They chose not to return for their option years. It was a structure issue. We had a VBOC reporting to an SBDC, so that competition is currently open for one VBOC to cover New York and New Jersey. It's open through July 3rd. Appreciate any outreach you'd like to do on our behalf and am happy to share how to do that with you after this meeting.

Here's the coverage map of the Veteran Business...
Outreach Centers right now. And finally, the -- what we expect out of VBOCs. I have been here three years, and many of you have been here longer than I. The Veteran Business Outreach Center program has been maturing. We are returning it to its statutory roots, which are -- the primary goal is to serve the transitioning service member and family members. That's what they're supposed to do. And so their performance goals are going to match that. They must participate in 100 percent of Boots to Business activities in their state. They will do 50 percent in other areas that they are accountable for.

We, OVBD, do feel it's strong to have diversity in the presentation, as I mentioned, which is why we grant the resource partners. We have district offices and business owners. So, we allow and fund for two instructors per module to get a little back and forth, make it a little more enriching academic experience and hands-on.

So, I'm very pleased with this, and, again, I compliment Ray Milano's leadership in really ramping this up and getting us on track for strong performance. These organizations have their own special talents, so I don't want to lose that either. They are not just going to be working on military installations. They will continue to serve, face to face, online, and provide that special touch that they are known for and why they were selected.

Okay. So, performance measures, how do we rate these folks? Not only their Boots to Business performance, but are their clients able to get capital infusion? Are they able to acquire contracts? Have they created a job or retained one they would have otherwise lost?

And, finally, the bottom one, VBOC 2.0. I would like people to think of a VBOC and know I'm going to get this standard of service if I go to any VBOC across the nation. We want to ensure that that happens. So, we're looking at what are the offerings that should be standard across every VBOC? What's the expertise we expect? And how do we connect with other organizations and refer more consistently to have that strong connection as both Kathy and John have mentioned this morning? There are many other groups out there that are serving very well. Next page.

Contracting, we are going -- get a deeper dive later this afternoon. I just want you to know that this is a topic that Deputy Administrator Kramer takes very seriously, and he's willing to put his thumb on the scale for veterans and bring up some of the hard-to-talk-about issues that were brought up first by Max Kidalov last time, but this group, this body has been working on three years. So, I hope that you will come to the meeting tomorrow, if your schedule allows, and listen to where that discussion is going.

But I'm also in the building working with advocacy and government contracting and business development, as well as leveraging Jerry Godwin on our team, to make a better program for vets.

Now, capital. If you will take, you've got a slide in your deck, likes this (indicating), shows our performance for veteran lending from '14 to '16, looking at Q1/Q2 for each of the years. Last year was a banner year. I really did not have confidence that we could continue at such great rate, but we are. This is outstanding news. We're going to dive a little deeper into it this afternoon with the deputy associate administrator for capital access who will tell us more, because there's also legislation that's come out recently that's changed. The SBA 504 refinance rules are good for business, too. So, save up your cap access questions; we're coming back to those.

Next is the Interagency Task Force. As Deputy Administrator Kramer mentioned, we've had those 18 original recommendations since the first year. We took a hard look at how far have we come on each of those, and I wanted you to see how they bucketed out, and I compliment Amy Garcia for her work on our team at really getting very familiar with these. She can probably tell you all 18 plus the 42 subtasks from the -- just off the top of her mind.

So, access to capital, I think we're doing pretty well -- and we are going to go through each one of these very quickly. Counseling and training, this is our strongest area, where we have had a lot of growth, and we are not just getting -- I'm not counting just throughput but actual outcomes. So, I'm pleased with that.

Government contracting, we still have work to do. We also need to address, there are things that are not within this body's nor the Interagency Task Force body's ability to control. Some of it may have to be statutorily changed, and so that is something that we can advise, and this body should, and that can be one of your recommendations, that something -- tell us how to get it done.

And research, really a gap here. Okay, research we have primarily based on the census surveys of business owners. It's not timely for us to make programmatic decisions. I really could use some...
<table>
<thead>
<tr>
<th>Page</th>
<th>Text</th>
</tr>
</thead>
</table>
| 25   | The first two we proposed closing, and some of later this afternoon when we see how much time is left if you would like to talk during lunch in any depth or have you go through these quickly. And Mike, how am I doing on time? I think I need to hustle a little bit. So, the criteria we use to decide -- next slide -- on whether we could close out a recommendation, where it has been addressed by public law or regulatory implementation, is there a funded program that addresses it or an agency policy change, or are there things in practice that are ongoing which it will never be done, but it's being -- it's part of practice now. And Mike, how am I doing on time? I think I need to hustle a little bit.

MR. PHIPPS: You are right on it. MS. CARSON: At time? Okay.

Then please, I will go through these quickly. If you would like to talk during lunch in any depth or later this afternoon when we see how much time is left on the schedule, let's come back to these. The first two we proposed closing, and some of these, where it's proposed closed, is because there were our own Kathy right now, and her organization, Blue Star Families, recently just came out with a new report about military spouse employment, and Kathy is going to give us a brief about her report and followup.

MS. ROTH-DOUQUET: Perfect, thank you.

(Pause in the proceedings.)

MS. ROTH-DOUQUET: I'm really delighted to have the opportunity to talk to you all about our report that we released May 25th, right before Memorial Day, about military spouse employment. I'd like to introduce Amy Bontrager and Libby Jamison from my team over here, if you guys just want to stand up for a moment. Amy and Libby run our careers program jointly across the country.

Blue Star Families does an annual survey, as I think you all are aware, that looks at the challenges facing the currently serving force, active-duty, Guard and Reserve, wounded and transitioning, servicemembers and their families. We survey the servicemembers themselves, we survey the families, and we survey veterans and their families, and one thing that has increased over the six years that we've done that is the concern people have about economic security.

Our volunteer force was designed in 1972 for a force that was younger, a much smaller percentage of it was married, and those that were married, the vast majority, like the rest of the country, survived on a single income. Forty years later, the majority of our force is married, the majority of our force serves for a longer time, and three-quarters of working Americans, according to Bureau of Labor Statistics survey data, field two incomes.

Military families are not able to field two incomes at that rate. It's less than half of them that are able to have two incomes, but that second income, importantly, is an income that is 40 percent or below what it would be, statistically speaking, under our report, if they were not a military -- if they were not part of a military family; that being in a military family undermines the ability for a family to field that second income at the level that that second adult has been trained and educated and worked in the past.

And what this means is that people are considering not joining the military or they're considering leaving after their first tour of duty or they're taking on other kinds of stressors that undermine their family strength, and I think, importantly, it really undermines their ability to transition successfully out.

As a military family member whose husband has transitioned and started a small business, he would not have done that if he didn't have a working spouse. So, we certainly see the -- this solution as not only being...
Might not be good for our current military, but really also being good for the cause of caring about the well-being of transitioning veterans as well.

This is a hard story to tell because it's not foremost on people's minds, that people in the military have families and that their family income matters. So, we commissioned a report with the University of Utah, Sorenson Center for Global Impact to do a social impact study. What happens -- first of all, what is the extent of this problem and what's the implication for society?

And what we were able to tell -- and we are happy to share this report with all of you in detail so you can see the numbers -- but that very conservatively speaking, just the cost of lost wages and taxes and unemployment, it's somewhere around a billion dollars a year that it costs the U.S. economy every year to have the situation in which military spouses are not able to work to the level they are trained and have worked in the past, that they would be predicted to be able to work and which is the level they say they want to work.

So, what we see is that it's not only unemployment, which most conservatively speaking is 18 percent compared to 4.4 percent of their civilian counterparts, so more than four times as much, but our annual survey, which is a less rigorous survey, so Sorenson Center didn't use it, but our annual survey shows 26 percent. This is 18 percent, still more than four times the national average, but 43 percent aren't even in the labor market. They're discouraged from being in the labor market.

When we count up the unemployment, underemployment, and out of the labor market, what we get is that between 9 percent and 15 percent of military spouses are working to the level that they've been educated and trained to do. That's a tiny, tiny percent. Ninety percent of military families then are struggling because of this situation.

So, we think from the point of view of the well-being of these families, from the point of view of the well-being of the transitioning veterans, from the point of view of retention, and now we know from the point of view of the U.S. economy, it's worth looking at this issue and worth pointing out that the really great, great work that's been done to address veteran unemployment and veteran full employment is something we should absolutely celebrate and look to as a model, but we need to recognize that it's not answering the mail for military families; that while we've moved the needle down for veteran unemployment, it has stayed completely flat for spouse unemployment and underemployment.

So, it's a story we want to tell. I think the report allows us to tell it. If you want to look at the second -- this is the data that comes from our annual survey. We're in the process of doing the next one that will be released in December of this year, but this is for -- oh, that's okay -- 2015, and you can see here -- I think what's important to this for our committee and one of the reasons we're so delighted that Barb and (inaudible) before her invited us to participate, is that entrepreneurship is a real part of the solution.

A significant number of military spouses want to be self-employed, want to be small business owners. Forty-eight percent are open to exploring entrepreneurship or small business ownership. That's a huge number. Twenty-eight percent are earning income independently. That means that they really already are eligible to think of themselves as a small business owner, and we have -- there's a real opportunity we see there. And 25 percent have been -- have identified themselves as self-employed right now.

It's a big challenge reaching out to this population, it's somewhere around 600,000 people that are dispersed around the country and around the world.

It's not necessarily an easy thing to solve, but we think it's absolutely 100 percent solvable, and we hope that by making the problem visible and articulating it, that's a step in the right direction, and, you know, we welcome our opportunity to work with this committee to make progress.

So, I'm happy to take any questions, but I appreciate your time and attention to this issue.

MR. PHIPPS: Just a note. If you are going to talk, please come up to the corner of the table. There's a microphone.

MR. MANNO: Sure. On the 28 percent, it's actually interesting because we've seen a lot of -- being in banking, we've seen a lot of ownership from women, and so that means that -- I mean, I have been in the banking industry since 1983, so I have seen a whole evolution. So, what I'm saying is that any bank you go to, you see a lot of women owning businesses for which they need to present their credit story to get loans, and we see a little more -- especially where we are here in the area, because we deal with all the government contractors that may involve essentially contracts with the Department of Agriculture for exports overseas, and so that's actually really good, and that -- they tend to have very good credit scores, too. So, it makes it a
little -- much easier for us as bankers to lend money.

MS. ROTH-DOUQUET: Yeah. You know, I -- I wonder, Amy, if you want to respond a little bit to some of the things we know about this. We have a kind of a peer-to-peer network to help people learn about it, entrepreneurship, a military spouse network, Rosie's Network. Do you want to -- you can come up to the --

MR. PHIPPS: Just please state your name and your organization.

MS. BONTRAGER: Amy Bontrager with Blue Star Families.

So, there's a number of resources that are populating. Within Blue Star Families, we do have a group that creates the peer-to-peer interaction, which is utilizing the Facebook platform, and so this is an opportunity -- as you said, military spouses are found sporadic throughout the country, that they are able to engage and connect and learn best practices.

In addition to that, we do have organizations that are in the space, like the Rosie Network, based out of San Diego, who has created this platform for small business owners to advertise what they're doing as well, and I would love for Barb Carson to share, too, what she's doing with the military spouse, not to put you on the spot, but I think it's great what you're doing in bringing these agencies together or organizations that are really focusing on entrepreneurship for spouses.

MS. ROTH-DOUQUET: Yeah, and I would just -- before we turn it over to Barb, if I could, a lot of organizations include -- that are for veterans and military spouses, the feedback that we get is that people do not feel that those are for them. They feel they're the space of a veteran or the whole gestalt and the language is all around the veteran's experience.

We're working with Veterati, which I think some of you are familiar with, which is an online mentoring platform. We have the opportunity to really ramp that out for -- to focus particularly on spouses who want to be entrepreneurs and mentors who want to be entrepreneurs. It's very challenging to get funding for these programs. So, most of our programs are unfunded.

We have wanted to work with Barbara and the SBA much more. We can't do that without funding. We can't pay for people's salaries without it.

So, I think part of this effort on our part is to convince people this is something that is worth spending money on. There's really -- and I -- Barbara can talk about her programs, but, frankly, where we are right now, we lack funding to get the success we need with this population.

And, Barb, I'll let you go ahead.

MR. LEGHORN: I have a really quick question.

MS. ROTH-DOUQUET: Oh, sure.

MR. PHIPPS: Well, before -- John actually had his hand up first.

MR. GARCIA: Just a quick question, John Garcia.

There's something you touched on, is that the transition, that the spouse many times has to deploy, and many of the wives or the spouse refuses to deploy with them or they say or they go, and it creates huge turnover and chaos, but since there's a tax credit to hire veterans, is there a tax credit to hire military spouses?

MS. ROTH-DOUQUET: There is not, no.

MR. GARCIA: Should that be something this committee should consider, to support this or recommend?

If there is a tax credit to hire a veteran and the military spouse is on duty somewhere, should there be something like that for military spouses, then?

MS. CARSON: This is Barb Carson. That does exist in some states, but it has not been federally --

MR. GARCIA: At the state level it does?

MS. CARSON: Right.

MS. ROTH-DOUQUET: How many states?

MS. CARSON: That, I don't know. It was not a national program.

MS. ROTH-DOUQUET: I was not aware there was any.

MR. GARCIA: Is that something that could be considered, maybe a similar tax credit for military spouses? I just throw that out as a question.

MS. ROTH-DOUQUET: Yeah, I think that's a good -- also, on your Bureau of Labor Statistics, can we have them even count -- ask people if they are military spouses so we can get better data and we don't have to do the kind of deep digging to get the numbers we got. That's my question, is that a -- is that something --

MR. GARCIA: This is something -- excuse me, John Garcia -- this is something, I think, that the SBA and/or the VA can look at, maybe coordinate with state directors, to see if some state legislation could be put in place or even drop a bill at the national level.
That may help your situation or encourage it, anyway.

MS. CARSON: Thank you.

MR. PHIPPS: That sounds like a great topic for additional research that we can --

MR. MANN: On the tax credit, yeah. Yes, boss.

For the tax credit, that's actually really good, because what happens is that when you look at a balance sheet of a corporation, then it goes onto the credit side of it, and it enhances the balance sheet when you go to the bank to borrow money. So, you know, if that could be a consideration as part of the dialogue here.

MR. GARCIA: And one closing statement. Again, John Garcia. I would agree with that and support that, because if I was an employer and I had a military spouse in front of me, I know that she may be here two years or a year, I know I can get a tax credit for that. So, that would encourage me to hire that military spouse.

MS. CARSON: Yeah.

MR. GARCIA: So, I would push that.

MR. PHIPPS: Davy?

MR. LEHORN: Yeah. Kathy, do you know if the University of Utah breaks down the societal cost and how they came up --

MS. ROTH-DOUQUET: Yes. Yes, so that's broken down --

MR. LEHORN: -- because the margin is kind of big between, like, 7 million and 1 billion.

MS. ROTH-DOUQUET: Yeah. So, it's broken down, and we can send you the actual survey itself, and it's looking at a number of different surveys and saying if -- looking at a number of different organizations that have done survey data and collating the range. So, that's why that range is what it is.

But I'll tell you what it does not count, because there wasn't any way for them to feel secure about the cost. It doesn't count the cost -- we know that unemployment leads to depression, and we know that there is a societal cost to depression. There's costs -- out-of-pocket costs associated with it, and there's also family dynamic costs, cost of, you know, children being raised by -- so, there's a cost associated with that that is not included in here.

I also know there's a cost to lost retention. It costs over a million dollars to train someone new to be -- you know, certainly to be a West Point officer or an aviator, and we do know that spouse unemployment, spouse unhappiness leads to increased loss of retention, and we know that there's a cost to that, but that's not counted in that number.

So, we feel pretty confident that these are low numbers, not high numbers.

MR. LEHORN: Okay. So, with 1 billion, I often see that thrown around as Pentagon yearly expenditure on UCX. Is this trying to say that there is $1 billion on top of the $1 billion already being expended on UCX?

MS. ROTH-DOUQUET: Yes. This is a cost out of the U.S. economy, so a cost out of the U.S. budget.

It's cost from lost taxes, unemployment benefits, things like that.

MR. LEHORN: So, it includes UCX or not?

MS. ROTH-DOUQUET: It does not include UCX.

MR. LEHORN: Oh, okay. All right.

MS. ROTH-DOUQUET: Yeah. It does not include UCX.

MR. O'FARRELL: Jim O'Farrell. So, what I think you're saying is not only is the Pentagon putting a billion dollars into trying to fix a problem --

MS. ROTH-DOUQUET: Right.

MR. O'FARRELL: you've identified costs that -- to the economy that are --

MS. ROTH-DOUQUET: An additional billion dollars.

