In the Matter of:

Advisory Committee on Veterans Business Affairs

June 8, 2017
Public Meeting

Condensed Transcript with Word Index

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PROCEEDINGS

MS. CARSON: Good morning, everyone. This is Barbara Carson, the Associate Administrator for SBA's Office of Veterans Business Development. I will now call to order the meeting of the Advisory Committee on Veterans Business Affairs and turn it over to the chairman, Jim O'Farrell.

MR. O'FARRELL: Thank you, Barb. I appreciate it. I'm Jim O'Farrell, the Chairman of the Advisory Committee on Veterans Business Affairs, and as Barb just called the meeting to order, we will go ahead and get started. We have really a good agenda today. We're going to do our normal SBA reviews this morning. Then we will take a break and have a couple more of the SBA presentations. Then we're very pleased this morning to have the director of the VBOC, Cheryllynn Sagester, from Hampton Roads, and we also are going to get a veteran business owner perspective from Arizona Hollins Brown.

And this afternoon, we're really thrilled to have five different veteran service organizations that are going to talk about several topics, and one in particular is the GI Bill. So we are looking forward to those presentations.

So I mentioned Cheryllynn Sagester and the VBOCs. During this past quarter, in between the meetings, I instructed the committee to, when available and to the greatest extent possible and practical, to go and visit a VBOC and be prepared to report back to the committee on what they learned during that visit.

So I'll go first. I had two, you know, really great meetings. I drove down to Hampton Roads and visited Cheryl at the Hampton Roads VBOC and then was part of a tour and visit that we had here locally in Springfield, Virginia, to see the Springfield VBOC.

I'll speak to the Springfield because I don't want to steal Cheryllynn's thunder. I asked her to make some recommendations, and she's going to do that during her presentation later, but as far as the Springfield goes, I had a couple of notes as far as things that we heard and saw during our visit.

One of those was that we thought
they should implement an enterprise CRM solution
or at least explore that option so that they can
capture information once and then permit others
to access it across their VBOC enterprise, so to
speak, and it would help to ease the
collaboration, responsiveness, and the
reporting.

What we heard was that an individual,
you know, Joe Smith or Sally Smith, the veteran entrepreneur who's come out of the military and
is wanting to start a business, engages with the VBOC, and they will have their information
taken. They will get, you know, in some ways, kind of a case management done on them, and then
if they turn around and take another -- participate in another program, they will have
their information taken again. Two entities may not be talking to each other and sharing that information. So we thought it was something that should at least be looked at.

The other one is to think about studying the -- and consideration of satellite VBOCs. Where we -- where I heard about it in Hampton Roads was that the Hampton Roads VBOC is responsible for West Virginia, and with very limited staff, it can be difficult to get that travel done and, you know, really have an impact in the State of West Virginia.

And then in Springfield, we heard about the need in Puerto Rico. Puerto Rico has one of the highest per capita populations of veterans, and so not that the folks in Springfield don't like traveling to Puerto Rico -- I think they like that, especially in the wintertime -- but there might be an opportunity there to stand up a satellite VBOC.

So with that I am going to go around, ask each of the members, and as we do that, that way you all can introduce yourselves, as I should have done in the beginning of the meeting. So I'm looking at Mike Phipps now. Mike, if you want to introduce yourself and then go ahead and give kind of the feedback that you have from the VBOC visit.

MR. PHIPPS: Michael Phipps. So one of the things that came out of this VBOC meeting was the interesting interaction that this VBOC had an SBDC, a women's business center, and other resources all in one place, that what -- from our assessment, it looks like they were able to leverage those resources. And so it would be really interesting to see if that interaction exists at other VBOCs.

And another thing that we saw was or that we had a question about was the funding and how does the funding flow and if there's a formula there, that that might be able to be replicated, that we were interested in seeing if that was a possibility.

MS. PEREZ-WILHITE: Good morning, everyone. I'm Fran Perez-Wilhite, from the North Carolina Military Business Center. Due to prior business commitments, I was not able to visit the VBOC yet, but I plan to do so pretty soon. Thank you.

MR. AUMENT: Ron Aument, and I regret to say I was unable to join for the Springfield visit.

MS. ROTH-DOUQUET: Kathy Roth-Douquet. I believe Emily Lappat from Blue Star Families attended that with you. She was supposed to be here and has a fever, unfortunately, so she's sending her notes from it, and I will share them when they arrive.

MR. ZACCHEA: Mike Zacchea from UConn EVB. I went to the Providence Veteran Business Outreach Center. It was a good visit. The area is in downtown Providence. It's in a -- it's near Brown University. It's sort of in the Brown University area, the urban campus. The office was clean, well-lit, attractive. There was not really adequate parking for the facility. It doesn't have any dedicated parking. It has street parking. Brown University actually owns all the parking garages around there.

When I was there, there were no classes. There was only three people -- three people on staff there, Brian LaFauci is a veteran business outreach officer. They had a receptionist, and then they had a woman who was doing the women's business outreach.

I reviewed Brian's training program. I have a bunch of pictures, and I have written a report that I can submit, but, you know, they have a vigorous schedule of training that they've been implementing in the last year or so. I think they opened up last June 1st, so it's just a year at this point.

Brian does have a roster of about 120
veterans that he has -- that he's mentoring, so, you know, he's getting about ten a month, which I think is pretty good. That's a couple of people a week. And then he's doing the Boots to Business and the Reboot program trainings that are at Groton and in the Greater Boston area. So he's all over New England as well.

Then he has a satellite office in Rocky Hill, in Harford -- just south of Harford, at the Connecticut State Department of Veterans Affairs campus. So I have seen him there. You know, I have done some of these trainings with him. I've seen him -- you know, we have a working relationship, which I think is important, but we basically talked about coordinating our training and our outreach.

He does not do as much recruiting as I do. I am constantly going out to the veteran service organizations around New England, and then I also, you know, have relationships with the Vet Centers, which are sort of a separate part of the VA, but I get a lot of referrals from the Vet Centers. At this point, about 50 percent of my veterans coming into my program are referrals from either a Vet Center or from other veterans.

For those of you who have ever done any recruiting duty referrals, it's the gold standard of doing business. You want referrals. So, you know, we have a good working relationship in the past year. I think we can do more, and Brian is open to doing more, and we're going to do -- incorporate him into our Entrepreneur Boot Camp for Veterans.

So, yeah, I'll send the report later.

I have pictures as well.

MR. O'FARRELL: Thanks, Mike. Thank you, Mike. Anyone else on the phone who's on the committee who made a VBOC business? Is Rich McAdams on the phone?

MR. MCADAMS: Yeah, this is Rich. I did not make a visit, but the director actually came to me here in Huntsville. We met also with Tom Todt, the SBA state director for Alabama, and I met with Stewart Parker, who's the director of the VBOC that's located -- the VBOC that's located at Mississippi State University. And I was impressed with what they're doing. They do around 50 Boots to Business or Reboot classes annually, and they cover a huge area. I think it is most of four states, very, very geographically dispersed.

Tom or the SBA was very positive about the support they had received from this VBOC. Apparently, the contract changed a couple years ago. It used to -- Alabama used to be supported by someone out of that Florida Panhandle, and he said they just didn't get that level of support.

The one thing I was -- that I didn't get a warm-and-fuzzy about was when I asked about what other services do you offer, he said, well, we really -- really, we focus on Boots to Business and Reboot. So I got the sense that the vast majority of what they're doing, at least at this point, is -- are those two classes.

Unless I misunderstood that, that's the -- that may be a staffing issue, a funding issue, I don't know, but that seems to be the -- and that may have been why he was more than happy to and volunteered to come to me to meet instead of having me drive to Mississippi State and see nothing but a conference room where they do this training, because they -- there's nothing to show me, other than this is where we do Boots to Business.

But like I said, he's a sharp young man, very passionate about veterans, and the SBA director for the State of Alabama said their support has been fantastic. Any time they need them, they have been very responsive.

MR. O'FARRELL: Thanks, Rich. I appreciate it.

Anyone else on the phone who visited a VBOC or is a member of the committee to introduce yourself?

(No response.)

MR. O'FARRELL: Okay. We'll continue, then, with Rebecca Stroman.

MS. STROMAN: Hi. Good morning, everybody. Rebecca Stroman from Hiring our Heroes at the U.S. Chamber of Commerce Foundation. I did go to the Springfield VBOC with Michael and Jim and a few others -- I think it was last week, time flies. They did not have a parking issue. They had plenty of parking there. It's very accessible being that it's right on kind of the mixing bowl interchange there in Springfield.

A lot of conference space when we
walked around and toured the floor. They took up pretty much the majority of the floor, from what I could understand, but there was plenty of meeting space there for businesses to come in and at a much discounted rate, to have their meetings there. And there was one other thing. Oh, quite a lot of strategic partnerships within the great Springfield area, Fairfax County, George Mason. I was really impressed by the number of partners that worked together that Michael mentioned to promote the VBOC.

MR. O'FARRELL: Thanks, Bekah.

Mr. Fielder?

MR. FIELDER: Ed Fielder, veteran business owner.

I got the chance to visit the new VBOC in Georgia, which is located at Georgia State University. Mike, I'm here to report that they have networked and have all the resources all pulled together there. They are part of a larger academic group called Business Innovation Group. They go by the tag of BIG. They are colocated in Main Street, downtown Statesboro, in a facility -- a gorgeous facility that's been set up by the city there, is the BIG group, an incubator that's part of the university, a fabrication lab, SCORE, SDBC, and the list gets very long.

These guys in 12 months -- let me give their names so they can get on the record -- Jeremy Horstman is the director, just a super, super talented guy, and his assistant is Jeff Smith, and they're doing a great job. They have already done 48 Boots to Businesses. They're covering both South Carolina and Georgia. That's about 12 military installations.

They have done five Reboots already in the first 12 months, and they are focused on finding more opportunities to do Reboots. They're centrally located, but Georgia is kind of a funny state in the sense that there's Atlanta, and then there's the rest of the state. So if you put something right in the middle of the state, it's a three-hour -- 3 1/2-hour jaunt from Atlanta.

They're working closely with other folks, and they are going to a lot of conferences to get some awareness started, and we had a nice conversation about the SBA headquarters in Atlanta and their veteran director of veteran development and somehow dovetailing on some of his activities to get some more awareness out there.

They are a great group. It seems to be well networked, beyond the resources that SBA has been able to give them, they have networked throughout their organization to get a huge capacity, and it's all -- well, it all can grow.

MR. O'FARRELL: Okay. Ed, something to think about as you maintain contact with them in the next month or so is perhaps we have -- invite them to come up and give a presentation like we're hearing from Cherylynn --

MR. FIELDER: They would certainly love to do that.

MR. O'FARRELL: I think we are really trying to go after what are the best practices out there in the VBOCs so that we make sure that we, through our annual report, are making recommendations that are in line with them but also bringing to the surface maybe some areas of weakness that -- I should say strengths and best practices so that we can, you know, bring up some of those areas of weakness.

MR. FIELDER: Yeah. And just, again,
vector, and now we have got some thrust behind
it. So thanks for the attention that you are
giving. We certainly -- our leadership team,
most of them, are here from Veterans Business
Development and members of our staff. We're
listening to you. We act on what you tell us,
even before the annual report comes.

So I am going to go over the many
things that SBA is doing for and with veterans,
and let's start with entrepreneurial development
related to veterans, and it happens to be VBOCs
are first.

The grant recompetition is coming, and
it will be released in November, assuming that
there are funds, and Ray Milano and his team
have been doing a fantastic job of working on
requirements-building, and also, this is the
first year since the Boots to Business money
came in '14, this past year, we have really been
trying to line up with statute and deliver on
what we're supposed to do with those VBOCs,
which is transition assistance for service
members and military spouses. So that is why
I'm glad that you bring forward the resourcing.
We perhaps are not resourced to do more than

that, and perhaps not even to do all of that
mission, but we have a much better picture of
what it would take to do it and to do it well.
So I continue to look to you for some of the
requirements issues that you bring forward.

So this past year, they did provide 100
percent Boots to Business coverage within their
home state, and they did do 50 percent or the
best that they could out of their territories.
I hope you will remember there are only 20
veteran business outreach centers. They don't
receive a lot of funding. They are not required
to have matching funds. That's unusual in the
resource partner community at SBA, to have just
half that requirement, and many, many are
failing to meet it. That's a concern, that it
may not be a best practice to add that
requirement to VBOCs. That is something that
legislation is considering at this time.

So the forecast for 2018, we're
listening to DoD on, you know, does the
transitioning population look different year to
year. I think many of us expected the
transitioning number to come down; not
necessarily the case. So there will be a focus

on assessments, but we don't know that there will
be a slow-down on the other side. So we may
need to continue providing service at the level
that we have been, and perhaps more.

I am going to move to Boots to
Business. As many of you know, we were hoping
to make that announcement on the awardees. We
have not made that at this time. It will be any
day, I really promise this time. It's been
fantastic, robust competition, and it was a
tough selection.

We learned a few things. We were ready
to make awards in the two-day curriculum, the
follow-on opportunities, the overseas, and
program evaluation. We will not be making
awards in all of those things. I'm very proud
of our team. They have really developed some
capacity within SBA and also getting some great
information from our veteran business outreach
centers, from participants, and also the
resource partners we fund to help us instruct.

We've got the two-day in hand. We
didn't get folks that said they would change it
substantially. So we're going to work with our
internal folks to make it better in-house.
across all partners. We have the most latitude, likely, and we work very hard on getting the authority to operate a CRM system for program operations. So you'll see it, but you're absolutely right, VBOCs need to be able to refer, and a client shouldn't have to worry about whether their information is making it from one partner to another. To get the best service, we have got to work on that as an enterprise. We know that, but it takes some legislative authority as well. So I want you to know we hear you.

Also on Boots to Business, OMB has taken a look at how we're measuring ourselves. Remember that we don't do this alone. TAP is in interagency governance with the Department of Defense, Veterans Affairs, Labor, SBA, Ed, and OPM. So OMB actually gave us some kudos and said it's the best interagency collaboration they have seen, and they approve of what we're measuring and how we propose to report on it. So I want you to know it's going well. It takes the infrastructure. You've been with us through this start and scale. We are not yet at sustained, but we are building some strength.

It's going well.

We will recognize instructors that are doing great things in Boots to Business in September. I would love to have it correspond to the dates that are here. We will see if we can get that done.

The SBA resource partners, a reminder that they get funded to help us instruct. We want them to be introduced to all of SBA, so those are women's business centers, SBDCs, and SCORE mentors.

A quick comment on the super center that you saw, for example, at Springfield, where you have got all those partners under one roof. We do have several veteran business outreach centers that are like that. For your consideration, you need to think about, is it great that a few people can have all that in one place or should we have these different resources spread more broadly across the United States so that rural communities and others get some service?

There are also modalities of instruction and connection that we should be looking into. Whether you're in a city, you may not want to drive in. We really should be further along the curve on reaching people by different means. So more to come on that, but please think about that. Okay. In Boots to Business Reboot, which is the same curriculum in Boots to Business but brought out into communities and delivered often with other partners -- American Legion has been one of the strongest, thank you -- we're doing a bottom-up review, led by Dina and her team, which includes Mark Williams, to include feedback. Is it really -- should it be exactly the same instruction or are we finding that these participants are at a different stage? They have already started a business or they are an older adult learner. What, if anything, should be different?

Also, sectors. Should we focus on federal procurement or franchise or agri-business? We need to know what the demand is, and then we can adjust programming, but that's the research we're doing right now.

On the bottom of this slide, there is a funding opportunity that closes today at midnight. This one's of great interest to this committee. The Veterans Federal Procurement Entrepreneurship Training Program, we have heard many times veterans say you have got a set-aside for us, but there is no development program that you have. So what do we do? This has been our answer. We have got -- we expect to have some competition in this. We have had great results so far in the last three years.

As you know, we've -- with the partner, the incumbent, made two modifications and added international trade and also one for those that are newer in the federal procurement space, so there are now at this moment three curricula available. We'll see what the offerings are that we receive today, and I'll report out to you in September. And a reminder, it's got to be an existing program that can already demonstrate that we have outcomes. We believe that the market is robust already. We don't need to develop a new talent in this space.

Moving to the next page, you have been briefed already on the service-disabled veteran programs that we help support, but we do have a new announcement since last meeting. We have three veteran women entrepreneurship training
program awardees. We continue to support Veteran Women Igniting the Spirit of Entrepreneurship with Syracuse University. The next one will be in Louisville, Kentucky, in August.

Bunker Labs is a new grantee of ours. They have -- it's a lot like a franchise across the U.S., veteran and military family-focused accelerators and programming. This is going to be an online version, EPIC, for women veterans. So this is a modality we haven't used very much before. We want to test it and see how we -- how we do that. We have got some great touchpoints around the United States that we were not reaching otherwise.

And, finally, in San Antonio, we are testing access to capital with technical assistance, specifically for women veterans. This group has grown, as we've talked about before, 300 percent more women veteran-owned small businesses from 2007 to '12, the census told us, but they are not performing as well as other demographics, and capital seems to be the significant barrier.

They are not alone in that. Many entrepreneurs face that, but this we want to test and potentially replicate. So it's a Texas-centric opportunity right now for women veterans, but let's see how we go. So I'll keep you up to date.

In contracting, I won't keep briefing you. You are going to hear from my colleague, Ken Dodds. For capital, we have the new associate administrator for Office of Capital Access, Bill Manger, who is with us now, and he will share what's going on with veteran lending this fiscal year, and we can forecast perhaps a little of the future, but we're not sure yet. You'll hear more from him shortly.

On the next slide, we have just a high-level view. We, as every agency is, as we were directed by executive order, to take a look at our operations and our structure and are we duplicating the work of others? Is there work we're doing that should be done by someone else? Should the private sector do some of this work? So I want to show you a few things that are going well that we will sustain, and that's working with Department of Defense and the Military Spouse Employment Partnership, and also the SECO, which is all spelled out for you up there. Ray Milano has been leading alongside veteran business outreach centers and SCORE mentors quarterly webinars with DoD for military spouse entrepreneurs, in particular. It's a great population, about a million, and 90 percent of them are women, and as a military spouse and a veteran, I'll tell you, it was harder being a spouse, moving around quite frequently and trying to have a professional career.

Entrepreneurship is really appealing to this population. We can serve them. So we think this is a great collaboration that we will continue. In fact, Administrator McMahon is going to address military spouses next week, and we will do more listening sessions around the country in the coming year. All the certifications that women-owned small businesses can get, in addition to the benefits they get as a spouse from SBA, they're eligible for our loans, relief -- fee relief, for example, a lot to do with that population.

And finally, just a high note that Boots to Business and our agency governance is going very well. It's -- I think we're in it for the long haul. We were worried it was a flash, you know, when unemployment was solved for veterans, was this going to continue, the attention on transition assistance. Yes, it will.

Department of Labor, we're really engaged to make sure that American job centers know and that small business owners know that this is the place to get your HR done for you for a small business. So building those collaborative relationships at the local level is going very well, and Ray Milano and Amy Garcia from our office were engaged with the National Association of State Workforce Agencies to reinforce that last month.

And, finally, looking at credentialing and licensure for veterans and military spouses, the spouses that have a business that moves -- I'll use lawyers as an example -- from state to state, it costs a lot of money and takes a lot of time to keep up your credentials and have a business potentially or remain -- keep your professional credential, whatever your status.

So working with the National Conference...
on State Legislatures and also National Governors Association, research is ongoing. That doesn't mean they're waiting for three years for the results. We already know there's a lot we can do. I wanted you to know, SBA is on board and we're working it. For Veteran Affairs, Ken Dodds will cover this, but the NDAA 2017, what's going on with appeals of CBE denials and eligibility status, what it takes to be called SDVOSB. Really fast -- yep, I am into my time, sorry, Jim -- but this is important. This is how we're measuring the success of veteran business outreach centers. Keeping it aligned with statute, they are supposed to serve first transitioning service members and military spouses, folks that are eligible for TAP. That includes Reserve and Guard.

If you think about it, there are only about 60 people who are working at VBOCs around the country, and there are nearly 20,000 going through transition assistance a year. They can't do it alone. They are not reorganized to do it in every state fully. We're very happy that we have resource partners in the SBA district offices to support this work, but they are -- they are in it, heart and soul, and you will see the performance on the next slide, too. This is how Boots to Business is trending. The tallest line is where we are face to face on military installations around the United States and overseas. The lower line is those who are accessing it via online, which is through transition assistance a year. They can't do it alone. They are not reorganized to do it in every state fully. We're very happy that we have resource partners in the SBA.

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I believe that is everything that I have. I turn it back over to you, Chair.

MR. O'FARRELL: So, Barb, just going back to that last slide, which I can -- is there any way to -- can we put that back -- that slide back up for a second?

Do we have any statistics on, if 39 percent of them started a business and are still in business, and those who went on and took a next step and either connected with the -- what was the eight-week follow-on or they connected with a resource partner, 45 percent of those started a business and stayed in business. So we're pleased with what we're seeing. It's only two years, and there are caveats, as you know, with a survey; however, we will get there. We are going to use the program evaluation and other tools to get more administrative data that we can learn, and CRM would be fantastic, but for now, here's where we are.

MS. CARSON: I will bring back -- I don't want to misstate anything, so let me bring back the questions to the committee. I'll send them out in between these two meetings and report on that, but I would remind you that this program just started in 2014, and as the SBA, I really wish I could tell you how long it takes for somebody to think about a business before they act on it. So we don't -- I can't tell you when I should expect to see them.

