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ADVISORY COMMITTEE ON

VETERANS BUSINESS AFFAIRS

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MR. STUBBLEFIELD: All right, good morning, everyone. Welcome to our December Advisory Committee meeting. Before I turn it over to our Chair, I just want to go on the record with the committee saying that the committee honors the life and public service of the Nation’s 41st President, George Herbert Walker Bush. President Bush was a family man, a patriot, a statesman, and a successful businessman and a veteran. Our thoughts and prayers go out to the Bush family during this difficult time.

With that, I’ll turn it over to our Chair.

MR. ZACCHEA: Okay, good morning, everybody. This is Mike Zacchea. I’m the Chair of the Advisory Committee on Veterans Business Affairs. I just want to say that President Bush was certainly a member of the Greatest Generation, but he came back from service and started a business, and in many ways set the example for all veterans coming back from combat and reintegrating into American society.

I know that he set the example for me. I really and truly believe that in this -- the post-9/11 generation of combat veterans -- that there are future
leaders of our country, that there’s a future president
out there who is going to follow President Bush’s
example. Thank you.

Okay, so what I’d like to do now is take a
roll call. We’ll start over here on my right, please.

MS. HOOK:  My name is Alyssa Hook, and I am
with the Office of Veterans Business Development at
SBA.

MS. PEREZ-WILHITE:  Good morning, everyone.
I’m Fran Perez-Wilhite with the North Carolina Military
Business Center.

MR. PHIPPS:  Michael Phipps, the Millennium
Group.

MR. SHELTON:  Brandon Shelton, Task Force X
Capital.

MR. STUBBLEFIELD:  Larry Stubblefield, Office
of Veterans Business Development.

MR. ZACCHEA:  Mike Zacchea, I’m the Chair,
and I’m the Director of the UConn Entrepreneurial Boot
Camp for Veterans.

MR. O’FARRELL:  Jim O’Farrell, AMSG.

MR. LOWDER:  Lynn Lowder, Veteran Business
Project.

MR. CRANE:  Eli Crane, Bottle Breacher.

MR. FENDER:  Alex Fender, Funnel Science.
MR. ZACCHEA: Anybody on the phone, would you please identify yourself.

MS. O’BRIEN: Sure, this is Elizabeth O’Brien, U.S. Chamber of Commerce Foundation, Hiring our Heroes.

MR. HAFER: This is Evan Hafer, CEO of Black Rifle Coffee.

MR. ZACCHEA: Was that Evan Hafer?

MR. HAFER: Yes, this is Evan Hafer from Black Rifle Coffee.

MR. ZACCHEA: Anyone else?

(No response.)

MR. ZACCHEA: Okay, I just want to make reference real quick to a report that Larry Stubblefield brought to my attention. The report was published by the New York Fed. It’s called “Veteran Entrepreneurs and Capital Access.” And I just want to read a sentence from the introduction.

“For decades, military veterans have been a vital part of the nation’s business center, leveraging the valuable skills they gained during their service to start businesses across the country. However, veteran entrepreneurship is facing a generational decline, with young veterans owning businesses at lower rates compared to past generations. Furthermore, we are now
beginning to see veterans owning businesses at lower rates compared to nonveterans.”

One more sentence. “Of particular concern for policymakers is whether veterans have a more difficult time accessing capital than nonveteran business owners.”

So I sent a copy of the report to everybody.

We believe that one of the great barriers to this generation of veterans starting businesses is access to capital, and I want to thank Larry Stubblefield and his staff and the Office of Veterans Business Development for their contributions to this report.

MR. STUBBLEFIELD: Thank you. Thank you, Mike. We’re going to talk a little bit about the report during my portion here this morning. So at this time, we’re going to go into OVBD updates. So do we have the slide up? I think you all have copies of the slides.

Oh, what I thought we would do is just kind of look back, if you will, at the year in review. And it was a pretty successful year in OVBD. For our Boots to Business program, we reached a cumulative, all-time high of 85 participants this fiscal year from the start of the program through 2018. The 2019 National Defense Authorization Act mandates changes to the DOD
Transition Assistance Program, which will impact the B2B program. In other words, Boots to Business will no longer be an elective; it will be part of the mandatory training during that transition assistance week.

The VBOC program, recompeted all of our VBOC grants in Fiscal Year 2018, expanding the total number of VBOCs from 20 to 22, adding VBOCs in North Dakota and Tennessee.

VBOCs in 2018 serviced over 52,000 clients.

Our Entrepreneurial Training Programs were very successful. Those are our programs for women veterans, service-disabled veterans, and veteran-owned small business -- businesses who want to compete in the federal contracting market.

National Veteran Small Business Week was another success, and I'm going to ask everybody to forgive me a little bit for my -- like Fran, we are both recovering from laryngitis this week. But our National Veterans Small Business Week, we had close to 10,000 veterans, service members, and military spouses participating in entrepreneurial training events. And there were more than 200 training events across the nation.

We had presidential recognition for National Veteran Small Business Week. The President came out
with a statement supporting National Veteran Small Business Week, and with our social and -- social media, we were able to reach out to over 4 million people across the nation in regards to National Veteran Small Business Week.

I -- back in March, I traveled to Williamsburg to attend the National -- the annual conference, rather, for the National Veteran Small Business Coalition. And at that time, we signed a strategic alliance memo solidifying our relationship and what SBA will do to help the National Veteran Small Business Coalition promote their mission.