MR. O'FARRELL: -- putting additional --

MS. ROTH-DOUQUET: If we solve this problem, we will put a billion dollars into the economy every year.

If it costs us $5 million to solve this problem, let's say, then that $5 million investment will create an annuity of a billion dollars a year. So, I think the argument it's a pretty good investment. Do you understand what I'm saying? Yeah.

MR. O'FARRELL: Jim O'Farrell, one more quick question, Kathy.

MS. ROTH-DOUQUET: Sure.

MR. O'FARRELL: So, in addition to your statement that funding is needed to solve this problem, you personally -- because what we were looking at, the fine print, is this is an amalgamation of a series of studies that have been done, it looks like, between, say, 2012 and 2015.

MS. ROTH-DOUQUET: Right.

MR. O'FARRELL: Are you -- is -- in terms of your comment earlier this morning, Barb, about needing to do research in certain areas, are you saying -- does more research need to be done, because it seems like this is pulling from other studies, and you all -- are you looking to do -- is an organization like Blue Star Families looking to really dig into this further and get beyond and get into that depression side of things?

MS. ROTH-DOUQUET: So, what we lack is the data that would -- that the -- we don't have -- there is not
Advisory Committee on Veterans Business Affairs
6/8/2016

good enough rigor. So, to do that study I think would probably be a $2 million two-year study. I think that we're so -- we -- I think we -- I think a billion dollars is enough. If the real cost is 2 billion, maybe let's not spend 2 million figuring that out; let's, instead, put it into where the rubber meets the road, solving the problems.

MR. O'FARRELL: Okay.

MS. ROTH-DOUQUET: I am really interested in whether the Bureau of Labor Statistics can add a checkmark for military spouse, because that will save us from having to go out and collect the data, meaning that we're automatically, every -- you know, four times a year, getting that data and being able to track it in real time. So, to me, that would be a huge asset in solving -- and in being able to count down and solve.

And I think there's a good coalition of people interested in helping, corporations, and I think we can look at veteran -- military spouse-owned small businesses and asking people to put them in the supply chain. You know, we have got a good MOU with Starbucks, but they need to be tagged first. They need to be identified before we can even do that, so I think your suggestion about the tax credit, you know, I love that, Bureau of Labor Statistic and then maybe giving people some kind of a status that we can certify, you know, that can help us.

But also I think there's other kinds of funding that lets us put people in the system and track them over time and find out what's working and what isn't, get that feedback loop, the kind of human-centered design, which is the way we like to do a lot of our work. It's actually -- we are talking about 600,000 people. So, we're talking about a problem that's actually solvable.

MR. PHIPPS: All right. Thank you, Kathy.

MS. CARSON: Thank you. Thanks, this is Barb Carson. I will make it pretty quick, and, Amy, thanks for the acknowledgment that SBA is separating the military spouse from veterans, and we can do that more readily than some other federal agencies because our -- I mean, by law, we have the words to do it. So, when we -- you talked and briefed that perhaps it was interagency, I would say that it's upon us and you to find where is it possible for other agencies to do something, because it's really hard without the language authorizing another activity, and so I would like to focus on that.

But what I'm doing with Amy and others is working with organizations, both for-profit and non-profit, that do target military spouse support for entrepreneurship. That's what they do. They are not doing it "veteran and," it's military spouse. So, I will not name them all right now, but we're calling ourselves the Military Spouse Entrepreneurship Alliance, and what we're trying to do is get outreach a little more targeted, come together so that we can share each other's information, both for events, for resources, and for just a community of people who are like-minded that -- no, they are not looking for a job; they want to create their own job. No, they're not a veteran; they're a military spouse. That's the synergy we're trying to build.

And specifically to what federal agencies can do, and so yesterday we had an interagency meeting, and I asked if DOD could commit again to look with me at overseas employment, self-employment. There are status of forces agreements, individual commander policy, what you can use a mailbox for when you are assigned overseas. These all have serious implications for what kind of business you may be able to have and maintain while you're overseas. And for spouses, we've got to solve that.

I believe there is a working group working on it, and they have not talked to us, and so I'm trying to wedge my way in there and say, hey, I think we could help and advise and counsel and support. So, I'll work on that.

MR. PHIPPS: It's DOD?

MS. CARSON: DOD. Yeah, that's a DOD-level, but the installation commander will always be able to have some discretion over what activities happen on that installation, and I respect that, but there's some room for some standardization, and that's -- so, that's the nexus I want to find.

For Department of Labor, they do have special service for military spouses for displaced workers, and they can get some preference on training for -- that can be helpful, so they can continue their business in a different state. They also are working very hard, focused mostly on transitioning servicemembers, but on licensing and credentialing and in trying to standardize that for military folks.

If you came out as a medic -- could we please say that a medic is a medic across the United States, and if not, what are the small differences and could you reduce the training that's required to be a medic? If we can do that for spouses and when they move to be a teacher in different states, things of that nature, that is not a self-employment example, but you understand...
what I'm saying. If you're an esthetician, what could we do that might be similar? So, those are the things, at an interagency level, that I see right away. But let's -- I would love to talk with you offline on that and also remind you, sba.gov/milspouse is a page specifically focused on the military spouse. We are hosting monthly webinars with DOD, and those have been incredibly popular. The next one is on social media marketing, for example, and that takes place next month. Those are running through the rest of this fiscal year.

I have one more thought that I have lost, but it will come back to me and I will bring it up. Thanks so much for being with us.

MS. CARSON: No, there has not, and I would say know, the veteran-owned small business as a preference group, government contracting or linking them to the -- you know, the veteran-owned small business as a preference group, even for prime or subcontracting requirements?

MS. CARSON: No, there has not, and I would say that if we look at this population, that was the point -- thanks for getting me to it, Ron -- is that 90 percent, approximately, of military spouses are women, and so there is a program. I would encourage many military spouses who identify themselves and certify their business as woman-owned and to be aware of what that does if they're looking at going into business with a spouse who, you know, just think about that closely, what opportunities are you looking for and is service-disabled-owned or woman-owned going to be the model that you want to focus on.

MR. AUMENT: I would also add, though, that government buyers are not a monolithic group but some agencies are very attuned to women-owned business preferences; others are not. You know, VA has, say, 35 percent, you know, goal for veteran-owned small businesses. Their goal for women-owned small business doesn't approach that. And so -- the same way with many agencies with many departments within DOD as well, too, are much more attuned to veteran-owned small businesses than they are to women-owned small businesses.

MS. ROTH-DOUQUET: I think it's a great point, and we do have a growing number of male spouses, and so that's something to consider as well. It's a big challenge for them.

MR. QUAGLIO: So, Ken Quaglio. So, coming back to the charter of the committee itself and what we're

1 enacted by law to focus on, I'm thinking of your comment about research. If, in fact, there were research that pointed to an impediment to veterans creating businesses because of spouse employment opportunities and, therefore, Congress should enact policy to promote and encourage spouse employment, that's directly related to the charter of the committee; it's directly related to the goal of veteran employment by enabling the spouse.

But, again, I think we lack a lot of that data to say is that, in fact, an inhibiting factor for a veteran that wants to start a business, that they can't afford the risk with being the single earner for that family at that time, and we can eliminate that by promoting spouse employment, which would enhance the opportunity to veterans to create new businesses, which is our charter.

MS. ROTH-DOUQUET: That's great. That's great.

MR. QUAGLIO: Yeah. But that's research, again.

MS. CARSON: It is, and I appreciate you getting -- trying to put a fine point on it. Research generally, that is not helpful. Putting a -- what specifically do we need to know and where could that data come from that we cannot access right now, and so that -- I am going to refine my point. Mine was around outcomes, that a survey is not the most realistic --

reliable effort for finding out if you're doing a good job because of reporting, you know? You are going to self-report if you did a great job or you're going to report if you hated it and it just wasn't any good for you, and you kind of lose the middle.

So, for me, my problem is that I am providing programs through SBA and partners to 42,000 people, and as soon as they leave active-duty service, I can't touch them again. I don't have the data to find them as an individual again, because SBA doesn't have a unique identifier as a client, so that I don't know if Jim came to me in '92 but he then went to a business center, a women's business center in '96, and then formed a business while working with SCORE in '98, I don't know it was Jim. So, how can I prove -- and then we don't collect Social Security numbers here. So, how else could I do it?

And there are some wizards who can tell me, you know, if you have these pieces of data with a 95 percent certainty, you can be sure that that person, that business is the one you saw then, but we're not there yet. So, that's what I'm asking for when I say "data," is I need to be able to show at an individual level that interaction with SBA and its resources made a difference in those three criteria, in contracts and jobs.
MR. QUAGLIO: Ken Quaglio again. So, if we actually wanted to do direct research or request research, what's the mechanism for that? How does that actually happen and how does --

MR. PHIPPS: It's through our recommendations, Ken.

MR. QUAGLIO: But it would be an annual thing, so you know, it's got to go through, and then six months after the end of the fiscal year, the report gets done, so it's a 24-month lead time, at best, before we even get the research funded.

MS. CARSON: We are on public record, but I will still say -- I'll risk this one -- that there are two other places where research can happen. It can be directed by Congress. It could also be -- our advocacy office is independent of SBA, and once a year, they determine what issue they're going to look at, and they have the resources to do that. So, making a compelling case there, either place, may get it done.

MR. QUAGLIO: Thanks.

MR. PHIPPS: All right, we are going to stop right now, because we are already approaching the next couple speakers. We are going to take a quick seven-minute break, just a quick -- we can go off the record.

(A brief recess was taken.)

MR. PHIPPS: So, we've themed a lot of today's speakers around veterans and agriculture, and there are several -- there are several reasons for that, but when you think about agriculture, a lot of people think about just farming, in general, but there's a whole supply chain that's attached with veterans and agriculture. There's also a lot of national security concerns tied to agriculture.

So, we're going to be hearing for the next hour and a half or so about the different resources out there to veterans in agriculture, and we're going to be leading off with Fulton Bank. They -- actually, Fulton Bank fits into a lot of the committee's agenda items. They started off doing -- funding agriculture. They do a lot of international, because of agriculture, and they also do government contracting. So, with that, I'll turn it over to Fredrico.

MR. MANNNO: Good morning. Thank you for having me today. Basically, you know, I'm not sure if I'm to go to the slides yet, but we can just go ahead and go with the second one. What I was going to say is being a commercial bank, we actually -- SBA, we're fair lenders, and we also have a PLP, I don't know if you're -- that's a provider lender -- a fair provider lender status after

$5 million, because you have to understand one thing. When it comes to exports, and specifically also in terms of agricultural, U.S. agricultural products and exports, exports usually are considered to be a sovereign risk; therefore, there is not going to be any U.S. bank that's going to be lending money against a foreign AR, okay? None.

However, if you bring in what we call a credit -- a credit mitigation process where essentially the bank is mitigated against the sovereign for a risk by using an SBA export working capital guarantee program, by using an SBA export -- export express program, anywhere up to a half million to about $5 million, that's the listed cap for the SBA, or Ex-Im Bank, you know, we also have the Export-Import Bank delegated authority.

Then, with that in mind, or even insurance mitigants, okay, of the kind -- of the type of Ex-Im Bank insurance coverage, AIG, (inaudible) and so forth, if we have those credit mitigation procedures, products, to insure us as a bank, as a commercial lender, then we will be able to use -- export U.S. products and U.S. agricultural products. So, that's what I thought I would pass on to you as an information process.

In here, you can see -- you know, a lot of times we talk about import and export, but they actually blend both of them together, because you see a ton of products coming to the U.S., try shifting to U.S. territories, and they are considered to be essentially U.S. territory -- U.S.-based, and then they're integrated -- they either integrated into some kind of value-added products and re-exported from free trade zones that we got tons of around the country, including Alaska and territories outside of the USA, continental USA, exporting to the Asia markets, Middle Eastern markets, African markets, and so forth. So, that's important.

In terms of size of companies, don't worry about that, because the fact remains that we have a lot of flexibility as a commercial bank with loans as small as $50,000 and as high as $25 million, okay, depending on situations and so forth. The next slide, please.

Yes, important, when you sell overseas, make sure you know your vendor, also make sure you know your buyer, based on the foreign risk that you deal with, and we can help customers, we can help veterans, and so forth, in that respect.

A lot of veterans own government contracting business, and basically they enter into contracts with the DOD, USID, the DOJ, TSA, and blah-blah-blah, and these contracts basically are delivered to end users.
outside of the country, and, therefore, you know, they would, you know, essentially rely on these programs that we just described to you, because that's considered like an indirect export, which qualifies under SBA, qualifies under Ex-Im Bank, qualifies -- against credit insurance mitigation, and some of these government contractors, actually it's great to see it happening, because the ultimate -- what should I say -- progression in helping veterans and exporters in the U.S., over the years, they have built -- like one of the ladies said, the veterans live overseas, right? So, what does that mean? It means that they've got contacts with foreign governments, you know, with foreign -- what we call the domestic purchase office here, they have got the same thing in -- you know, from their counterparts overseas. And so what happens, we have U.S. companies that will have direct contracts with foreign governments, and that's perfect as well to qualify for products and so forth. The challenge we see, though, is that -- the challenge we see is that being a smaller company, the indication is not there yet, just because -- I mean, technically speaking, in the U.S., we kind of -- I mean, I am originally from Italy, but I have been in the country since 1974, and you know, I've lived here more than I lived overseas -- in my -- in the other country, and so what I say that we are very complacent. We are very complacent because when you look at our GDP, 70 percent of our GDP is based on consumer spending. So, we really give very little knowledge, attention, commitment towards exports, and we've got countries like Germany, you know how small Germany is compared to the U.S., and they are either number one or two in any given year as the largest exporter in the world, you know, an economy that it's about maybe $3 trillion versus ours is $19 trillion, and yet they've found a formula, a way to basically be the larger exporter out there, okay? And go ahead, next slide. You know, as you enter -- as they -- as your government contractors, your agricultural lenders -- sorry, agricultural exporters get involved in the export business, they may encounter some of these products that they need to be familiar with. I don't want to get into any specific one of them, but sometimes they face foreign exchange issues, because always the competition may sell in a foreign currency and we're selling in U.S. dollars, so you're not -- you are at a disadvantage. So, foreign currency will play a role. Some of the times you have markets out there, like, for instance, China and South Korea, India, Pakistan, and it goes on, where they are used to buying against a letter of credit type of structure, trade finance payment instrument, okay, or trade finance repayment to the U.S. exporter. Well, yeah, if you don't have the knowledge -- again, it goes back to education, knowledge. If you don't have that, you have disadvantage as U.S. exporter. But, you know, like she talked about the outreach, right, earlier? You know, if you have this outreach office all around the country, correct, well, you know, it's just very simple, because -- well, nothing is simple, but what I'm trying to say is that, you know, you really -- you guys know about USEAC, right, the U.S. Export Assistance Center, and you know about the DEC, and I am actually the U.S. district export counsel treasurer for D.C. and Virginia, and I have been there since 2010, but these entities, the USEAC, the DEC, the SBA, the export lenders, they are in these outreach places. So, these veterans that you're dealing with, they should seek advice, instruction, education, and blah-blah-blah, from these government agencies. So, what does it mean, that we have resources within the -- within the U.S. Federal Government to assist these veterans, okay? Next slide, please.

Yeah, we did a kind of -- a kind of corporate entities we work with. Next slide. Okay, yeah, that's fine. Go ahead, next one as well. Oh, that was the other thing. Okay, go back to that, that's my contact information, in case anyone wants to deal with me. Also, some of the other challenges that we have with -- when we work with smaller companies is to make sure that they have the finance aspect involved, that how are we going to get the borrowing that you need to expand your business unless you've got some kind of business plan in place, some decent financial statements that you can present to the bank or to any bank, for that matter, and be able to, you know, support that request that you want. However, over the years, I must say that banks have improved a lot, especially for smaller types of loans, where we look at credit score that are below, if you will, standards to accommodate, you know, different types of situations. Like I said before, I have been in the business since the early eighties, '83, and so I've seen a lot of changes over the years, and we have come a long way. We have still got a long way to go as well. I mean, I'm not sure what else I can add, other than, yes, we do -- I want to add, I'm on the
agricultural lending group of the bank, but I do have a
lot of exporters that do export agricultural products,
and from U.S.-made, and they use the SBA, like I said
before, they use Ex-Im Bank. And food -- actually,
speaking about food, speaking about -- yeah, speaking
about food, that's a necessity.