MR. O'FARRELL: I think we have Cherylynn who would like to make a comment. Come up to the mic, Cherylynn. You have to be...
MS. SAGESTER: To the question that the Chairman had regarding why some of the other percentage did not start businesses, I can provide a little bit of insight on that. We ask that and we follow up, and sometimes we don't even necessarily have to follow up because by the end of the second day, the curriculum for the Boots to Business program is so excellent, and we include the feasibility analysis, which is, is their product, service, or their idea or their concept feasible and is there a market for it? They discover, oh, my gosh, this is not for me, and they will tell us as instructors. They will go, oh, yeah, this is too much work; this is not what I had in mind; or, oh, I can see I'm not ready, you know, maybe I'll be ready in two or three years or whatever. So they give us immediate feedback, and we're happy to share that at any time, but that is a good -- I think that's a sound assumption with why a certain percentage of those that don't go on to start a business, that's why.

MR. O'FARRELL: Thank you, Cherylynn.

MR. FIELDER: First of all, and without a doubt, I want to compliment the team. Jim and Mike and I, we have been, we need metrics, we need metrics, we need metrics beyond how many people attended; we need these kind of metrics. So I know it's hard and it took a while to get these kind of metrics, but compliments to you all in doing that.

What Cherylynn just said, that's one great conversation that we're all aware of, that being an entrepreneur isn't for everyone, and if the program literally gets someone to a place where they realize that and don't make the mistakes of jumping in, then I think there's a merit to that, too. But, again, compliments on the metrics. Keep that up. That just is great.

MR. O'FARRELL: Thanks, Ed.

So we are going to move into the next item on the agenda, which is access to capital. Next up is Bill Manger to discuss access to capital.

MR. MANGER: And thank you, Barb, also.

So I'm Bill Manger, and I am the associate administrator in the Office of Capital Access here at SBA, and I just wanted to go over some of our lending programs.

Our flagship program, the 7(a), which is -- can be used for anything, including working capital, we've seen increases in the volume in our major loan programs for the last four years. You can see the bar chart there on the right depicting the increases. So this year, we are up 8 percent over last year, and that's year-to-date with three months to go until the fiscal year-end, but we are seeing tremendous activity there.

We are actually seeing an even greater increase in the 504 lending program, and the 504, just for you in the room that may not know, this is a program that is specifically for the acquisition of fixed assets, so property, plant, and equipment, anything really that is a fixed asset, and these loans can be, you know, up to $5 million, and they have a component also that encourages job creation because the size of the loan can get larger for each additional job created.

That loan program is up, year to date, 13 percent, and the reason why we think the 504 is increasing to a greater degree this year than previously is that you are getting a fixed rate, and we have a rising interest rate environment.

Janet Yellen keeps saying that we are going to see interest rates go up further later this year, and so you're getting a longer term at a fixed rate. You can get out to 20, 25 years on the 504 program for, again, the acquisition of fixed assets.

And also, we're seeing some businesses that had been putting off the purchase of major equipment now coming in, with the economy doing as well as it is, and making those purchases now and using the 504 loan program to make those acquisitions.

I do just want to mention, before we go to the next slide, that we also have the Community Advantage Program, which is a subset of the 7(a) program. That is for loans that only go up to $250,000. The average size of those loans is $130,000, but, again, for someone that wants a smaller loan, Community Advantage is a great alternative. It is -- the loan is made, actually, by a not-for-profit lending intermediary that operates in the community, and they many times will give technical assistance to the person getting that loan, and it's a very
good program. Just the regular 7(a) program there at the top, again, of the screen, the average size of those loans is actually now $480,000. So it's quite a large loan, being almost a half million dollars. Lastly, we have a Microloan Program that is really for very small loans. Those loans are only up to $50,000, but the average size of our Microloans right now is $13,000. So you can see that that is a great tool for someone that really just needs a very small amount of cash and is a much better option for someone than maxing out several credit cards where you're going to be paying a much higher interest rate. So the Microloan Program, again, is administered through our not-for-profit lending intermediaries, such as CDFIs, that operate on the ground in various communities, and with that program it is required to get technical assistance before you get the loan and then after you get the loan. But that program actually has seen a marked increase in demand since the election, which is quite interesting, and we are seeing a lot of people coming in now for these small loans that, really, that's all they need, and that's a great vehicle for them to be able to access those loans.

It also is a great help in helping an individual build a credit history. Many people, they don't have much of a credit history, but the Microloan Program, if they come in and they get a $10,000 loan, and they repay that on time, that builds a credit history for them, and then in future, they would be able to come back and get a larger loan. So we think that's a great introductory way to get somebody into lending programs and, again, develop a credit history for them that they can use going forward.

We have seen people start with a microloan, you know, graduate to Community Advantage, and then graduate to a regular 7(a) loan, and we're hoping eventually they can just go and get a loan at a bank without any SBA assistance. That's really the ultimate goal. But, again, it's building that up over time. So loans approved to veterans as of March 31st -- I'm sorry, that's the latest data we have -- although it shows that the loans to veterans are a little bit down this year, they are actually only down about 2 percent in actually the number of units, the number of loans made. So the decrease is not as great as it appears. The dollars actually are down a little bit more, but the number of units is only down 2 percent. But as you can see, it's still a great increase over where we were in 2014, in loans specifically to veterans.

So we can go to the next slide, and this is talking a little bit about veteran fee relief. So the program, as maybe many of you know, is operated on a zero subsidy. So our loan programs do not take taxpayer dollars to pay for the losses in the programs that we have. The fees that are generated by those that use the program actually cover the losses, and that has been the case for the last four years, and we're very proud of operating at a zero subsidy because we think this is a great deal for the U.S. taxpayer.

But we do have specific fee relief programs, so loans that are $150,000 or less -- and this is for all 7(a) loans -- there is no fee on that at all. That fee is zero. And then for the SBA Express loans, express loans go up to $350,000, and the guarantee fee on these are also zero. We have some additional -- and it gets a little confusing on this slide, I have to say, I get confused myself a little bit -- but you can read through that, and it shows how there is a veterans' advantage for loans up to half a million dollars depending on the maturity of that loan, and so there is additional fee relief to veterans on loans up to half a million dollars, which actually has been in place since 2014. And I think that's why we've seen some of the spike in loans to veterans, because the fee relief has made it much more approachable to an individual veteran when they come in to get a loan, having the fees reduced.

And then at the bottom of that slide, you'll just see what our regular rates are on loans, up to the $5 million cap, but, yeah, as you can see, you know, that adds up if you have a 3 1/2 percent fee on a $5 million loan, but, again, as I said, that's what makes our lending programs operate at a zero subsidy. And right now, for those of you that are interested, our loss rate is only 2 percent, which is about the lowest rate we have had in a
long time, but that's due also to the economy
doing quite well now.

So, finally, this just last slide shows
you the -- sorry, go back one -- this shows you
actually what the veteran fee relief has meant
in sheer dollar volume. So as I said, it was
introduced late in 2014, so you see some of
those numbers coming into play there, but as you
can see, in 2015 and 2016, the fee relief has
been $15 million both years -- actually, in
excess of $15 million in both years, and that's
when we did see a spike in loans to veterans,
and we're hoping, again -- our loans actually do
have a seasonality to them.

Our busiest quarter is the fourth
quarter of the Federal Government calendar year,
which as you know ends September 30th, so we're
actually going into the fourth quarter for the
Federal Government starting July 1st, and we
usually see an upsurge in lending in that fourth
quarter. So July, August, September are some of
our strongest months, and we think that our
veterans' loans will see an upsurge, as we see
in all our loan programs, in the fourth quarter
coming up here.

So we're hoping, again, that that
number that I showed you from March will turn
around and we will see some of the same numbers
that we've seen the last two years to veterans
and, again, the savings to veterans being in
excess of $15 million.

So that's really all I have to say, but
certainly you can answer any questions, but,
Barb, thank you very much for having me.

MR. AUMENT: Just one quick question.
The fact that you're operating on zero subsidy
would suggest that there is surplus left over.
How is that applied?

MR. MANGER: So there is a small
surplus. I mean, we're not making a lot of
money here, but by statute, we must return any
excess money to the U.S. Treasury. So it is
hoped that the Treasury takes that into account
when they calculate our tax rates.

Yes, ma'am?

MS. ROTH-DOUQUET: Kathy Roth-Douquet.
I just want a clarification on this "Loans
Approved" slide, the percentage of numbers.
That means a little over 5 percent of the
applications were approved?

MS. ROTH-DOUQUET: Yes.
MR. MANGER: Yeah. So this is just
showing you the overall number of loans that
have been approved and then the overall dollar
volume for those loans. So that's not showing
you any loans that have been rejected, if that's
what you're looking for.

MS. ROTH-DOUQUET: Next slide, that
one. So "percentage of number," what does that
mean? Five percent of the overall loans are
from veterans?

MR. MANGER: Yes, that's correct.
MS. ROTH-DOUQUET: Okay, okay.
MR. MANGER: Yes, but it has nothing to
do with those that have been turned down or
anything like that.

MS. ROTH-DOUQUET: Do you know that,
what percentage of loans get approved from
veterans?

MR. MANGER: We would not have that
information because all of our programs, the
capital is made available through banks and
nonbank lenders, and we don't get the
information from them if they turn down
somebody. The only information we're able to
capture is when they have an approval.

MS. ROTH-DOUQUET: Okay, thank you.
MR. MANGER: Another question? I'm
sorry.

MR. LOWDER: A couple of questions.
Lynn Lowder here, and I'm with 1 Vet at a Time,
and thank you, by the way, for probing into this
area. The one major thing that I really would
like to know is exactly what she was driving at.
Can we get quantifiable data -- it's important
to know, of all these veterans who have applied
for these loans, I want to know what the
percentile of turn-down rate is and the reasons
why. This is very, very important to the small
business community and the veterans around it
that want to be in business.

MR. MANGER: Right. Well, then --
MR. LOWDER: It's a major issue why a
lot of them cannot get into business, especially
the junior enlisted personnel, because they
have -- you know, they come into the Marine
Corps, and these are people -- and other
services, I'm a Marine, so that's my background -- but these are the people that do the heavy lifting in combat, and they come in and they serve one term, and they're young typically. They do not have any collateral coming in. They won't have any collateral coming out. Their credit score probably isn't the best coming in, and it's not going to be the best coming out, but these people, of all people, they deserve a shot to have their own business. It's them. So the big challenge is access to capital. I'm keenly interested in that notion, how many of them get turned down and why.

MR. MANGER: Right. So the --
MR. LOWDER: Can you help us get this information?
MR. MANGER: Well, we would have to go to the banks and ask them to start collecting that information, which would be, you know, an additional regulatory burden on them that I don't know that --
MR. LOWDER: Well, but you're the -- you're staying as a guarantor?
MR. MANGER: Yes. We guarantee --
MR. LOWDER: Right.
MR. MANGER: -- bank loans when they are made.
MR. LOWDER: Okay. So I would suggest, because I have a business background, if you guys are standing in the gap as guarantor, you would have every right to say, just tell us why you're turning them down. What's the big reason and what's your turn-down rate? I've been in banks. That's -- that's -- I don't think that would be a hard stretch, frankly, if you just ask them.
MR. MANGER: Right. Well, we can certainly look into that, I mean, but, for example, the soldiers you are talking about, the Microloan Program is a perfect program for that, in that they would go to not a bank but actually a not-for-profit lending intermediary that provides those very small loans that I spoke about, under $50,000, which the average size being $13,000. That would be probably the best place for an individual to go to, and that is actually not a bank that is making those loans. Those loans are being made through our nonprofit lending intermediaries that provide technical assistance before they receive the loan and after they receive the loan, the same is true for our Community Advantage Program that goes up to $250,000, and for someone that you were just -- you know, the individual profile you were just talking about, those would be the places that they would go, and those are actually administered by our not-for-profit lending intermediaries, not the banks. They are the ones that get out these very small-dollar numbers, and it sounds like the individual you were hypothesizing about would be someone that would really go for one of those programs, so actually they wouldn't be going to a conventional bank.
MR. LOWDER: Let me just tell you that that amount of money isn't going to get you there. It's not.
MR. MANGER: I mean --
MR. LOWDER: If you're a young person starting a business, okay, that's a small amount of money.
MR. MANGER: Right.
MR. LOWDER: And I'm telling you that's typically not going to get you there in my experience, running businesses and standing them up, all right?
MR. MANGER: Up to $50,000.
MR. LOWDER: Up to 50 grand, that's my point.
MR. MANGER: All right.
MR. LOWDER: That's not going to get you there.
MR. MANGER: I've got a lot of success stories I can show you for those that got $50,000 or less, but thank you.
MR. FIELDER: The original answer that you gave to his question and to Kathy's question, I'll get back to you. We're going to
put you on the agenda to come back, and having
gone and looked at the regulatory requirements
and what it might look like and how it might
occur, they're absolutely right, you know, and
so much money was loaned to so many vets, and
the average numbers were this, what about the
ones that weren't awarded and why were they not
awarded? That's something the committee has
very vocally said today we're very much
interested in, and we have had this conversation
before.

Kathy, you're not the first one to
bring it up, and the answer is, well, it's
regulatory, they're private banks, we would have
to -- well, I think we're saying now that, well,
that's not a good enough answer. Let's find
out.

MS. CARSON: Can I comment?
MR. FIELDER: You may.
MS. CARSON: And welcome, your first 60
days, there are a few things --
MR. MANGER: Absolutely.
MS. CARSON: -- right, and I appreciate
you coming to be a part of this conversation,
because I can use an ally in getting the data,

but there's something else that keeps us -- that
has nothing to do with the regulatory
environment, and that's that these are voluntary
data points on the form is to check veteran, and
actually, Capital Access had hypothesized,
remember at the last meeting, that we are seeing
a drop in veteran activity because of the form,
which we were all incredulous and said, how can
that be? But if there's no longer -- there is
less fee relief this year than last, and it's a
voluntary thing to do, and you have got to have
a paper to prove it, for what, and we are
concerned also that we don't even know what the
demand is of those who are approved. We don't
know who is truly a veteran in this data.

Last -- yesterday's meeting was the
Interagency Task Force for Veteran Small
Business Development, and the StreetShares
Foundation is a member there. They have a white
paper on the research that they would like us to
do alongside the private sector. It's up to
us -- and I'd appreciate an ally -- in saying
there is aggregated data that we could share, to
learn more about what is the demand for veteran
businesses in lending, what type of sector, what

size of loan do they need.

I do have concerns with approving more
money than someone's ready for because it is --
I mean, we have to look at risk, but there
are -- there is a ladder, and we have many of
the rungs to that ladder. So I know there's
more we can do in a concerted effort. So I am
guaranteeing I'll get back to you. I'll be here
in this seat next time.

Do you have anything to add, Bill?

MR. MANGER: No, just that we are
extremely proud of the lending programs that we
have and for the small business entrepreneurs
that we serve in America.

MR. O'FARRELL: Jim O'Farrell. So if
my math is correct, if 100 citizens of the U --
of this country fill out that form and 20 of
them are veterans, I have -- I don't know what
that number is -- and five of those get
approved, that means 15 of them were
disapproved. We would still like to go back and
find out, of those that did check the box and
checked the word "veteran," we would like to
know why they were turned down, because
otherwise, how can folks like 1 Vet at a Time

and a lot of the other VSOs that are out there
help them get approved if we don't even know
kind of why they were disapproved. Does that
make sense? I see heads nodding around the
table.

So going to then Mr. Fielder's comment,
at the next -- at the September meeting, we
would like to see some initial progress made and
report back to this committee on that 15, that
20, that 25. We would like to see some data
that shows we think that they were disapproved
for the following top three reasons, you know?
We're not asking you to go down to -- you know,
into the weeds. We just want to get that
summary data so we can show progress.

And I'd also -- I have a comment. I'd
ask Mr. -- I'd ask, Lynn, if you would submit --
you can send me an email. I'd like to have a
recommendation from you for how you would fix
the system, okay? You clearly have some strong
views on it. We would like to hear from you.

And then I would ask Mr. Manger, if you
were king for a day, what's not working? I
thank you for your service, and I think you guys
are -- you do a great job, but what isn't
MR. MANGER: You know, honestly, I think I would say that we have a difficulty getting out smaller dollar loans. A lot of banks like to make the big loans. It's easy. Some of them can sell them in the secondary market, and they're quite profitable, but the smaller loans are actually a challenge for banks, especially in rural areas, to get those loans out to small businesses.

So we want to try and figure out how we can encourage more small-dollar loans in parts of the country that we're having a difficult time reaching. We're having a difficult time reaching some minority populations. Even in inner cities, that is another thing that we are looking at to try and figure out how we can improve those numbers in some of the cities across the country.

But those are the areas really where I think we're having difficulty. We're really not having difficulty in the major banks, and I'm meeting with JP Morgan Chase later this morning.

MR. O'FARRELL: So as a followup, one quick comment -- first of all, thank you, that was great right there. That's where the rubber meets the road. Give us your recommendations for change.

And secondly, I would like to ask the SBA if we could have the -- have Navy Federal, have the credit union association -- and I think they have come in the past -- let's have them come in at the September meeting and give us a discussion on what their rate of effectiveness is; how much are they touching business in their business loans. Speaking from personal experience, we had to go elsewhere when we started our business.

And with that, we are going to go ahead and take a five-minute break. We're cutting down on your breaks, so keep it short, and we'll get back at it at 10:15.

MR. O'FARRELL: Okay, this is Jim O'Farrell. We are going to go ahead and restart. We have Ken Dodds. Ken, the good news is, you're still on the agenda. The bad news is, you have about 12 minutes, you have until 10:35.

MR. DODDS: I'm very brief and concise.

MR. GARCIA: Sorry for the continued tech difficulties. We're just -- we disconnected but we will go right back in, okay?

MS. CARSON: There is going to be a little bit of noise. Is that correct?

MR. GARCIA: Correct.

MR. DODDS: All right. Since we last met, SBA has issued their scorecard for FY16, we did that towards the end of May, giving the Government a grade on prime and subcontracting and also, you know, each agency.

Should I wait until the phone's hooked up? Okay, sorry.

MR. GARCIA: Sorry.

MR. DODDS: I would like to have the slides.

MR. O'FARRELL: Okay. We have the audio. Go ahead and proceed, Ken, if you can do it -- do you need the slides up?

MR. DODDS: I would like to have the slides.

MR. O'FARRELL: Okay.

MR. DODDS: Just to give you a visual.

MR. O'FARRELL: That's fine. They're there.

MR. DODDS: All right, good. I am going to go ahead and proceed.

So this is our scorecard. As you can see, the Government got an A in FY16. The highlights are that we met the small business prime contracting goal for the fourth year in a
57
row. We met the SDV goal. We met the
service-disabled, veteran-owned small business
goal with the highest performance yet, ever.

One thing that's interesting to note
here is that in every category, we went down --
from '15 to '16, we had a little bit of a dip in
each category, except for service-disabled,
veteran-owned, so that's good news. We expected
a little built of a dip because, for FY16, we
included overseas contracts for the first time,
and small business historically, while there is
some activity overseas, they certainly don't do
high -- you know, 23 percent and so forth, and
then each category, you know, you would expect
they also will not do as well, you know, if you
include that in the base.

So let's go to the next agency. These
are the -- you know, the -- I brought the DoD
scorecard and the VA scorecard, because those
are probably the agencies you're most interested
in. DoD, they also got an A. They -- you know,
obviously, the closer they get to 23 percent,
the better the Government does, because they
spend over half the money that goes into the
goaling itself. And as you can see, they also
met their SDV goal, 3.3 percent, $8.5 billion,
so that certainly helped -- you know, when they
meet a goal, that helps the Government meet a
goal.

And then if we can go to the VA real
quick, the VA got a B. They missed their small
government goal, but as you can see, they're
happy, because they know, do really well in SDVO, because they did
17 percent, where the goal is -- the statutory
goal is 3 percent, $4.1 billion, and that, of
course, is because of Vet First, you know,
they're supposed to go to veteran and
service-disabled veterans first when they are
doing their procurements.

So if we can go to the next slide,
which is just the methodology of how we come up
with these grades, basically an agency's grade
is made up of -- let's go to the next slide --
and so it's -- right now or for FY16, this is
how it was. It was 80 percent of the grade was
prime contracting, 10 percent was
subcontracting, and then 10 percent was this
review OSDBU peer review of seven success
factors.

Let's go to the next slide. And so of

15 (Pages 57 to 60)
and I see $4.1 billion, is that -- are those numbers also included because they're a small business and is that small business number a separate or is that an aggregate, meaning are the small business numbers also included in the service-disabled small business?

MR. DODDS: Yeah, it's a good question. They're not double-counted, but they're counted -- each category gets its own count. So if you -- so anything that goes to an SDVO, women-owned, HUBZone, or SDV, will count toward small business, because you have to be small to get that. So we don't add them all up and then put them together. So there are some awards to just small businesses that are in that, but it includes all the other ones.

MR. PHIPPS: So this -- I couldn't take these amounts and aggregate them as a total --

MR. DODDS: No.

MR. PHIPPS: -- because it is double-counted.

MR. DODDS: Yeah. I mean, small is -- anybody that says they were small for any government contract, whether it was full and open, set-aside, whatever, that's counted.

Anybody who says they're SDV, full and open, whatever, it's counted. And so that's how we measure against those goals.

So I think I've been -- that's less than 11 minutes, I think. Any other questions?

MR. O'FARRELL: Thanks, Ken. Appreciate it.

MR. DODDS: Okay.

MR. O'FARRELL: Before we go on to the next speaker, we had a comment I heard from Ron Aument that I wanted to make sure we got into the record related to the previous topic.

Ron?

MR. AUMENT: Thank you, Jim. We had heard from the last speaker, which was very, very informative, but I think that there was a general consensus here that we're disappointed that we don't have access to additional metrics, you know, that would give the -- not only, you know, how -- the gross amounts of awards on loans, but how many of them were turned down, and what is the success rate on this, too.