We also signed an MOA with the VA for -- with the Vocational Rehabilitation and Employment folks. And in other words, with their various tracks, if they have someone that goes to the VA and they’re interested in self-employment, they will refer them to SBA, and we in turn will make referrals back with the SBA -- or with the VA, rather.

And then the last bullet there just talks about the Veteran Small Business Scale-Up Program. I think most of you aware that this year we were recipients of the President’s Salary, so we -- the president donated $100,000 in support of veterans, and at this time, we’re kind of looking through our options
on how we’re going to utilize the funding. We’re thinking in terms of a possible scale-up program similar to what we do in our Office of Entrepreneurial Development and Emerging Leaders type of program, but more to follow on that.

Okay, on the next slide, Mike made reference to the report, and I think you all have the -- I’m not going to -- this is just kind of like some of the key findings here. And one thing that the Chairman and I had talked about where the report was concerned was what would be the next steps. And if you recall, Mike, we had talked about possibly forming a subcommittee here out of the FACA to do a deeper dive, if you will, on the report and then maybe come up with recommendations and thoughts going forward on what we need to do to promote access to capital for our veterans, you know, business owners and folks that want to go into business.

So I don’t know, Mike, if you had anything else you wanted to say about the report.

MR. ZACCHEA: Not at this time.

UNIDENTIFIED ON PHONE: Now who’s talking?

MR. ZACCHEA: Mike Zacchea, not at this time.

I think it’s a really important report. I want to make sure everybody gets to read it.
MR. STUBBLEFIELD: Are there any comments on the committee in regards to the report? I think you did say you sent it out to everybody, right?

(No response.)

MR. STUBBLEFIELD: All right. Okay, at this time, I’m going to turn it over to Alyssa Hook. I just want to remind the committee, we’ve talked at a number of our meetings in terms of our surveys, our Boots to Business surveys, and so we’ve heard you loud and clear. Alyssa’s going to go through what we’re doing with our outcome survey. You know, there’s two surveys, the in-course survey and the long-term outcome survey, where we’re trying to track and find out where people are after they’ve attended our Boots to Business. So with that, I’ll turn it over to Alyssa, and she’ll walk you through what it is that we’re doing here at OVBD with that survey.

MS. HOOK: Thanks, Larry. Alyssa Hook. I am a data analyst on the contract support team for the Boots to Business program within OVBD. Today, I am here to talk about some of the challenges we faced with the data we’ve received for the outcome survey and our plans to revise and move forward with a different administration methodology to better assess intermediate and long-term outcomes for Boots to
Business program participants.

So for a brief background, the outcome survey is administered via an online platform to all B2B participants who provided an email and agreed to participate in a followup survey. So the survey in its current form is pretty lengthy, a maximum of about 44 items, depending on skip logic, so meaning how they respond to a certain item, it can kind of push them into a different pool of questions.

The survey is administered one year after completing a Boots to Business course, and again annually thereafter. So we’re pinging people essentially once a year after they complete their B2B course. Ultimately, the goal of the survey was to gain insight on program outcomes -- what are folks doing in the years after completing a B2B course. One of the common questions we get is number of business starts. It’s a common question with entrepreneurial training programs.

So upon administering the survey for a few years, we came to realize myriad issues with the survey administration methodology, and that was really impeding our ability to make valid inferences and judgments about outcomes. So I’ll provide a little more detail on each of these in just a moment, but for
a high-level overview, you can see that our key challenges here included an inability to generalize our outcome data to the larger Boots to Business population due to sampling issues and a low response rate, questionable data quality due to some missing items, contradictory responses, and analytical issues with some of our longitudinal data points caused by high attrition over time.

So first we’ll go into generalizability and some of our issues there. So in its simplest form, the goal of collecting survey data is to better understand a population. It can be pretty much impossible to survey every single person within a population, so what we do is grab data from a small subset of individuals, and we consider that our sample population.

So being able to generalize essentially allows us to extend the findings from our sample population and apply that to the population at large, in this case, the Boots to Business population. And, ultimately, we experience two key issues here that threatened our ability to generalize data -- sampling bias and a low response rate.

So I don’t want to get too technical into each of the following bullet points here for sampling bias, but essentially sampling bias occurs when your
sample population does not accurately reflect the true value of your larger population. So essentially the sample is systematically different in a meaningful way from the larger group. So the data we’re getting from that sample is really an artifact of how we collected the data and who chose to respond to the survey.

So when sampling, we sent the survey out to every participant who gave us a valid email, and we accepted whatever we got back. So we cast a really wide net. The problem there is that the folks who choose to respond are different from those who don’t. So in contrast, if you were to have an unbiased sample, the differences that you would see from your sample group in the larger population are just due to chance, not inherent differences between the two groups. So in that sense, random sampling as opposed to sampling every single person really helps mitigate that sampling issue.

Second, response rate, this is essentially the percentage that’s calculated by dividing the total number of people who responded to the survey by the total number of people who were surveyed. So research has shown average response rates for online surveys are lower than in person, so they hover around 30 to 35 percent, and our response rate was about 2 percent. So
significantly lower than what we would hope to see for strong data.

So moving on to data quality issues, there were a few factors that affected the validity of our data, and each of those are listed here. So missing items. Some of the surveys we received back had a number of items that were just not completed, so some folks were responding to certain items and skipping others and leaving those blank. And what that does is that exposes us to a nonresponse bias.