So, regardless of what the performance of the
U.S. dollar is on that particular year or not, people,
they have got to buy -- they have got to buy food --
countries have got to buy food, and we can export a lot
of food out of the U.S. into foreign markets. And we
actually have been very fortunate because of the fact
that, yes, we have been fortunate because of the fact
that, like, for instance, South America has suffered by
floods, droughts, and whereas the U.S. has been, I mean,
okey. So, we do have all the capacity in the U.S. in
terms of exports, you know, of agricultural products.

We bought maybe 15 years ago the largest ag loan
portfolio out of Wachovia, about a billion dollars,
roughly, a little more than that now, and so -- but the
only drawback we have as the Fulton Bank, we only work
out of our footprint, so that would be essentially New
Jersey, Pennsylvania, Delaware, Maryland, D.C.,
Virginia, and probably some adjacent states, but
that's -- but on the other hand, there's a lot of

Are there any specific questions that you would
like me to address, point out, or shall we make some --
some more comments, I don't know in terms of time --

MR. PHIPPS: I think that's great, Fredrico,
gives a great overview, knowing that there are access to
capital banks that focus in many different areas but
that have an ag division is really important to this
corversation, because a lot of banks don't. Some don't
know how to deal with ag, whether it's financing locally
here in the U.S. or with exports. So, it's good to know
that there are institutions out there that can provide
that.

MR. MANNO: Yeah, and it was scale, too, because
that's important, because sometime you work with some
large financial institutions, they may not be interested
in doing smaller type of loans or smaller size of loans,
whereas in our case -- not just in our case, there are
other institutions out there who are in the same boat,
that they do smaller type of basically the loan sizes
out there.

And don't forget, there is a mitigation there.
So, the fact that there's a foreign AR, accounts
receivable, people say, okay, forget it, too much

MR. O'GORMAN: I'm Michael O'Gorman. I'm the
founder and director of the Farmer Veteran Coalition, a
national organization that helps veterans transition
into careers in agriculture. We work very closely with
Lanon and also with Jaime and Barbara and the SBA, and
I'm glad to be here.

MR. CRITELLI: Hi, my name is Jamie Critelli. I
have a greenhouse business in Upstate New York. I also
work with the Farmer Veteran Coalition out of
California. I work at the Pentagon a couple days a
week, that's what my badge is for, as a contractor, and
I am -- I'm still a Reserve officer in the military.

Yes, the beard will come off before 18, in two weeks.
I'm enjoying my freedom, so...

MR. PHIPPS: All right, Lanon, thank you.

MR. BACCMAN: Okay. So, I just want to thank SBA
for inviting me here to speak with you guys today. I
want to thank the board for taking the time to focus on
agricultural as well, and I think you guys are beginning
to see and discover that farming and ranching really is
an area which can be a great growth space for
entrepreneurship, especially for veterans, because we
see at the USDA -- and I think folks around this table
would also agree -- that farming and ranching, it's kind
of a natural thing for members of the military.
And, Michael, just for you and I, as combat engineers, I met with the West Virginia veterans director just a few weeks ago, and he said that he thinks the best farmers and ranchers who are veterans are combat engineers. So, there's another career for us after this.

I'll just give you guys a quick overview of what we're doing at the USDA, and I think this is the best way to go about it, and we have got a bunch of leaders in this room right now from Perry Madison (phonetic) and Bekah Strohman (phonetic) and obviously with FVC here at the table as well.

At the USDA, we've got to focus on helping new and beginning farmers and ranchers -- and this can be anyone, and I think it includes veterans, and so we also have opportunities here to focus on military spouses as well. For us, we kind of break it down into three areas. There is the farming and ranching aspect that we -- that we focus on and what programs we have available to help them. We have the training aspect, because obviously for a lot of these new, beginning farmers, they need to figure out how to get it done. And after all of that, we also have programs that aren't specifically focused on farming and ranching but are available to help military families.

So, to go back to the beginning, the farming and ranching aspect of it, the two big issues that I think most veterans face are access to capital and access to land, and the USDA can help with both. With our farm loan programs at USDA, through the Farm Service Agency, we have done over $466 million in farm loans to almost 4000 veterans since 2009. We think that's pretty significant.

And people are coming to us, and they are not just the recent, post 9/11 veterans, they are also veterans who have been farming and ranching for a number of years, and a lot of people who also are choosing agriculture as a second profession, after they take 20 years in the military and retire. So, a lot of these people are coming to us and we are able to assist them with operating loans to help them purchase equipment, purchase seed, feed, livestock, anything that -- most of the inputs that they need to get into the business, we're helping with that, and we do that through direct loans and guaranteed loans.

And Gary, with the Farm Credit System, works very closely with us to make sure that happens. On the other side of it, it's access to land. Now, we have farm ownership loans at USDA to help people -- to help veterans buy the land that they are farming, but we also have other programs that help, from the Conservation Reserve Program at the USDA, we have a transition incentives program within that, which basically says if you're a farmer or rancher and you have got land in CRP and you're retiring and your land's expiring, we'll give you an extra couple years of rental payments as incentive to sell or rent your land to a new, beginning farmer, including veterans, because at that point, when a farmer or rancher is ready to get out of the business, it's probably pretty easy to rent it or sell it to their neighbor, who can afford to pay top dollar. So, we are trying to find ways to make it easier for these farmers and ranchers and incentivise them to give it to a new beginning farmer who might not be able to have the cash flow to pay top dollar. That's why we've got programs like the CRP TIP program to help with land acquisition.

But once you get the loans to get the equipment, get the land, and you start working it, we also, through our Natural Resources and Conservation Service, will help you with technical assistance. We will send USDA folks out to your property to be able to walk the land with the veterans, with the new and beginning farmers, and really have an opportunity to take a look at their soil, their farm structure, and to figure out the best setup for them, so they can be successful.

With -- with all this now, if you -- if we can get these veterans into farming and ranching, and they have -- and they are executing and they are working to build their crops or their livestock, there is a tremendous amount of investment that they have made, and farming and ranching is a risky business. So, we have risk management tools at USDA, through our Risk Management Agency, and we run the Crop Insurance Program.

For especially smaller operations, which I think we see a lot of new and beginning farmers and veterans getting into, we have -- we have products that will focus on small operations, like our whole farm product. It's not a specific commodity program, but a revenue program on a farm.

We have the Noninsured Crop Disaster Assistance Program. This is a disaster program out of the Farm Service Agency, and other disaster programs that we run, to make sure that when a farmer or rancher who can have the best seeds, best soil, and do everything just right, at the right time, and do it perfectly, gets wiped out from a drought, a flood, tornado, fire, insects. We have programs to help them recoup some of those costs so they don't lose everything, because we want to keep
these guys in business.

If they make it through a few years of farming and ranching, and they're up and running and they're successful and they're doing what they need to do and they're ready to expand, USDA is also there to help them. We're there at every step along the way. We -- through our Rural Development Office, we have the Value-Added Producer Grant. So, if an individual wants to take their farm operation and they want to expand it, we've got grant programs to help them do research, to help them -- help them figure out how to acquire equipment, to do value-added production. So, there are things that we can do to take them to the next step. The Business and Industry Loan Program is also another program we have at USDA to help with that.

Now, these programs that I just talked about are very specifically focused on the farming and ranching aspect, the business aspect, and trying to help these folks become successful, but I think a lot of veterans that I've met, they would -- they would say, after land and capital, we want training. So, through USDA, we've got multiple agencies who are working on this. Our National Institute for Food and Agriculture runs the Beginning Farmer and Rancher Development Program. This is a $20 million a year program which has a 5 percent set-aside for funding to go to organizations that all or in part focus on veterans, and these organizations that are funded are providing training on USDA programs. They're providing training on specific farm training itself. I think Michael O'Gorman here would be able to talk a little bit about some of the programs that he utilizes at the Farmer Veteran Coalition.

The AgrAbility program, which USDA funds, is an -- AgrAbility is an organization that has existed for a couple decades now, but they focus primarily on people with disabilities who are trying to stay in or get into farming and ranching, and with the veterans who are coming back, these post-9/11 veterans, AgrAbility has really had a big focus on veterans recently. They have a full-time veteran outreach coordinator because of the amount of veterans they are -- they are helping, and AgrAbility will help a veteran continue farming or ranching even if they have a service-connected disability. So, we can make sure that if they -- if they want to be in farming and ranching, but they have a disability, there are ways in which we can help them.

Going into more training, the Rural Development Office also provides funding for the appropriate transfer of technology to rural areas. This organization runs Armed to Farm. This Armed to Farm program has been very successful for us. It's been run a couple times in the last couple years. There will be two trainings this year, one in June and one in -- one in -- later this year, so -- in Arkansas and New York. But Armed to Farm is a week-long classroom and experiential training program where veterans and -- can get an opportunity -- and military spouses are included in this, so if the veteran is accepted, military spouses are also invited to attend. Basically, veterans can sit in a classroom, and I think any veteran in this room would know that you can get a PowerPoint briefing and be bombarded with that all day long, but you can't get hands-on and see it in action, it's a little bit difficult to visualize.

So, that's why the Armed to Farm program is important, because it does classroom work and also gets these veterans out on the farm, and it's been pretty successful for us in terms of the feedback. Most veterans would recommend it, 98 percent, to another veteran. It really does help lay a foundation in terms of preparing yourself for the business aspect of it, the financial management aspect of it, as well as the farming/technical aspect of it.

And the last bit of training we have is through our 2501 program at USDA, through our Office of Advocacy and Outreach. This 2501 program does a lot of the same things that some of the other programs do, like the Beginning Farmer and Rancher Development program. And this is a $10 million program every single year, and in the last two years alone, 50 percent of those funds have gone to organizations that in all or in part assist veterans.

So, at the USDA, we do have a pretty big focus on getting folks into farming and ranching but also helping them understand how to -- how to do it, because it's not an easy thing to do, and I think you guys would probably be -- just starting any business is difficult, but starting a farming or ranching business I think compounds those challenges.

The last thing I wanted to jump into real quickly here is USDA is a very large organization. I think we're maybe number two behind DOD in terms of number of people. We have got just under 100,000 across the country. And just in one of my agencies alone, the Farm Service Agency, we have over 2100 offices around the country. In my home state of Iowa, we have 99 counties, and we have 99 offices.

We have a tremendous footprint around the country, especially in rural areas, that we would love
for you guys to help us leverage the things that you
1 guys do within our organization, and we are starting
2 this year -- hopefully, we will be able to launch
3 nationwide -- a Bridges to Opportunity Program, where
4 basically USDA can be a front door to the Federal
5 Government, not just for USDA program, but if SBA, the
6 VBOCs, and the other -- the other outreach that you guys
7 do, if you need an opportunity to reach out to a new
8 group and more people, we can get you guys hooked in
9 with our Bridges to Opportunity Program, where we can
10 get you in our database and have -- have our staff look
11 up information if it matches what you guys do and be
12 able to relay that to our customers who come into our
13 offices.
14 We have 2.9 million customers through the Farm
15 Service Agency. So, it is a pretty robust group of
16 folks that we coordinate with. The programs that we
17 have to help, in addition to the farm loan programs
18 where we help veterans acquire land and financing, we
19 also have the Rural Housing Service, where we can
20 actually help veterans buy homes, and we've done over
21 12,000 loans since 2009, 12,000 loans to veterans, and
22 that's over a billion dollars in obligations, for
23 single-family home loans.
24 And we have the Food and Nutrition Service. So,
25
26
27 1 if a veteran or their families are struggling to put
28 food on the table, we have nutrition programs to help
29 with that, get that done.
30 And just I'll mention one last thing, just
31 because it was mentioned earlier. In terms of
32 procurement from veteran organizations, USDA, just since
33 September 30th of last year, has procured $629 million
34 worth of money from veteran-owned small businesses and
35 from service-disabled, veteran-owned small businesses.
36 So, we do, at the USDA, procure a lot from veteran-owned
37 organizations, and we will continue to focus on that as
38 we move forward, and we have exceeded our internal
39 targets for procurement from service-disabled,
40 veteran-owned small businesses. So, we are working hard
41 on that aspect and will continue to do that as well.
42 Thank you.
43 MR. O'FARRELL: Jim O'Farrell with a question
44 for you. So, earlier this morning we were talking about
45 the Boots to Business program and some of the work
46 they're doing on creating metrics and outcomes-based
47 performance data so that we can track more of the life
48 cycle of the veteran. They go to a Boots to Business,
49 they then start a business, we actually know that that
50 happened. Are you doing similar things?
51 I see in your testimony here, you said you've
52 started your first HOH transition summit at Fort Bliss,
53 Texas, as an example. Are you looking at how you can
54 then track which servicemembers end up serving a farm
55 down the road?
56 MR. BACCAM: We potentially can. We have -- it
57 links back to Hiring Our Heroes. We were able to sign
58 that memorandum of understanding back in February, and
59 we launched this ag workshop in March at Fort Bliss, and
60 we modeled it off of the SBA Boots to Business course
61 that I went and sat in on in Fort Stewart.
62 We had no idea how many people would show up to
63 this ag course, but by the time we showed up to set up
64 the room, it was packed. Every single seat was filled.
65 There was standing room only by the time we were ready
66 for registration and people were lined up by the door to
67 get in to see what we had to say. It was unbelievable.
68 Through that, we -- we wanted to get folks
69 engaged, and so we gave them an opportunity to go see a
70 day of farm operations. So, we had five farms set up
71 one Saturday, and a bus to pick up these veterans,
72 whoever signed up, to come out and take a look at what
73 it actually was that we were talking about. And we got
74 15 people to sign up, and so that's one of the ways we
75 can potentially find some ways to do measurements, for
76 the people who take that next step, because you need the
77 folks who really are going to take that next step for us
78 to be able to invest in them. And so if they are going
79 to come out, they are going to go on these tours, and we
80 can follow up with them, and if they utilize our
81 programs, we'll be able to track that.
82 MR. GARCIA: A question -- John Garcia, a couple
83 of questions. You've touched on a lot of interesting
84 things that you all are doing at USDA, but -- and you
85 talk about rural outreach and farms and all. First, is
86 there a size of a farm? Is it a microfarm or what? The
87 reason I'm asking that is I've run into a lot of
88 veterans in-city that want to have a farm, maybe on four
89 acres or an acre, and do farm to table for restaurants,
90 because a lot of restaurants are going to farm to table,
91 you are seeing a lot of that happening. So, is there
92 anything within USDA that offers that opportunity for a
93 microfarm on, let's say, four acres that does a farm to
94 table?
95 MR. BACCAM: Absolutely, yes. So, the USDA
96 absolutely focuses on the whole swath of farmers who
97 want to get into farming and ranching, and we're -- I
98 mean, we have the major production farmers and ranchers
99 who have several hundred acres or several thousand
100 acres, but we also have a lot of folks who are focusing
101 on the small operations, and so we have microloan
programs at the USDA, through our Farm Service Agency.

The microloan program will help with these small
operations, for a $50,000 microloan, and it's a more
streamlined application process, it's easier to do, and
we have targeted funding as well in our farm loan
programs to focus on the traditionally underserved
communities, women, minorities, and veterans. So, we
are -- we are finding ways to reach out and encourage
and grow different sizes of farm operations, and we
also -- just recently, Secretary Vilsack released a
Toolkit for urban farming. So, we are focusing on that
as well, and urban farming is becoming one of the areas
in which we see a lot of interest.

MR. GARCIA: Because there is -- just a
footnote, an interest on that for veterans with PTSD, to
work in farming, I think in urban idylls is the ideal,
so...

MR. BACCAM: Absolutely.
MR. PHIPPS: Jerry?
MR. GODWIN: Good morning. Jerry Godwin, Office
of Veterans Business Development.

So, basically, all these television commercials
about financial institutions talking to their clients
about retirement and buying a vineyard, they're talking
to the wrong people. They should be talking to you
about that, right? So, I -- the question, do your
programs also cover, like, tilapia farms, aquaculture,
those sort of programs?

MR. BACCAM: So, I believe it's -- the law is
tricky when it comes to what's in the water, because --
that may not necessarily be our jurisdiction. It may
fall within FDA. So, depending on what it is, we
can't -- we may have a role to play.

So, for example, if you're cultivating tilapia
for consumption, USDA does not have a role to play. I
mean, I shouldn't say that definitively. But if you are
raising minnows for bait, we may have a role to play.
So, it just depends on a case-by-case basis, and we will
have to take a look for aquaculture.

MR. GODWIN: So, these are not coastal now, you
know, there's a lot of tilapia farms that are, you know,
iland on a --

MR. BACCAM: Exactly, yes. We can take a look
if you have specific questions.

MR. QUAGLIO: Ken Quaglio. Do you have any data
on changes in veteran farm or ranchland formation as a
result of the programs that you've been sponsoring since
at least 2014 at all? Is it increasing? Is it flat?
Do you have any data at all?