So one of the things that -- and bear with me, because this is a little bit complicated, but we are saying, could we not impose some additional data collection on lenders to try to get to the bottom of this?

And we realize that in this political environment, imposing new regulations, especially in the financial services area, is probably a real -- a pretty heavy lift. It's an uphill battle at the moment.

So one of the things we would like to recommend is that SBA consider a grant to -- that's going outside to a research organization to go do a study that could be less than a census, probably more like a -- you know, a significant sample, to try and gather that information, and that you consider sourcing -- the source of funding for that to be the excess subsidy that is currently being collected to, you know, as a matter of the fees, the fee program, and whether or not that needs to go back to the Treasury as miscellaneous receipts, but could some of that be earmarked to fund a study to try to fill this information gap?

And we recognize that that would probably take coordination, you know, with your -- particularly with your authorizing committees on this, but we do think it would be a worthwhile way of getting some information on a much more expeditious basis, you know, whereas the -- you know, the census approach, imposing regulatory requirements on lenders is probably going to be years in the making. We think that this is an important enough subject to try to get it done on a more timely basis.

MS. CARSON: A rapid response. Thank you for framing what it could look like, and it's absolutely within the role of this committee to recommend future research. It would be helpful to have some collaboration in between these two meetings to narrow down what the research questions might be that you -- and what we would do differently. What would the Government then be informed to do to improve? That would be helpful.

I won't ask you to do all the homework, but I know that even if SBA, were the study authorized, looking at what we can do, some of it, because we are just a guarantor who, with our own forms, couldn't do it without the other agency or the regulatory environment, which is not going to be directed towards SBA. It would be direct to the banks. So being able to unwind
which part is for our action and where we would have to collaborate, that would be helpful, if there's time and appetite of this committee to give us some help there.

MR. AUMENT: I think we'd be happy to do that, Barb. It sounds like a very reasonable request. In the meantime, to help inform that, would it be possible by the next meeting for the SBA just to report back how much excess subsidy has been returned to the Treasury on the last X number of years?

MS. CARSON: I will commit that I will either give you the answer or tell you what roadblocks I encountered in trying to get the answer.

MR. AUMENT: Thank you.

MR. FIELDER: Compliments for not only coming up with a potential solution but for the funding to do that. Too often SBA is directed with unfunded mandates or has desires to do things that we have recommended but not had the handing source to do that. That's a great idea.

MR. O'FARRELL: And, Barb, to your question, I think there's two parts. Let's find out what the -- what the issues are, and then find the resources to address those issues, whether it's training from the existing resources that we have or just tweaking the training from the existing resources that we have. But great idea, Ron.

MR. O'FARRELL: And just to close out that thought, so at the end of the day, if I'm in -- if I'm at the VBOC in Hampton Roads and I have just had a veteran come in to my office and tell me that the loan has been turned down and they have got their -- you know, their head down, and they're completely deflated and defeated, that's not the end state we're looking for, first of all.

And secondly, that veteran has no more information, from what I'm being told, than they had before they were denied. They don't get told what it is that they were denied for. And so that also means that the VBOC can't improve its training to help them pass that -- you know, jump over that bar for the loan. Thanks.

Okay, we are ready to move on now. We next up have Joe Sobota, the advocate for SBA.

MR. SOBOTA: Well, I am not "the advocate" --

MR. O'FARRELL: We're all the advocates.

MR. SOBOTA: -- but I am an advocate, Assistant Chief Counsel for Advocacy, and, thank you; it's a pleasure to be back here again. I recognize many of you, and you've seen me before. As a matter of fact, I presented at the very first meeting of this group more than 15 years ago. So I didn't know I would still be around here this long, but my main purpose here is to make sure all the members have one of these, this new data product right here. I had planned to go through every data cell in here, over 100 pages' worth, but Mark said I couldn't do that, so I've had to abbreviate it a little bit.

But the data that we're presenting in this new product isn't actually new. It -- I presented it for you guys in September of 2015, a preliminary release of this data from the Census Bureau, and then the Census Bureau itself presented before you in 2016.

But one of the troubles we have in getting this data out to the public is that the Census Bureau doesn't publish anything like this. Everything is online, and they are very helpful, very useful, American FactFinder utility, and you can go online and search to your heart's content, but a lot of people feel a little intimidated if they don't know how to use it.

And like most systems, you know, it's a big, big system, and you have to learn how to use it, and a lot of folks just want to look something up, like how many veteran-owned businesses there are in Minnesota or something, so -- instead of learn how to do a whole new system of query.

So we basically from time to time have updated this product. This is an update from the last one five years ago, and it presents the most important data, we think, the data that we get the most questions about, from the Census Bureau's 2012 -- for data year 2012 SBO. That is now the most current available data. This survey is only done once every five years, for data years ending in 2 and 7.

Because the sampling frames are based on IRS business tax filers, there's a significant lag time for this data, and this year, 2017, is going to be the next data year,
but obviously businesses don't file their 2017 tax returns until next year, and a lot of them not until October. So we won't even be able to figure out who to send the survey instruments to until the very end of 2018 and then into 2019. So just -- if everything goes according to plan and there aren't any disruptions in funding or some other administrative problems that we can't foresee right now, we won't have the next edition of this until the very end of 2020 and into 2021. So this is the best data that we have right now.

I'm just going to blast through these slides very quickly, because I know you're short on time. There's just a few of them, and if you have any questions, I'll be happy to try to answer those.

I guess I already mentioned this once. Every five years, the sample size is 1 3/4 million. That's huge. I mean, it gives you a lot of room to really drill down very deeply. Only those people that are filing for a thousand dollars or more, and that includes just about everybody. Veteran-owned firms have 51 percent in the equity, at least 51 percent. I might add that there is about 2 1/2 million veteran-owned firms that were identified in the Census SBO, veteran-owned firms. Those are firms that have this 51 percent equity. There are another 587,000 firms that are equally owned by veterans and nonveterans, and it isn't really clear whether a lot of those might not be a spouse's situation, where one spouse is a veteran, the other isn't. So there are probably over 3 million, but we would like to stick with the formal definition especially because of its use in the world of government contracting.

Next slide, please. Oh, you're already there. Okay, 2 1/2 million, that's about 9 1/2 percent of all firms, and you can see that the employers employed 5 million people with a payroll of 195 billion. The sales were well over a trillion dollars, 1.14. The sales were only 3.4 percent of the total, that doesn't match up with 9.1, but that's because it's not just a veteran thing.

A huge proportion of the sales -- total sales of all businesses are by very large corporations, and that kind of skews that 3.4 percent number there, not -- that they would not be identifiable by veteran or nonveteran status one way or another, so...

Now, this is kind of interesting, and of all of those veteran-owned businesses, 17 1/2 percent of them were employers, but those folks accounted for almost 92 percent of all the sales, and the -- the next slide.

On the flip side of that, more than 2 million were nonemployers, 82 1/2 percent of -- were not employers, but only 8.1 percent.

Next slide. You can see how the firms were distributed. In terms of numbers, the darker colors are the states with the most, and if I could just call to your attention, California and New York, very large states, they figure prominently here.

Next slide. This slide I think is more interesting because this shows you the order by percentage of veteran-owned businesses and controls for the size of the states, and actually, already, the nationwide average is 9.1 percent of all veteran -- of all firms in the U.S. were veteran-owned. That varies a lot from state to state. It ranges from a high of 13.4 percent in South Carolina to about 6 or 6 1/2 percent in California and New York.

You can see those larger states, their size makes it appear that they have more -- well, they do have more in absolute numbers, but I think if you're looking programatically and you want to figure out where do we have the greatest concentrations of veteran-owned businesses, this is more interesting.

Next slide. You can see here that the -- they are well distributed across the various two-digit NAICS codes. If you start at 12:00 and go clockwise, the two largest are professional/technical services and construction, and those two together are about 30 percent of all veteran-owned businesses, and that's very similar to what we had five years ago in the last survey.

But they are in all industries, and generally, veteran-owned businesses are very similar to other businesses except for the profile of their owners in terms of age and gender, and that reflects the underlying population itself. Veteran-owned businesses are -- their owners are much older, and they, of
course, are predominantly male, although that's changing. Females are growing tremendously. Seventy-four percent were age 55 or older, as compared to 41 percent for all owners, and you can see the various ethnic and racial groups there. Every one of those -- this isn't on the slide, but every one of those groups, except for males, white males, grew tremendously from 2002 to -- excuse me, 2007 to 2012, and the women actually quadrupled. The women-owned veteran-owned businesses have had explosive growth.

I mentioned that 17 1/2 percent were employers. Well, amongst employers, an employer owner, 64 -- a little more than 64 percent, their business income was their primary source of income, but for nonemployers, only about a third of those was -- the business income was a primary source, and amongst those nonemployer numbers, there are a lot of very small, part-time businesses, or they may be just -- they may be retired and doing something extra on the side or whatever.

So it makes us more -- to concentrate maybe a little more on employer-owned businesses, and if I had time, I would go tell you about a new census product that is actually addressing that and will be more timely, the annual survey of entrepreneurs, and this is going to be done in cooperation with the Kauffman Foundation and the Minority Business Development Agency is, in part, funding this, and we're actually -- we have the first edition out for 2004 data for employers, and later this summer, the 2015 data will be available. We're very excited about that, but it will be for employers only. It will not be for nonemployers. But the employers are very important. I'll just say this, 92 percent of all the dollars and all the sales, so -- and 17 1/2 percent of the numbers, and that's a lot, you know, pushing half a million.

Next, this is the actual question -- I am almost near the end here -- this is the actual question in the -- military service question in the survey instruments, and we worked long and hard to put that question together, I want to tell you that. I had a series of round tables where the Census participated in this.

We had VSOs, we had other federal agencies, lots of other federal agencies, we had congressional committees, both Veterans Affairs and Small Business. We had CBO, we had the Rand Corporation, we had all kinds of people, but finally worked this out, and the -- the underlying thought -- I explain this a little more in the book -- was that we needed to have more information by people that belonged to the National Guard and Reserves.

In the older question, it was not clear that we were capturing that, and because we have moved now to an operational reserves from strategic reserves, these folks are way, way important, and we want to capture those.

For many program purposes, they're eligible for many of the same things, so that here in SBA, they would be eligible for loans and such, but the technical definition of "veteran" is a very difficult thing if you have ever looked into it.

There's a deceptively simple statutory definition for the purposes of VA programs and benefits, but then there are all kinds of qualifications on what constitutes active-duty service, and pretty soon it gets complicated.

And SBO is not concerned with that. They're just concerned with what you see right there.

Now, the last line, this -- I only have one data table I want to share with you, because I think this is some of the most interesting information in the whole SBO for veterans, and this comes from data that -- from the question I just showed you. Of the respondent owners -- and I should point out, this is what they call a characteristics question, and this is not -- those numbers are not the full universe. Those are the imputed numbers for respondents only, and the respondents were about 60 percent. So if the characteristics of the nonrespondents were the same as the respondents, all of those numbers on the left would be about two-thirds higher than they are. Those are just for the respondents.

But it's much simpler to look at the percentages, and that's easier to understand, not the numbers. And out of all those people that answered the question in the affirmative,
we found those that had active-duty service represented 72 percent, which implies very strongly that there were 28 percent that fell under National Guard or Reserve who didn't have active-duty service, and then all the other ones down there -- this is really interesting information -- 7.3 percent had service-connected disabilities, and the post-9/11 data -- we never had this before, this is brand new -- not quite 5 percent of all the owners were post-9/11.

Those are younger folks, and one of the problems we have when we look at this data and we combine all the ages together, just the huge numbers of older veterans tend to mask what's going on with the younger veterans. So if you really want to learn what's going on with the up-and-coming generation, you have to split that out somehow, and this is -- the 9/11 break point is very interesting.

And then the National Guard or military reserve status, in the survey, in 2012, just that one year, 3.3 percent -- this is information that would have been very useful to DoD when we were at the height of deployments, and when we were working on this, I was on the interagency task force that delved into the questions of the effects of reserve deployment -- and we just didn't have any data like that. We couldn't come up with it. That's one of the reasons we have this question, is we worked to try to generate anew this kind of data.

So the 3.3 percent were members of the Guard or Reserve actually at that time, and even more surprising, almost 1 percent had active-duty service in the year of survey, 0.8, so they were either entering or leaving military service in the survey year, which we absolutely found fascinating.

Okay, last point. This is where you can actually access these things online, and you have a copy, I guess, of this, so that you've got the URL, and there's Census and our own URLs there.

I don't know, did I go too long?

MS. CARSON: No, you're good.

MR. SOBOTA: I made it, okay.

MR. O'FARRELL: Any questions for Joe?

Joe, thank you so much for presenting, especially that factoid there on the post-9/11 veterans. I'd be curious -- I'm assuming you don't have this kind of data, but what did the five years following World War II, following Korea, follow Vietnam look like? You don't --

MR. SOBOTA: There is no --

MR. O'FARRELL: -- no historical -- are they trending below what would be considered normal? Are they -- is this an average number?

MR. SOBOTA: We didn't have any data like this from the prior -- these veterans questions are -- let me add one other thing, and it relates to a question that you brought up, other people brought up, when we were talking about capital access.

If you look on page 56 and following in here, there are a couple charts in there about sources of capital for startup and sources of capital for business expansion for veterans as compared to nonveterans -- or I should say all, not nonveterans -- but everybody and veterans, and there's a whole long list of the sources of capital. You'll see bank financing, credit cards, whatever, and that may help you as you consider this other question.

Interestingly enough, 24 percent reported they needed no capital at all. They started with nothing, so...

MR. O'FARRELL: Bootstrapping is the American way.

Go ahead, Ron.

MR. AUMENT: On this one where you had parsed them out by sort of -- by state but then sort of weighting them, again, showing the heavier concentrations by percentages in different states, do you have any sense, Joe, as to who the buyers of these services are, goods and services?

MR. SOBOTA: If you look, there's actually -- I'm glad you asked. I should -- I spent so much time on this, and I should know everything by heart. There are firm customers here, and if you look -- let's see, types of customers is Table 29 on page 60. I think that will answer your question.

Yeah, one interesting thing about this particular chart is that you -- if you look, the Federal Government -- by the way, for the purposes of this chart, we used the term "major customer," and "major customer" in Census-speak
is one that accounts for at least 10 percent of
sales. So if they accounted for less than 10
percent, they are not a major customer. And
it's arbitrary, it could be some other number,
but that's what they use.

But 3.2 percent of all firms have the
Federal Government as a major customer, and
that's half again more than firms in general.

So veteran-owned firms are outsourced or they
outsized with respect to their participation in
federal procurement. That's also true for state
and local government procurement, and also, you
might look at the relation of those two.

Sales to state and local government are
twice what they are to the Federal Government.

So those businesses that are interested in
selling to the Government should really look
carefully at the options at the state and local
level. We talk a lot about Federal Government
procurement here, but the fact is, twice as many
firms are working with state and local as there
are working with federal.

MR. AUMENT: Thank you.

MS. PEREZ-WILHITE: I just want to say
one with the percentages of veteran-owned
businesses. That's excellent. Thank you.

MR. SOBOTA: That was a favorite on the
Hill. I thought of that when I got asked that
question while I was testifying, and I couldn't
come up with the answer.

MR. FIELDER: Joe, I don't go back 15
years, but I go back 5 1/2, going to six, and
I'm almost completing my second term, and I've
had this briefing almost annually, and I want to
tell you, one of the continuing themes as we
move from chairman to chairman is coming up with
meaningful metrics that tell a story and tell --
that tell a story.

And although the Census data will
always be dated, and we're looking at 2012 data,
this is the first time that I have seen
meaningful data that tells the complete story,
both the women's story, which I think has needed
be told, and what's actually going on state
by state. So I'd like to thank you for your
effort, and to some extent I'd like to think
that we had some part of you hearing from us in
the sense of that, but thank you for your effort
in bringing this data to us today.

MR. SOBOTA: You are very welcome.

Again, I'm hopeful -- I can't speak for
Census -- that we will be able to get them to
appear before you or at least consult with you
as they're finalizing their 2017 product, and
they're working on that now, and this is a major
thing.

I mean, those who have had to work
putting surveys together know how much fun it
is, and, of course, OMB has to approve
everything, and so it's -- but your input is
very important, and the questions that we had in
the 2012 edition were developed with the input
from a lot of people around. They weren't
arbitrary at all.

MR. O'FARRELL: Thank you. I think we
are ready to move on, then, to our next topic.

By the way, we are going to shorten our lunch a
bit so that we give full time to those,
especially those like Cheryl Sagester from the
Hampton Roads VBOC, who's up next and who has
completed his tour.

MS. SAGESTER: Good morning again.

First of all, I would like to start by
thanking Jim O'Farrell, the chairman, for his
invitation to be here. I have found it to be
most inspiring, and I have found it to be very,
very, very informative and helpful for our
VBOCs, and I wish that all of them had a chance
to be here.

So I am very appreciative of the few
minutes that I'm going to get to share with you
the one thing that is very passionate in my
life, and that is what we are doing at the VBOC
to serve our most special population of veterans
and military families with regards to economics
and finance success in their lives, basically.

So we're going to have to skip this
slide here because, unfortunately, we don't have
the software platform available to play. This
was a very, very empowering and exciting video,
but we won't get to play it. Maybe we will get
to play it after lunch. We are still working on
it.

So we will go to the next slide there,
Amy. I can't see that, so I am going to have to
look here. As most of you know -- and I
apologize if you are very familiar with what we
do at the VBOCs. There are also some who
aren't, and so I just addressed it to that
We also assist -- what we do is we assist veteran entrepreneurs and veteran-owned small businesses. We actually hand-hold if we have to to start a business, and when I say hand-hold, I mean from day one, whatever it takes to get them successfully launched, and then to nurture them and incubate them and grow them just like we would a little chick, okay? Seriously.

So the genre of the services that we offer are very, very, very immense and diverse, and we will get -- I will tell more about that a little bit later, but our goal is to, of course, incubate and start and grow them, and then we also -- what's so wonderful is that we stay connected with that client for as long as they want to be involved with the VBOC.

So once they got launched, one of the best selling points we have for them to stay with us is we help promote and market their business, events that they have. Whatever it is that they want to get the word out, we use our center, our social media platform is quite extensive and very active, and we have VA work-study students that manage that, and we promote them at all of our events.

We go to their grand openings. We promote the grand openings. We -- so there's a lot of value that they get even once they launch, okay, as incentive to stay a client. And, of course, all our services are free of charge. Thank you to every American who's paying taxes. This is probably one of the best expenditures I know of as a taxpayer.

And we tell our veterans that they have earned this benefit twice, not only with paying their taxes but, most importantly, with their service and commitment to our country. As far as the demographic, the region, we are the OVBD's Region III VBOC, which, again, we cover multiple states. We are responsible for most of Virginia, excluding Northern Virginia, which the Springfield VBOC has, but we have the rest of the state, and we have West Virginia, Pennsylvania, and Delaware.

So now let's move on to what we basically do. As Barb was saying earlier, our number one requirement is military transition and Boots to Business. That's our best and most wonderful vehicle, and it has now successfully

1 audience.

The SBA, in particular the Office of Veterans Business Development, funds our program, and currently it is -- this grant that we have with OVBD is held and managed at Old Dominion University Research Foundation. That's the university's nonprofit arm that manages all grants for the university.

Speaking of, I have brought a brochure for the Center for Enterprise Innovation, which the VBOC falls under for the university, and so if you want to pick up one out back, on the back table, it will explain to you the various five programs that we have all under one roof, just like Springfield, PTAC, Veterans Business Center, so on and so forth. And then we also have our Innovation Center that we partnered with the City of Norfolk, and now we have one under way with the City of Portsmouth. So that's located in the back.

Also, I brought some of our VBOC brochures just specifically for our center, so if you would like to pick up one of those, please feel free to as well in the back. And then I have also brought some business cards for each of you, and they will be back there as well.

Okay. So we are very grateful for the SB -- I'm sorry, we are very grateful for the OVBD, not only for the funding but for the incredible support we receive from their office, and in particular, Ms. Barbara Carson and Ray Milano, our national director.

We are one of 20 VBOCs across the country, okay, and that includes Hawaii and Puerto Rico currently. When I came on board, that was about a little over four years ago, I'm into my fifth year now as the director of the program at ODU, and we have -- I'm excited to say we have grown. We had 14 when I came on board. Now we're up to 20. I'd love to see more, but, you know, Rome wasn't built in a day. That's why we need your support so that we can expand.

We provide our services to active-duty military, National Guard, reservists, military spouses, and all of their dependents. So it's military families who are also eligible for our program, which is incredible. That's really great and wonderful.
been branded as the entrepreneurial vehicle to help you get started. So Boots to Business is tremendous for us. We have grown and grown and grown each year with the number of workshops that we deliver for Boots to Business. This year, we currently are scheduled for 63, and I've just informed Mark Williams, I'm adding three more Reboots, so I'll probably get to 66. And these three Reboots will be in some of the remote sections of our region, especially in Virginia, that are just not being covered as well with resources, and we want to make sure they are not left behind.

So this is what happens. It started very early on. When we began the Boots to Business program, we would deliver the program on an installation, of course, for those transitioning out, and this was before we had the Reboot, but even now, all these four years, and including the Reboots, the first thing they say at the end of the two-day workshop is, okay, what's next? Okay, what am I going to do now? I've decided, yeah, I'm going to be a business owner. This is what I want to do. This is the only thing I want to do. I'm ready to get started. I want to get started especially and get launched before I discharge. Okay, we get them -- we try to get them as early as we can. We work with the military, especially with the Navy, since in Hampton Roads that's our largest customer, to allow us to start as early as we can so we can help them, and then they are actually, from the day they discharge, they are in business and they're successful and they're making money and they can help support their families. That's our ideal, okay?