So as I just discussed with the low response rate, people can either no respond to the survey at all, or they can only respond to certain items. And the issue with that is that people who are only responding to certain items may only be completing the survey to respond in a particular way, maybe favorably, they will only want to report things that look for them, or negatively, so that can be inherently problematic.

So next is contradictory responses. This is problematic. It wasn’t as prevalent as the missing items, but essentially what this means is that some individuals who completed multiple surveys reported inconsistent information over time on items that really should have remained stagnant. So, for example, we had
some folks respond, yes, I started a new business at their baseline survey, their one-year; and then at their two-year, they responded, no, I didn’t. And how -- which response do you take as valid? How do you account for that difference? So in that sense, it really made us kind of question the qualify of the data we were getting altogether.

Third is inconsistent time periods between survey completion. So some folks, while we were supposed to ping people kind of at that one-year, two-year, three-year mark, some folks completed the survey right at that time, and some people waited a couple months. The problem with that is that when you are conducting longitudinal data, you want to ensure that each of your data points kind of pool right around that year mark. And if you don’t, then you can’t really make valid conclusions about the one-year point if they’re completing it kind of at different times. We really just can’t correlate our data to a particular time point if that happens.

So just kind of as an aside, a best practice to mitigate that is to conduct your survey and just give participants a particular time range to complete the survey and then close it off so that you can’t come back to it.
Lastly, we experienced extremely high rates of attrition. So less than a quarter of individuals who completed their baseline or one-year surveys completed a two-year survey, and that just shows a huge loss to follow up in high dropout trends, which is inherently problematic. When you’re conducting longitudinal data, you want to ensure you have as many completions per person per time point as possible to maximize the power of your study.

So it’s really not going to give us any impactful results if we have so few people that complete each time point. And that’s kind of one of the things we saw with our long-term points.

These data essentially are just best managed with advanced statistical software packages that will give you kind of a better insight and to account for missing time points and ensure that there’s accurate techniques that are applied to that data to provide meaningful output.

So all of this distilled down kind of takes us to the next slide. The data we have collected so far just cannot be generalized to the larger Boots to Business population. The lack of a representative sample ultimately does not allow SBA to make valid inferences or conclusions about intermediate and long-
term outcomes for Boots to Business participants.

And we saw that those who chose to respond
are your responders, and they are inherently different
from your nonresponders. And they’re a systematically
different population.

Further, results from a survey with a large
nonresponse rate can be misleading and are really only
representative of the people who applied. So looking
at number of business starts for the sample we have, it
really only applies to that X amount of people. We
can’t apply that to the larger population.

So upon recognizing each of these challenges,
we determined it was vital to restructure our survey to
make sure that we are collecting quality data and
reporting on solid outcomes.

So listed here are each of the goals with our
survey revision. By developing a scientifically
structured administration methodology and sampling
plan, we can collect reliable data that preserves our
survey validity. We can generalize our results to the
larger Boots to Business population, and we can provide
stakeholders with insight about intermediate and long-
term outcomes for participants who have attended the
course. So those are kind of each of the things that
we’re going to try to get at with our redesign.
So like I said, the survey is currently undergoing revision. Each of these are kind of some of the key points that we want to touch on with revising the survey. A big one is reducing the number of questions, and this will essentially minimize respondent burden and also try to reduce our dropout rate. So if folks are getting some survey fatigue, there’s too many questions that are essentially just going to kind of drop off and close the survey, which really threatens the quality of the survey and the data we receive back.

We are also, with that, when we reduce the number of questions, you want to make sure that each item really particularly aligns to some of your key performance metrics, so it can be easy to say, well, if we’re throwing a survey out there, let’s add questions on this or that or the other, but you need to be extremely intentional about the items you choose to include on that survey and make sure that you will use every item. So we want to be really intentional about that process.

Next, modifying our introductory language is important. You can really just kind of lose people right there if your introduction is lengthy, if it’s confusing, if it’s got too much technical jargon. So
we really want to reduce that down, be a little more
succinct, a little more precise. That’s kind of where
you can capture people and have them interested in it.
So that’s one of the things we’ll be doing. We really
want to emphasize confidentiality. Some folks can get
really uncomfortable with providing information they’re
not comfortable with, so focusing on that.

Next, we want to make sure that we consult
our interagency partners for feedback. Surveys always
go through the best process when you’ve got iterations
and you’ve got professional expertise and feedback to
kind of bolster those items, and then we will submit
that to OMB for approval.

So lastly is our implementation plan, and
this is what we’ll be working on while we’re waiting on
that OMB approval. First, we want to determine an
appropriate sample size. So your sample size will be
driven by the amount of error that you’re willing to
accept for your survey. So the smaller the error
you’re willing to accept, the larger your sample size
will be.

From there, we want to conduct a random
sample of the population. We want to switch this up
from surveying everything to just collecting a random
sample. And like I said, this will help reduce that
sampling bias and gather more of a wide variety of individuals in the population.

So, ultimately, it’s not about the quantity of people who respond; it’s about the quality of your sampling and the randomness of your sample, and that allows you to generalize, and it’s kind of a representative population.

We will then disseminate our survey with an online platform and aim for a much higher response rate. So we plan to do that by sending multiple email reminders, and also would love to encourage instructors to start talking about the survey at the end of class, letting people know. And by doing that you’re really giving them opportunity to message the survey in a positive way.