MR. BACCAM: It's hard to say. We only have two
areas at USDA in which we can track veteran information;
otherwise, it's self-reporting. So, it's the Farm Loan
Programs for our -- for our FSA loan programs, and it's
our Real Housing Service for our home loans. Those are
the two areas in which we can actually ask if they are a
veteran. Otherwise, due to the Paperwork Reduction Act,
it's not a line which we can include in our -- in our
applications.

So, it -- data is hard to come by, but what we
are trying to do is -- and I think, Barbara, we
understand -- if we can coordinate with DOD and other
organizations -- other federal organizations to get
information, data, on who their veterans are, we could
do a cross-reference with the folks who utilize our
programs. That's one way for us to actually see, you
know, definitively who these veterans are who are
utilizing our programs, because I am pretty darn sure
there's a lot of them who are utilizing USDA programs
that we don't know.

MR. ZACCHEA: Mike Zacchea, I'm from
Connecticut. A couple of things here that you
mentioned. We do work with the Farmer Service Office in
Connecticut, his name is Bryan Hurlburt, and there are a
couple of things about Connecticut. One in four farmers
in Connecticut is now -- is a new farmer, is new to
farming, and Connecticut now has more acreage and more
farms now than it did in 1990. So, there is definitely
a trend that we're catching.

We have a veteran that we've assigned to the
Connecticut chamber to be an agricultural policy person.
We are seeing anecdotally a lot of veterans coming back
to the state and starting, you know, basically family
farmsteads, you know, under ten acres, but doing exactly
what John said, farm-to-table kind of stuff and getting
involved in these farm co-ops where they sell to
consumers directly without going through a middleman.

But the other program that I run is the EBV, and
every class that we've had, we've had at least one
person getting into an agri business at this point. So,
yeah, I think it's ripe for data collection, certainly.
I think that's an important piece of the overall
re-integration puzzle, and, you know, it's something
that we're doing on the ground, but I don't think we've
been able to capture the whole -- the whole thing.

MR. PHIPPS: Ron.

MR. AUENT: Ron Aument. Just as a counterpart
to Michael's observations there about the farming trends
in Connecticut, having grown up in an agricultural
community myself, I would say that the overwhelming
majority of those entering into or becoming farmers are
that being said, the percentage of post-9/11 military represented from rural America, we know that coming from rural military, about 40 percent of the business, and with 17 percent of the population easier if you come from a farm family to get back into and the data, but we do -- we do know that it's much bit, too, that he'll touch on when he has -- when he does his remarks in terms of some of those demographics and the data, but we do -- we do know that it's much easier if you come from a farm family to get back into the business, and with 17 percent of the population coming from rural military, about 40 percent of the military represented from rural America, we know that rural America is disproportionately represented in the military. That being said, the percentage of post-9/11 veterans in rural America is lower than the overall population for the folks their age. There's more veterans in urban areas nowadays, for post-9/11 veterans. Now, veterans overall, if you count everyone, are still overrepresented in rural areas, but for post-9/11 veterans who we focus on to try to get into farming or ranching, more of them are in urban areas at this point, but --

MR. PHIPPS: So, just before we go to Michael O'Gorman, Lanon, what we have seen with other agencies and especially within the SBA is as you guys start to develop your applications for these programs to talk to the other agencies that are collecting specific data on veterans and how they did it, on military spouses and how they're collecting that information as part of the program, without violating maybe some PII. So, that's just a good note, that we have seen even in the SBA's programs that they've started doing in terms of just being able to run those metrics from within the programs.

MR. BACCAM: Um-hum, great. We will have to connect, Barbara, and make sure we find these best practices to make sure we can mine the data we already have. So, that's good. Thank you.

MR. PHIPPS: Thank you, Lanon.
just -- it's just not a good investment to give it away, but if it's -- it's kind of like when your son or somebody got on first base in little league and, you know, their eyes are wide open and what do I do now, you know, we give them a little help to move forward. So, we really target specific things. My favorite thing is buying livestock and helping people get their breeds -- their herds started with their first livestock, and that's something that they really can grow.

We have an annual conference. Jamie and Lanon have both spoken there and participated in our government partners panel. This year, we hope to have 500 people, most of them farmer veterans, at Michigan State University in November. I told my team, I said, you know, it's going to be a few weeks after another event earlier that month, so, come up with a unity theme. So, they came up with the "United We Farm," and we really like that.

We have -- on that slide is our annual women's conference, because women not only make up -- as much as the military is welcoming women into all aspects of the military, and so is agriculture. There's still a little bit of boys clubs and traditionally male-run industries, and so we think the women that have served -- chosen to serve in both these industries, often before they're 30 years old, are a really unique and powerful and wonderful group of people. So, we like to bring them together, and they like the camaraderie and friendships that they've built through that.

And for individual veterans, we can help with career counseling, we can help with technical support, benefits, guidance. So, we've -- with the financing from the USDA, we've put together a nice 20- or 30-page booklet to help them understand what the USDA offers, what the SBA offers, what the Department of Labor, what other agencies and grants they could get and support they can get and programs and places they can go in the Government to help them build their farm businesses, and legal assistance, we have a Marine JAG on our staff that helps with free legal assistance for veterans getting into farms and peer-to-peer support.

These are some of our partners. I'll introduce Gary in a minute, and Gary is a -- not only represents Farm Credit as their national vice president overseeing all the -- beginning the small programs, farmer programs, but he is also our chairman of our board, and Farm Credit has been an amazing partner to us.

When I built this organization, I knew I needed to grow it fast to be able to -- there was nothing connecting veterans to agriculture before, and we have a
<table>
<thead>
<tr>
<th>Page</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>very large number of veterans interested dispersed around the country. So, I really went to these organizations, and we like to think that it really makes us -- I might have 15 people on our staff, but there's 100,000 at the USDA, and there's the 75 farmer-owned lending agents -- lending associations around the country through Farm Credit. There's the 6 million members of our bureau, AgrAbility is there. One of the first farmers served in AgrAbility when it started was a Vietnam -- a triple-amputee Vietnam veteran who came home before they had adaptive equipment and ran a large cane business, pulling himself up with one arm onto the tractor, and really motivated the growth of that organization, and we've partnered with lots of organizations around the country. We're very collaborative. That's a -- of the veterans that come to us, about 20 percent of them are multigenerational farmers. I like to use the word &quot;first-generation farmer&quot; instead of &quot;beginning farmer.&quot; If you grew up on a farm, you learned more about farming before you were out of diapers than many people might learn in their first year of looking at farming. It's every -- every dinner discussion, every table discussion, everything you see your father do, your mother do, the animals, the plants. outside your house, all your first memories, and so it's -- you've got 18 years often before they went into the military of that kind of training. So -- but they still want to be part of our organization. They love the Home Grown by Heroes label. They beg for business planning and often need legacy planning to make sure the farm actually can come to them if something happened or when something happens to the parents that own the farm, and they like to participate in the farmer veteran community. The other 80 percent are what I call first -- next slide -- first-generation farmers, and because of the 95 to 98 percent of the usable farm land in the United States is already owned and farmed, and yet our population is going to continue to increase, and, you know, as the First Lady and everybody says, the country needs to at least double its consumption of fresh fruits and vegetables, the whole farming industry is looking at smaller and more marginal pieces of land and with support from new types of markets and matching farmers into those new types of markets. Not all the veterans that come to us are coming for primary income. Often, they're retired military often. Often, in this case of Joe, a Vietnam veteran, he's retired from the military and his next career, and</td>
</tr>
<tr>
<td>86</td>
<td>he started his ten acres of almonds here. So, I just had a few quick examples of some of the veterans we've worked with to show kind of a pattern. Matt was actually FVC member 001, the first veteran I worked with, and my background was with organic vegetables, so he's had a pretty successful career. And these -- all three -- if we could go on to the next slide, all three of these young men, this Matt farms pork and poultry and sells into New York and New Jersey, is right outside of New York City in New Jersey, and the most marginal, God-awful land I've ever seen anybody farm, and is making a wonderful living. And the next one, Carroll has a small piece of owned land that's on a hillside, also not really anywhere near what those of us in agriculture would call farmland, but he did get -- find 20 acres of land through a land trust and got a long-term -- convinced them that his way of farming would improve the land and got it for virtually nothing for years to come. And so -- oh, and go to the next slide. So that the theme here, that these are men and women who are first-generation farmers, who are making it because they're using rented land, they're not going after enormous capital infrastructure, at least early on -- later on, they're going to add as it comes and as</td>
</tr>
<tr>
<td>87</td>
<td>their experience and their capacity grows. They're both good farmers and good businessmen. You have to be both. You can't just be one or the other. And they have a real story to tell. They're all combat veterans, but, you know, their focus is on -- is on the production of the food, and that's why they like the Homegrown by Heroes label. They often say that that tells my story right there, and I don't have to bring it up in every conversation. And so my advice to beginning farmers is to look at farming as a trade. A lot of people push and focus, and rightly, on the business side of it, which is very needed, but the actual -- what this country is really lacking is -- and is becoming more critical is on both farms -- people that own farms or people that had people like I did in production agriculture, where I was an employee, I was a farm manager, and I was hired to grow production for large organic companies. So, I was able to -- when I had a disastrous year and a well went dry and when I had four kids after -- on my 20th year of farming, I was able to get a call the next day and asked to come run the first organic farm in Salinas because I knew the trade of growing food. So, I really urge veterans to look at it as a trade. I urge them to, at least in the beginning, until</td>
</tr>
</tbody>
</table>

For The Record, Inc. (301) 870-8025 - www.ftrinc.net - (800) 921-5555
MR. O'GORMAN: We will take any help in making programs and that sort of thing.

MR. AUMENT: They have programs that are, VRE programs and that sort of thing.

MR. AUMENT: Ron Aument. On your partners page there, I was really disappointed not to see the logo for the Department of Veterans Affairs.

MR. PHIPPS: You can ask your question now if you like. It's a good question.

MS. ROTH-DOUQUET: So, this is a wonderful, wonderful presentation, wonderful work. You know, we're always looking at bringing things upstream. So, one question is, especially in the case of a family, so let's say we've got a service member and a spouse who know in the future that they want to go in this direction. Are there ways that they could get involved, perhaps the spouse could take the lead, years before transition?

MR. O'GORMAN: We are totally -- we are totally open to developing that more than we have. We have made our Fellowship Fund open to -- well, to gold star spouses, but even the blue star spouses, we really do want to do that. It is -- farming tends to be a family affair.

MR. PHIPPS: Very good. Questions?

MR. AUMENT: Ron Aument. On your partners page there, I was really disappointed not to see the logo for the Department of Veterans Affairs.

MR. O'GORMAN: Ah, we would love to see it.

MR. AUMENT: They have programs that are, VRE programs and that sort of thing.

MR. O'GORMAN: We will take any help in making that happen because our veterans would love to see it, and, you know, the -- but we are doing -- you know, in -- you know, Lanon and the USDA and Jaime and the SBA have been meeting also with the Department of Defense and the Department of Labor and getting them more and more involved, and I think there will be some more discussions this week.

So, we'd love to -- it's a good thing, and there are some people in the VA who are doing some -- VA employees who have launched some really important studies on the therapeutic side of agriculture now, and it could be an alternative to some of the more medical treatments of trauma.

MS. ROTH-DOUQUET: I have a question, but maybe we have one more speaker. Should we do all of them at the end or --

MR. PHIPPS: You can ask your question now if it's specific.

MS. ROTH-DOUQUET: So, this is a wonderful, wonderful presentation, wonderful work. You know, we're always looking at bringing things upstream. So, one question is, especially in the case of a family, so let's say we've got a service member and a spouse who know in the future that they want to go in this direction. Are there ways that they could get involved, perhaps the spouse could take the lead, years before transition?

MR. O'GORMAN: We are totally -- we are totally open to developing that more than we have. We have made our Fellowship Fund open to -- well, to gold star spouses, but even the blue star spouses, we really do want to do that. It is -- farming tends to be a family affair.

MR. PHIPPS: Family affair.

MR. O'GORMAN: -- a partner affair, yeah.

MS. ROTH-DOUQUET: So, maybe, Libby, we can follow up with you.

MR. O'GORMAN: And then do you want to say anything real quick, Gary, before I transfer this over, because Farm Credit is a really, really important part of this.

MS. ROTH-DOUQUET: Yeah.

MR. MATTESON: Gary Matteson. As Michael said, I serve as chairman of the board of the Farmer Veteran Coalition and work for Farm Credit. I just -- as you're thinking about credit, SBA, as a lender, Farm Credit is a lender. We're chartered by the Federal Government, about $300 billion in assets. From a scope and scale, we're about 40 percent of the mark for ag credit, commercial banks are about 40 percent, and the remaining 20 percent would be USDA, insurance companies, other private lenders.

We work extensively with USDA. One of the primary things that we do with USDA is turn people down for loans because somebody's not eligible for a direct loan from USDA unless they're turned down by a
commercial lender. We also, about 7 percent of our portfolio is guaranteed by USDA loan guarantees, which is opaque to the borrower. It's generally, we're looking for a little bit of insurance to be able to extend credit.

Because we are chartered by the Federal Government because we're not a government agency, we cannot collect -- we are precluded from collecting data on veteran status, race, ethnicity, left-handedness, blue-eyedness, whatever it is. We can't do that.

We are provided for within the Farm Credit Act, typically done within the Farm Bill, to be able to give preference to young, beginning, and small farmers.

That's our niche. So, our programs that extend benefits to veterans are -- you have to be young, beginning, or small to be able to fit there as a veteran. That's how we sort of get around the -- I mean manage the difficulty of being in the -- subject to the Equal Credit Opportunity Act as a lender.

So, that's our scope of what we do. Partnering with Farmer Veteran Coalition is certainly one of the -- one of the best things that we've done. I think we started sponsoring five years ago, six years ago --

MR. OGORMAN: At least six, yes.

MR. MATTESON: Yes. So, as I say, I just want to help bring that to the table of what Farm Credit is and does and how we're working in the veteran and beginning farmer space. For beginning farmers, just a quick scope there, about 70,000 last year, 2015, about 70,000 brand new loans to beginning farmers, totaling almost $13 billion, which is a rate of about $1 1/2 million per hour, 24/7, 365, to beginning farmers only, represents about 22 percent of the loans we make.

Half of the loans in our portfolio are for $50,000 or less. We specialize in very small loans. We do that by half -- again, half of those loans being credit scorecards, so six to ten questions, how long have you lived in your current home, check the box so we can check your credit score, that gets you generally a quarter of a million dollars in two to 72 hours. That's the largest way that we can deliver as a cooperative, owned by our borrowers, and that's how we deliver so many small loans at a low cost.

If somebody falls out of that process, a beginning farmer with impaired credit, for instance, they can go through a normal underwriting process and be able to still access what we do.

MR. QUAGLIO: Okay, Ken Quaglio. A quick question. If someone takes out a loan, is there a period of time to which they start to develop and actually farm? So, in other words, you acquire the land. Does a clock start clicking at that point where in 24 months you actually have to produce something? What is -- for a veteran that's learning the business, I'm just kind of curious, what does that look like in terms of the timeline?

MR. MATTESON: As Michael said, rent or lease land. It's prove the business first. The business plan doesn't say -- it's like the wrong business for somebody new is to say I want to grow an orchard or a vineyard; I have got to wait five years to get a crop. We're, like, no, let's think of something else. Cash flow within six months is a really good idea in any startup business.

MR. QUAGLIO: Okay, Ken Quaglio. A quick question. If someone takes out a loan, is there a period of time to which they start to develop and actually farm? So, in other words, you acquire the land. Does a clock start clicking at that point where in 24 months you actually have to produce something? What is -- for a veteran that's learning the business, I'm just kind of curious, what does that look like in terms of the timeline?

MR. MATTESON: As Michael said, rent or lease land. It's prove the business first. The business plan doesn't say -- it's like the wrong business for somebody new is to say I want to grow an orchard or a vineyard; I have got to wait five years to get a crop. We're, like, no, let's think of something else. Cash flow within six months is a really good idea in any startup business.

So, the --

MR. QUAGLIO: But how do you evaluate that in terms of a loan portfolio, when someone applies for a loan?

MR. MATTESON: If you have the equity to be able to wait five years for a return on your investment, we'll wait with you.

MR. QUAGLIO: Okay.

MR. MATTESON: We are the original slow money, patient capital, because we're a cooperative, and our boards of directors are farmers. We get it that you're going to have a bad year in farming, but by the same token, it's a cooperative. We are not going to bet everybody else's assets and money on saying, gosh --

MR. QUAGLIO: Right.

MR. MATTESON: -- we think you're a great guy, we'll wait five years for you to pay your loan back.