So we started -- when they say, okay, what's next, my staff and I said, look, let's have a business plan boot camp. Let's bring them in here, tell them we're going to roll our sleeves up with them, they are going to roll their sleeves up, and we are going to help them get started on how to develop their business plan. We provide them with the electronic copy of a business plan template specifically developed for entrepreneur startups. It was developed by Harvard Business School and by SCORE, and it's tremendous. And it's really great, too, because a lot of the lenders -- it's been out there a while, and the lenders recognize the format, so when they see that, they see automatically you're credible, you're working with someone or you know something that's on point.

And then the other thing we provide them with is an e-copy of their initial funding plan, meaning that that first 12-month funding plan with regards to each quarter, you know, this is where I'm starting, and each quarter -- and by the end of that first year, where am I going to be, you know? So we provide them with that, and it's an all-day, from 8:30 to 3:30, and I'm telling you, again, it's very intense. There's a lot of information.

We also have a module on market analysis so they can do their research. They don't know how to do that. They don't even know where to go. We provide them with the SBA Resource Booklet. They have all the resources in there. They also have other resources that the university offers, and so on and so forth. So by the end of the day, they feel like, oh, my gosh, this is -- this is unbelievable. I am so excited. I'm going home and I'm doing my research, and they're all fired up.

And, of course, we have my staffmember, Joey Pocan, who is a medically retired Army special operations ranger, who is very, very, very entertaining, and he is often -- you know,
he's an OEF -- OIF vet, so some of them can
really relate to him, those that are younger --
he's a baby compared to my staff member and
I. He's 40, so he's a baby. And so they -- you
know, they see that he's been successful. He's
a serial entrepreneur, he owns three companies,
and he works for us full-time. So they're all
inspired. They're ready to go.

So the business plan boot camp -- sorry
to spend the time on it, but that's one of our
best practices. It has really proven to work,
and it -- we have shared that with all of our
VBOCs. That's one of the good things about our
annual conference. It's so great. Barb and Ray
bring us all together, and we all share all
these good ideas and great ideas and what's
working and what's not working. This is one of
the things that has really consistently, over
time, worked for us.

The next thing is we assist them, you
know, as with other different types of training,
okay? They receive -- we have SMEs come in --
and by the way, all of them volunteer their
time. We don't pay one dime to any contractor
and no SME, and that's, again, been a -- proved
to be a best practice to us, so we can take our
precious funding dollars and spend them
elsewhere, which is usually on resource
materials, books actually for our clients, and
so on and so forth.

So we'll have, you know, a beginner
introduction to Quickbooks, advanced training --
intermediate and advanced training for
Quickbooks. We also have vetted local small
business attorneys in the area that are also --
some of them are veteran entrepreneurs, but they
are attorneys, and they offer their time. They
come in and they give an hour and a half to two
hours. We call that our legal issues seminar,
so that our clients and prospective clients can
come in and get any legal questions they have
answered, such as, like, you know, joint
ventures, contracts, stuff like that, and they
get that type of consulting and they don't have
to pay for it.

So there's all different kinds of
business trainings we do. Of course, government
contracting, you know, and so on and so forth.
So those are the other business and contracting
training we offer.

We also work with all of our SBA
resource partners, including the PTAC, Women's
Business Center, SCORE, SBDCs, and we also -- we
also have invested in spending time and effort
with the economic development agencies in all of
the cities, because after all, these cities have
a vested interest in small business development
and new small businesses in their cities.

So we have even had them donate free
space. We have had them provide grant
opportunities to our clients. We have had
them -- also incentivised them for possible
updates that were energy-related and so on and
so forth. So it's been a great partnership,
that all of the cities offer us free space, so
that if we want to meet with clients or if we
want to have an event, we don't have to pay for
our space there. It's just been a great
relationship. And, again, I think that's
another best practice that's proved to work
really well.

Then also the cities can have dollars
that they can earmark for veterans and they can
provide that to VBOCs as a small grant or
whatever, which we are working on, by the way.

And then -- let's see, I just want to check my
notes here to make sure I'm not forgetting
anything that I wanted to say.

Oh, yes, I wanted to say one of the
best resource partners that -- is a segment of
the population is we have built really good
relationships and vetted small business lenders,
small business CPAs, small business insurance
providers, and so on and so forth. But with
respect to the discussion that we had with
lenders and that gap, I just would like to use
this as an opportunity to say that we have --
with the lenders that we have worked with, and a
lot of them are small community banks, we've
built relationships with them that I can pick
the phone up, and I can call a number of them
and say, you know, Clint, this is Cheryl Lynn with
the VBOC. I've got a client who is
lender-ready. I call it lender-ready, and that
means they have -- their business plan is
spot-on. Every T is crossed, every I is dotted,
and they know that that lender -- I mean, that
that client is a very viable possible client for
them, and that's what they want. So I say, can
you fit them in your schedule? Absolutely.
I've never gotten a no.
And then sometimes I have even had my clients develop a five- to six-page slide presentation on their business. They put it -- and then they -- what we do is I help set the appointments. We will set a minimum of three so they can shop, and then I go with them. They do the presentation. They feel comfortable with me there.

They get to tell the business -- they get to answer all the questions from the lender. Then if the lender has any questions for me, I'm there, available. Mostly it's for moral support. This works really, really well.

That's why I talked about the hand-holding. We can do that if we have to, but, of course, we can't do it with all of them because we have so many.

Individual business counseling, coaching, and mentoring, and so as we were saying, our number one requirement is military transition, the Boots to Business. Number two is outreach and other trainings that we're doing. And then number three is business counseling, coaching, mentoring, again, hand-holding, whatever it takes.

Next slide. Currently -- I pulled these a couple days ago when I was putting this together. We currently have in our e-database 1766 what we call current or active clients. Now, there's only three of us, and I am going to get to our staff here in a minute.

So triaging and prioritizing is an inevitable must, and when I -- I just want to touch on triaging, because when the OVBD changed our requirements last year, this counseling and mentoring was number one, Boots to Business was number two, transition, and then three was other outreach and events and trainings.

When they did that, I knew immediately our particular VBOC was going to be definitely impacted, and I would have to change the business model. We did so much business counseling and hand-holding, and there was only a small staff of three. So we had to triage. That's the only way.

And I felt that those -- we had to find out those that are not ready to start a business in the next 18 to 24 months, and we had to develop a way to segment them and help refer them to employment while we were working with them on the side to get them started, and find that sweet spot. Those that are ready and have done their homework, they are positioned to start and launch a business within the next 18 to 24 months, that's what we looked for in that 1766.

These metrics are just collected from the last four years that I've run the program. So counseling sessions, we have had 2907; we have successfully launched 212 small businesses with -- that have generated revenue of around a little over $20 million. And we have created 159 small businesses to date and held over 191 training workshops.

Next slide. So as I was saying, our veteran business outreach center is only one of five programs that are at the Old Dominion University Center for Enterprise Innovation, and, again, that touches on, you know, is it great to have all these resources in one place or is it better to have them spread out?

Of course, per the Navy -- and they are biased -- they love that we have them all, all of the major ones under one roof. That makes it convenient for their sailors, and we're only 5.2 miles straight down Hampton Boulevard from the base, so they love that. So they are biased, of course.

My -- this comes to, like, a suggestion I would have. Again, it always comes back to funding and capital. If there was enough funding that we could spread some of these out to regional, you know, distressed areas, it would be amazing. So we try to be that voice as best as we can, and then we're always constantly inter-referring business, you know, with our business partners.

Next slide. This is our website. This is our staff. Of course, myself, I've been in the workplace 42 years -- I can't believe I'm saying that -- and I am a Vietnam era veteran of both the Navy and the Army. I reserved my entire adult life either directly or indirectly. As Barb and Ray will probably tell you, I am very passionate about what we do and our veterans, so if you don't really want to know about that, don't talk to me, because it always comes back to that.

So we have a fabulous center. We love
what we do. Don Miller is 22 years Navy. I say
he's a salty Navy senior chief, retired. He is
also a small business owner. He has owned his
own IT consulting and app development company
for the last -- this is his 11th year. He
turned it over to his wife so he could work
full-time for the VBOC. So he said she was
smarter than him. She has her degree in
ing engineering, and she has an MBA, and she's
amazing. So he turned it over to her. So they
are 51 percent women disadvantaged now, and he
loves the VBOC. He lives to be there.
So we also have Joey Pocan, as I
mentioned earlier. Joey is our Boots to
Business coordinator and our business counselor
as well. So he splits his time. As I said,
he's a serial entrepreneur, Army Special
Operations ranger, medically retired, and he is
quite a character, as those who know him will
tell you. But he is very innovative, he's very
creative, and we pool ourselves, all of our
different backgrounds. We are a
multigenerational office, we're in the
workforce, and so we pooled all of those
experiences and created this and put all that
together, and it works really well.
We also have currently two VA
work-study students, which really help us a
great deal, because I don't have it in my budget
to pay for administrative support or social
media support or anything, website support,
anything like that. So those students are
amazing.
They are veterans, going to school on
their GI bills at the university, and the VA
pays their hourly wage of $10 an hour, and I
have got two really dedicated ones right now.
And we interviewed another one yesterday --
since I wasn't there, I don't know how it
went -- but we also had a young lady who will be
joining us as well.
So that is pretty much what we are, what
we do, some of our best practices. And then you
will notice, if you pick up one of the booklets
that I put together in the back, the very last
page, I took it upon myself, since I had -- we
had the visit from Jim, he encouraged us to tell
the board -- I mean, you know, to tell the
advisory committee what challenges, you know, we
have.
I've shared with you what's working,
and now I'm sharing with you, on that last
page -- and I won't go into the -- it's there
for you to read, but I will point out mostly it
all -- our biggest challenge revolves around
lack of human capital, lack of enough funding to
bring on another business counselor and
administrative support that's so desperately
needed.

We are our worst enemy because we're so
busy we don't have time to get our success
stories out, and we need that very, very much.
We need it so badly, and our clients need it,
and they deserve it. So there's all -- so
basically it just comes down to, you know,
please go to the Hill, do whatever you can, see
if you can get more funding for the VBOCs. We
need it. Our clients need it.
This program is really, really greatly
depended on, especially if you're attached to a
university like I am, because they won't let me
go out and raise corporate funding, which I'm
really good at and I could do it, but they won't
allow me to because they see that as competition
for funding for the university. So I'm not
allowed to do that. So that's why I am
dependent on more support from the VA than -- I
mean, from the SBA than we would normally have
to.
Yes, ma'am?
MS. ROTH-DOUQUET: Thanks, and
congratulations for your great success. Kathy
Roth-Douquet with Blue Star Families. I have a
couple questions for you.
MS. SAGESTER: Sure. I hope I can
answer them.
MS. ROTH-DOUQUET: Yeah. One is just
don dependents. Do you know how many spouses
you've helped in your program?
MS. SAGESTER: Oh, yes. We have
metrics. I can get that for you.
MS. ROTH-DOUQUET: That would be great.
MS. SAGESTER: Also dependents as well.
MS. ROTH-DOUQUET: Um-hum.
MS. SAGESTER: Our e-system, the OCR
allows us to filter the information out, and
that's so great because, like right now, we're
preparing to have a Women and Military Spouse
Small Business Training Summit, and so, of
course, that allows us to target all of those
Military spouses and female dependents.

MS. ROTH-DOUQUET: Great. We would like to work with you on that. We have thousands of people in our network in your area, so --

MS. SAGESTER: Wonderful. I would love to have your help. I'll take anyone's help, believe me.

MS. ROTH-DOUQUET: Related to that, we have been looking at a lot of pay-for-success opportunities, and it seems like you might be a real good candidate for that. You've generated over 20 million in revenue. How much has it cost you to generate that much revenue?

MS. SAGESTER: It's cost me what the SBA has provided to me as funding.

MS. ROTH-DOUQUET: Which is?

MS. SAGESTER: Can I tell? Okay. We -- since our center is one of the busiest centers, we get the maximum allowable, which is $350,000 a year, but the university takes $76,000 off the top, and that leaves me very little to operate and to pay salaries, benefits for the three of us, and have any money left over for training and stuff like that.

MS. SAGESTER: It's cost me what the SBA has provided to me as funding.

MS. ROTH-DOUQUET: So just to be clear, in about the four years -- you have been operating for four years, you have -- with about a million dollars of investment, you have generated $20 million --

MS. SAGESTER: Yes. It's a little less than that because the first two years we only got 250.

MS. ROTH-DOUQUET: Okay. Is it possible to get social impact bond funding to expand, because this is -- seems like it's got a very good business case.

MS. SAGESTER: That would be very -- that would be, like, a godsend for us. Anything that we can get, we're very happy to be able to do it, because that's what keeps me awake at night, is the fact that we've reached our maximum human capacity for our office, like, two years ago, so that's what keeps me awake at night, is, like, oh, my gosh, what about that veteran that's out -- because, see, I've started, launched, and grown two successful businesses, and I know what it takes, and so has my staff.

So that's what keeps me awake, and it's like, okay, what about the veterans out there?

If they just had a little bit of help that we could give them, what could they do, you know? And that just drives me and drives me. So anything that you can do to help, any of you, that would be amazing.

MR. O'FARRELL: So, Kathy, a fantastic question, and, I mean, that ROI, 20 to 1, if you could do -- as I asked Lynn earlier to send an email, could you send me an email that puts those numbers down on paper, so to speak, electronic paper? Send us that data, and we would like to try and incorporate it into our recommendations.

MR. AUMENT: Cherylynn?

MS. SAGESTER: Yes?

MR. AUMENT: One quick question. The $20 million, you have in paren behind that "self-reported" --

MS. SAGESTER: I'm sorry, I couldn't hear you.

MR. AUMENT: The $20 million of revenue, you had in paren there, "self-reported."

MS. SAGESTER: Um-hum.

MR. AUMENT: Do I interpret that correctly to say that that's an incomplete number, that the number could be substantially higher than that?

MS. SAGESTER: I am so glad you asked that, Ron, because I was trying to remember everything I wanted to get out to the committee really fast, because I know Barb and Jim are cracking the whip, but, yes, I would say -- see, all of our metrics are -- they are self -- I mean, we depend on them to report, and every quarter we're out there begging. We send out surveys that they never answer. So we have to end up calling them. We will email them, they won't get back to me, and I have to call them.

And, you know, I had one the other day who's a huge success, and I can -- she's been a client since day one. She is a retired Navy captain, has been very, very successful, but she just refused. She said, Cherylynn, I am not going to give you that information. I said -- you know, I explained that we don't report that to the IRS, we don't even list your name and your company, we don't list you, that all we list is our metrics, and we just lump them all together.
together into one big sum. And she said, nope, not giving it, and they won't answer.

So I would say, of the figures in here, that $20 million is probably only about 20 percent, max, as to the difference we've made. So that number is very -- not -- it's a very, very low estimate.

MR. AUMENT: Cherylynn, do you have a number, the percentage of your clients that are doing government contracting, federal, state, or otherwise?

MS. SAGESTER: I would say we don't -- we can pull that out. We can extract it, and I'm happy to do that, too, if you send me an email, but I would say if I were to -- a statement that would be, you know, honest right now, very few of our clients want to be government contractors. They have had enough of uncle Sam, and they just want to be left alone from government to do their own thing in their new life.

Now, with that said, some of them don't -- they're really not entering -- they're entering a Main Street business, and it's not really applicable to government contracting, and

they want it that way. And then also, too, that being said, some of them, now that we've been -- that my team and I have been there for four years, we're finding clients that we suggested, well, one day, you might want to think about doing contracting, and it doesn't have to be with Uncle Sam. It could be local, with the city or with the government, because you have a product or a service that that market could use. So if you ever decide you want to, please get -- you know, let us know.

Well, they're coming back now, and so some of them are coming back and saying, hey, you know, remember me from, like, four years ago? Well, I'm now this and I've got -- I have one now I helped, he has got four locations now, two in Colorado and two in Norfolk, in Virginia Beach. So it's like, okay, now they get it. They have been away from government long enough, and they're -- and so they're entertaining it. So that's how we encourage them, if we see they have the potential, you know, but I could give you the numbers.

MR. O'FARRELL: -- and with PTSD, and he's a character, and, you know, a lot of veterans appreciate characters, as you well know, being a veteran. So I think his ability to get right to the heart of the matter, from what I could tell when he's sitting with a veteran, and being able to, you know, go through that business plan, and it seemed like -- and give some really harsh criticism and feedback in a nice way, was also part of his --

MR. O'FARRELL: Right, so the whole nurturing thing really does play out.

That was one. Then if you had told me that there were more federal contractors in your -- in the mix, obviously systems like FPDS, Federal Procurement Database, you could go to, and if that Navy captain says I'm not going to give you, you know, it's probably available information, and all it's doing is building your case for that ROI number that Kathy was bringing up before.

MS. SAGESTER: But, see, she's not doing government contracting.

MR. O'FARRELL: Right, right, exactly.

Well, I want to thank you so much for coming. I just want to close by saying I drove down to the VBOC, had honestly never set foot in a VBOC before -- they weren't in existence in 1994 when I got out of the Navy -- and your -- just your setup there is the people. Your greatest asset, from what I could tell, is the people.

MS. SAGESTER: Thank you.

MR. O'FARRELL: People like Joey, who is a -- you know, a former Army ranger, OIF, OEF guy, and as you described him --

MS. SAGESTER: PTSD and TBI.
because there are some -- you know, some really valuable recommendations in there.

And I also want to say that when I asked you for somebody from your neck of the woods that could come up and speak to us and give us the veteran business owner's perspective, you didn't hesitate for a second. You said there's somebody that I'd really like you to hear from, and that's our next speaker, and her name is Arizone Brown, and we are going to give Arizone the full 45 minutes that we had promised her because we didn't travel. It took me about -- you know, because of D.C. traffic, an hour and a half to go 30 miles, but she came a lot longer, and you both did, and so we want to respect that and give you the full time.

MS. SAGESTER: Well, thank you so much.

I appreciate you listening, and, of course, anything that you can do to support the OVBD and our VBOCs, we're very grateful. Have a good day.

MS. ROTH-DOUQUET: And I have to apologize, I have a briefing I have to give at the Pentagon, so I need to be leaving. Thank you.

MR. O'FARRELL: Thanks, Kathy, for being here.

Would the person on the phone please mute if you're not talking to us? We couldn't tell.

MS. BROWN: All right, thank you.

Hello, everyone. My name is Arizone Brown, Arizone Hollins Brown, and I am so glad to be here today, and I thank you so much for having me.

I am the president and CEO for ASJ IT Services, and first of all, I'd like to say thank you to Jim for your invite, and thank you to your staff and their warm hospitality. I mean, you just made me feel right at home, you know, when we walked in downstairs and met this morning. I met Cheryl, and I also met Barb, of course, and it was just a great feeling. I just thank you for your opening arms to me.

I'd like to say that I am one of Cherylynn's little chicks, as she mentioned in her presentation. ASJ, we love our VBOC. They're always going above and beyond, and they have a really big heart. I mean, they are just really sincere people, and I really appreciate them. I just wanted to say that from the beginning. I consider myself really blessed to have come across their path when we were starting up ASJ.

My agenda here today -- and, Jim, I took from your email and basically said these are the highlights that I need to make sure I cover. And so I came up with the agenda there, and if you could go to the next slide.

So I will talk about my background and my partners' background, our company overview, the resources that we've used, and also recommendations as well.

So the next slide shows our founders here. Of course, ASJ was founded by three really good friends, and we -- I started -- well, back in the military, was actually back before I even came into the military, I always wanted to have my own company when I was growing up in Mississippi. I came from Mississippi, went to school there, went to Mississippi Valley State, and my home town, it's a little place called Lula, Mississippi. It is blues territory, so you have a lot of blues markers there, if you all know about the rhythm and blues.

So it's where we say Highway 82 -- which I heard somebody talk about Mississippi State earlier -- Highway 82 and Highway 61 intersects, that's Lula, Mississippi. So that's where I was born and raised, and I went to school at Mississippi Valley State University, got into ROTC there, and came into the Air Force out of ROTC, and 25 1/2 years later, I retired at Warner-Robins, Georgia.

And, of course, you know, the big thing for us in the Air Force, in getting ready to retire in officership, is trying to get into Mother Lockheed. And so -- and at that time, Mother Lockheed didn't have any aircraft maintenance officers or logistics officers that they needed at Warner-Robins, people with that kind of background, but they did have information technology.

And so at that time, in 2004, I officially retired and -- I started actually working with Lockheed in 2003, I was still on terminal leave -- and at that time, I hired my first -- my founder, James Jackson. He was the first contractor that I hired. So we started
our relationship, our business relationship back in 2003. And as the years went on and I was doing IT for Lockheed, I won a -- part of a capture team that won a Hughes contract at Norfolk Naval, and it was $149 million contract, that I became part of that program management team. And so John Steele -- this was in 2007, 2008 -- John Steele, who's also my vice president there and founder, he was the first contractor to be hired at the new place in Norfolk.

So at that time I had to transition up to Norfolk. I was out in Warner-Robins, Georgia, and I started working for Lockheed there, and we kept our relationship going. They all worked for me at some point, or either -- like for John, in one case I worked for him for a little while. So you never know who you are going to work for or who's going to work for you. So we have a real strong bond. And they were sitting out at -- networking, and they said, well, you know, we can start our own business, and we want you to be the lead. And so -- because we want to go after government contracts. And I said, great, fantastic, I always wanted to have my own company. And so that's where we started. I said, you know, the first thing of course -- this was even before we got our license. I said we have got to get into some courses and get me updated here on this and that, you know, and so we had -- because at that time, sequestration was happening a lot, and our contract was not restarting with Lockheed.