So, you know, this is your opportunity to provide us with feedback or information about where you are in the years after Boots to Business, we’re really excited to hear that from you. This can really help with response rates because you’re priming the participants and you’re essentially building kind of buy-in and interest and investment in helping us out down the line, especially since it will be a year later.

So really those things, after significant
research and my background with research and survey
design, we are confident that each of these changes
will help us produce a survey, an administration plan
that will essentially pull out outcomes that we can do
something with and that will be meaningful and
impactful. So this is just kind of a snapshot of our
timeline and project plan that we’re leveraging to make
sure we complete all the tasks and subtasks and stay on
our anticipated deadline so we can disseminate the
survey in the next fiscal year.

MR. STUBBLEFIELD: I was going to say,

Alyssa, you might have to walk through the timeline
a little bit because I don’t think -- people can see
it --

MS. HOOK: Yeah, you’re right, it’s a little
small. So, first, that kind of first gray line there
just goes through the survey revision, so there’s a few
different items there. We’re revising the survey
introduction, we’re revising the items, soliciting
feedback.

The second gray line there is OMB information
collection requests, so we need to fill out an ICR and
submit that. And then the third one is our
administration methodology, so going through our
sampling plan, writing a standard operating procedure
document so we can stick with that in years to come and produce that for sampling.

MR. PHIPPS: When does it add -- when is the survey?

MS. HOOK: Looks like -- so our goal is to submit for OMB approval on January 7th.

MR. CRANE: Ms. Hook?

MS. HOOK: January 7th

MR. PHIPPS: This January 7th?

MS. HOOK: Yes.

MR. CRANE: This is Eli Crane. Of the 2 percent you said that actually got back to you, what kind of numbers are we talking about? Are we talking about, like, 6-, 7,000 people?

MS. HOOK: In the hundreds.

MR. CRANE: In the hundreds?

MS. HOOK: Mm-hmm. Yeah.

MR. CRANE: Would it skew your data if a lot of people obviously aren’t answering the emails, responding to the emails? Would it skew the data if you had somebody assigned to actually doing followup telephone calls?

MS. HOOK: No. So you can do multiple sampling methods, which means, like, email and phone call. That’s perfectly acceptable. You just want to
remain consistent with that method. So, you know, maybe say after three emails, then you begin conducting calls. Again, as long as it’s written into your SOP and you stay consistent with that, it’s completely acceptable.

MR. CRANE: Is that something that might be looked at, or is that something in your world that is just, you know, really not that effective?

MS. HOOK: No, I think it’s a great question. It’s always much better when you’ve got someone on the phone. I think that it would just depend on resources and availability --

MR. CRANE: Right.

MS. HOOK: -- in terms of what percentage of the sample would really be needing a phone call, but, you know, if the survey isn’t very lengthy and it’s only going to be a small subset of people, it’s totally doable.

MR. CRANE: And you did say that the difference between the people that were answering and the people that are not is that the people that are answering were responders? Is that what you said?

MS. HOOK: Yeah, and tend to be just part of a different population. So research has shown that folks who are nonresponders to surveys may have kind of
just these different demographic and attitudinal variables in general. So, you know, a lot of the data that we got back, we had a pretty high percentage of people who started businesses. And really all that to say is that those folks just might have been really excited to share with us. And, so, that’s a totally skewed, distorted image of the population.

MR. CRANE: Okay. And, final question, projected timeline for you guys to implement these new changes, what are you thinking?

MS. HOOK: Yeah, so we would hope to -- let’s see, produce our SOP by next December. So, really, I think the OMB process can take up to 200 days or something like that. So it would kind of depend on when we get that approval, but we would be doing the sampling methodology SOPs in the background while we’re waiting on that approval. So our goal was really within the fiscal year to get this implemented.

MR. CRANE: Thank you.

MS. HOOK: Mm-hmm.

MR. O’FARRELL: Jim O’Farrell. So stepping back for a second from the survey, from the survey side of this, can we all agree that this is a training evolution that people are going to a Boots to Business class, a two-day workshop, right? So are you familiar
with the Kirkpatrick methodology of evaluation?

MS. HOOK: I am not, no.

MR. O’FARRELL: Okay, so it’s a training methodology that’s globally accepted. It has four phases, and I’ll read them off to you. The first one is reaction. So I’m sitting in the class, and at the end of the class, they give me a survey, right? Many people have gone to training classes in the DOD and other places, and you get a survey at the end of it. So it’s how did the -- how did the trainee respond or react to the training.

Then there’s learning. I might give you a quiz and say did you learn anything because I started with a set of training objectives. Then there’s behavior. Did I change my behavior three months, six months, a year later? Now I’m starting to get to where you are with the survey, right?

And then there’s results. Did somebody actually start a business and has that business been successful as a result of what that little seed that was planted in the Boots to Business class. It strikes me that right now the SBA is focused on the -- way over on the results as opposed to starting this process. So I guess either at this meeting or at the next meeting, I’d like to hear what the survey -- what kind of
surveys are being done starting right there in the
class. That’s request number one.

The other one is that you’re saying that it’s
a year from now before you’d actually get this through
the process, and that seems way too long because we’ve
been asking, how long, Mike Phipps, since we’ve been on
this committee -- three, four years -- to get some real
Boots to Business data, and you come before the
committee today and basically tell us that you can’t
get people to respond, and when they do respond, it’s
not the right people who are responding.