MR. OGORMAN: And I grew $200 million of organic vegetables for the companies I worked for, 100 percent of it on rented land. So, we leased -- you know, we -- neither Gary or I advocate that a veteran, unless they have a very specific type of farming training, that they have to be on that land forever, such as what Jamie did, where you have got to build a greenhouse, that he is going to be there long term, to wait a few years before you look at that obstacle of buying land, and you may never need to.

MR. O'FARRELL: Jim O'Farrell. What -- do you capture a veteran's status?

MR. MATTESON: No.

MR. O'FARRELL: No.

MR. MATTESON: We're precluded from doing that. If we collected any race, ethnicity, special category sort of information, then we would be subject at some point in the future to a discrimination lawsuit, and if we collect the information, it would be perceived that we use that information in loan decisions.
MR. OFARRELL: What's the average default rate historically?

MR. MATTESON: Delinquency is down around two-tenths of a percent -- well, 1.2 percent right now, delinquency. Default is much lower. A lot of that is because, as a cooperative, we will -- we go a long time with many borrowers, as long as they keep talking to us, we're very patient about -- we get it that you have a bad year.

MR. OFARRELL: Okay.

MR. MATTESON: So, very low default, very -- in my 15 years as a farmer-elected director, there was no year in which -- out of 10,000 borrowers, just a small part of the Northeast of the country, no year in which we had more than three foreclosure actions, and that's usually in a -- you know, a divorce, somebody stops talking, and things go bad. It just isn't the style.

MR. OFARRELL: And a quick followup question for you. So, I've got, like, three restaurants right now that I'm thinking of, through a non-profit I work with veterans, who own restaurants. How do they find out about this? What's the best way? Is there a web portal?

MR. O'GORMAN: Yes, I have got cards for everybody. We can -- so, we can give out a card, or I think it's our last slide, www.farmvetgo.org.

MR. OFARRELL: Okay, thank you.

MR. O'GORMAN: And they should get in touch with us.

MR. CRITELLI: There's quite a few of the tools actually online, so you can go and download the forms and --

MR. O'GORMAN: Yep, it's a good site.

MR. OFARRELL: Right. The reason for my question is it does seem like there's a whole lot of work being done in the training, the assistant secretary that you mentioned, we help them with the seeds, we help them with equipment, we help them with the land. You guys are helping them with training, you're helping with mentoring trains and --

MR. O'GORMAN: And marketing and --

MR. OFARRELL: -- that's the key. So, the marketing side, and I'm just wondering, is there a nexus there with what SBA does in terms of marketing and find the sources of supply? Because the other thing going through my mind is, as a government contractor, there's a lot of similarities. Like you said, in any small business -- a small business government contractor normally starts as a subcontractor to a Lockheed Martin.

Is there a similar analogy here where a small veteran farmer starts as a subcontractor, like you're talking about, with rented land, leased land, to a larger farm, and so is there -- you're organizing that marketplace?

MR. O'GORMAN: Is it Jim?

MR. OFARRELL: Jim.

MR. O'GORMAN: One of the problems, Jim, is that the -- the -- that smaller farm is looking for their highest in, their highest margin market. Now, sometimes -- I advocate that sometimes they look --

MR. O'GORMAN: And marketing and --

MR. OFARRELL: -- to follow up on your question on where is the nexus with veterans, who own restaurants. How do they find out about this? What's the best way? Is there a web portal?

MS. CARSON: And, Jim, it's Barb Carson. I want to follow up on your question on where is the nexus with SBA and what we're doing, and I want to thank Jaime Wood, who you have heard both Lanon and Michael say that she's been the point person for agriculture for SBA, and I'm grateful for that, Jaime, thank you.

So, she has an idea, and I want to thank her, and I want to bring it to the advisory committee because you have been more purpose-driven about the meetings. So, you're spending time on agriculture today. We are going to find out some things that we didn't know before and think about what should happen. It's going to be timely.

I'd really like to encourage you to start writing the report now, as fast as you can, because during National Veterans Small Business Week, in a brainstorm last week with Jaime, we want to highlight all the things in ag, as we will get all the things you've heard today. Many servicemembers leave rural communities and then come home to them. So, there's a
big population that we can serve.

The idea of what's next for the Vietnam Era veteran, which John Garcia and I have spent a lot of

time on, I don't want to rush anybody out of business,

but when they're ready, they would love to turn it over

to another veteran, if not a family member. How can we

help? This is a great field for that.

Also, dispelling some myths about what

agriculture is now, that you don't have to have a lot of

land. You don't have to own it. You could be in an

urban setting. You don't have to be from Iowa to be in

an agri business. So, we are going to have a major

showcase event where we do a farm to table, shows you

somebody that's growing something, to the trucking that

might happen in between, to the technical aspects or

technology that makes it possible, to the actual

veteran-owned restaurant or wherever that is actually

consumed. So, we will have a large national one, and

I'd love to see the regional points where we can help

with the outreach so veterans know about FVC, what USDA

is doing.

And then, finally, what SBA can do beyond

outreach and convening like that is we can do some

lending, you know, in addition to what is happening, what you've heard about today. So, during our

presentation this afternoon from the SBA Office of

Capital Access, please do ask that, you know, what else

can SBA do. Thanks.

MR. PHIPPS: Okay, we are going to go to Jamie

now.

MR. CRITELLI: Okay, good morning. My name is

Jamie Critelli. As I mentioned earlier, I have a

greenhouse business in Upstate New York. It's called

Floral Beauty Greenhouses. I've also worked extensively

with the Farmer Veteran Coalition over the years, and I

have to do a small little shout-out. I have to thank

FVC for what they have done to support me getting into

agriculture.

I also have to definitely support Farm Credit.

Were it not for these two gentlemen directly, I wouldn't

be where I am today. And I would like to caveat Gary's

point that Farm Credit is very helpful working with --

working with the farmers. I am actually in the process

of going through a divorce right now, and Farm Credit

has been very generous with me, let's say, for a couple

months. So, they don't just talk the talk; they walk

it, also.

So, anyway, today I want to leave you with two

impressions, okay, at the end of my session, and I know

that that time is limited, so I'll speed it along. One

is just the -- the immense scale of the challenges

affecting American agriculture, okay, over the next few

years, and the other thing I want you to take away is I

want you to walk away with an appreciation that the

whole solution that you come up with must be worth more

than the sum of its parts. And if you can do that, then

you're 90 percent there.

Okay. So, the next slide. Okay, we're going to

make this a little interactive here. What I -- what you

heard earlier was talking about, you know, land and

funding and training. They're all interrelated. So, if

on this -- on your slide somewhere, if you could draw a

little pretty picture of a three-legged stool, that

should be your graphic for what that looks like. Land,

funding, training. Any leg falls off, the thing

collapses.

What I want to talk about, though, is actually

three legs of a triangle, okay, and we're going to start

getting into it on this slide and also cover it on the

next slide. The GI Bill, the GI Bill came around in the

forties, and the history is on the next slide, but does

anybody know -- it's in the slide, so don't sneak

ahead -- but does anybody know what the original five

pieces were of the GI Bill? Three still exist today.

Three you might be familiar with today.
Of course, land was readily available. You had 
land in France, what is now France. It was mostly 
forest land, but you could clear it and you could farm. 
What we're saying nowadays is you see a lot of 
people getting into more and more high-intensity 
anticulture, trying to do things to improve the yields 
to make up for the shortfall of land. At the bottom of 
this slide, it's just talking about how the GI Bill came 
to exist and why land for a farm was included in there 
as well.

And I would say it's -- it's helpful to just 
keep the discussion going on this. I'd hate to see 
something happen like another bonus march because we're 
not providing the opportunities to our veteran 
populations.

Okay, next slide, please. So, these are some 
more -- here are some more stats. The take-away -- the 
take-away I want to have off this slide isn't even 
written up here. We talk about a lot of veterans and 
soldiers coming from rural America and going back to 
rural America and trying to give them opportunities in 
rural America. The caveat to that is, you'll see on 
future slides, it takes a long time to get into 
anticulture, and it takes a long time to demonstrate 
your competence to get a loan into agriculture. So, you

Zealand and Canada, and it's because of these 
challenges. We're clearly not setting the policy the 
way that we need to, and this is the follow-on effect to 
that, and it will only continue.

Okay. The bottom line, America needs people to 
feed itself, okay? America really needs farmers, 
100,000 a year, and nobody else really knows where 
they're going to come from, and I would advocate that it 
could possibly be the veteran population. Next slide.

So, last year there was an AgrAbility conference 
in Rochester, New York, the National AgrAbility 
Conference, and there were some very heavy discussions 
about what is the role of veterans to feed America, and 
the Farmer Veteran Coalition took this study on, and 
Michael asked me to get a panel together of people 
across the country, and we got together 15 different 
people from all different walks of life, some farmers. 
We had people from state departments of labor, state 
departments of veterans affairs, AgrAbility, and some 
research universities in California and Texas.

I don't have the report here to share, but I 
will gladly email it around, and we'll discuss some of 
the findings here. Next slide, please.

Now, what happened with the report? So, this 
was April. By June, we had an event down in Washington,
D.C., where we came down. I don't remember how many farmer -- veteran-farmers you invited, Mike, like 50 or something.

MR. O'GORMAN: Last year we had 35 at the USDA and on Capitol Hill, yeah.

MR. CRITELLI: So, we came down, and basically what happened was each veteran would go meet with their respective senator or congressman and, you know, lay out some of the challenges affecting farming. We shared -- you know, I can rattle the four senators off the top of my head, you know, Senators Blumenthal, Roberts -- Senator Roberts is head of the Senate Ag Committee -- and then the two senators from New York.

I can't rattle off the ten representatives off the top of my head, but the key take-away of the report was we weren't looking for any additional funding on anything. There was no additional funding needed to advocate some of these policy changes. What was required were definition changes and opening up -- expanding eligibility, but not necessarily coming up with any new money.

The general consensus, though, from talking to legislators, was that we basically have a chicken versus the egg problem. Farmers would use resources if they existed, but without the resources, without the

empirical data, there's no evidence that they would be used. So, do you put the money there and hope it gets used or do you -- you know, do you sort of -- do you go about it a different way? But, again, I would reiterate that the solutions we proposed in the white paper cost nothing, so -- okay, next slide.

Just to highlight some issues which may or may not have been addressed already, I mean, we have to -- we have to recognize that farming is very hard. The veteran may be disabled or not. They may have an impact. Farming is very expensive, okay, because of the cash flow cycles, and the veteran may have dependents to support. So, that's something to consider.

There is the timing issue, when it takes a three-year period or two years with a waiver to demonstrate that you have the tenacity or the skill to farm, you have to do something for money in the interim, and then, finally, I don't know of any farmer out there that's a beginning farmer that isn't doing something else on the side for income. So, when you do that you've set up a business the way it tells you to in the textbook, then all of a sudden, if you lose your off-farm income, now you've got a big problem because you can't draw unemployment.

So, where do we draw the line? You know, what

is appropriate? Do we sit there and pat the person on the back and say, "Good job, you failed, get back in the workforce," or is the problem big enough where we say, "Okay, we are going to double-down and we are going to make sure you can have a successful career in agriculture." And I don't have an answer for that.

Okay, next slide.

All right. So, in addition to doing -- the next few slides show summaries of different findings. This is a collation of not just what's in the report, in the white paper itself, but also some findings from a New York study that we did. The New York study is the very last page.

I'm not -- I'm not going to read through these in excruciating detail, but on the next slide, you'll see that we had a total of five categories we looked at.

We were talking about -- early on, we were talking about -- let me find my triangle again -- farmers, land in use, and mouths to feed, and we talked about the three-legged stool of land, funding, and training.

But there's really another -- there's another triangle as well, and that's really the one I need to highlight for the session tomorrow, which is on experience, funding, and then the roles and responsibilities.

If we -- if we get that right, then we only improve the yield of agriculture. That's really what it's about in the end, because we have to offset the number of people that are getting out of agriculture and we have to offset the amount of land less this year than we had last year, and we have to offset the numbers of mouths to feed.

My -- my challenge for the group would just be, you know, whatever -- whatever policy decisions get made, whatever happens going forward, just please understand that you're walking a fine line between due diligence and deterrence. It's very critical. And for the veteran population, in particular, you know, when you -- when you come out of the military and you're told, you know, get into the VA system, you'll be taken care of, or you get into vocational rehab, or even in the case of, you know, being passed around from agency to agency, at some point people throw up their hands and they say, "You know what, I've done it myself as a soldier; I'll do it myself as a veteran. I don't need anybody's help." So, just please be cognizant of that.

So, next slide, and this is the final slide.

This is just an example. This is one we did in New York. You know, looking at these five categories that are highlighted, who can -- who can handle things?
But you realize that the population of people able to collect unemployment insurance.

They're trying to achieve the three-year hurdle to get, like, a USDA loan or something, they should be able to collect unemployment insurance.

The second definition would involve changes atWorkmen's Compensation insurance for the apprentice and that the apprentice could actually learn something from the farmer without having to be compensated. That's a huge one. That's a huge hurdle because we have a chicken and the egg problem of education versus versus time. You know, we have to clear the three-year hurdle for somebody to take on something in farming.

The second definition would involve changes at the Department of Labor, and if you have some sort of farm business -- I think farm businesses should somehow be exempt somehow from the unemployment insurance provisions so that if somebody has a farm business, which is not at all profitable, and they continue to work one, two, three jobs on the side, and they lose that income that supports them and their families, because they're trying to achieve the three-year hurdle to get, like, a USDA loan or something, they should be able to collect unemployment insurance.

I added the SBA line in the bottom, but basically we looked at five categories, financing, we looked at availability of land, we looked at mentoring, we looked at, you know, just a navigator-type role, and then a one-on-one business assistant. So, I'm happy to entertain any questions from the group.

MR. PHIPPS: Michael Phipps.

Jamie, what do you see are the biggest issues?

As the committee, we have limited time to understand a topic as diverse as this. What do you see as the time issues for veteran farmers that we could have effect here from the committee to address?

 MR. CRITELLI: Okay. How far down do you want me to dig, sir?

MR. PHIPPS: That's -- so, at the end of the year, we make a report that goes to the White House, to Congress, and to the SBA on programs that can be started, improved, or legislation that can be changed. So, for us to be most effective, we have to fit within those boundaries.

MR. CRITELLI: Okay. So, I would --

MR. PHIPPS: And of this we can talk offline. I am going to be talking to every -- to you guys offline, but just for the committee's sake, to address those top issues.

I will highlight three issues.

They are not necessarily simple fixes, but they would have the biggest bang for the buck, okay? The first would be change -- somehow change the definition of an apprentice on a farm so that the farmer isn't on the -- the farmer that's training isn't on the hook for Workmen's Compensation insurance for the apprentice and that the apprentice could actually learn something from the farmer without having to be compensated. That's a huge one. That's a huge hurdle because we have a chicken and the egg problem of education versus versus time. You know, we have to clear the three-year hurdle for somebody to take on something in farming.

The second definition would involve changes at the Department of Labor, and if you have some sort of farm business -- I think farm businesses should somehow be exempt somehow from the unemployment insurance provisions so that if somebody has a farm business, which is not at all profitable, and they continue to work one, two, three jobs on the side, and they lose that income that supports them and their families, because they're trying to achieve the three-year hurdle to get, like, a USDA loan or something, they should be able to collect unemployment insurance.

we can effect potentially, but -- so, I'd like you to come talk to our Interagency Task Force, and as a reminder, for those members there, the Office of Management and Budget, GSA, Department of Defense, SBA, Labor, Treasury. So, there's synergy there to make those things possible, potentially.

What we can do together are the outreach that you mentioned. We do -- SBA offers technical assistance. We could, as a recommendation to this body, tie some of the USDA and SBA efforts together, which I believe Lanon is open to doing it, and both of us would put the torque into it to get it done.

I don't -- and I would love to hear, Mike, if you have a different perception on what we might be able to do with this body.

MR. PHIPPS: There is a little bit of the outreach and some of the things that we've talked about offline with the interaction between this committee and the interagency committee and kind of lining up some of those goals and having Davy on the committee and on some of the agenda items we have as a committee to talk about, because so far we haven't -- Davy has just been a representative, we haven't aligned the goals or at least tried to advocate for what we think as the committee in those topics and try to apply it to that.
I think there is a big cross-talk and an interagency. I believe that will be a force multiplier, because in the beginning, these kinds of -- when we first went to the interagency, there was, like, two people there. Now it's gained some momentum. So, I think maybe the time is right.

You know, on effecting, you know, the changes in terms of legislation, you know, there's a number of ways that I think we could get some recommendations from the SBA on the right way to do that, whether it's through research or whether it's through activities are, you know, at the top of the list, and some of the things that happened in the gap analysis that we got approved to release recently.