So we would have to go and find another -- and I had another short-term contract in between this time, and we just decided -- I decided to go ahead and do it full, start up this company, but I needed to get some credibility and get some updates as to what's really happening out there now with, you know, companies.

That's where I met -- John had heard -- John Steele had heard about the Launch Hampton Roads Program, and the Launch Hampton Roads Program led me to the business -- I mean, the veterans business operations center there at ODU. So that's how we evolved to where we are right now.

So the next slide there shows that we are -- we did get started in April of 2014. We are headquartered in Chesapeake, and, of course, just this year, in January, at the end of January, we were approved to be certified in the 8(a) program in the Small Business Administration, and we -- and for the last two years -- actually in 2015 is when I got the service-disabled veteran approval, the first part of 2015, and, of course, I am in the SWaMs and also Microbusiness, and you see the women-owned certs there.

I completed and now I'm part of the Veteran Institute of Procurement, and I'm glad to be associated with that organization. I completed that course in December of 2016.

Our services is mainly in three areas. The next three slides actually show our services there. It's IT services, cybersecurity, and management services. And as you can see here, the IT services there, the cybersecurity services there, and the management services is where we currently have the majority of our work. We have had some tasks, some contracts on the IT side and the cyber side, but they have been temporary, short term, you know, getting in, getting out, working with some other community partners, and things like that.

So the next slide there shows our North American code there, and I highlighted the yellow one there because that's where we -- 541519, that's where we were approved through the Small Business Administration as our primary code for services.

We were -- like I said, from the beginning, we were inspired. Then this is designed to show you how we really started working with the VBOC, and so we were inspired by the Launch Hampton Roads Program, where they -- the classes, the seminars, all the visits out to other companies and things like that really prepared us and helped us out tremendously.

And the Center for Enterprise Innovation that they are all a part of at ODU have, of course, other partners there, like the women-owned -- the Women's Business Center as well, but the veterans business operations center is where I resonated mostly, and it's mainly because of the people that's there.
When I met and I sat in on one of Cherylyn's seminars, it was -- you know, the things that she was -- how passionate she was for veterans and how passionate and how she really, really promoted her father, and the things that she said about her father and being a Marine, and the impact that he had on her in coming in and doing her military service and everything. I mean, she just really inspired me.

And I met Don Miller, and, of course, we hit it off right off the bat. So it was a great relationship. Right from the beginning, you just felt that they had a heart and that they really wanted to help you, that it wasn't about just numbers or just saying something, because a lot of people just say something, and they don't really mean -- they don't have no substance to it. Well, I'm here to tell you that they have a lot of substance.

So what I have learned from them, the benefits that has helped us as a company, has helped us to get onto our first IDIQ contract from the SeaPort-e contract. A lot of people were saying, you know, you're just a startup company. You don't have any kind of past performance. You don't have this and that.

And Don Miller, he said, well, you have corporate performance. That's what you call corporate performance. And here is a contract, here's the -- you know, so his mentoring on that, he says -- you know, his -- the templates that they gave us and things like that. You fill these things out, and you are going to do this and -- it was just -- it helped out tremendously.

And then they just -- the proof of it, when we actually submitted the package and we won, so that was -- you know, we got a task order on that same contract, on that same IDIQ, we got a task order of $6.5 million, for four years, with the option years included, obviously, so that was just -- and one of our competitors, who is also now a really good partner of ours, they were the first people that we went to to do our pitch in 2014. So when we came out on the SeaPort-e contract, because they knew we didn't have anything, and they were -- they were sympathetic to us; however, at the same time, they knew that we don't have any past performance, and they couldn't do too much for us. So a year later now, we get onto the SeaPort-e contract, and a few months after we get on it, because we are putting in proposals, then we win a really nice task order. And this individual, he called me, and he said, you know, I almost fell out of my chair. He's, like, you all been in business a year and you already got this, you know, much revenue coming in.

Anyway, that was all because -- traced back to the VBOC and all that great training and the things that we took from that, from that experience, and from just continuing, you know, to work with them.

MR. O'FARRELL: If I could just interject, for those who don't know -- and I know several of the committee members do work in the Federal Government -- there are literally over 10,000, I think, or -- okay, maybe 5000 SeaPort-e holders, right?

MS. BROWN: Oh, yes, yes.

MR. O'FARRELL: And it's a hunting license.

MS. BROWN: Yes, yes.
I let my staff go, because they're the ones who are actually working it. And we were -- you know, the people that they bring in, there's just long-term relationships. The individual that's doing our Quickbooks was because we were introduced to them from the VBOC, and when you are introduced by -- you know, when Don and Cherylynn, if they are telling you that this person -- that they have got a person in their classroom that's doing this, that person is a really good person. So those are the people that we target.

Our lawyer, that's how we found our lawyer, you know, we found our CPA from that group, from networking there and everything. So it's just been -- you know, their access is just tremendous, their impact, and, you know, using it and just following through it. That's exactly what we did. So this next slide here shows the contracts that we have been awarded, and like I said, all this goes back to everything that I have been learning back from day one and giving ourselves the credibility for going through the program and just being associated with the ODU, you know, VBOC program.

And we are also a team member -- that IDIQ, the last one there, is -- we don't have -- currently, we don't have any work on that. It is an IDIQ with what used to be Lockheed Martin, and then they turned into Leidos, and we haven't won a task order with them yet, but, you know, we keep plugging away. We keep putting that wood into that furnace, you know, to try to get some sparks out of there. So we just keep putting in our proposals. And right now, you know, with that work, we are 17 employees total as a company right now, 17 FTEs overall. The recognition that ASJ has received over the years since we have been in business, we have been spotlighted a couple times from the VBOC and Cherylynn's group. We were selected by her team to participate in a Transition to Veterans Program Office film, and that was of success stories, companies with success stories, and so we were really glad to be a part of that. The business spotlight recognition from ODU and the letter of recognition from the Virginia Senator Warner's office, and that actually came through the -- in association and integrating with the women's business group as well. So they recognized us, and we were also featured in the Virginia Business Magazine.

So what's working for us and -- okay, thank you, thank you -- what's working for us is -- the next slide, this is talking about building relationships and the mentoring, encouraging a culture of teaming, networking, the coaching that they do. You know, the business -- the Veterans Business Center really is doing a great job with this, and we just continue to work with them and their coaching department especially. So they have been tremendous for us.

Our challenges, I look at this from the perspective of, okay, in 2014, we were brand new to it, even though we still, you know, are a really small, really young company, and where we are going. The financial support continues to be something that you all should just keep on focusing on. You know, I really encourage and I really loved what I heard here today about that and advocating it and everything, because we can have as many programs as we want, but if you don't get to qualify -- and a lot of times it has to start before they get introduced to the program to qualify -- and for them to really understand how important it is, what do you have to do to qualify.

Having that knowledge, you know, is something that you just have to continue to preach, because how he was saying, the gentleman earlier, about the younger veterans. So I'd just encourage you to -- because a lot of them come from places where they didn't have how you become creditworthy, they haven't had that training.

So, you know, what you all can do with teaching them that would be a tremendous, tremendous thing, so -- because a lot of the banks are going to look at risk, and that's what they look at, banks look at risk, and a lot of times people don't think about that they are a risk, but that's what it kind of boils down to. And so the qualifying is great information to know and it's great that they are -- you know, that we have these programs, it really is, the lending. And at the same time, for brand new companies, like we were, and -- but we went to an alternative funding in helping...
people or the more senior, I should say, you
know, have left, and then they're learning, and
so all they can do is go by the book strictly,
strictly; however, what I'm saying is -- you
still go by the book, but what I'm saying is you
just need to understand that what that really
means in getting a job accomplished and
everything.

So I definitely advocate you all
advocating for more and continued improvement in
the actual contracting officer -- you know,
being able to get to them, because when you send
them emails and they are really busy, they can't
answer the emails back, or, you know, you talk
to them, try to talk to them in that way, and a
lot of times you just don't get anything. You
have to just keep moving, and you can put them
on your list of people to come back to in six
months, but, you know, you need to really just
kind of keep the ball rolling.

And the -- my final point on that, in
my recommendations, is one of the things that,
looking back now, is getting the facility

clearance for your company when you're in
government contracting --

MR. FIELDER: Tell me about it.

MS. BROWN: You know, and if we would
have more education, even though we all, the
three founders, have security clearances, you go
through it from that end but not from the
business perspective, and so you say, okay,
well, Government, since you are putting me on a
contract, if I win this contract, then please
sponsor me.

Well, some people do it and some will
not, and it seems like it's more of not than
will. So it's almost like, okay, they will tell
you, okay, especially if you are a sub -- and
this was our case, we were a subcontractor to a
company, and they had to sponsor us for our
security clearance, and the good thing is that
we all had security clearances as individuals,
so it didn't take as long.

But there's a lot of companies that
they don't have individual security clearances,
and people have to go through to get them. So
that's time, and everything is time, and that's
more time for them to get disgruntled and them
to just get discouraged by being a government
contractor.
But the training and just expectations of what to expect, so, you know, for the Defense Security Agency or the Defense Security individuals who come out and do that training, I would just encourage more of that for the business owners.

I really appreciate you all's time today, and I'll take any questions right now, but I would really encourage you to keep up the great work that you're doing. You're doing such a great job, and I really appreciate it, and just continue to advocate for our small business services for veteran-owned businesses. Thank you so much.

MR. ZACCHEA: Arizona?

MS. BROWN: Yes?

MR. ZACCHEA: This is Mike Zacchea. I'm on the phone here. I have a question for you.

MS. BROWN: Yes, Mike.

MR. ZACCHEA: You said you got certified as a -- you got several certifications, including service-disabled, women-owned business. Can you give us an idea of how long it took you for each of your certifications?

MS. BROWN: Oh, yes, I certainly can. Okay, so the service-disabled veteran business, initially, the first -- because I have been renewed, you know, since that time, so it was in 2014, and it actually took us about seven months. What I was told at that time, when I tell people seven months -- and this was in 2014 -- then I was told, oh, well, they are a lot better now than they were then, okay?

Now, my -- a year later, in 2015, I had to be recertified, and there was -- you know, it took a little less -- it took about three -- three months -- four months or something like that, and that's on the recertification, and I had to still call because it was supposed to be less than that, and I had to make several phone calls, including getting the for the City of Chesapeake is where we were at, and we had to get the economic development point of contact involved. She called the state, and then, you know, they were like, okay, great, you -- you know, it's -- it's available, you've got the recertification, this kind of thing, you know? But it was getting her involved.

We submitted the package in August, because October was the month they told us that you were in your final stages, and we were expecting it -- final stages, we were expecting like maybe a week or two, but it ended up being in January of 2017. So that's kind of how long it took there.

Now, I am not certified as a -- third party certified on the women-owned or the economically disadvantaged women-owned. I am still using the certification, just the self-certification in SAM. I haven't had a contract yet where they required it, but if they do have -- if I do have one, then I will spend that money at that time to get that certification. I think it's a --

MR. ZACCHEA: How long did it take to get certified as a women-owned business?

MS. BROWN: See, I am not third-party certified.

MR. ZACCHEA: Okay. I'm sorry, I thought you said you were.

MS. BROWN: No, no, I self-certified in SAM.gov.

MR. ZACCHEA: Okay, all right. Next
1. question, do you have any idea how much actual time you put into your different certifications, how many man-hours or -- as opposed to just, you know, the actual months that it took, but how long the actual work was --

   MS. BROWN: Right, I understand what you're asking. On the service-disabled veteran, the time -- because I have two other founders that we had to get information on. They need your tax information, and they -- you know, so from the time that -- if you have a lot of these documents already available, but if you just sat there and would not have to get any information other than that, then it would probably be --

   the submission would probably be only about, like, maybe two hours, but, you know, it just kind of depends, yeah, on what-all you have to upload into the system.

   MR. O'FARRELL: Hey, Arizona, thanks again for taking the time. Mike, if you have further questions along those lines, if you wouldn't mind, maybe you can connect with her directly.

   MS. BROWN: Yes.

   MR. ZACCHEA: No, I don't have anything further.

   MR. FIELDER: Jim, could I get a quick followup?

   MR. O'FARRELL: Sure, go ahead.

   MR. FIELDER: From the dates that you cited, I'm assuming your veteran certification is through the VA.

   MS. BROWN: Yes, through Veterans Affairs, yes.

   MR. FIELDER: Right. I was wondering if you had considered the SBA certification program that's now part of their program that kicked off last October, and if you have, where are you on that and what your thoughts are on that.

   MS. CARSON: The mentor-protégé?

   MS. BROWN: The V3?

   MR. FIELDER: Yes, the certification that --

   MS. BROWN: V3? Is this the V3?

   Because we are doing some training on the Veterans -- under the Veterans Affairs program and the V3 program.

   MS. CARSON: I am just going to clarify the question to make sure I understand. There is no -- there is still self-certification --


   MS. CARSON: -- for a service-disabled veteran. Yes, the only thing that changed in October was --

   MR. FIELDER: For some reason I thought as part of the package, there was a -- as part of the package -- there was not?

   MS. CARSON: No.

   MR. FIELDER: Then I stand corrected.

   MS. BROWN: Yes, ma'am?

   MS. PEREZ-WILHITE: This is Fran Perez-Wilhite. Congratulations for your success.

   MS. BROWN: Thank you.

   MS. PEREZ-WILHITE: A quick question. Are you looking for any potential subs?

   MS. BROWN: Yes. Well, we are always starting the relationships anyway because we never know. As a government contractor, you don't know what you're -- you know, when you're going to need things until you actually get before a contracting officer and somebody who says I am going to award this to you, and so -- but it's hard to -- but, yes. Are you --

   MS. PEREZ-WILHITE: It's not me that's (off mic).


   MR. O'FARRELL: If there aren't any other -- any other questions before I close for the morning, and we will reconvene at 1:00 p.m. If you all can be in here at five of, we really want to kick it off at 1:00. We have a very full agenda this afternoon with lots of outside presenters.

   (Whereupon, at 12:02 p.m., a lunch recess was taken.)
AFTERNOON SESSION
(1:03 p.m.)

MR. O'FARRELL: So, this Joe O'Farrell, ACVBA chairman. We're going to kick off our afternoon session, and I want to make sure everybody understands for this afternoon's session, we have several groups that have come in to speak to us and we are honored to have them with us here today. For those who don't know, the charter of the Advisory Committee on Veterans Business Affairs is to act as an independent advisory board -- committee, I should say -- to the SBA Administrator, the Congress and the White House.

We take testimony, and three meetings -- we actually try to make it quarterly and do a fourth meeting each year -- and then we create an annual report. And I bring that up as a reminder to everyone that this afternoon, we're going to hear some opposing views on a couple of topics, and value that. We want that input from both sides so that we can make, you know, the best determinations and the best recommendations that we can make for our annual report.

So, with that in mind, I will ask our first presenter to start off. Lynn, if you want to introduce yourself? And just press the face.

MR. LOWDER: I'm sorry?

MR. O'FARRELL: Press on the face right there. Are you good?

MR. LOWDER: Are we good? Okay.

Well, first of all, hello, everybody. I appreciate the opportunity, Barb and Jim, to be here. Thank you for that opportunity. Thank you for doing what you're doing.

Two things here I think are very important. I think we're all in agreement on these things, that the foundation of the American economy has always been small business, and we need to have a viable small business economy. The people that I think are most responsible for our having the opportunity to not only sit here and talk about business, but to sit here as a free person, in a free country, are the veterans, the ones that have really paid the price, generation upon generation.

So, I am with 1 Vet at a Time. We are a registered 501(c)(4). We are self-funded. We are -- our mission is to promote and advocate for veteran entrepreneurship, and our initiative, what we're really focused on -- we've been around since 2014, actually -- a little bit before that, actually. We're addressing the most persistent impediment to veterans being in business for themselves, and that's lack of access to capital.

If I can, let's just back up a little bit, because we're all products of our experience, and maybe you can have a better feel for kind of where we're coming from here. By the way, in the background over here is Marti Stiteler, she is our CCO, a very successful businesswoman, stood up a business on her own, a successful telecom company that did extremely well.

And Bill Offutt over here, he's our volunteer lobbyist, and he is a Vietnam veteran, and he has been a lot of help. He helped me kind of stumble into here and meet Barb and Jim and start down this path.

So I'm a Vietnam veteran. I'm a United States Marine. I enlisted in the Marine Corps -- dropped out of college, played two years of college football. I wanted to go to Vietnam. I came in through San Diego, the best move of my life, ran into a drill instructor who got ahold of me. I had been a runaway when I was a kid twice in high school. I needed a male role model, and in comes to my life Gunner Sergeant Bell, and I'm still indebted to him.

I over time got a commission, Special Operations in Vietnam, ended up spending several years in the infantryman. Finished up an undergrad degree in the Marine Corps and got a law degree in the Marine Corps. So I did use the GI Bill, and I'm very grateful I had it. It helped us out a lot.

After that, my course briefly was I was a trial lawyer for a couple of decades, defending mostly doctors in the Chicagoland area. Then I wanted to become a general counsel and I wanted to run companies at one point, kind of build a team, like we do in the military, kind of wanted to go that route, and fortunately was able to do that.

In the late 19 -- in about 1998, I first encountered the SBA, out in San Diego, which I was general counsel of Mailboxes Etc. It was a franchising model, and I learned about...
franchising. You know, the model is linear and sequential in how you train people, very much akin to the way we're trained in the military. So it really made a lot of sense to me.

But in the process of doing that, I met Nathan there and ran into him and met a lot of veterans and got talking to them, and this was dusting off my Vietnam brain and what it was like to come back to this country in 1970. In fact, I used to man picket lines up here, when people were protesting the war and protesting us.

So I came back from Vietnam, stood up there, got called a few things, you know, toughened up a little bit. It was an interesting time and place, but thank God we're not at that place anymore in terms of how we receive our veterans coming back.

So when I was out there and bumping around the men and women up at San Diego State, I found it fascinating to learn about what -- who they were and what they wanted to do with their lives. They were getting education, getting their degrees. A lot of them were interested in going into business, and I was
general counsel, so I had a lot of mentoring going on, talking to the -- a lot of these young men and women, and it impacted me.

About -- some years later, in 2011, I had the chance and privilege to be the Director of Military and Veterans Services at the University of Central Missouri, and this really got me back into the zone where I was when I came out of Vietnam, and that was who am I now, and what is my lane in life, and what am I going to do?

When we came back from Vietnam, frankly, I could have certainly used all of you all to at least help me understand that maybe, just maybe, I might be able to do something for myself, because I didn't know then that after World War II, in the nine years following II, 49 percent of our surviving veterans ended up in business for themselves. I just was trying to figure out who I was and what was I going to do, and I didn't have a lot of self-confidence as far as going outside my uniform at that point.

But, you know, there at the University of Central Missouri, let me tell you what I did see. I saw young men and women doing exactly

that, who am I and what am I going to do? I focused on -- I hadn't been in academia before, but that was an evolution as well. I got in there, and we grew the program from a little over 400 to a little north of 1400 in less than a year, and all by word of mouth and with no budget, per se.

And how did we do that? We did that by Marine Leadership 101. Go down and talk to veterans and talking to their friends and their friends and saying, come over here, we'll help you get zero down and get you a degree and get you on with your life.

There were three areas of concern, transfer of college credit -- I learned a lot about academia, a lot about what wasn't happening for your service training. I had an Army medic there, Steven Tyree, two tours in the sandbox, was a combat medic, had also been in a combat ICU, and got three hours of credit for PE. He was in their nursing program. He was a nursing student. That was my first indicator that something needed to be looked at.

So I plowed into the transfer credit issue, and then I also learned -- and this is all volunteer military. We've never been down range. These people have never been stretched like they've been stretched now, since 9/11.

Over and back, over and back, over and back. And many of these people are National Guard.

So I had a lot of National Guard students that had been in serious combat. I got into the notion of mental wellness. I needed a couple of NCOs that would lead the way and say, you know what, sir, I think I would like to talk to somebody.

So we ended up getting two counselors, ultimately, over to that university, one day a week, and ultimately it was a full dance card for both of them. So we started getting some people some help, getting them zero down.

And the other thing was jobs. We've got all these great veterans, with all these great credentials, but they weren't getting jobs. I ultimately ended up with a couple of handfuls of resumes, and I went to Kansas City and I started knocking on doors, and I finally got a corps of people that would give my men and women a good shake, and then we started getting them jobs.
Once they found out, though, that I had a business background, everything started to change. I had a constant stream of young men and women coming into my office saying, I think I'd like to be in business, how do you do that? I had countless conversations about that. I was utterly convinced that they could. It's not for everybody, as we know, you know? It's -- you're out there, it's -- you're doing it on your own, but the one thing that I am convinced about, these men and women today are veterans, they are just as qualified as any veteran of any other generation, and when they make up their mind to do something, they've got the absolute ability to do it. Just give them a chance, and they can do that.

So, that really impacted on me, the notion that a lot of these young men and women were wanting to start their own business. So when I came back, not long after that -- I was out there about two years -- I stood up 1 Vet at a Time, and the whole idea here was to address what I was coming into -- by the way, I went down and I met Todd Connor at the Bunker and got his rivet on the access to capital. Todd knows us and our program. He knows about us, too.