To me, that’s unsatisfactory. We need to do
better, and I think there’s a better way. I think one
of our other committee members here is suggesting
things, you know, phone calls, getting them right there
when they’re in the classroom, when they finish the
class, why aren’t we surveying them then? And if we
are, I’d love to see what those results are.

MS. HOOK: Mm-hmm.

MR. O’FARRELL: Thank you.

MR. FENDER: Alex Fender, Funnel Science.

What other methods can we do to gather this data other
than the survey?

MS. HOOK: Hmm, I think it would take
collaboration with some other data sources, but --
that’s a great question.

MR. SWEET: This is Andy. I work with Alyssa. Andy Sweet.

MR. STUBBLEFIELD: Andy, you’ve got to come -- you’ve got to come to the mic.

MR. SWEET: We have several efforts under way to employ data-sharing with DOD. The combination of the positive identification of a person and the ability to associate that person with a unique business identifier, you know, an EIN, for example, but those types of data we don’t have access to right now to be able to correlate. We have an application for data sharing in with DOD for approval. Once we get that, we’ll be able to get positive identification on the individuals to the military service number.

Once we get that, it is possible, if we had access to other business data sources, to correlate that to business ownership perhaps. But I’m not sure how far off in the future those items are, and that would require a bit of investment and emphasis on, you know, our data capabilities.

MR. FENDER: I’m confused by that. Do we have access to the list of VOSBs and SDVOSBs at SBA or at the VA? Are you able to go onto the website and look up companies’ names and who owns them?
MR. SWEET: Yes, we would be able to do that, but we don’t have the data link available to do that automatically, but we will be able to do it just like through the person interface.

MR. FENDER: So is it possible that we scrub the one database of confirmed veteran-owned service businesses and then compare that to the attendees list in Boots to Business --

MR. SWEET: Well, the --

MR. FENDER: -- and then start there?

MR. SWEET: -- it depends on what you think is a positive identification of an individual. So right now, we don’t have any real authentication on the individual identity. We collect the first name, a last name, and the email address, and a zip code. So we’ve streamlined that on purpose to make it easy to be able to execute the administration of the classes, but that -- and from my data point of view, that’s not a positive identification of a person. And correlating those first name/last name to a first name/last name in a VOSB database is problematic.

MR. FENDER: First name, last name, email would not constitute as a match, those three variables?

MR. SWEET: Email, yes. I don’t know that we would have the same email. Most of the emails that
would be in a business database would be business emails, and we work with mostly private emails. So I’m not sure that the alignment of that would match up.

MR. FENDER: Interesting. So why do we continue to survey?

MS. HOOK: Why are we continuing?

MR. FENDER: Yeah. What can we --

MS. HOOK: Because -- I mean, ultimately, there has not been a strong survey methodology behind it. And, so, I think with experience and research and a specific design that we can stick to, we can produce satisfactory results and gather insight from that data.

MR. PHIPPS: This is Mike Phipps. I just want to say a couple of things here because I actually see what Alyssa reviewed as a huge positive. When we first started and we saw the results from the SBA’s survey data on Boots to Business, we didn’t believe it. We questioned it rigorously. There are different methodologies; however, the fact that -- and we had said something at that point in time, we need better survey methodologies.

I think really what we’re seeing is the evolution of some of the things that we’ve requested. I know there’s a lot of negative in this report, but the fact that unlike the VA, the fact that currently
all of it’s transparent, we’ve identified the issues.

When I was Chairman and I had to -- we did the survey and then we got our hand slapped because of this OMB process, for people who aren’t aware, to do a survey for any kind of population for a government agency, there’s a huge process that OMB requires you to go through. Plus, there’s a lot of privacy issues, right?

What we want, the data on a lot of that, is restrictive just in government in general, right? So for us to kind of understand what those privacy issues are, I mean, one is can we get a better identifier, right, because I think that cross -- you know, doing the cross-correlation of the different databases is huge, if we can get a good identifier; or, hey, let’s just do it now with the email addresses that we have, would it be better than 2 percent, right? That’s -- we could just do that.

But this process is not simple. And I know because I got in a lot of trouble for trying to do a survey -- for trying to do a survey for -- against, basically, OMB regulations. And there’s a privacy issue. So at some -- if somebody else came and did kind of a -- played devil’s advocate, we would -- a lot of us would be saying, no, you’re not going to collect my Social Security number in just a simple Boots to
Business training.

So we have to try to find what we think veterans would be willing to give -- is it a date of birth, is it, you know, an identifier? And take what’s happening now -- I would like to see the survey questions before they go to OMB. I think the whole committee should at least see it because this committee has experience with that, and we’re the perfect litmus test for what we would or wouldn’t answer, right?

MR. O’FARRELL: Mike, I got to jump in for a second, then.

MR. PHIPPS: Go ahead.

MR. O’FARRELL: So Jim O’Farrell again. So, you know, I hear what you’re saying, I just don’t like to see a year. And I think actually maybe a year is aggressive because I am familiar with the OMB process from what we went through before. And she may actually be too aggressive in the timeline here for getting this completed.

So that’s what I was kind of wondering, and you just asked the question about seeing the actual interview questions -- or the survey questions. If we don’t have the right survey questions, we’re still going to get garbage in, garbage out, right? We’re still not going to get the data that we want, even if
the survey is 100 percent with random sampling, the participants show up and participate.