In terms of the one-stop shop for veteran agriculture, this is not just a vet-ag issue. This is all veteran small businesses. We have this issue with just a plethora of resources out there, but how do I drink from the fire hose, right? How do I align these racehorses up in a pattern that is going to support my business?

And you're addressing kind of a -- even a larger veteran business issue that I think we've kind of talked about here at SBA that is starting to take a little bit of ship, but there definitely needs to be that navigator. So, after a lot of the work that we do, even though it's coming to light here during the committee, we are going to have, especially while we're doing our report, I'd like to be able to reach out to all of you guys and really, instead of just taking one voice, kind of collectively have this discussion, and then I can push it out to the committee for further discussion, along with the SBA, so we can make some meaningful recommendations in the ag business.

So, the goal of this administration happens to be no wrong door. I could find you on SBA. I could find you on S -- you know, USDA. And also, one more thing, that people don't always put their veteran persona front and center when they go searching for a service, because they may not think that there's a value in being a veteran in that particular place. So, I want to make sure that we can be found lots of ways, and that's one thing I would encourage us to do, is to refer amongst ourselves more, better, more and better.

MS. CARSON:  It's Barb Carson again. Can I please talk about the navigator for just one moment?

This is something that's the bane of my existence because the Federal Government is never going to be agile, so we're probably not the right place to do that, but what would be meaningful, I believe, is improving our referrals amongst qualified, high-quality, you know, service delivery. That's really what I'm trying to focus on. And the Government can't rate different organizations, but we do have the ability to partner, and then that means that if I have an agreement with FVC or another non-profit, I can put a link to you on our site, because right now, I don't want to have one front door, because if you don't find the magic door, you'll never get in.
We kept the percentages the same. For services, veteran-owned prime or sub to be able to do this. set-aside, you have to be a service-disabled, veteran-owned prime or sub to be able to do this. So, we define what that means, and it means, you know, if you're on a service-disabled, veteran-owned set-aside, you have to be a service-disabled, veteran-owned prime or sub to be able to do this. We clarified some stuff around when we determine affiliation. There's a presumption that family members are affiliated. There's a presumption you're affiliated if more than 70 percent of your revenue comes from another concern. We decided that as long as you're each small, we are going to let you JV as small going forward. So, I have to go through it very quickly. You know, this sometimes takes up to an hour to go through, but you will have these slides and you will have these citations to the rules if you ever want to go look this stuff up. We clarified that if you're going to use a subcontractor to help meet those limitations, they have to actually perform the work. If they turn around and subcontract it out, that's counter to what the purpose of the whole limitations is. So, you're not allowed to do that.

The time period is basically going to be -- when we're going to determine your compliance is the base term or each term of the contract, although the CO can apply these to an order under a contract if they want to.

We -- in addition to dealing with subcontract teaming, we also are allowing joint venturing where as long as each entity is small, they can qualify as a small business. Previously, the general rule was if you had two firms that joint ventured, you would add them together, and then they would have to meet the size standard. We had some exceptions in these unique scenarios. Because of the emphasis on teaming, we decided that as long as you're each small, we are going to let you JV as small going forward.

We did some stuff around affiliation. There's a presumption that family members are affiliated. There's a presumption you're affiliated if more than 70 percent of your revenue comes from another concern.

We clarified some stuff around when we determine size. Usually it's at the time of offer, including
25 things we added based on the statute.
24 bad faith in subcontracting. So, that was one of the
23 proposals; also providing a way for someone to report
22 notified that their names were being used in these
21 Subs were concerned that they weren't -- they weren't
20 going to name them in a proposal as a subcontractor.
19 2013 around primes notifying a small business if they're
18 we had to implement some stuff from the NDA of
17 consider it to be a recurring requirement.
16 when we consider construction to be new or when we
15 we clarified some stuff around the 8(a) program, that doesn't really affect the Buy
14 performance of work requirements.
13 small-dollar acquisitions are not covered by the
12 written and has always been interpreted, those
11 those rules still apply, but the way the statute is
10 small business set-asides. If it's an 8(a) or SDVO, we
9 to small business set-asides below 150,000. That's only
8 rules around limitations on subcontracting and
7 the -- you know, all the programs have the same kind of
6 were told to make all the rules similar. So, now, all
5 supply the product of a HUBZone, but under the law, we
4 apply to the HUBZone program. HUBZone, you had to
3 apply the nonmanufacturer rule. Previously, it did not
2 part of the initial offer, like architect/engineering, design/build, and so forth.
1 price, but there's unique scenarios where price isn't

We clarified some stuff around recertification.
The general rule is we determine your eligibility for a
set-aside at the time of your offer, including price,
and there were situations where someone said they were
small, and they were acquired before award happened.
So, under our interpretation of that, you're allowed to
receive the award, but the Government won't get credit
for a small business award if you're recertifying as
other than small.

We clarified some stuff around rentals. We
consider rentals to be a service, not a supply contract.
We also made clear that if we give you a waiver of the
nonmanufacturer rule, that doesn't really affect the Buy
American Act or Trade Agreements Act or other laws that
apply to sourcing of contracts.

This is a -- we did a lot of stuff around the
nonmanufacturer rule. It's kind of complicated, but
basically COs need to know this information in order to
request waivers when they're buying multiple items. So,
this is all very contract officer-specific.

We are going to allow requests for waivers of
the nonmanufacturer rule for software, and this kind of

One of the clarifications around the HUBZone
program is that we are going to allow that program to
apply the nonmanufacturer rule. Previously, it did not
apply to the HUBZone program. HUBZone, you had to
supply the product of a HUBZone, but under the law, we
were told to make all the rules similar. So, now, all
the -- you know, all the programs have the same kind of
rules around limitations on subcontracting and
nonmanufacturer rule.

So, that rule -- all that information -- all
that stuff I just went through really quickly was in
that rule that was published on May 31st and will be
effective June 30th. Some of it will still have to be
put into the FAR and FAR clauses before it becomes --
you know, gets into your contracts and solicitations
that you've seen.

We did some clarification around the information
value-added technology reseller footnote exception that
we created. It's basically a supply contract, so we're
saying the nonmanufacturer rule applies to those when
you use that footnote.

Okay. The mentor-protégé, as you know, we
proposed the rule. We have the authority to create one
for all small businesses. The rule is -- has been kind
of cleared by everyone that needs to clear it. We just
tells you how we'll do that. Usually, you know, if you
hire someone to do software, that's a service, but in a
lot of ways, the Government buys software as a
commodity. So, we're trying to figure out when we're
going to treat it as a commodity, and we issued a rule
to kind of tell people how to do that.

We clarified that both the limitations on
subcontracting and the nonmanufacturer rule do not apply
to small business set-asides below 150,000. That's only
small business set-asides. If it's an 8(a) or SDVO,
those rules still apply, but the way the statute is
written and has always been interpreted, those
small-dollar acquisitions are not covered by the
performance of work requirements.

We clarified some stuff around the 8(a) program,
when we consider construction to be new or when we
consider it to be a recurring requirement.

We had to implement some stuff from the NDA of
2013 around primes notifying a small business if they're
going to name them in a proposal as a subcontractor.
Subs were concerned that they weren't -- they weren't
noticed that their names were being used in these
proposals; also providing a way for someone to report
bad faith in subcontracting. So, that was one of the
things we added based on the statute.
not the entities that formed the joint venture, which
makes -- you know, makes little sense to us. You know,
some of those companies may have had, you know, 20, 30
years of past performance that they could use. So,
we're -- in this rule, we're kind of changing that and
basically saying you need to consider their past
performance. So, this will come out hopefully, like I
said, by the end of this month.
The next rule we're working on is the credit for
lower-tier subcontracting, where -- and this is based on
the NDA of 2014 were primes were going to -- if they
don't have an individual subcontracting plan were going to set
goals not just at the first tier, where they report
right now, but at lower tiers as well. So, they will
have a first-tier goal and a lower-tier goal, and then,
as they -- as the lower-tier subcontractors report in
the ESRS, it will start counting towards their
subcontracting plan.
It's very important that the prime is not let
off the hook, and they can't just rely on their subs to
do it. We want a separate first-tier goal for them. It
does not relieve the lower-tier subs that have to do
plans of their obligations to meet their plans. And
we're going to make sure that agencies don't -- when we
go to add up how they're doing, we're not going to
double or triple count this stuff. So, we have got to
figure this out as well.
This is -- we did a proposed rule and got a --
got comments, and so hopefully we'll have a final rule,
I would guess, maybe by October if things go our way,
but then it still has to get in the FAR and into ESRS.
So, this is kind of a ways away before it starts
actually affecting your life. So, that's -- I've kind
of explained that right there.
You know, I think we talked about this before,
The Women-owned Small Business Program got their small
business authority, just like SDVO and HUBZone, where
you do market research, if you don't find -- if you
don't think you are going to get two offers, you are
allowed to do a sole-source, but otherwise, if you find
two or more, you have to do a competitive arrangement.
It's different from 8(a). 8(a), you have to go
sole-source below those amounts, generally speaking.
That's effective.
We also were required to do a study of the NAICS
codes that applied, because you can only do set-asides
and so forth and sole-source in the women-owned program
in certain NAICS codes. So, we published that on March
3rd.
And then the other thing we were supposed to do
under this 825 of the NDA of 2015 is do a certification
program of women-owned small businesses. So, we did an
advance notice of proposed rulemaking. We still have to
do a proposed rule and a final rule. Until we're done,
the -- in our opinion, the program continues as is.
It's a self-certification program, but there's the
requirement to upload the ownership and control
documents into the repository.
So, right now, you know, Congress is working on
the NDA of 2017, and there's a lot of stuff floating
around there, including stuff around service-disabled
veteran appeals to OHA and so forth. You know, I
don't -- there's so many different ideas that it's hard
to say what's going to actually happen out of that.
The NDA of 2016, though, that was -- that is
done. Here's some of the stuff we're going to be
working on the next few -- you know, the next year or
so. HUBZone is changing. They added disaster areas, so
there will be -- if it's a disaster area, which
sometimes can last a long time, there will be a way to
qualify as a HUBZone.
They are expanding base closure areas around the
base, not just the base closure area, because that's
where the economic activity usually is, is around the
base, and they're allowing ownership by native Hawaiian
organizations in the HUBZone program.
This Section 867 is actually the statutory
authority to do what I said we're already doing in the
Mentor-Protegè Program, which is require agencies to
consider the past performance of the members of the
joint venture, not just the joint venture itself. And I
think I mentioned Section 868 to you before.
Right now, when we give an agency a grade, you
know, we're -- it's 80 percent prime, 10 percent
subcontracting, and 10 percent other factors. Starting
in FY17, it's going to be -- only 50 percent will be
prime. The rest of the agency's grade will be a
combination of subcontracting goals, the number of small
business concerns awarded contracts in that fiscal year
compared to the prior fiscal year by NAICS code, which
we think we've figured out how to do that, the number of
small business concerns awarded subcontracts by NAICS
code, and we don't know that we can do that, so that's
probably not going to be in there, and then the other
factors is probably going to be a peer review of the
OSDBUs and how they're doing under all the duties they
have under Section 15(k).
We're already doing the peer review, and we are
just going to kind of include this peer review that
we're required to do anyway under that. So, that will
MR. AUMENT: There always seems to be a little bit of dynamic tension between some of the career people and OIRA and so forth, too.

MR. DODDS: Absolutely.

MR. AUMENT: Especially if things are starting to be thrown over the wall come after November, that hiatus between, you know, November and January there --

MR. DODDS: Right, those are always looked at suspect -- you know, with an eye like this (indicating), but there's also been a lot of talk that there might be a lot of action in a lame duck Congress, depending on how it goes.

MR. AUMENT: Right.

MR. DODDS: So, there's a lot to be seen, and it -- I guess -- I just read today, I think, that the President's threatened to veto the NDA that they're working on right now. So, I think there must -- there is probably going to still be more work on that, even though we have been talking about it and reviewing it and it's been going on for a long time.

You know, that one has -- I've seen some good proposals -- again, I don't know if they'll make it in -- about subcontractors getting past performance somehow, because that's always hard, if you're just a subcontractor, how do you show -- for primes? And then also the idea of the SDVO appeals or, you know, coming to OHA somehow, but then we've got to work out how we'll be compensated for that. So, I don't know -- I've seen the proposals. I don't know whether they'll make it through or not.

MR. AUMENT: A second question. Could you potentially clarify a little further the status and where it seems to be going of the women-owned business certification? What -- could you just elaborate a little bit more on its current status and what the future timeline looks like?

MR. DODDS: We received a lot of comments, and I know we're working on drafting it, but it still has to be a proposed rule before it becomes final, at least as far as, you know, the way it usually works.

MR. AUMENT: Right.

MR. DODDS: So, I mean, that process can take -- you know, I don't know what we've predicted, but generally my experience is it could take about, you know, 18 months or so to get a rule proposed and finalized, if you're lucky and it moves fast. So, I don't know that there's anything imminent on that.

MR. AUMENT: Okay, thank you.

MR. DODDS: Yep.

Yes, sir.
MR. LEGHORN: Ken, I have a question regarding not what you just presented but on overseas contingency fund and discretionary fund. This question came up not today but earlier on, I think in an earlier session. Does SBA have any rules regarding if it's -- if these two funding streams are susceptible to the 3 percent goaling for SDVOSBs?

MR. DODDS: Yeah, that's a good question. For many years, we've been -- you know, people have questioned the exclusions that we have. You know, we don't just take everything that's procured. There's some things we exclude, like foreign military sales, AbilityOne, or those type of acquisitions where there is no small business opportunity. And then historically, up until this fiscal year, overseas contracts were also excluded, partly because FAR Part 19 says it doesn't apply outside the U.S., and so we didn't really have the tools.

In the NDA of 2013, Congress said you couldn't exclude just because the FAR doesn't apply. So, we went back and looked at it. It's in there for this fiscal year, and so agencies' goals, like DOD and State, were set based on not just spending here but also overseas.

DOD did request a continued exclusion for status of forces agreements, where they have an agreement with the government of a foreign country, where they agree that they're going to buy from local foreign entities as opposed to U.S. concerns, and then also acquisition as a result of a contingency operation, because, you know, they felt that they wanted to -- they need to be able to do whatever they have to do in a contingency situation to protect, you know, their soldiers and, you know, the U.S. interests, and, you know, we agreed to that, that will continue.

So, they were working on making -- you know, FPDS I think has been updated so that it accurately reflects what I'm saying right now. You know, we'll see, but I think that just happened, actually, in April, when it finally got done.

MR. LEGHORN: So, it is susceptible to 3 percent but is the overseas contingency fund added to the total agency spend when you're tabulating the actual percentage that went out to small businesses?

MR. DODDS: See, I don't -- I can't answer that because I don't know enough about that fund, you know, what we do -- what we get our data from is the Federal Procurement Data System. If they enter -- if that fund is used to do contracting and its entered into FPDS, then it will be included, unless it's excluded under the SOFA or the contingency operation exception, and we are working with DOD and the other agencies that it matters to update the FAR so that it says something besides it does not apply.

You know, we have always said it's a "may." You can use it. What the FAR we think meant was you don't have to do set-asides overseas, but agencies always have and have been. So, we've always interpreted it as you can use it, but there are some that interpret it as we can't do set-asides overseas. So, we need to fix that, and I think everybody recognizes that especially now that it's part of their goals.

MR. LEGHORN: Okay. Oh, so --

MR. DODDS: I don't know enough about that fund to be able to answer it. If you give me some more information, I can see if I can.

MR. PHIPPS: I think we're talking about -- is it a fund or are we talking about just discretionary versus nondiscretionary budgeting and how that applies to overseas budgeting?

MR. LEGHORN: Well, I was kind of asking about both discretionary and overseas funding, but they're separate.

MR. PHIPPS: So --

MR. DODDS: The funding -- the funding -- I mean, all kinds of different funding is entered. If it's entered in that PDS, then we're going to report on it unless it's one of those continued exclusions, if it's in relation to a SOFA or a contingency operation.

MR. LEGHORN: So, the new grading system will capture how an agency spends their overseas contingency fund.

MR. DODDS: Yeah, it will be part of their --

MR. PHIPPS: Their overseas spending.

Contingency operations are not included. Contingency operations are wartime operations, but if I go onto a base in Okinawa, that's overseas spending, not contingency. Contingency is considered -- we have contingency here in the U.S. It's considered emergency spending. So, contingency and overseas funding are separate.

MR. LEGHORN: Okay.

MR. PHIPPS: And it depends on -- and I'm not sure, maybe Ken could answer this better than I could -- it depends on how the money is allocated within the agency's budget. It's like all of our overseas bases, that's not contingency; that's just regular -- all State Department, all the embassies, a lot of that is just overseas.