I wanted to make sure that I was seeing the issue as clearly as I thought I saw it, and it was the access to capital issue. I think I got it. So, the -- what I was seeing, also -- and I mentioned this earlier today -- I was in the enlisted Marines to start out with, all right? Probably my maximum effective rate in the Marine Corps was lance corporal, I'm proud to say. They do a great job in combat, they'll slug it out with anybody, but somehow or another, they can't get along, and that was very troubling to me. And I had met with banker upon banker upon banker in Chicago -- big banks, middle banks, small banks -- and asking, why are you not lending? What's going on?

I learned. I learned the banking industry has changed since World War II when you've got a community bank. Basically in World War II, they had an option, and I'll go into that, but those were community bank loans. You went back to your small town, and they knew you, they knew your mom and dad, you know, there was a trust factor there. That doesn't happen today.

So, I learned that, you know, when young men and women, especially your young enlisted folks that do the slugging it out where it really counts, they come into the Service, they probably don't have much of a credit score, they don't have much coming out -- they don't have any collateral coming in, they don't have much coming out. So somebody is going to have to go their way and take an understanding of all that we know to be the case, their training, their discipline, their focus, their sense of team play, their honesty, their loyalty, all those things.

You know, there's incalculable value in those character traits, and they have it in abundance, but that doesn't move a banker to cut a loan. That's what I've learned. So, I wanted to start and do my homework.

So I'm a lawyer by background -- don't hold that against me. I went all the way back and I dug in on the legislative notes on the Servicemen's Readjustment Act of '44 -- which, by the way, a grateful nation. You guys know how many votes that passed by? Check it out. One vote. One vote. A grateful nation passed that.

And so the whole idea, and really where we're at in terms of 1 Vet at a Time -- oh, I'm there already? -- that is full employment. And that Veterans Act of '44 was basically education or training or buy a farm or go into business for yourself, and they had that option that the Fed would back them on a loan, up to 50 percent, up to $2,000, which is about $26,000 in today's dollars.

And a lot of them jumped in at 49 percent, started, or got into business for themselves, in the nine years following, and their performance has been legendary. We all know what happened in World War II and what happened in the years after that. So, I found out about that.

Me and Joe Plenzler, a friend of mine, started knocking on doors around Washington, D.C., and saying, what about the GI Bill? Why can't they do what they used to do back in World War II? Because things have changed. And we met with a couple of people on Capitol Hill up there, Congressman Thornberry and Chester and...
some others, and started down this road to the Vet Act of 2015 -- now 2017 -- and all this was to get it back to full employment.

What we were looking at in '15 was a pilot program, not -- you know, we don't want to interrupt the axis of the planet and have the whole world up in chaos and cats mating with dogs, et cetera. You know, ease into it, and let's try it with a little pilot program and see how this might work and see if these people can cut it.

It got out of the Senate committee, it stalled over in I think the House side, and eventually we are resurrecting it again in 2017. It got in on a pilot basis. The whole notion is -- and really here's where it comes down to: I see two guys in a sandbox, both shooting and getting shot at. The one guy that goes to college, you get the full benefit of this, and the person that gets trained gets some benefit, but the person over here that wants to start a business, sorry, we've got nothing for you. That bothers me. There's something inherently wrong with that in my opinion.

So, I'm a recon Marine. We said we're going to go two ways in, two ways out. We're going to up the federal approach. In the meantime, I started to work with a great Senator, named Jennifer Bertino-Tarrant in Illinois. We got a law passed in Illinois, it is the law, and if Illinois can do it, anybody can do it.

There is money in Illinois, and what we have passed as the law is a person, an Illinois veteran, honorably discharged, can apply to this program and be backed by the State of Illinois on a community business loan, at below market rates. And the banks are coming down on the credit score and they're coming down on little to no collateral to help them get this started.

We have eight people lined up right now. We're going to go -- we're going to get it done in Illinois. Then we're going to go to Indiana, where there's a Navy chief running that state. Eric Gritton is over in Missouri, we have a Navy seal over there, we're going to go there. And it's closer to the action. So, we're approaching it at the federal level and at the state level as well. The other notion is -- and just so you know, none of this existed in World War II. The program and the due diligence criteria that we have suggested in both programs are the following: State of Illinois, you're an Illinois resident, honorably discharged; number two, you take an approved Boots to Business curriculum; number three, you get a business plan; number four, you Shark Tank that plan to a committee of three, and at that committee is either a green light, you pass through and apply for your loan, or yellow light, you need to do some work and come back, or red light, the answer is no, all right?

None of this criteria existed in World War II, so we're suggesting that be done in the pilot program, on the Vet Act of 2017, and also it is being applied in the State of Illinois.

The whole idea here, of course, is that these are mature men and women that can fight for our country. They're big people, and they've taken risks before, and there's risks in everything in life, and just because you get a college degree doesn't mean you're going to be a bell-ringing success for the rest of your life, right?

But these people have every opportunity -- they've got everything it takes to be successful in business. They've got -- and they ought to be given the opportunity. And that's our -- that's my story and I'm sticking to it, all right?

MR. O'FARRELL: Lynn, Joe O'Farrell.

So, how many candidates would go into your pilot program, do you envision?

MR. LOWDER: For the federal program, Jim, 250 is what we propose in the Act of 2015, and we're going '17 now.

MR. O'FARRELL: What percentage of the overall population of eligible veterans would that encompass, then? I assume that's a very small percentage, but I don't know.

MR. LOWDER: You know what -- you're talking about percentage. I wouldn't have a number off the top of my head.

MR. OFFUTT: Less than one-tenth of 1 percent.

MR. LOWDER: Yeah.

MR. O'FARRELL: Thank you. Would it need to be recently separated veterans or veterans of any era?

MR. LOWDER: These would be the current
MR. AUMENT: Just as a followup to both of these, is it -- are we talking about using the '33 GI Bill benefits at the same time?

MR. LOWDER: Um-hmm.

MR. AUMENT: Just as a matter of full disclosure, I used to be at VA, and my portfolio included that program and a number of other benefits programs, and I guess I know we're looking at an available pot of money on that, so -- but why that particular benefit? Why not let them use their home loan guarantee benefits? They might be a closer parallel to your program there as well, -- where the Government is not making a pure outlay, but they're serving as a guarantor versus just a payer --

MR. LOWDER: Right.

MR. AUMENT: -- because they're all under the same umbrella of readjustment benefits.

MR. PHIPPS: This is Mike Phipps. The veteran pays into the GI Bill, which is different, which is a little bit different than the Home Loan Bank Fed. No?

MR. AUMENT: That's the old Montgomery GI Bill.

MR. PHIPPS: (Ancillary off mic conversation.)

MR. O'FARRELL: Any other questions for Lynn?

MR. LOWDER: Oh, can I say one thing? I've got a white paper that was circulated on Capitol Hill on our position on the Vet Act of 2017. I would like to leave a copy, Barb and Jim, with you all and have it into the record.

We would obviously dearly appreciate the SBA's support in this, if that's how you decide.

MR. O'FARRELL: Thanks, Lynn, we will take that for the record.

MR. LOWDER: Thank you.

MR. MURRAY: Good afternoon. My name is Pat Murray, Associate Director, Veterans Affairs at Student Veterans of America. I've been there now, this will be my fourth year, and before that I was in consulting with Deloitte, here in D.C., and graduated from American University.

MR. MURRAY: Good afternoon. My name is Pat Murray, Associate Director, Veterans Affairs at Student Veterans of America. I've been there now, this will be my fourth year, and before that I was in consulting with Deloitte, here in D.C., and graduated from American University.

MR. MURRAY: Good afternoon. My name is Pat Murray, Associate Director, Veterans Affairs at Student Veterans of America. I've been there now, this will be my fourth year, and before that I was in consulting with Deloitte, here in D.C., and graduated from American University.
MR. HUBBARD: Great. So, just to kick it off, a couple of brief points that I wanted to share and get into just a little bit more detail. This past year I was deployed to Honduras, serving side by side by many of the same folks that you would look to include in these kind of programs. So obviously I think you and I see eye to eye particularly with the point that small business is the foundation of our country. I think a lot of us here would agree with that and certainly a lot of folks on the line.

I actually had started my first company in 2007. It was in the snack food industry. I know more about snacks than you can probably ever want to know. It was a flour tortilla chip company, James Chips, that we expanded then to 10 stores before I then moved out to D.C.

So, that experience, you know, I felt to be invaluable, and I think a lot of us would agree, particularly those that have also started businesses, that what you learn through that process can't be taught in a classroom.

The question that we would like to focus on today -- and I think, Lynn, you hit it on the head -- is access to capital. Certainly those who wish to start a small business or go the entrepreneurship track, that I'm sure is something that we would definitely like to address as a body.

A quick background about Student Veterans of America as it relates to this topic in particular. Obviously being a higher end nonprofit with our market being nontraditional students and our niche being student veterans, we've got a very keen interest in both higher education, but also entrepreneurship as folks who see that as mutually complementary, not mutually exclusive.

Recently, this spring, we put out the National Veteran Education Success Tracker, or NVEST for short, one of the better D.C. acronyms out there that you will probably find. And this looked at really how are veteran students doing in higher ed, how are veterans doing in their transition kind of more broadly speaking. Who is this population of the most recently transitioned veterans.

And what we've found is despite persistent myths that veterans are not smart,
1 year of transition, folks are going right to 2 higher ed, and that's actually typically used as 3 a negative to say that, well, 50 percent are 4 then not going to school. But we also have to 5 bear in mind that this is a 15-year time limit 6 at present, something that we as Student 7 Veterans of America actually hope to change this 8 year, but in any case, we've still got that 15 9 years for folks to use it, many of whom go and 10 start families or go right to work straight out 11 of service, so it's difficult to say for the 12 time being, until we hit that 15-year mark, 13 exactly what the usage rate is going to be. I 14 think, based on what we've seen and the fact 15 that 50 percent are going right to school 16 straight out of the military, is a pretty strong 17 indication that that number is going to be 18 significantly higher over time.

So, bearing that in mind, let's flip to 20 the next slide. I just want to point out, you 21 know, in some of the research that we did, 22 obviously with the interest to support the fact 23 that access to capital is of the utmost 24 importance, we did some research on that to try 25 and provide at least some initial resources,

certainly not exhaustive and certainly probably 2 not even close to what some of the research that 3 you all have been able to do.

I would point that out as perhaps a 5 point of opportunity, as we move forward and 6 look to make this a possibility, our approach to 7 this is not to prevent anything like this from 8 happening. In fact, I think, generally 9 speaking, our staff, our team, and our 10 organization, including the 1.1 million student 11 veterans in school, would like to see 12 opportunities for those who would like to go 13 into entrepreneurship.

So, finding a way to make that happen 15 that does not necessarily prevent the loss or 16 does not prevent losing the opportunity to go to 17 school at the same time or maybe even later as 18 something that we would ultimately like to see. 19

I know I've probably talked way too 20 long -- I'm sorry, I'm a lobbyist -- but I will 21 share it over with Pat for some of his comments.

MR. MURRAY: Thanks. Well, the biggest 23 thing we see is that we kind of want to -- we 24 like the intent of this. We want to see this 25 idea push forward. The Patriot Express Loan

Pilot Program was something that we liked the 2 idea of, but it's no longer implemented because 3 of the GAO report that it had poor oversight, 4 whatever it might be. That's something that we 5 can get behind, again, a small business loan 6 program for these veterans who get out that's 7 properly, you know, vetted, with their business 8 plans, there's some solid oversight in it, and 9 it doesn't include trading their GI Bill 10 benefits for it.

We think that that's problematic, as if 11 there is a business that fails, they no longer 12 have anything to fall back on education-wise.

You know, the 1944 Servicemembers Readjustment 14 Act that Lynn talked about had that loan 16 program. We would like to, you know, push that 17 idea forward of bringing that back. It didn't 18 involve a grant.

The Illinois example, that sounds 20 fantastic. You know, we like the idea of that, 21 and I would love to find out more about, you 22 know, moving forward into Indiana, but what you 23 didn't bring up was the trading off for the 24 educational benefits. That's something that,

you know, we just see, that education combined 25 with business makes these folks last longer in 26 their fields. Having one without the other, 27 people can still succeed. But we ultimately 28 feel that both combined are best. That's why we 29 don't -- the Veteran Entrepreneur Act, you know, 30 we definitely support the intent of this, but 31 it's the tradeoff that we kind of will start 32 dragging our heels on.

You know, that's something we're 34 willing to discuss with everybody. It's been 35 out there for, you know, a couple of years now, 36 a few years, and we think that we can combine 37 the best of both, you know, without having to 38 strip something from someone that they did earn.

MR. PHIPPS: This is Michael Phipps.

So, the training that's included in the Act we 16 feel is insufficient. It needs to be -- there 17 is training associated -- if you were going to 18 get GI Bill money, there was some training that 19 was incorporated that you had to do 20 entrepreneurship training, right? And so you're 22 saying that that training that was suggested 23 needs to be more, I guess, is what you're 24 saying. It needs to be at a different level?

MR. MURRAY: Yeah. So, excellent
point, I appreciate that, and I think that's --

it's -- you know, that's getting close to what we would hope to see. Ultimately, however, being supported through an accredited body at a university that has a standard of accreditation, I think ultimately for us would be table stakes.

MR. PHIPPS: So, where the education resulted in a degree rather than just in entrepreneurship training?

MR. MURRAY: Whether a certificate or a degree, I think that would be a necessary component.

MR. HUBBARD: There are programs that are already in place that have similar things like that.

MR. PHIPPS: That we can just incorporate into?

MR. HUBBARD: Yes.

MR. O'FARRELL: Do you have statistics or any metrics on how many of the 48 percent who exercised the GI Bill options succeed after a two-year program and a fouryear program?

MR. HUBBARD: We do. Thank you for that question. So, right now, the research that we have recently completed with the NVEST work demonstrates that at least three-fourths are succeeding in the standard period of time as defined by the Department of Education. Obviously, an individual at that 26 percent or so attrition rate, if you will, it's difficult to determine given the fact that an individual doesn't lose credits that they've already earned. They could always go back to complete, but that's what we've seen so far, and I think that rate is only going up.

MR. PHIPPS: Have you guys made comments on the current bill to suggest the certificate or degree requirement?

MR. HUBBARD: We have. So, in fact, we worked closely both with Senator Moran's office, as well as Representative Thornberry's office, on that one.

MR. MURRAY: Multiple times.

MS. CARSON: This is the SBA perspective again. There is some concern when looking at that, that a certificate or a degree for entrepreneurship, SBA would say technical assistance can be quite enough for that, and that is provided at no cost because taxpayers have made it possible to get high quality training to start and grow a business. So I have some concern about that aspect of the proposal.

MR. AUMENT: Could I get a verification there? I didn't know that you were talking about a certificate that is merely centered upon the entrepreneurial-like training, but you're talking about a certificate or a degree of, you know, of the conventional academic nature, so that it could be an MBA, it could be a bachelor's in engineering, it could be anything like that, as opposed to --

MR. MURRAY: IT.

MR. AUMENT: So a certificate like, you know, the Microsoft programs and those sorts of things.

MR. HUBBARD: Yeah. It wouldn't necessarily be exclusive to, say, an entrepreneurship certificate or things like that. I mean, I think ultimately, you know, to the point we made earlier, there's a myriad of degrees that you could earn that would be quite complementary to any small business that you might start.

MS. STITELER: I'm Marti Stiteler with 1 Vet At a Time. It's more of a hypothetical question, because you were saying that 50 percent of, you know, the people -- the vets that come out of service go directly into higher education. So my question would be, but that's the only choice they have, to use that money for. If they had the opportunity, if there was a choice -- and I know that you don't like the either/or -- but if there was a choice, I wonder what the percentages would be then, because we are getting so much, you know, information that leads us to believe that there is this is a viable option that they would like to have. That's why I just pose the question.

MR. MURRAY: Well, the GI Bill is education. That's specifically what it's designed for.

MS. STITELER: But not originally.

MR. MURRAY: Not originally.

MS. STITELER: Not originally. Originally, it was for full employment, so that's what we're going back to.

MR. MURRAY: Which that's then to trade one for the other. If you are throwing out a hypothetical that what if the original bill was
MS. STITELER: Right.

MR. MURRAY: It was you get your education opportunity and your loan opportunity, and to say, today, well, either/or, that's not what it is. It's education only for this one.

MS. STITELER: I do know it's education now, right.

MR. MURRAY: And, you know, we absolutely like the idea of a small business loan opportunity and being totally separate, but to put a hypothetical out there, I don't know. Those numbers could be whatever.

MS. STITELER: No, I know.

MR. MURRAY: But this is education, and we don't want to see it being poached for other different things.

MR. HUBBARD: If I could just comment very briefly as well, I think ultimately that we would want to work, of course, to expand the GI Bill to be able to do both. If that were an opportunity, I think we would jump at that.

MR. O'FARRELL: So can the committee consider -- somewhere in the surveys, we had one of the SBA folks present survey and Census data this morning. Can we consider a question be added, you know, if you were -- you know, you are being offered the GI Bill. If there was another option, other than the GI Bill, to try to gather that data? I'm looking around because I don't have the answer.

MS. STITELER: And I guess my other issue, too, is, you know, if there are 50 -- I'm sorry, is it on or off? It's on.

If 50 percent of the veterans are going into higher education, what is happening to the other 50 percent? You know, is that just their choice? Well, I -- education or going to a campus after what I have been through is not going to be conducive to me. I wouldn't be able to tolerate that. So they are not benefiting from something that should be theirs, you know, so there are these balls that we're sort of playing with in the air, so to speak, to try to give everyone a fair shot.

MR. HUBBARD: Well, that's a fair point, I mean, but for context or for an example, I would point your attention to the home loan program, for example. It's not a 100 percent usage program. For the percentage that's not using it, we're -- we probably wouldn't support or recommend taking that percentage, applying the home loan to, say, anything else, like buy a pool. I mean, that really wouldn't make a lot of sense.

And so in that same way, we don't necessarily recommend looking at that 50 percent that's not using the benefit as a loss, because it's, frankly, not a loss.

MR. MURRAY: It's still there for them. It's still there, and we're only seven years, eight years into the program. They have 15 years to use it.

MS. STITELER: Right.

MR. MURRAY: We are, like we said, trying to change that so that it is indefinite, but there's still those numbers that could come back to school.

MR. O'FARRELL: Jim O'Farrell again -- I'm sorry, go ahead.

MR. MURRAY: I was going to say, in addition to those that maybe started, gained some credit, they still have that waiting there for them to go back to. They don't lose anything by starting or stopping school or not going yet. It's always there for memory.

MR. O'FARRELL: So going back to that, if the number continues to be 48 percent as we get to year eight, nine, ten, twelve, do you see any support on the Hill eroding because of that less than 50 percent number, so that they start asking the question, why aren't we using the rest of this on things that will lead to full employment?

MR. HUBBARD: Right. I think that's a fair question, and I think ultimately the answer is still no. There is really very few federal programs that would anticipate a 100 percent usage rate. It's an opportunity and an option, not a requirement.

MR. FIELDER: Let me ask a quick question here. I want to go back to a basic principle of free will. If this is an earned benefit, and I think that's the correct words, if it's an earned benefit, why would the veteran not have free will to choose how they want to apply it? You're talking about that he would use it for education or he could void that and not use it at all or maybe he uses it -- but why would they not have the free will to say, I've
made a decision, I am just out of the Service, I want to invest it in a business, and make that choice? And you talk about, well, the benefit wouldn't be there at the end. They made the choice. We're all big boys and girls. So I think that's the basic --

MS. STITELER: That's basically what --

MR. FIELDER: -- whether Lynn's saying it or you're saying it, as I sit here and watch the conversation go back and forth, it's like if it's an earned benefit, then the vet should have a choice of how they want to use that earned benefit.

MR. MURRAY: It's an earned benefit, I agree with you --

MR. FIELDER: Particularly with the criteria of --

MS. STITELER: The original intent.

MR. FIELDER: -- the original intent -- well, not the original intent, I'm sorry, but what Lynn was talking about in the sense of you have to have a certificate program, you have to go in front of a board, and there's all this --

MS. STITELER: Vetting process.

MR. FIELDER: -- vetting process, and we're talking about 250 people or 0.1 percent, is that what your number was?

MR. LOWDER: Less than one-tenth of 1 percent.

MR. FIELDER: Yeah.

MR. PHIPPS: Has that bill been re-introduced -- this is Mike Phipps -- has that bill been re-introduced?

MR. FIELDER: Why would we not allow that to happen? I guess that's the question I want to pose to you, Bill. Why wouldn't we allow that to happen for 250 people and see how it goes?

MR. MURRAY: It is an earned benefit. It's an educational benefit. If I don't want to sign up for military or veteran healthcare, can I take that money and use it towards something else? That's not what it's intended for. It's intended for educational benefits, and we feel that you should be able to use that at generally whatever kind of school you would like to go to to achieve that education, not take it and totally restructure what it's for. We think that there is other ways that we can achieve that goal with different small business loans, like were brought up earlier, the Patriot Express loan. I think that that had some good intentions. That had a good framework that we can go back to.

MR. FIELDER: So if we follow the larger conversation which this committee has been tracking for years -- it predates me, and I'm in my sixth year -- access to capital is the number one problem. Earlier today, we talked about access to capital. We had the SBA guru for that briefing us on it, and he was talking about how that was working and the toughest thing was getting small loans.

Well, I got a sense that this would be in that small loan category, the value of what that benefit is in the sense of what it was educationally and transferring it over, and so as I look at this -- and you're right, it was an educational benefit, but nonetheless, the benefit belongs to the vet. There's nothing that says we can't repurpose it. I mean, it wasn't chiselled in stone the day that that legislation first passed that it will always be education and never be anything else, and I'm trying to ask the question to hear what the response is of why that's not the truth.