That’s why I was just going back to if we start right there and do an evaluation of how the actual class is received, not a year later, did they start a business, but actually -- we know, Mike, that there are things going on in the class.

MR. PHIPPS: Ask Alyssa that, why aren’t we doing that?

MS. HOOK: So we are implementing a quality assurance survey, which is administered to participants within the month after their class, and that’s our other survey.

MR. O’FARRELL: Oh, there’s no -- it’s not possible to do a survey at the end of the class of the second day or the end of the first day? It would be interesting to see because we’ve heard rumors that people come to the first day, then they sign in on the second day, then they take off.

MR. STUBBLEFIELD: I was just going to --

MR. O’FARRELL: Go ahead.

MR. STUBBLEFIELD: -- I was just going to ask Andy if you could speak to the TAP survey because, you know, to your point, Jim, of an immediate survey, there is one on the DOD side, you know, that we’ve talked
about maybe possibly not having our own immediate one, but just, you know, tapping into that -- the TAP survey. So Andy?

MR. SWEET: No pun intended. Yeah, the TAP survey is implemented by DOD, and it is a little bit different than ours. Ours is not anonymous. We know who we’re sending our surveys to and receiving them, but the DOD one is anonymous. So they -- and their survey is with regard to the whole -- their whole transition program, and so there are a small number of questions on their vary large survey that have to do with the entrepreneurship track. So we -- we do receive those, I believe quarterly.

MS. HOOK: Quarterly.

MR. SWEET: Quarterly, those results. And there’s a lot of, you know, open text boxes where they comment on things that we kind of read through, but each quarter, we probably receive, I don’t know, it’s not too many, but -- and it’s only a series of about five questions or so with regard to the entrepreneurship track.

MR. O’FARRELL: What are the questions?

MR. SWEET: I don’t have those in front of me.

MR. O’FARRELL: If there are only five of
MR. SWEET: But we could endeavor to ---

MR. O’FARRELL: Can you provide those?

MR. SWEET: -- bring them back for the next session.

MR. FENDER: How many researchers are doing the survey collections or working on your team?

MS. HOOK: Me.

MR. FENDER: So it’s not going to be possible for you to contact 85,000 people in a year. Is there any effort or any talk about working with any schools, specifically analytics programs, and leveraging that talent to assist in this process?

MS. HOOK: Yeah, that’s a great idea. I think it would just take, like I said, kind of producing the sampling plan and assessing what type of resources are needed, and then maybe looking into some outside person who could help us.

MR. PHIPPS: This is Mike Phipps. I just wanted to hit on one thing Eli said about the phone calls. Not necessarily a phone call to do the survey, but a phone call, hey, you got an email and -- and a reminder is very quick and can be -- some of that can be automated, and that -- sometimes you get that phone call or the voice message saying, hey, you got the
email, fill it out, is just enough to kickstart and it wouldn’t require a full -- and I think that’s what Eli might have been --

MR. CRANE: Yeah, I mean, especially for the entrepreneurs in the room that are in the middle of startup, most of us are in just triage mode, and we’re going through our emails, and that’s not a fire, that’s not a fire, I’m not going to die if I don’t answer this one, and you just -- you’re Xing -- you’re deleting everything. So to Mike’s point, I think the redundancy of a phone call, you know, might be beneficial.

And I know, Alyssa, you probably don’t have time to make that many phone calls, but even if they could get you an assistant or somebody, I’m sure that would be really helpful.

MR. SHELTON: Alyssa, can I ask a quick question? This is Brandon. Just a quick question about the higher level and we’re not getting enough on the elicited. We only get it every 90 days. We get this update. Okay, so, I guess for Larry, for you and your team, I mean, did I hear correctly in your update that this -- well, I’ll back up a sec.

Boots to Business is a voluntary -- it’s like an elective if you’re transitioning out. You can participate in the program, it’s provided by the SBA,
through region, right? So it’s voluntary for the
service members anyway. But is that becoming
mandatory? Did I hear that correctly?

MR. STUBBLEFIELD: Part of the FY 19 NDAA --

MR. SHELTON: Right.

MR. STUBBLEFIELD: -- says that it’s going to
be -- the service members are going to have to make a
mandatory selection between employment, education, and
entrepreneurship.

MR. SHELTON: So for me, is there an
opportunity within the legalities -- I mean, we’re
dealing with just government morass here, right, like
restrictions, time, all that stuff, and we don’t deal
with that as private sector folks. So my point is does
that open a window, that very nuanced change? Because
that’s 200,000 service members a year from 85,000.
That’s a huge leap in scale. Could we use that in our
favor saying, yes, SBA will take this on and we fully
support, however, we need more data and more survey
data if it’s going to be -- you know what I’m saying,
like can we use that opportunity to --

MR. PHIPPS: Or we identify it.

MR. SHELTON: Just something, but can we use
just that window of something mandated now and
structurally it has to happen? Can we use that to get
more resources, change the survey, get more opt-in?

Because all we want to track is is the thing working,
is it helping you grow your business faster than you
would otherwise. So can we -- I don’t know all the ins
and outs of how all this works, but is there an
opportunity to, like, either accelerate some programs
or create or be creative just from that very nuance
that’s going to be mandated?