MR. DODDS: We think -- you know, we looked at data, and it was, you know, about 50 billion, and I
think, you know, based on the FY 13 or '14 numbers, whatever we were looking at.

MR. PHIPPS: For total overseas?

MR. DODDS: In the FPDS.

MR. PHIPPS: Oh, in FPDS.

MR. DODDS: So, you've got to -- you know, that's our data source, so that was the stuff that was marked outside the U.S. --

MR. PHIPPS: It's like Iraq and Afghanistan, that's all contingency, so that might not apply to overseas.

MR. DODDS: It depends on that -- yeah, it depends on how they classify it.

MR. PHIPPS: Does that make sense?

MR. LEGHORN: Yeah.

MR. DODDS: And so that's -- you know, there should be a FAR change, hopefully -- I don't know how quickly it will be done -- but to address overseas, to give agencies guidance.

MR. PHIPPS: In the last interagency, we were talking -- I think it was somebody from OMB was talking about changing the simplified acquisition threshold.

MR. DODDS: Have you had any discussions on that?

MR. DODDS: I think that was Matthew Blum, and I think the OMB has proposed it several times, and then

sometimes it gets into that threshold that I was talking about for small business set-asides, which it says "shall," below 150, and they are not necessarily the same, but they sometimes want to tie it to be the same.

So, I'm not sure whether that's actually going to go through or not.

MR. PHIPPS: He had mentioned proposing changing the limit to 500,000.

MR. DODDS: Right, that's true. They have proposed that.

UNIDENTIFIED: I'm waiting to hear that myself (off mic).

MR. DODDS: So, I'm not sure if that would happen --

MR. PHIPPS: Has he approached SBA on collaboration on --

MR. DODDS: Oh, yeah. We have, like, biweekly calls with OMB, so we're all on the same page with what we're doing and what they're doing. And I think that's generally good for small business, so we would support that, but there's some -- there's some other issues that get in the way sometimes.

MR. PHIPPS: We have Ken. Anybody?

MS. WOOD: Sure, Laurie. Can you just come up to -- so that we can hear you, right here? There's a
MR. DODDS: All right, thanks.

MR. PHIPPS: Any questions for Ken?

MR. DODDS: I think Matthew will be here tomorrow and we can ask him about that SAT, because he will know more than I do.

MR. PHIPPS: All right, thank you very much.

MR. DODDS: I will see you next quarter. Good luck.

MR. PHIPPS: All right. Next we have Max Kidalov. Is Max here?

MS. WOOD: He just stepped out for a quick break, I think. So, he should be right back.

MR. PHIPPS: Maybe we can cover some housekeeping issues. So, just one housekeeping issue.

The gap analysis that Craig briefed us is going to be ready for release, and we should all be getting that this week, and I will send it out to everybody. It is only for our internal consumption. It's not meant to go out to the public. So, when we get that, there will be a disclaimer on that, but that's just for us to see the research and some of the recommendations in a consolidated format, and we will be able to review that.

So, Max, you're up.

MR. KIDALOV: Yes, sir.

MR. PHIPPS: Does everybody remember Max from last quarter? Naval Postgraduate School, federal contracting policy and regulations for veteran-owned small businesses.

MS. WOOD: If you -- you can just arrow through when you're ready. Your slides are up there.

MR. KIDALOV: Okay, excellent.

All right, good afternoon. My name is Max Kidalov. I'm assistant professor of procurement law and policy at the Naval Postgraduate School. I am honored to serve on the Interagency Task Force. Thanks to Jaime and Barb and the administrator, and I am here at the invitation of the chairman, Mr. Phipps, to talk about the followup on the research that I have conducted at the Naval Postgraduate School, together with Jennifer Lee. The research was sponsored by the Department of the Navy, Office of Small Business Programs, Rear Admiral Sean Crean, who is now here at the SBA. So, I wanted to thank -- to thank everybody.

And specifically, the question that was posed to me by the chairman concerned the implementation of a service-disabled, veteran-owned small business program that would be focused on business development. So, a business development program for SDVOSBs. So, I will start by providing the usual disclaimers. Nothing constitutes official views of the

Navy. I'm acknowledging my co-author's assistance, and I'm here in recognition of the statutory powers of this committee in regards to monitoring and oversight.

I would also like to point out that in the research, the approach that we have taken was to try to analyze how the current service-disabled, veteran-owned small business program works from the standpoint of contract management performance model and theory, and so the idea was to align whatever is -- to try to understand what we have and then align whatever we want to have with this framework. Inputs, meaning resources, process, meaning something that's focused on both, program outputs, that is the participants, and the outcomes, the outputs, meaning the firms, and the outcomes, business development, market open, procurement market openness, and veteran self-employment as a viable path.

So, today I will cover -- I will address this in five elements. The first would be the review of what we found in the report and kind of how we perceive the taxonomy of the program designs that exist right now. Then I will address the administrative law obstacle of a prior regulatory design to implementing, so that is a prior design that perhaps is an obstacle to implementing a veterans business development program.

And after that, I will address some of the issues from administrative law literature and case law and then review some options, potential options for this advisory committee to recommend or to proceed with. So, as you might remember, those of you who were so kind to listen to me the last time, the research report really asked three questions. The first question was can the current program be understood in terms of inputs, process, outputs, and outcomes, and the answer was, yes, it can be understood, and it's both how it's designed and also the problems in the implementation can be understood.

The second question was, is individual contracting officer discretion, is that the right mechanism to support the participation of service-disabled, veteran-owned firms, and the answer to that was no. Data indicated the answer to that was no because, in fact, as the program was designed, it was encouraging contracting officers to spend the greatest number of dollars with perhaps the least number of firms, not very broad-based.

And the third question was, can simplified acquisitions positively influence program outcomes? And the answer to that was yes, as part of agency-level or
government-wide business development program.

So, this is basically -- this is the breakdown of inputs, process, outputs, and outcomes as applied to the service-disabled veteran small business program, as you can see that.

So, looking at the results of the research, it seems clear that the -- any business development program would have some objectives that could be -- should be recommended. So, the first one is that a focus on inputs, so merely on resources, such as the spending dollars, is very useful and is important, but it's not sufficient. It also has to be output-centered and outcome-centered.

The second recommended objective is that the broader process, the actual -- meaning the set-asides and the market research, it has to transition from facilitating already successful firms to making it broad-based. So, the structuring of the solicitations, the market research, we have to be bringing in more -- more firms into -- into the market.

And then finally, it has to clear up this issue of buyer confusion and contracting officer confusion, and the way to clear that up is to make sure that somebody above the contracting officer address this choice. So, this is the choice. What kind of business development need is worth a contract? That's an essentially the choice that the contracting officers face, and what we've concluded is that somebody other than the contracting officer, somebody above the contracting officer, should make that trade-off.

So, it seemed then, based on these -- based on these results, that the program would need to have some features. So, some recommended features could be derived from that. And the first one -- the first feature -- so, generally three features. The first feature would be that there would be business development plans for the individual service-disabled, veteran-owned small business firms, that there would be plans, and these plans would be -- would be outcome-based focus, and they would contemplate holistic assistance. So, the assistance would cover not just contracting but cover other related elements. So, it would cover the counseling, it would cover access to capital, possibly regulatory relief.

The second recommended feature is that the contracting process has to bring clarity and certainty to the decision, and the best -- and it seems like a good way to do it would be the sole-source authority, so the sole-source authority for service-disabled, veteran-owned set-asides, that it be targeted to the need, perhaps term-limited, with graduation, unless health or personal circumstances continue to require otherwise, and there would be a subsequent transition to competitive set-asides or preferences or cascading or any other kinds of -- kind of sales.

There would be a designation and retention of requirements. In other words, there would be some pool of requirements, some pool of work, that it won't just be a preference on paper, but somebody would know what work is available, and they could plan their business accordingly. And this would be done progressively from the low dollar level going up. So, with simplified acquisitions and going higher, there would be a certification of firms, and there would be a match of firms to program requirements within the buying agencies.

And finally, there would be periodic progress reviews of the firms by the SBA. So, three features.

So, this was the original taxonomy of the program designs. I have included that chart at the chairman's request. He wanted me to visualize again for everybody that there were -- there were times throughout the development of the program design as it exists right now where there would be needs identified, goals would be established, and there would be missed opportunities for business development support. In other words, perhaps there would be authority given, but authority would not be -- would not be acted on, things like that.

And then various situations where there would be -- there would be perhaps gaps in implementation or perhaps set -- perhaps some decisions that made the program less clear. So, this is a review of the legislative authority that exists for business development. It begins very early. So, these authorities were made available by Congress between 1974 and 2003. So, '74, '97, '99, and 2003 legislation. So, this is -- this is the '74 authority and then some additional proposals, and this is some language -- this is some actual very good language in the 2003 that is focused on business development. The purpose is to form and expand small business enterprises that require additional assistance for that purpose.

Now, legislative history, though, does also indicate that the idea was not to make the disabled veteran-owned program part of 8(a) but to provide business development assistance, just not part of the 8(a) program. So, then there was some rulemaking, as you can see, as well as additional policies and plans in the Executive Order from the President.
President is supervising GSA, SBA, OFBP, a number of these agencies.

So, the next authority that has been used has been used over a long, long period of time, is the Federal Procurement and Administrative Services Act, FPASA, which is a 1949 law which has since been amended, was amended by the Competition in Contracting Act, for example.

And FPASA has a Section 205, and it gives the President the authority to prescribe policies, and based on the FPASA 1949 authority, there have been a number of executive orders, and those executive orders primarily addressed affirmative action requirements in federal contracts and also labor nondiscrimination.

And so, for example, one example that I would like to bring up is Executive Order 13432, "Minority Business Enterprise Development." This one is particularly interesting because what it does is it authorizes the SBA to lead in creating business development programs for minority businesses. It is based on this particular authority.

And it involves other agencies as well, but that's essentially -- that's essentially the structure.

And a good structure, I would suggest, for this committee and the SBA to consider.

Now, the -- this authority to use the FPASA was upheld in a couple of cases. It was in the U.S. Supreme Court, and it was in NFL vs. Kahn, and what they said was this, that the law does not have to require specific regulations; there just has to be nexus to the connection between the economy and efficiency objectives. And also, of course, since that time, small business participation and set-asides are recognized in Sections 302 and 303, which are now -- which are parts of the Competition in Contracting Act. So, at least the case, you know, from that perspective, it seems that at least the case could be made for repeating that.

Now, of course, there is also agency power to reconsidering its own policy, and agency policies, they can be made through either formal rulemaking, notice, and comment, which is how the original regulations were done for the service-disabled veteran program, both by the SBA and the FAR, but also they could be done through interpretive rules and also through policies that are not -- they are issued in forms of policies or manuals.

Now, how would they be analyzed? Well, they will be analyzed under either what's called the Chevron or the Skidmore levels of deference, and the deference levels will depend on whether or not this was -- this is formal or informal rulemaking. So, for the greatest
deference, you want it to be the strongest. So, you
want it to be a regulation through notice and comment.
Now, also, there were many additional cases, and
if an agency overrules a prior court decision, so let's
say previously courts have considered a program to be
one way and then the agency decides to change its mind,
there is a helpful case called Brand X from 2005 that
says that's okay.
Another case, though, that is Fox Television,
and that case is very interesting. It's a Supreme Court
case out of 2009, and it says agencies can change their
policies, and that's fine, but they may have to give --
they have to give reasoned explanation if there are some
flags, such as you came up with new facts. They were --
you based a prior policy based on some facts, now you
have new facts, you have to explain why: or if there is
reliance, if there is reliance based on the prior
policy.
So, the research that we provided, we submit
that that research offers both an alternative view of
the statutory authorities based on this additional
research, but that it also -- it also provides some
additional facts, the facts about the practical workings
of the program and the practical impact on the
participation and the potential danger to meeting the

goal because you have -- you have had a substantial
decline in the number of firms that are participating,
and eventually, you would need to recruit new firms.
So, based on that, there are five potential
pathways to creating this program: Executive Order,
stand-alone SBA/FAR Council amendments, with or without
a Presidential delegation or Presidential powers to SBA,
agency-specific policies, and Order 13360 strategic
plans, operational merger of the program into the 8(a)
program.
That is an example that someone brought to me,
meaning that essentially the disabled veterans apply and
become part of the 8(a) program and a legislative
proposal asking Congress to create the program anew.
So, based on -- based on that, I've covered some
advantages and disadvantages. So, one of the advantages
of the Executive Order pathway, what are the advantages
of that? That to me is my favorite pathway because it
is the most comprehensive way to resolve everything.
So, it allows -- it gives you Presidential powers; it
provides for governmentwide coverage; it can cover
different functions; you can use different laws and
different authorities, including the Executive Order,
the prior Executive Order, interagency cooperation, and
then the President has the opportunity to shape program
details and put them forward to Congress for
acquiescence, and that was discussed in some of the --
in some of the affirmative action Executive Order cases
as a course of action. So, that's where that's come
from.
Disadvantages, you could have some criticism and
possible legal challenges. Now, should they be pursued?
I believe so, because sufficient time remains right now
to do that. What about just the SBA regulations, SBA
and FAR Council regulations on their own? Well, this
one is easier in some ways because it might -- it
doesn't require the additional Justice Department review
of Presidential authority that all Executive Orders have
to go through, and it will deem to give -- it will
require re-evaluation, it will -- and the goal would be
to try to get this -- this Fox Television or Chevron
deference. It's a major public policy issue, and it
would lack a Presidential -- a Presidential mandate or
Presidential attention.
Degree of deference, the degree of deference to
the agency is very hotly contested. So, a decision
saying the President has looked at it, the President has
reconsidered that, and bringing in additional powers of
the Presidency to bear might -- might help support it
more. And is this something -- should -- should this be
something that the agency should consider doing? Yes.
Not to the exclusion of the order, but it's better
than -- better than nothing.
Now, what about doing changes through agency
policies or strategic plans? And that's something that
was mentioned in the report, is that -- is should that
be done? Yes, I believe it should. Advantages, of
course, it's the most quick and flexible, and the SBA
has the power to advise and assist agencies in their
original Executive Order 13360.
Now, disadvantages? Disadvantages are
interesting because on the one hand these plans, they
would be enforceable per Knowledge Connections I;
however, they would get deference even if they're weak,
then they're the second case, the Knowledge Connection
II, which we have offered. Also, they would get less
deference than regulations or Executive Orders. So,
from the standpoint of actually making it clear and a
little bit more stable, it's a good thing to do but not
as good as the other -- as the other two options.
Now, what about the operational merger, the idea
that -- the idea that perhaps veterans could be rolled
into the 8(a) program? What about that? Well, it would
seem easy because you don't need to create an additional
program; you already have an 8(a) program. But, in
There would be long delays, and ironically, when a legislative proposal is put to Congress and Congress doesn't act on it, it allows, at least on -- at least in theory, it allows them for another challenge called nondelegation doctrine. It allows someone to argue, well, Congress really did not want to delegate it, so rather than try and possibly end up with a -- with this nondelegation situation approximately until they pass it, if they go forward with it, then include it in the budget submissions, and allow Congress to decide on it one way or the other way. And that's - that's how -- that's the scenario that was covered in some of the court decisions related to -- related to the affirmative action Executive Orders.

And I welcome any questions or comments on this topic or other topics.

MR. PHIPPS: Questions?

MR. LEGHORN: I have a question. Which -- which pathway do you think is maybe not the easiest but the best for SDVOSBs?

MR. KIDALOV: I would say -- I would go for the Executive Order. I would say -- I would say it's -- you know --

MR. LEGHORN: Which slide was that? Seventeen?

MR. KIDALOV: Yes, 17.
Advisory Committee on Veterans Business Affairs 6/8/2016

MR. LEGHORN: All right, thank you.

MR. AUMENT: Okay. Ron Aument next. Just to clarify, then, so what you're really saying is it's almost -- the first two are kind of linked there. It's the Executive Order approach, you know, brings the authority and power of the President behind it.

MR. KIDALOV: Correct.

MR. AUMENT: You're also suggesting that it should be further implemented and put in stone through a rulemaking process.

MR. KIDALOV: Absolutely, and that's just how a number of procurement orders that, you know, that the President has issued, you know, over the last several years, that's just how they read. So, there would be a FAR clause already in the order, and then it would be followed up, you know, with a rulemaking.

MR. AUMENT: Okay. So, it would not be so easy to undo that way, then.

MR. KIDALOV: That's correct.

MR. PHIPPS: So, we are looking at this SBA final rule comments in March 2005. If SBA -- kind of to what Ron was saying, if SBA changed their point of view on this comment, they could actually implement a service-disabled, veteran-owned small business

MR. MILLER: Okay, it's numbers, but they're fairly easy to digest and understand. Good afternoon.