MR. AUMENT: The -- I think there's two things. First of all, I can give you the bureaucratic answer on that, which is that it is not the statutory intent of that benefit. It never was the statutory intent, so that would be the bureaucratic answer.

I think the real answer is, though, one word, pay-go, and if -- if it were not for pay-go, we wouldn't even be having this. We wouldn't be even posing a question as to why the veteran needs to make a choice between these two on that. We would be, just as these gentlemen suggested, we would be putting that new benefit out on the table and approaching it through the front door, not the back, but they can't come up with an offset for it, and that -- you know, that is -- you know, in a nutshell, that's the answer on that one.

MR. HUBBARD: If I could add just a quick note to that as well, so as legislation is passed through the House and Senate, there is ultimately a social contract that is between the American people and the Congress, which is to say that the intent of any piece of legislation
paid for by taxpayer dollars is stated for a specific purpose. That's the same reason that members of Congress are elected, based on their votes and based on the things that they support or don't support.

If we started repurposing programs for various things that we felt it should go towards instead, it would defy and negate the contract between taxpayers and the ability to pass legislation on a specific presumption and intent, as you pointed out. I appreciate that point.

MR. PHIPPS: I help with the Legion, and we made comments on this. I think the strongest issue in their favor is we give the indication that it's with you your entire career. If you start entrepreneurship training -- and I'm not advocating either way, this is just the strongest opinion that I heard -- if your business fails, you use that money, you no longer can go get that education, that stays with you, even if you don't finish your degree, you still keep those credits, and if you have a bad run, which we know most businesses fail, you have just lost your benefit.

MR. LOWDER: No. No, no, most businesses don't fail.

THE REPORTER: Microphone, please.

MR. LOWDER: Well, I could go into that. I'm sorry.

But there are ample stats on that. The notion of how many small businesses fail as opposed to what people think they do, and then the vets beyond that even perform better overall. So I don't want to sound like I'm overbearing here, but I would just drill down on that assumption. I've spent some time plying around in that data.

On the issue, Marti, of surveying people, I would suggest, give Todd Connor a call. He has surveyed his program members on who would access their GI Bill benefit for business capital if they could get it, and the figure was over 90 percent.

Now, these were people, obviously, that have gotten into the program. They are tweaked that way to begin with, but this gentleman here I think is really on the issue, and that is I find it offensive -- I just have to say it -- that we sit here and we say, well, they should do this and they should do that. The benefit is the veteran's. They've earned every ounce of everything. These are people that have stepped in harm's way, they have shot and dodged, they are big people, and they are fully capable of making a decision about what they want to do with their lives. They understand risk.

We're sitting here and talking about flunking out of college or losing a business? Are you kidding? We are going to walk out alive. Nobody's going to have a sucking chest wound here today over this. So these people have put everything on the line, and I'm just saying I think they deserve this chance, just like they did in World War II, and many of them took. And why did they take it? It's because the Fed stood behind them.

Jim, you asked for a fix, you know, if I said how would it work? The reason this will work and the reason it's working in Illinois is because the state is standing behind a loan of up to $500,000, as an 85 percent guarantor. Now, I'm telling them, don't you dare reach for this -- for $500,000, because most businesses won't need that. Most will not need that. But the point of it is, because the state does that, they have got community banks that they work with, and they are sitting down with these people and saying, you need to make these loans, and you need to come down off your credit scores, and you need to come down on your requirement for collateral, and that's how it works. And the Fed has that same opportunity. If the Fed stands behind, just like they did in World War II, then you have got a chance to get something going. I could even take it further, though. Sometimes I think, why are we even talking about a loan?

MR. HUBBARD: Well, just to address your point, Lynn, you know, I apologize if we did offend you. That's certainly not, I think, any of our intent. In fact, I think largely we agree for the most part on the issue at hand, which is how can we find access to capital for those who want to start a business? You know, that's -- in my opinion, that's not even up for debate as far as this goes.

Ultimately, however, you know, we've often pointed back to the World War II example,
and I'd query the room to ask, when did most of those businesses in World War II, when did they start? It was a full ten years after folks got out of the service. So they had gone to school, used their GI Bill to go to school, and then they realized, after returning to an economy that simply couldn't support the influx of millions of veterans coming back to the economy, that there were no jobs, and they realized, well, I just have this dentistry degree or I just got a law degree, as, of course, you have, or some other degree, and now I'm going to open up my new practice based on these skills that I learned in school. 

So, you know, I mean, it's -- it just comes back to the same point that they weren't mutually exclusive. They are mutually complementary, and I think, just keeping that in mind is important.

MR. PHIPPS: Lynn, has that bill been resubmitted? I know it went -- it died in the House --

MR. LOWDER: It's in the works now. It hasn't been brought up formally I think at this point.

MR. WYNN: Good afternoon. Joe Wynn, Veterans Entrepreneurship Task Force, Air Force veteran, a member of the National Association of Black Veterans and the Vietnam Veterans of America. I just wanted to, you know, just make a couple comments on this discussion. I'm glad you're having this today. It's been being kicked around, you know, just a little bit of time now. I just wanted to share a couple of thoughts I have. One is, first of all, there was and has been going on for a long time veterans, you know, when you file -- first file a claim, and it takes sometimes a couple of years before the claim is adjudicated and resolved, and once it is, you may be entitled to quite a bit of money once it's resolved in your favor.

For quite a while, they have been telling many of our veterans, many members, that to try to find a way not to give the veteran a lump sum benefit even though they are entitled to it because they might go out and do something foolish with that money, and then everybody would be upset that the veteran ended up doing something to themselves that they may feel responsible for.

I'm just saying that to say that some of the comments that were made about veterans having a choice about what they do with their benefit, it really should be the veteran's choice, whether they get the lump sum benefit or not. Many veterans were able to get that lump sum benefit, still do today, of course, and they do very productive things with it. There's always a few that might, you know, go off to Vegas and do something, you know, a little different.

But anyway, the thing about the education, maybe if we thought about it in the sense of education for entrepreneurship, continue to think of it that way, and I think when we first started this discussion a couple of years ago, the thing that popped out most was a loan for my small business, and you started talking about, well, if I get a loan and, you know, the business might fail, then I've used all my education money for the loan, and then what happens later on if I want to do something else?

But the reality of things are, just as some of you have pointed out, there's only about 50 percent or so that use that education benefit for education. If we drill down a little bit further, a lot of those veterans that use the GI Bill for education still don't end up with a career. So they still wasted the money in some sense. Maybe they learned a little something along the way, but they still didn't end up being a doctor or a lawyer.

MR. MURRAY: I'd say that an education is never a waste.

MR. WYNN: It's never a waste. You're right.

MR. MURRAY: Just because you don't necessarily find a job right away doesn't mean that's not still something we need to continue to advocate for and still pursue.

MR. WYNN: Right, exactly, exactly. I'm an instructor myself, so I definitely advocate for education, and those people that go out and get a literary arts degree in history or music, it doesn't necessarily mean that they won't become a scientist some day either or an entrepreneur. So, yeah, there's always a benefit to anything you may learn.
I’m just simply saying that in terms of the use of the GI Bill benefit, we’ve come to a point -- I think evolved to a point where why can’t we still view it as a use for education, but more in the vein of, like, a trade school, a certificate program like you do for computer information systems.

MR. MURRAY: Well, a loan is not training. A grant is not training. Giving them cash for a business is not training.

MR. WYNN: Can I finish my comment?

MR. MURRAY: Please, but I just want to correct, if you’re saying that’s training, it’s not. It’s giving them money and taking away a benefit.

MR. WYNN: Well, I’m going down a different road, you know?

MR. O’FARRELL: Gentlemen, guess what? We are kind of at the end of this segment. We have actually gone over. I appreciate -- I appreciate your question. What we are going to try to do is if we have time at the end, we will take some more questions, and we’ll continue to dialogue then, but we have folks who have also come in from -- some from out of town to make their presentations this afternoon. So if you would --

MR. WYNN: Well, let me just close this out by saying that when we use the education benefit for a certificate-based program, you may not use all 36 months of your program to get a few certificates, certifications that are nationally recognized, and then you can go to work for somebody or you could be an entrepreneur. And if you decide to go and be an entrepreneur after you have these nationally recognized certifications, you still may need some equipment, licensing fees, in order to be that contractor or independent contractor entrepreneur. So why not have the option to use a few more months of my benefits to help me continue this educational entrepreneurship track I was on and develop my business.

Also, I’ll just mention, as I leave the table, let’s not forget, Voc Rehab has an entrepreneurship track, and when you sign up under Voc Rehab, they’re letting you do entrepreneurship training and they’re helping you to use some of that money for your business. What’s the difference?

MR. O’FARRELL: Thank you for your comments. So next on the agenda we have the American Legion. John, if you will introduce yourself.

MR. KAMIN: Good afternoon, everyone. My name is John Kamin. I’m the assistant director in the American Legion’s Employment and Education Division.

MR. O’FARRELL: If you’re on the phone with us, could you please go on mute? Thank you.

(Ancillary unrelated speakerphone conversation.)

MR. KAMIN: So employment education, I mostly cover the education, licensing, and credentialing portfolio. Joe Sharp is on vacation right now, and he asked me to step in. Additionally, my colleague, Kaitlin Gray, would have loved to have been here, she covers our small business as well, but she is actually at a small business event right now.

Most of you are familiar with the work that the American Legion does here, but we are very proud of our long-standing relationship with the SBA, everything from sponsoring events like For Her Entrepreneurship - Resources, Reboot, Boots to Business, VA opportunity showcases, VA verification counseling, which is a thing we’re very proud of considering kind of the work that’s gone on, that we have a strong background in.

Before kind of going more off the cuff on the GI Bill for Entrepreneurship thing, I wanted to give you a preview of some of the bills that my director is going to be testifying on June 14th at the Subcommittee on Oversight and Investigation, in the Committee on Veterans Affairs, because there are some small business items on there.

Number one that you guys should be tracking is HR 2006, and that’s the VA Procurement, Efficiency, and Transparency Act. It essentially sets out a methodology for VA to calculate and report cost savings generated by competitive contracting. We are in support of this bill, and we encourage you guys to join on with us.

Additionally, there is some draft legislation, the Ensuring Veteran Enterprise Participation in Strategic Sourcing Act. This
gets very technical, but we support that -- and, excuse me, I think that already has a number on it. It's HR 2749.

Then for the two other draft bills that go to improve the Hiring, Training, and Efficiency of Acquisition Personnel and Organizations of the Department of Veterans Affairs, is directing the VA to expand its acquisition intern programs and increase training for construction facilities management. Again, we support that as well.

And then -- yes, so those are the ones, and I would be happy to email the language for the draft bill, because sometimes that's hard to track down.

Now, the Legion has always viewed the GI Bill as a means to establish economic wellness to reach full employment, and I think that's why we were initially a lot more receptive about the idea of using the GI Bill for entrepreneurship, and the more we learned about it, the more we appreciated the idea, but that really would not be possible, and the story can't really be told without the incredible work that other nonprofits have been doing in this area; namely, IVMF and even the Boots to Business workshops, where we have actually taken -- they have actually taken workshops and lessons and applied them to small business that allows veterans to succeed at a much higher rate in entrepreneurship than their civilian counterparts.

So that's why I think that there's a little bit of misconception that this is just throwing money on something for veterans to go out, when, in fact, there's been a lot of research and there's been a lot of study, and they have a proven track record of success around that.

Second -- and we are going to go -- I am happy to have this discussion move into a dialogue on it -- but I -- in just listening to kind of what the problems are, I take it to be that the nightmare case for this being implemented is someone who ETSs, a 23-year-old infantryman, looks at these two doors, goes down the entrepreneurship one, fails, and then is out of options at 27 years old or whatever. As someone who got out of the Army after the initial enlistment and used my GI Bill to succeed, that terrifies me, too. I get it in terms of how scary that seems, but I don't think that's an accurate description of, number one, the type of veteran who is using the program; and two, the types of phases that he would go through in using it.

When you look at young entrepreneurship, while there's been a tick upwards, the vast majority, 85 percent, are not that individual who's 18 to 24. They are in their forties and their fifties, and they're getting it after 20 years. And the important distinction to that, when we talk about that 50 percent number for the GI Bill, again, the nightmare situation to me is that 50 percent using education at a lower rate because people are choosing entrepreneurship instead.

When we're talking about the types of individuals who have been in for 20 years and get out and, you know, have a job waiting for them or are finding ways to start their own business or are just retiring, who have been -- they are not going to be using the GI Bill. The World War II GI Bill was around 50 percent, and I believe we consider that to be a success.

It was 76 percent? That's not for education. For education, it was 50 percent. I can check the numbers, but on that, too, I mean -- and for small business, there were about -- I believe 200,000 businesses were started between 1945 and 1948. So there are multiple ways of looking at this, and that's -- there are going to be individuals, regardless of any disagreements on the statistics, who don't use the GI Bill because they're beyond the point by which they are considering education to be a value-add, and that, to me, is the targeted individual for this.

Now, when you look at the cohorts that have gone through Boots to Business, that have gone through the EB -- the Executive Boot Camp for Disabled Veterans, you are not seeing that 18- to 24-year-old, so that dichotomy to me is false, and if those guys aren't planning on using their GI Bill for school, I think that we should be focusing on ways to help the wellness for them, and considering all the work that's gone into small business, this is a proposal to do it. If it's not through the GI Bill, if
|   | there's another way to do it that has been researched and kind of expanded, I think that we're all ears. Nobody is highlighting one or the other. I do think that, considering how things have phased for entrepreneurship being training, receiving an actual education, that's where the GI Bill seemed like a congruent fit, more say than home loans, whereas -- I don't know, you can argue that going to a flight school for four years prepares you any more than IVMF does for their training. I think at the very least, you would argue that they are both educations their own way. So if that can be acknowledged, I don't see -- it does not offend me, speaking on the American Legion, the idea that that's a program that America should invest in. So that's pretty much where we stand.  
| 1 |   | 2 | I think that there -- that -- Lynn, I don't know what your experience has been, but I imagine you have some people coming -- you know, that -- through your various programs that you're connected to who would not have that, you know, Chapter 33 benefit, you know, after a disposal, so...  
| 3 | MR. O'FARRELL: Other questions, comments?  
| 4 |   |   | MS. CARSON: I am trying to get good data -- I'll let him go.  
| 5 | MR. ZACCHEA: This is Mike Zacchea.  
| 6 | MR. O'FARRELL: Go ahead, Mike.  
| 7 | MR. ZACCHEA: Okay, thanks. So I just want to make a comment about -- admittedly, my sample size is very small, but what we are seeing sort of supports what -- I missed the name of the person from the American Legion, but what he said about many of these veterans are older and second career veterans. In our program, we now have 177 veterans over a period of time. Only about 10 percent are in their twenties. More than 50 percent are in their forties and fifties. So I think that is an important consideration, that many of these veterans are -- you know, the argument or the discussion about being irresponsible with money, I think that it probably addresses a very small part of the population. The second part I want to mention is that we're speaking in very binary terms, as in, you know, you either to do one thing or you do the other, but the vast majority, 75 percent of the veterans that I work with, are doing multiple things at once, either both in school and in their career or they're in school and starting a business or they are in a salaried job and starting a business, and in some rare occasions, they are doing all three, but primarily it's -- most of them are doing two things at once. So that is another consideration. These benefits are not necessarily mutually exclusive to only getting a job or only starting a business.  
| 8 |   |   | MR. O'FARRELL: And that was Mike Zacchea. So, Mike, you're at the University of Connecticut's Veteran Entrepreneurship Program --  
| 9 | MR. ZACCHEA: Correct.  
| 10 |   |   | MR. O'FARRELL: -- and forgive me if I

| 1 | MR. LOWDER: We don't -- 24 to 35 --  
| 2 | THE REPORTER: Can you say it on the record, please?  
| 3 |   |   | MR. LOWDER: I think it's more in the 24 to 35 range -- age range bracket, don't you think, Bill?  
| 4 | MR. MANGER: Yes.  
| 5 | MR. AUMENT: One of the questions -- just a followup, and I think you mentioned that some of the statistics are that the age demographic of those, you know, veterans who choose to, you know, enter in to start up a business, they are not all just transitioning out of the Service, either. There are a few of us with gray hair in this room that would, you know, choose to start up a business and may have access to capital as a barrier, which it all takes us back to the very, very core issue here, which is access to capital.  
| 6 | And many of us veterans who might be challenged by that, you know, don't have a Chapter 33, you know, GI benefit to go back and use towards that end. So essentially we're being cut out of that eligibility cadre, whereas

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botched the name on that.

MR. ZACCHEA: That's right.

MR. O'FARRELL: Okay. And my take-away has been similar listening to all of the testimony. We are having a lot of either/or types of discussions here, and I think that's something the committee will need to reconcile as we move toward our annual report of recommendations, is how can you do -- is it possible to do some of both, just as Mike just described, and not have it be either/or. You only get to go to school or you get to start a business. So I think we'd like to hear more about that.

And I'll also offer to the presenters this afternoon, if you have some followon materials that you would like to send us, I know there was somewhat of a disagreement between the Legion and the folks on the other side of the room about the statistics, about the percentages of veterans who are using the benefit, things like that. Please send us your supporting arguments, because we would like to have that as a reference for our report.

MS. CARSON: I do have a question, please.

MR. O'FARRELL: Go ahead.

MS. CARSON: Thank you. There is also another either/or, and that was the discussion on grant or loan. Those are a very different impact on business, so that would be interesting to hear, perspectives on that at some point, perhaps not today. I am going -- I am working on trying to get some of our Boots to Business statistics that I can share with you and the demographics, because there are some -- there were some myths about who takes -- who's interested in entrepreneurship. It is -- it's representative of the rank structure, for example, so it's not all officers and 20-year folks doing this. We have got some first-termers, we have mid-career, and we have got retirement, which also come out with very different capital situations, potentially.

So I -- if I get those during this meeting, I'll be happy to share those with you as well so you'll know. I'll also share that, right now, 10 percent of the transitioning population does take part in the Boots to Business program. It's an elective track, so they still have to fight to get that time off, because it's not part of the mandatory transition assistance. That kind of mirrors the -- what veteran business looks like in the United States right now. We're about 9.1 percent are veteran business-owned. Many thanks to the veteran era vets who are owning businesses. We want to see that uptick in the post-9/11 as well, so we're very interested in hearing your perspectives on how we might better support them going forward.

MR. O'FARRELL: Okay. With that, we are going to move on to the next presenter. We have Dr. Nick Armstrong from the Institute for Veterans and Military Families.

DR. ARMSTRONG: Good afternoon, everyone. I just want to thank the committee for the opportunity to spend this afternoon with you, and actually, the last discussion, you know, at the end of the day, this is all about what's best for vets, and I actually applaud the opportunity to have this dialogue. It's an important discussion.

Just reflecting on a little bit of the research that we've done, you know, over the last few years, also in partnership with SBA and the VA on a Google study, for example, 8500 student veterans or prospective student veterans that we sampled, most -- education benefit is the -- was the top motivator for service, among -- in addition to the -- just serving your country is a motivation.

Also, just some of the things that we took for that study, we took a broad scope in terms of trying to understand how folks were transitioning, not just to higher education, but transition in general, and gave them a laundry list of potential barriers to transition itself, and, you know, believe it or not, employment was up there. Most folks, when we asked them, do you think the most challenging barrier is finding a job, and actually it was actually navigating benefit services.

So this is really reflective of I think a broader challenge across our nation in terms of, in the transitioning process, being able to navigate to different types of benefits, whether it's access to capital to start a business or education benefits or services in a community.
But, again, I think also some interesting points were raised in terms of the hypotheticals. In terms of research, I don't think we have a really solid understanding of what the actual needs are in terms of -- we know the access to capital is a challenge, but I think Mike on the phone actually brought up an interesting point also in terms of what we see when there are challenges, whether it's access to a particular resource, it's typically things multiple -- access to multiple types of services that veterans seem to need, and so taking a look at -- asking questions about how a servicemember's -- veterans, as they transition, are taking advantage of different benefits over time and how -- whether they go back to school and they leverage other small business resources, but trying to take a longitudinal approach to that. So just some comments on that.

Today I hope to share with you an update on some other research that we had relating to entrepreneurship that I think actually feeds into this conversation. I just want to take a quick opportunity to explain a little bit for those who don't know us. A little background on me, I'm an Army veteran, been at the institute for three years and at Syracuse for ten, and I transitioned out in 2007.

The Institute for Veterans and Military Families has been around for five years. It's not your typical academic institute. It's -- the real vision was to be able to marshal and leverage all the human capital on a higher ed campus, as you advance a service, you advance the post-service lives of transitioning servicemembers, veterans, and their families.

The next slide kind of lays out our mission.

MR. GARCIA: I'm sorry.

DR. ARMSTRONG: So what we do, we deliver programs and services, but we also do research for evaluation. So, in effect, we're a -- I like to call us an action tank.

Next slide. This is an idea of just a general picture of what we do here. So on the programs and services side, we focus around entrepreneurship and small business training, as many of you are familiar with our programs. We also do career preparation and employment, community-based programming and services.

Now, on the research side, we focus on topics that are closely aligned to our programs and services, specifically to help inform the network and to also focus on measurement and valuation of that work.

Next slide. Just a very quick overview, snapshot of our portfolio on the programs and services side. So most of you are familiar with Boots to Business. Obviously, we have had a great relationship with SBA, with Boots to Business, Reboot, Entrepreneurship Boot Camp for Veterans, which is really where this all grew out of, V-Wise. On the career preparation and employment, you may know of our Onward to Opportunity Program, where we're delivering upskilling and credentialing training, combined with placement services on military installations, during the transition process.

On the community engagement side, we deliver a program called America Serves, where we're out in communities, helping them stand up and coordinate in-service delivery networks.