MR. STUBBLEFIELD: Excuse me. I would say a
point well taken. We’re in the planning phase, if you
will, working with DOD toward the -- it’s a -- 1
October, 2019 is the start date, and so we’ve got this
period of time where we’re at the executive council,
the steering committees are meeting. And as Andy
indicated earlier, the data sharing, the importance of
the data sharing, but it’s just a matter of working
through the --

MR. SHELTON: The process?

MR. STUBBLEFIELD: -- process and the
interagency piece and the whole nine yards, but this --
but that’s a great point, and it is something that
we’re looking at.

MR. SHELTON: I just think -- and this is
Brandon again -- I just think that’s where I’d take the
fight. I’d take the fight right there and say, look,
it’s now mandatory, I didn’t make the rules, but it’s mandatory; however, if you want us to be effective using taxpayer dollars, right? It’s a huge effort to deliver these programs. I don’t know how many manhours that -- I don’t know how many millions of dollars we pay -- tax dollars to deliver Boots to Business to 86,000 people for 12 months, but let’s use that to our favor, saying, look, we want to be good stewards of the taxpayers’ money, so we need better data, we need more realtime data, within the rules, right?

And, so, again, I think if something around opting in at the early days, like Eli’s right, I mean, if you’re in a firefight 6 months, 12 months later, 24 months later, you’re starting a business, to be honest with you, you get an email from the SBA, it’s probably spam, right? It’s going to junk or spam or whatever it is.

So -- but we need that data, so if we can capture those individuals when they’re taking the course better, I think, Jim, you were talking about that, get more data, is this helpful within the 72 hours, and then something beyond, which is what Alyssa’s fighting, right? You guys are fighting beyond, you know, did this help you a year or two years from now.
That’s really important data that we can
fight for more resources, but I’m just saying, it
sounds like we’re dealing with all these -- everybody’s
rules of the game, and it just seems -- and then, like,
to Alex and Eli, who are starting businesses, October
next year seems like it’s Mars, right? Like, you’re
thinking about next month, so what can we do to get
faster data. That’s what I would suggest to the team.

MR. GWINNER: Good morning. This is Sean
Gwinner from Bunker Labs. Can you hear me?

MR. STUBBLEFIELD: Yes, we can.

MR. GWINNER: Oh, I’m sorry. I was muted
earlier. So one thing I noticed, I actually assisted
the regional Boots to Business program or the SBA
office in the Philadelphia area. And I got to actually
experience the program. One thing I saw that at least
this region did very well is they get people to the
pond to drink. What I then noticed was that they --
here’s what I saw. The first day, there was about 50
participants, 55; the second day, there was 25. And
what that tells me is you do a good job of getting the
message out there, but either the content isn’t
valuable day one, or the second thing.

I come from the Philadelphia area, and there,
what I -- the collaboration between the different
veteran organizations is impeccable. I literally can’t escape all the people that are in that veteran ecosystem. So one thing I see that at least the region, the King of Prussia region, which covers Philadelphia, has done very well is they’re utilizing their resources, such as Bunker Labs, such as GPVN. I don’t see that at a national level. One thing you can even do is right when people come in, ask them why they came, whether it’s for the free donuts, whether it’s because they’re starting a business, whether it’s because they need resources for their business. So right there you’ll get the bottom line.

The next thing you do is you have to develop the relationship regionally and locally with all your other veteran service organizations that now become almost your alumni or your support. So you brought them to the pond, and leverage us to keep them here, so that way, you know, you do your followup, and one of the questions or processes is you can introduce them to all your local partnerships or regional ones, and then have them in day one check off who they want to talk to or who they think would be valuable, so when you do these followup surveys and you see, okay, 30 people responded but 20 we don’t know what happened, you look through the surveys and see, okay, they were interested
in Bunker Labs and GPVN. Now you have a relationship with them and you can contact them and say, hey, are they still attending, are they still engaging. That way, you can say, hey, did they come for donuts, or did they come to really build a business or learn about what kind of support resources are out.

MR. FENDER: Alex Fender at Funnel Science.

I’ll support what Sean said. I contacted VBOCs, SBDCs, and SBA regional offices, and the common consensus amongst the people that were delivering Boots to Business is it’s not -- the program is not designed to start a business. The program is designed -- the content that they are delivering -- has no bearing. They are not -- their goal is not to help you start a business next week.

What they are trying to do is deliver content, to just give you information on what’s available. So these people are going there, and they’re not necessarily qualified to start a business, but the content that’s in there is not designed to get them to file. And, so, going back to the Boots to Business program, what is the core concept here? You know, is -- we’re evaluating -- we’re evaluating the effectiveness of this, of how many businesses are started, but the course content is not designed to
start businesses.

And then we’re surveying on how many businesses are started on it. And, then, the people that are there, like you said, are mandatory required to go, or it depends on the base TAPS commander, the TAPS administrator on the base, whether they even allow SBA to come on and do the Boots to Business. So if the TAPS commander or the TAPS administrator doesn’t want them to teach it, then they don’t teach it. So that is what’s happening.

MR. O’FARRELL: Jim O’Farrell. So I can’t believe I’m in a situation where I’m defending the Boots to Business program, but over the years, it has been said -- and I’ve heard it on many occasions -- that it’s an opportunity for transitioning personnel to kick the tires on what it would be like to start a business, you know?