MR. PHIPPS: Okay. Next up is John Miller, SBA Loan Guarantee Programs, Office of Capital Access.

MR. MILLER: Okay, it's numbers, but they're fairly easy to digest and understand. Good afternoon.

Thank you for inviting me back. I think I was here last summer about this same time, and we were looking at -- I'm John Miller. I'm the Deputy Associate Administrator for SBA's Office of Capital Access, which is in charge of all of our lending through our 7(a) and 504 loan programs. Those are our two flagship programs. We also have our microloan program, and we have been promoting loans to veterans through fee relief. I think you're familiar with that.

Barb, maybe you can help, but are they familiar with the fee relief?

MS. CARSON: Yes.

MR. MILLER: Okay. And it had a dramatic effect last year in FY15. I think you may recall when I was here last -- we were here together last summer, last June, we looked -- we could see that that lending had declined since 2011, fiscal year 2011, but it had tipped up in the first two quarters of fiscal year 2015. Well, that trend conditioned, in fact, to the extent that in 2015, our veteran lending in both the 7(a) and 504 loan programs was up by 75 percent over the -- over 2014. So, that was a tremendous increase in dollars, 75 percent increase, about a 31 percent increase in number of loans over that fiscal year as well.

That was for fiscal year '15. In fiscal year '16, our -- well, in fact, our entire loan programs grew in '15 by about 25 percent. So -- but the veterans -- the growth in -- by 75 percent was far and away higher than the average growth rate for the program. We attribute that to fee relief and just a lot of work that

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
has been done around veteran lending and the legislation
that came through with the Vets Bill in the summer.
Yes, go ahead.
MS. CARSON: And I was going to say one thing,
John. It's Barb Carson. If you took out the 504, the
lending increase was 100 percent. So, 7(a) was
outstanding. As the rest of the 504 market saw either
steady or decline, so did vets, but yeah, you're right,
when we combine it together, 75 percent increase is
amazing, but just 7(a) was out -- out the charts.
MR. MILLER: That's a great point, yeah, and
that's where the fee relief was as well, in that 7(a)
program.
MS. CARSON: Right.
MR. MILLER: FY16, lending is about even, about
flat from where it was during '15 to veterans. We're
slightly up in units, but we're not up in dollars, and
there's a good story behind that that I'll get into.
But our loan approvals have increased by 11.1
percent in units, but the total dollars are down by 0.6
percent, and the average loan size has decreased by 11.6
percent, from $401,000, on average, to $354,000.
Now, this is good in that a lot of our startups
and creation is in the smaller loans, and we still saw
phenomenal growth in the loans from zero to 150,000, and
those grew by 28 percent, have grown this year by 28
percent over the last year.
Microlending activity is down slightly in
dollars but also up in units. Microlending to vets this
year is -- we've approved 102 loans for 1.6 million,
which is very small compared to our overall lending in
7(a); however, we continue to push microloans, and we're
getting more and more interest in that program and our
Community Advantage Program, which also provides lending
to our underserved areas.
LINC for this year -- are you familiar with our
LINC?
MR. PHIPPS: We had an update.
MR. MILLER: Okay. You got an update on LINC?
MR. PHIPPS: You can cover it again for
refreshment.
MR. MILLER: All right. So, LINC is -- we have
two technology releases that are -- or two technology
pushes that we're coming out with or that are out. One
is LINC, which is kind of like our Match.com for
borrowers and lenders, and LINC has 20 to 25 questions
that a potential borrower can answer once they register,
and it's open, it's on our public website. It's simple
to register with an email and a password, is all it
takes to register. We don't require any personally
identifiable information on the -- on the hopeful
applicant, and once they answer the questions, it's a
very self-explanatory -- and you'll see it in the slides
that will be available -- but they create an sba.gov
user account and access -- access to LINC and all of our
tools.
And then what that does is it allows our -- all
of our lenders that register with -- for LINC to access
these borrowers and look at their profile and identify
whether they want to access more information with regard
to the borrower, and then the borrower -- if they do,
the borrower will get an email from the lender and then
request it to provide some more information, much like
any of you that have ever purchased a car or gone
through an online-type lending platform.
What's unique about LINC for this year is
there's a new enhancement. We now have added a question
that says, "Are you a veteran-owned business?" And this
is important because in the past we had lenders who
really wanted to focus in that area, but there was no
question in the -- in the LINC system to show whether or
not it was a veteran-owned business.
And so what this does is it allows lenders who
are seeking veterans or wanting to specialize in that
area to identify, through the profile of the borrowers
out there or sort by lender -- by veteran-owned
businesses.
Then, once we have a borrower signing up and
opting in to LINC, we have -- after they finish the
questionnaire, they're sent to our resource partner
page. So, for veteran-owned -- veteran -- veterans who
are interested in starting up a business, it sends them
to our SBDCs, our SCORE, all of our other resource
partners that have business toolkits and can help them
with projections and forming a business plan and so
forth at no charge.
So, our Resource Partner Network is significant.
We have -- as you know, as you may know, we have small
business development centers in all states, in most
universities, and they're accessible online and in --
through office visits.
So, with that, I'll open it up for questions.
Yes?
MS. CARSON: It's Barb Carson. Can you please
tell us about 504 Refi and what that means for a small
business?
MR. MILLER: Okay, yes.
MS. CARSON: Thank you.
MR. MILLER: Thank you. Congress re-authorized
a program that was very successful right after the
1 Many of those areas of the country that saw a significant real estate -- commercial real estate appreciation won't have any problem refinancing those unconventional loan terms, but there are also many areas of the country that aren't -- that did not see great appreciation, and those loans would have a very difficult time refinancing under commercial -- under standard, conventional, commercial terms. So, this program is coming just at the right time to help out all of these small business borrowers.

2 MR. PHIPPS: John, would that apply to some small businesses -- veteran-owned small businesses who are involved in, say, real estate development or construction projects, and sometimes these projects are companies, LLCs in themselves, and they can take two to three years, sometimes longer? Would this apply to companies that are looking to do real estate development as well and buy a project, even though they are going to sell a project at the end?

3 MR. MILLER: Yeah, no, this would not apply to that. This applies to a business that's been operating out of real estate and has been in business for two years.

4 MR. QUAGLIO: And that's owned asset, not leased asset.

5 I speak on panels a lot and just -- I'll now be able to know -- I've lived the program even more, for people that have experienced -- like I had to go through a bankruptcy from a previous marriage, to even have had that, even though I cleaned everything up, got some training and some insight on how to improve my credit, and still made it through, which I thought was a big testimony, with only being in business for four years.

6 So, thank you, guys, for that.

7 MR. MILLER: All right, glad to hear it.

8 MR. PHIPPS: So, we have some time. What would be some of your -- what were your biggest challenges with the 7(a)?

9 MS. ARTIS: It took a while. That would be the -- because there was a lot of paperwork, a lot of back and forth. I had a broker somewhat involved that was really hunting and trying to find who's lending to veterans, who's lending to women, and it took a little longer than I would have anticipated, but nonetheless, we landed.

10 MR. PHIPPS: What's "long"?


12 MR. PHIPPS: Okay.

13 MS. CARSON: And this -- you can share what you
MR. MILLER: And we are making every effort to make the loan application process more seamless and easier for our lenders and provide faster turnaround time for lenders and make the requirements easier for lenders to -- to understand, because in the end, it's the small business that feels the length, whether it's SBA or the lender.

MS. CARSON: True.

MR. MILLER: It's the small business. So, one of the things that -- and I'm glad you brought that up. Thank you for your comments. We have -- you've probably heard about SBA One. SBA One is a TurboTax-like tool that is available for our lenders to use, where before they used to look at our standard operating procedures and go from there to filling out forms and having borrowers fill out forms.

What SBA One does is it guides the lender through the transaction, helps them answer the questions, much like if you use the guided path in TurboTax. So, we have expert paths, you know, where some lenders just want to go through. They know how to process the loans, but we also have a guided path that walks the lender through the type of business, makes sure they make it through all of the eligibility criteria, before they even submit the loan application to SBA.

And then from answering all of those questions and populating the system, all of the forms are generated. The -- a lot of the questions that might cause our center to -- one of our processing centers to kick something back, those -- those questions would have already -- they would have had already to have passed those areas in the system in order to submit.

MS. CARSON: Um-hum.

MR. MILLER: So, it's been beneficial. It has electronic signature, which is really very advanced, allowing -- allowing the borrowers to sign the forms much faster than they would if we didn't have electronic signature.

MS. CARSON: I was just going to say, that's rare in Federal Government. It seems like a win for us. Electronic signature is huge for the Federal Government.

MR. MILLER: Yes.

MR. PHIPPS: We have one more question.

MS. ALLEN: Just a comment. I wasn't quite sure -- oh, a microphone. This is Merritt Hamilton Allen again, my Notre Dame ROTC --

MR. ZACCHEA: I thought, I was going to say you looked very familiar.

MS. ALLEN: Yep, so do you.

MR. ZACCHEA: Thank you.

MS. ALLEN: Good to see you. I also am happy to introduce one of my clients to you, the National Association of Certified Development Companies is a Vox Optima client. They chose us as their PR firm because we are a small business and we are a veteran-owned small business, and they are very interested in veteran-specific marketing and programs, and I would love to make that introduction because I know NACD is really interested in talking with you all. That's my shameless client stump speech. Go Irish.

MR. QUAGLIO: Ken Quaglio. I was looking at the data on the slides that we got, and I notice that if I look at women versus veteran versus minority in the three categories of microloans, women take out larger loans than either of the other two groups. Do you know why that is? Is it just curious why the loan amount for women is significantly larger than that of minority or veteran. Is it a larger business? Do you have any data as to why that number is different? Veterans are the lowest, then minorities, and then women are the highest.

MR. MILLER: Right. I think traditionally the microloan program has been one that -- the areas they're in has traditionally received a lot of interest from women, women --

MR. QUAGLIO: Is it the type of business more than anything else?

MR. MILLER: I think it is. I don't have the data, but I can -- I can certainly get some answers and we can respond to you.

MR. QUAGLIO: Veteran was by far the lowest, I mean by orders of magnitude the lowest.

MR. MILLER: And what we have is -- it could also be because of the fee relief for the -- the veterans and the fee relief in the -- you know, in the marketing of our other programs for the veterans without the fees.

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555
MR. QUAGLIO: Thanks.

MR. PHIPPS: Thank you very much, John.

MR. MILLER: All right, thank you.

MR. PHIPPS: Any last questions? No.

All right, John, thank you very much.

MR. MILLER: Thank you.

MR. PHIPPS: Well, that concludes our agenda for today, and we're on time, right on time. So, is there anything else for the record before we --

MS. CARSON: Adjourn?

MR. PHIPPS: I have one more thing for the record, and that's for Barb. We submitted the committee report in March, I think, and so we were wondering if it's been submitted to Congress, if it -- what's the status of the final report.

MS. CARSON: Sure. The status is that it has not gone to Congress. It is still with the agency, but it's leaving. There are -- we don't change your report, because you are an independent body, but we do have to get it set up through our Executive Secretariat before it can leave the agency. So, I expect that will be soon, and I will notify the entire group once that's done, and we obviously like to amplify that here at SBA and beyond. So, we will be in touch real soon about that.

MR. PHIPPS: Excellent, excellent.

MS. CARSON: And thank you for your work on that, each and every one of you. I know it was quite a lot of labor, and I think your chairmanship, Mike, this year, and the dedication of this group, we have more structure, and it makes a lot more sense, and I feel like the discussion is going to lead to some solid recommendations. We really are getting at the "so what" of all these presentations. So, thank you so much for that work.

MR. PHIPPS: Absolutely.

All right, with that, we will -- we will conclude the -- we will conclude the hearing and go off the record.

(Whereupon, at 2:27 p.m., the hearing was adjourned.)
Public Meeting
Advisory Committee on Veterans Business Affairs
6/8/2016

[198]
owned 86:14 87:14

P
3:1
p.m 121:17 122:2
182:15
pace 134:6
packed 71:13
page 2:2 19:4 22:20
45:6 90:14 104:22
111:13 142:18
172:6
paid 89:19 175:10
Pakistan 55:1
panel 83:12 108:15
panels 176:1
paper 110:5 111:11
151:9
paperwork 75:6
176:15
parcelling 104:6
Pardon 20:6
parents 86:9
part 6:22 7:22 12:7
25:15 28:11 31:12
35:3,3 37:11 66:2
68:7 78:15 80:11
86:4 92:9 97:14
125:2 137:16
139:11 140:7
148:25 152:21,22
153:19,20 158:13
participants 147:13
participate 21:10
31:11 86:9
participated 83:11
participating 158:2

PDS 140:1
peer 132:20,23,24
peer-to-peer 33:13
33:22 84:16
Pendleton 19:23
Pennsylvania 57:23
pensioning 105:22
Pentagon 39:3,16
60:10
people 7:11 9:2,13
9:16,23 12:10,14
16:8 18:20 19:1
22:11 27:20 28:15
29:7 31:24 33:13
34:15 35:4 36:17
41:17,20,25 42:4,9
43:9 48:7 50:5
57:8 58:25 62:9,12
62:15,25 66:11
68:19 69:9 71:11
71:15,23,25 73:25
83:7,13 84:2 85:4
85:22 88:11,15,15
88:15 89:9 90:4
91:4 92:13 105:13
106:5 107:2 108:5
108:15,17,18
112:4,18 114:25
115:3 117:5 119:4
120:19 121:8,8
126:6 128:14
133:13,13,14
135:2 137:9 167:4
176:2
people's 12:9 29:7
35:2
perceive 147:20
perceived 96:24
percent 6:7 7:3 9:24
12:11 19:2 21:10
21:12 28:8 29:25
29:25 30:4,4,5,10
30:10,13,13 31:15
31:17,21 32:2,12
46:1,14 48:19 54:3
66:1 67:20 68:6
77:20,21 80:20,21
81:4,8,18 85:18
86:11,13 92:18,19
92:20 93:1 94:8
96:8 97:4,4 99:15
99:16 103:7
107:17 122:8,10
122:11,12 123:1,2
123:2,4,8,9,10
124:22 132:9,9,10
132:11 137:6
138:15 168:16,18
168:18,22,23
169:6,9,20,21,22
170:1,2
percentage 27:22
77:25 80:22
138:18
percentages 122:25
perception 116:14
perfect 27:2 53:18
perfectly 64:22
perform 124:1
performance 16:25
17:18 21:8,22 22:4
22:6 23:12 57:7
70:21 122:19
126:14 128:23,25
129:4,7 132:5
133:11 135:23
147:8 175:15
period 94:25 110:15
124:5 155:4
periodic 151:17
permanent 173:14
permission 5:25
Perry 61:10
person 48:20 76:5
76:14 100:11
111:1
persona 119:5
personal 151:2
personally 40:11
personally 40:11
170:25
perspective 7:16
156:11
perspectives 9:11
phenomenal 169:25
supervision 183:7
supply 41:20 50:6 98:20 125:14 127:5,19
supported 154:13
supporting 89:12
supports 114:21 115:22
susceptible 137:6

**Syracuse** 18:18 19:5
syrup 82:19,20

---

**T**

T 2:1,1
tabulating 138:17
tack 19:14
tacking 11:16,17
tagged 41:22
tailored 144:1
take-away 106:17 106:18 109:15
taken 50:1 112:15 115:7 121:20 147:5 164:20
talented 14:9
talents 21:23
146:12
target 43:1 83:6
targeted 43:7 73:5 150:25
targets 70:13
tax 35:19,20,25 36:13 37:5,6,16 41:24
taxes 29:16 39:8
taxonomy 147:21
151:20
teacher 44:24
team 5:6 13:10 14:10 23:9 24:3 27:8 83:14 143:3
teaming 124:11,17
technical 63:21 84:6 101:15 116:8
128:1
technically 53:22
technology 66:25

---

**Television** 73:22
157:9 159:16
tells 88:7 110:21 126:1 164:13
ten 18:20 76:8 87:1
94:12 105:5,7 109:14 144:11
tenacity 110:16
tend 32:24
tends 92:2
tension 135:2
term 96:13 124:7,7
term-limited 151:1
territories 52:3,9
territory 52:5
testimony 70:25 176:8
texas 20:2 71:2 108:20
textbook 110:22
thank 4:5,9 6:17
146:18,18 165:2
182:2,9
the 83:17 87:21
themed 50:2
theory 147:8 162:4
therapeutic 91:6

---

Advisory Committee on Veterans Business Affairs 6/8/2016

---

For The Record, Inc.
(301) 870-8025 - www.ftrinc.net - (800) 921-5555