Next slide. Just a quick snapshot in terms of the service members who -- and their families who have gone through our programs. On the entrepreneurship and small business side, as I mentioned, most of you are familiar with EBV, EBVF, V-Wise, and Ignite. This is a snapshot of those who have gone through the program. Of note for EBV, 72 percent have started businesses, and of those, 92 percent are still in business.

Next slide. One quick note, a year ago last March, we stood up a Center of Excellence for Veteran Entrepreneurship.

Next slide. So what this essentially is is an information hub. You know, really the idea is to marshal resources and catalog them for those aspiring business owners, as well as researchers, policymakers, and other employers who are interested in looking for information around veteran business ownership.

On our website, for example, there is a database of more than 14,000 resources. You can actually narrow in on your location by state. We're looking to continue to build that out. Also, this Operation Vetrepreneurship is what
I'm going to talk to you about here shortly, which is an ongoing project we have.

Next slide. In terms of our research and policy shop -- next slide -- and so what we do, I mentioned earlier, we do applied social research on traditional topics that I had mentioned earlier, employment, entrepreneurship, policy, higher education. We also provide measurement and evaluation support internally to the institute and with other partners.

Next slide. This is a snapshot of our research portfolio in terms of projects that we have had ongoing over the last year.

Okay, I am going to transition into a research project called Operation Vetrepreneurship. So we actually launched this late in 2016, and this is actually supported by our Center of Excellence. What we wanted to do is first to start to just gather all the great work that's been done out there, largely by Joe Sobota -- no surprise there -- you know, taking a look at the survey of business owners and that data that came out, but then also trying to take a look at the survey of business owners and that data that came out, but then also trying to understand the hows and the whys, so what is -- questions like, why are folks actually drawn to business ownership as they transition out? How are they using resources? How is that working in communities? So this is really driving this new project.

Next slide. So what we want to do is take a first step at informing any sort of broader efforts, try to take a snapshot of the nation with respect to entrepreneurship, and what we're doing is a qualitative -- an indexed qualitative study where we're partnering with Bunker Labs and actually conducting focus group interviews and short anonymous surveys in the field with current and aspiring veteran business owners. So this study is actually still going on, and I am going to highlight a few of the preliminary findings from that, because it's still expected to come out later this summer, early fall.

But to date, we have conducted 11 focus groups, 62 participants who participated in that. We actually have a focus group today in Tulsa, with eight more, and we are hoping to get at least 80 participants. So far, across now six cities, but you can see there, Austin, Jacksonville, Phoenix, Philadelphia, and Washington.

So really the idea here is to try to really dig into and try to understand goals, aspirations, barriers that veteran business owners are facing on the ground, to then be able to ask better questions in the larger studies that may follow.

Can we go back one? So here's just a quick overview of the types of interviews. So thus far we've, on average, conducted one-hour interviews with folks. These are the types of themes that -- and topics that we wanted to try to pull out in the conversations, discussions around information sharing, resource needs, mentoring and network, challenges that they face, motivations, barriers, et cetera.

So we'll blow through the demographics. You can take a look at that. We are happy to discuss that if you would like.

One more slide. So just a couple of common themes that we are going to walk through, and in terms of the transcripts so far from these interviews, these are the things that
popped up.

Next slide. So motivations, in general, here's big things that are popping out. You know, traditional employment is not working out, on the left, as an example of a quote from an interview. Trying to make a better wage after service. Going after the American dream. Also, service-connected disabilities, and we'll go into that a little bit further in the next slide.

In terms of many challenges that veterans face, these are four: Lack of mentorship, access to capital, of course, as we've discussed; loss and change of network; and service-connected disabilities. So it's not just access to capital; it's a combination of these different types of barriers that are kind of happening together.

Next slide. This is a quote here, "Lack of mentorship, not sure who to turn to," in terms of access to capital. Interestingly, this quote is actually related to a regulatory barrier to access -- to capital access.

Next slide. This is another big one, too, and this is really the loss and change of network as folks transition out. This is a great quote here. "Having a really solid, great network as you leave the door, but that network doesn't really help you out from the business perspective."

Just a quick snapshot thus far in terms of those who perceive how their military service has enhanced their entrepreneurship. Teamwork, management skills, et cetera, perseverance, in particular, are top among them.

Next slide. There's a little bit more on that.

Next slide. So as I mentioned, this study is just under way, about halfway through, and we're hoping to publish some of the results here late in the summer, early fall. Hopefully we can host a roundtable discussion with other stakeholders who are interested in the work itself and in how that might help inform future research.

We also have several conference presentations that we've been a part of and are also planning to participate in going forward. So at the end of the day, we're really hoping that this study helps lay the groundwork in terms of informing future research and helping to make -- help design studies with good questions that kind of go after some of the topics that we've discussed here today.

Next slide. I'm happy to take any questions.

MR. CARSON: Can you come up, Rick?

MR. WEIDMAN: I guess my question is --

THE REPORTER: You need to say your name.


How are you able to sustain -- get the resources on an ongoing basis to sustain the center and the research that you're discussing?

DR. ARMSTRONG: So all of this research is -- are funded by different partners who are funding the research itself. So this study, for example, is supported through the Center of Excellence, which is funded by First Data.

MR. WEIDMAN: So most of it is private sector funding?

DR. ARMSTRONG: No. Actually, it's a combination of federal, private sector, and nonprofit philanthropy grants through foundations that do research, who are interested in research questions. We actually do independent research, too; for example, we're actually working on a different project for OPM on federal employment of veterans.

MR. WEIDMAN: Right. So it's mostly OPM and SBA?

DR. ARMSTRONG: In terms of federal partners, yes.

MR. WEIDMAN: Okay, thank you.

MS. CARSON: For clarification, we're not -- SBA has not funded any research.

MR. WEIDMAN: What's that?

MS. CARSON: SBA has not funded any research with the Institute for Veterans and Military Families.

DR. ARMSTRONG: Just programs.

MR. WEIDMAN: I'm sorry?

MS. CARSON: They have won, through competitive awards, grants for entrepreneurial
MR. OFARRELL: Other questions from the committee? From the audience?

MR. KAMIN: I'm curious for the EBV what your metrics for success are. I'm not sure if you can speak on that from the research side, but for the growth of the program, how they've determined, you know, what happens to the students upon completion and how they check their progress over time?

DR. ARMSTRONG: So we have a -- we basically monitor them three, six, 18 months, and every year, we send out a followup survey with our alumni in terms of things like business generation, sustainment, growth and revenue, metrics like that.

MR. KAMIN: Have you been able to gain any idea of the success rate for the aggregate amount?

DR. ARMSTRONG: Ah, yes. So for EBV, 72 percent have started businesses, and among those -- of those, 91 are reported as still in business.

MR. KAMIN: And just for clarification, is EBV accredited or is it an independent program?

DR. ARMSTRONG: An independent program.

MR. PHIPPS: One of the issues that have come up on this committee is being able to navigate the huge volume of resources that are available to veterans, and when I saw you put that up there, you have 14,000 in one database. One, is that available to the public?

DR. ARMSTRONG: It is. MR. PHIPPS: It is. I would like to see that, because this has been something that we have been tracking for three years now, and how does a veteran find a resource, you know, is it rated, and what resource will match to, you know, whether it's geographical or just, you know, what they're looking for, and with 14,000 resources, how do you even begin to make that decision on which one to use?

DR. ARMSTRONG: Absolutely. I'll just -- I can attest to the hours that have gone into many student hours, in fact, that have helped us trying to just compile all of that data, make sense of it, tag it, and then make it as an available resource online, has been a huge undertaking, and we still continue to try to refine -- update and refine that, but this is reflected across the entire veteran space.

MR. OFARRELL: Is there any Yelp-like qualities to it, any kind of rating? Are there actually users of it?

DR. ARMSTRONG: That's a great question. There is not a Yelp-like function with it, though there have been discussions about doing something like that down the road or with other partners or other organizations that are -- that may be starting to look into doing that kind of work in the nonprofit space.

MS. STROMAN: Bekah Stroman with the U.S. Chamber of Commerce Foundation. We actually conducted a study with the Merck Foundation last year, kind of dissecting a little bit veteran stereotypes in the workplace. So obviously what we specialize in, as everyone knows, is helping veterans find employment with demand, right? So we know that they have opportunities to go into higher education when they come out of the Service, go get a job, or go into a small business or entrepreneurship opportunities.

And one of the things that we noticed in the study is actually outlined in your PowerPoint there, some of the common challenges that your small business owners are facing as they're getting off the ground are not common -- are not specific just to veteran small business owners, but they are common to transitioning servicemembers overall, with the exception of access to capital, obviously. As you know, loss of network, mentorship challenges, et cetera, et cetera. So it's kind of indicative of the entire transitioning servicemember population.

DR. ARMSTRONG: Absolutely.

MR. OFARRELL: Okay. Any other questions related to our speaker? Thank you for being here today.

DR. ARMSTRONG: Thank you.

MR. OFARRELL: So next we have public comments. The public comments section. We don't have to have any, but if we do, we would like to invite members of the public to come forward, turn on the mic, and -- go ahead.

MR. WEIDMAN: Yesterday, the Interagency Task Force met in this room, and I talked then about the 2004 executive order that...
basically pushed every agency to meet the requirements under 106-50 and subsequent legislation, as well as executive orders, and directed that the chief operating officer of each department and agency, that they be directly responsible to ensure that 3 percent of all contracts, as a minimum, and 3 percent of all subcontracts, at a minimum, was reached and maintained by that federal entity. That was pushed hard under President Bush during his last four years, and it was pushed hard during at least part of the Obama years, particularly when Mr. Daley was the chief of staff, and got brought up in cabinet meetings. It's amazing how reasonable people can be once you've secured their full attention, and the Chief of Staff for the President is able to do that, and the President himself brought it up.

So the recommendation of this committee to the White House that they revisit that 2004 executive order, which is still on the books, and see if it needs updating, and if it does, update it, and if not, enforce the damned thing, because if you walked up to most of the deputy secretaries and deputy administrators today and said, what are you doing about making sure that service-disabled veteran business owners are getting contracts or veterans, VOSB and DVOSB, they have the option, they don't have to stick with 3 percent. When Colin Powell was the head of state, it was raised to 5 for SDVOSBs and 10 percent for -- for all veterans.

So you are the entity that has the natural funnel to the White House on this, and certainly the veterans service organizations will help reinforce it, but it really needs to come from this committee, and that's where you can have a tremendous impact, I would suggest. That's one.

Secondly is to push towards scrubbing data from the agencies. Right now, each agency submits data to the SBA, and it gets rolled up into a database, but nobody looks at that data to see if, in fact, those listed as small businesses are, in fact, small businesses. We have found Lockheed Martin on that list. We've found a number of the other Fortune 40, and certainly the Big 14, the Big 14 defense contractors. So we believe that that really needs to be done.

And number two is OMB has direct responsibility, and particularly the Office of Federal Procurement Policy, and meets with the OSDBUs on a regular basis, office of small, disadvantaged -- frankly, we don't believe that veterans are a socioeconomic group, and the whole basis -- we earn better benefits by virtue of military service, services rendered, and sacrifices made.

Until the 19th Century, 17th, 18th, and 19th Century, the concept of the bounty, and television has made bounty seem like something dirty, but it's not. It was a reward by the people of whatever country to those who had placed themselves on the line in defense of that nation, and that's what veteran's preference is, and that is exactly what the special minimum is for SDVOSBs and VOSBs, but it's got to be enforced.

And so we recommend -- we certainly will be pushing, meaning VET-Force, and VA, along with some of our colleagues from the other VSOs, but this committee needs to push, and so that's my entreaty to you, sir, and request.

MR. O'FARRELL: Just out of curiosity, does your organization have an opinion on the potential to stand up an 8(a)-like program for veterans?

MR. WEIDMAN: There's been a lot of discussion on it. We haven't come to a conclusion on that. In the nineties, there were those who thought that instead of creating VOSB and SDVOSB legislation, that what we should do is modify 8(a) to include veterans, and disabled veterans to be sure.

If you harken all the way back to CETA, Vietnam veterans were having a tough time finding employment, but we did not fit the profile of CETA, because we were better educated, we could obviously do things, and we were competent enough not to get killed in a field, and so CETA hated us because we were an anomaly, and it was hard to find a niche in order to get in.

The reason why I say that is the same thing was true under SBA. They couldn't really figure out what the hell to do with us. In 1982, Jim Sanders under President Reagan, first term, was appointed SBA administrator. In 1974,
really as an afterthought, Ed Koch was on his 
way to -- no, excuse me, Charlie Rangel was on 
his way to a hearing and ran into Bobby Mueller, 
who was a founder of our organization, and they 
knew each other from New York, and, you know, 
Mr. Rangel said and Mr. Koch said, what are you 
guys doing? And so they went -- were going to a 
markup, and a special consideration for veterans 
got inserted in the SBA reauthorization bill. 

And then there were arguments for the 
next eight years about what the hell "special 
consideration" meant. And working with 
Administrator Sanders, we had a recommendation 
and finally came to an agreement about at least 
initially what that would mean, and it was 
issued as an administrator's order, which stood 
for the next six years and disappeared under 
Bush 1, and it was wiped out under Clinton. 
The reason why I say that is -- and go 
back on that history -- is what we discovered 
even after that one thing is you had to keep 
pressure on all the way to get people to 
actually implement what the administrator had 
ordered folks to do. And Jim Sanders was a good 
guy, and he was a pretty good administrator, a 
pretty good leader, but it took working with 
Senator Bumpers and the small business 
committee, on a bipartisan basis I might add, to 
finally get a hold of what does that mean in 
terms of staffing in the field. 
What it meant at that time, it was much 
more organizational capacity in the sense of 
many more staffmembers in the district offices, 
and so what was created was money was set aside 
for a full-time position at each of the ten 
regional offices, and at each district office 
you had at least half-time, on veterans. 
So my point is this: Somebody's got to 
keep the pressure on before everything goes to 
hell. It's as simple as that. American 
politics is a full contact sport, and -- 
including politics with a small "p," which is 
what you all are about here, and it's what 
actually the Veteran Service Organizations are 
all about also, because we work with both sides. 

Is that helpful at all? 

MR. O'FARRELL: Yes. Thank you very 
much. 

Any other public comments? 

MR. MURRAY: Jim, I actually -- I liked 
what you brought up about the 8(a) for veterans, 
and I would be willing to discuss that a little 
bit more, that I think that there's pros and 
cons for both sides of that, especially 
considering, you know, the timetable that 
there's a set amount of years kind of thing, 
that you can't maybe go back on those client 
lists after you come off of that. 

There's things that we like about it, 
but actually putting veterans on the 8(a) list 
is not, as is, something that we really like, 
but we like the concept, and 
that's something we would like to discuss a 
little bit more. We think it's a great way to 
get other business opportunities involved. 

MR. WEIDMAN: May I just offer one 
codicil to that? The old 8(a), veterans were 
included, and the law is still on the books. 
It's just fallen into disuse over the years. It 
hasn't been used in 35 years. And to go back to 
that, in fact, we've -- at VET-Force, we 
published two white papers that touch on that, 
and go back to that original statute, which is 
right on the books, Pat. I would be glad to put 
you in touch with Jim Wilfong, who was the point 
man for that on VET-Force. 

MR. MURRAY: That would be great. We 
would love to explore every opportunity we 
could. 

MR. WEIDMAN: Great. Thanks. 

MR. O'FARRELL: And we will -- let's 
talk after the meeting. Maybe we would invite 
you to come back to our September meeting and 
have that be the focal point. We definitely 
have hashed the GI Bill quite thoroughly today, 
so -- 

MR. WEIDMAN: Yeah, more than happy to. 

MR. O'FARRELL: Okay, thanks. 

MR. WYNN: Joe Wynn, VET-Force, also a 
member of AmVets and VBA. Just a couple of 
things I'd like this committee to continue to 
expand exploring into. One is federal strategic 
sourcing initiatives and the impact that they're 
having on small business. I think most of you 
know what I'm referring to. They're putting 
these -- more and more agencies are putting 
contracts together, bundling them in reality is 
what they're doing, bundling them, and they are 
allowing a few service-disabled vets or 
veteran-owned businesses to participate in their
group, but you're leaving out hundreds of others.

So the argument that the Government continues to make is that, you know, it's a benefit for the Government, there's a cost savings, and in reality, it looks like, yeah, there's a cost savings because there's less contracting officers they have to use to negotiate the contracts, but the bigger picture is the negative impact it's having on so many small businesses, including veteran-owned businesses that are not able to participate. So some further look on that would be good.

You're talking about the Veterans Business Development Program, when you talk about the 8(a) program, it was designed to provide some support and assistance to minority-owned businesses so that they could better compete in the federal marketplace. That was never done for service-disabled vets, and so it should be -- the service-disabled vets should have a business development component to the federal procurement program. Being in the 8(a) program, it's not necessary for them to be in the 8(a) program. They could have the same type of opportunity and authority to participate in a business development program as minorities.

MR. PHIPPS: Hi, Jim. This is Mike Phipps. So our current recommendations paper has a separate business development program in the federal procurement system for service-disabled veterans. That's a recommendation. During the writing of that recommendation, we heard last year -- I think, yeah, last year, from Max Kidalov, who systematically showed how government, Congress -- and no hit on SBA now, but SBA back in 2004 -- failed to take language that was written to support a veteran business development program in the federal procurement system for service-disabled veterans and there was no program instituted. Currently, in 2017 -- I just did this -- approximately half of the small business spend for the Federal Government is going to 8(a)s. During the IATF, there was a very frustrated business owner who testified -- I think you heard that testimony -- about this very issue. He was focusing on Department of Energy, but it's governmentwide, minus a couple of agencies. So this is something that is already an active recommendation. We actually had several law firms and other people contribute, and there was a lot of effort put into this -- this issue.

MR. O'FARRELL: And strategically, for the ACVBA, we decided a couple years ago, when Ed Fielder was the chair and then Mike Phipps was the chair last year and myself this year, that we were going to pick out, you know, five, six, ten areas that we could focus on and just hammer away for several years consecutively, and this is kind of one of those areas that we're interested in keeping on the radar, and that's the idea, you know, if we can get a couple of speakers to come in in September to get what's the latest, so, Mike, we will talk about that.

MR. WYNN: And just in following up with that idea, I'm glad to hear you guys are going to kind of continue down that road. Here's another thing that comes up that is related to that. A number of veterans, when they are service-disabled vets trying to bid on contracting opportunities at military installations, if they're in the 8(a) program,
1 So something's wrong with that picture, but we
2 may also need to be looking at verification or
3 certification across the whole federal
4 marketplace and take a look at the women's
5 program. It seems to be less cumbersome.
6 I haven't heard -- I don't know, I
7 haven't heard any real complaints about it,
8 about the process, and when you look at the
9 number of contract awards for women-owned
10 businesses versus service-disabled vets, the
11 women far outnumber the service-disabled vets.
12 Something's wrong with that picture. So
13 hopefully, you know, this committee will
14 continue to look at ways to increase contracting
15 opportunities for our veterans and
16 service-disabled vets. Thank you.
17 MR. MURRAY: When you said only
18 approximately 10 percent hold contracts, are
19 those prime or are those subcontracts or is that
20 both? Where does that number come from?
21 MR. WEIDMAN: They're not tracking
22 subcontracts.
23 UNIDENTIFIED: They're tracking
24 subcontracts.
25 MR. O'FARRELL: Okay, thank you.

1 MR. WEIDMAN: Oh, they are?
2 MR. PHIPPS: In the report that we had
3 yesterday from IATF, Tom Leney went through a
4 system that he's been developing for two or
5 three years now that was extremely detailed. It
6 was a really good tool that was developed by
7 FedMine, and so they are tracking all that.
8 They have 16 -- and I don't remember if
9 he differentiated contracts from subcontracts,
10 but in yesterday's IATF meeting, there was a
11 statement that he made that said he is going to
12 start pushing for the CBE to be the acceptable
13 certification governmentwide. He said he wants
14 all agencies throughout the government to
15 have -- to make that a requirement. And so, you
16 know, the SBA now is self-certifying, and you
17 have an extreme certification on the one hand
18 and then you have self-self-certifying on the
19 other hand, and it looks like for this
20 committee, that's going to be a topic -- and
21 it is a topic -- of how that's going to
22 intersect.
23 MR. FIELDER: Well, in the SBA report
24 this morning, they did give us the VA report,
25 and it suggests -- and it doesn't have the total

1 numbers, just in percentages, but SBA has a
2 service-disabled goal of 3 percent,
3 subcontracting was at 1.5 percent.
4 MR. WEIDMAN: Okay, thank you.
5 MR. WYNN: Just one closing remark.
6 Vets First has worked in the VA. It prioritizes
7 the use of service-disabled vets and vets over
8 all other socioeconomic categories and small
9 business preference groups. So if we are going
10 to look at verification throughout the federal
11 marketplace, at the same time, why not push for
12 Vets First throughout the whole federal
13 marketplace?
14 MR. O'FARRELL: We can dream.
15 MS. PEREZ-WILHITE: Excuse me, Jim, can I --
16 MR. O'FARRELL: Yes?
17 MS. PEREZ-WILHITE: This is Fran
18 Perez-Wilhite, and I have to leave to get a
19 flight, and I just wanted to say it was an
20 excellent meeting today, and thank you for all
21 the great information, and please extend that to
22 the support staff, too. Thanks.
23 MR. O'FARRELL: Okay. With that, we
24 are going to go off the record and have a
25 break for -- let's just take five, and then come
26 back in committee and we can close out
27 everything.
28 (Whereupon, at 5:56 p.m., the committee
29 was adjourned.)
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