I still go back to the Kirkpatrick model, and I’m putting it out there on the record because it is a globally accepted survey model. We should start with surveying what are the objectives of this program. That’s what you were -- I think that’s really what you were just addressing. What are the objectives? I -- we start there, because conflict is based on unmet expectations. I now -- I firmly agree with you that if
you say you’re just going to let him kick the tires and
then a year later, you ask him, did you start a
business, and they go, no, I work at IBM, no, I work at
Bottle Breacher, I’m one of the key guys there or
whatever, you know, you’re going to get different
answers. So I think we are -- I think, Larry, we’ve
identified kind of a key issue here.

MR. STUBBLEFIELD: Well, I would say, Alex,
you’re absolutely right. It’s an introduction to
business. The goal after Boots to Business, like you
just said, Jim, you’re either going to be interested in
it, and if you are, then we -- then that’s when our
follow-on resources come into play. You know, we’re
very into -- we’ve got follow-on courses, with IVMF,
with Mississippi State University, SCORE our SBDCs, and
so forth. So it’s really an introduction, and that’s
one of the selling points, you know, that we’re trying
to make as we get out and talk to staffers on the Hill
and so forth because, you know, people hear Boots to
Business, Boots to Business, and they want to know, you
know, for the amount of taxpayer dollars we’re
spending, how many people have started a business. And
I think all of us here would agree that -- I mean, you
can go to Boots to Business, but when you’re getting
out of the Army or, you know, whatever service and
you’re a junior person, your immediate need might be to feed your family. So Boots to Business may kick in 5 years from now, 10 years from now.

And then the last point I’ll make, we do have a number of success stories, where people have gone to Boots to Business and, you know, and actually gone into business and they’re successful. So the notion that you’re going to go to Boots to Business for two days and the next thing you know you’re going to be, you know, head of a -- you know, a company right away is something that we’re -- a message we’re trying to get that frame properly, if you will.

MS. HOOK: So, Alex, that was --

MR. ZACCHEA: So Mike Zacchea. Just two things here. So the first thing is in my program, the number one indicator where I look for potential to start a business is somebody who’s been to -- specifically to SCORE. One hundred percent of the veterans that come to me to start a business, that actually start a business, have gone to SCORE. So for me, that’s the single indicator that I look for about somebody’s commitment to starting a business.

So to this point about this being an introductory program, I think that there’s some real potential in identifying -- and I don’t know what the
firewalls are between SBA and SCORE for data collection, but I think that there’s some opportunity there.

The second thing I wanted to ask you is what is the metric or top three metrics that you’re trying to identify with your questions.

MS. HOOK: Great question. And, so, also to, Alex, your point here, I mean, one of the things that I identify with the service is that, like, we’ve just discussed, a lot of people are focused on business starts, but like you said, this is an introductory program. So something that we did was we conducted an internal workshop to identify other measures of success -- successful completion of Boots to Business.

So maybe for some people, it’s starting a business. Maybe for some people, it’s realizing, actually, entrepreneurship, starting a business, is not for me. And we would consider that success. So that was really important for us to kind of align those metrics of success and make sure that those items are clear in our new survey, that we’re kind of looking at the whole gamut of what people are doing after the program.

Maybe they started a business in five years, but right after their program, they decided to enroll
in a follow-on course and kind of seek out those next steps to eventually get to a business. So that’s really going to be our main focus, is that we’ve identified some of those interim, intermediate factors that will get them to starting a business, and we want to ensure that we touch on that in our survey. So, you know, what they’re doing in the meantime and what they felt like was beneficial of the program to get them there.

MR. ZACCHEA: Just a real quick followup, Mike Zacchea again. So I would like to continue to have a dialogue with you about this because I have a sample size -- it’s small -- but it’s statistically valid, and I’ve identified variables that have, you know, at my point in my program we’re approaching 90 percent of people starting businesses within 12 months in our program.

So I think that there are variables out there that we can bring to bear that SBA would not have to go outside of its purview in order to make this survey more effective.

MR. O’FARRELL: Jim O’Farrell. Can I just also recommend that -- we’re going to be voting on a new chairman later today, that in the course of this new fiscal year that each one of us makes a commitment
to attend a Boots to Business class in their local region. Thanks.

MR. FENDER: Alex Fender at Funnel Science.

Does anybody have an idea of just like what the general annual budget is for Boots to Business?

MR. PHIPPS: Larry knows it.

MR. STUBBLEFIELD: I can tell you it’s a little over a million, but, I mean, you take into account the entire -- I want to say follow-on courses and things of that nature, it’s a little bit more than that.

MR. SHELTON: It’s Brandon. Did you say $1 million?

MR. STUBBLEFIELD: Yes.

MR. SHELTON: $1 million for 86,000 individuals? $1 million?

MR. STUBBLEFIELD: Well, we’re talking about --

MR. SHELTON: I’m in. That’s a cheap price.

MR. STUBBLEFIELD: Well, we’re talking about with -- like I said --

MR. SHELTON: I thought you were saying 100 million.

MR. STUBBLEFIELD: -- within SBA, we’re -- also we’re involved with our resource partners.
MR. SHELTON: Okay.

MR. STUBBLEFIELD: I mean, it’s not just --
this is not just OVBD and our VBOCs but, you know, the
SBDCs, the SCORE folks, and others. It’s a true
enterprise-type partnership to make this work.

MR. FENDER: Alex Fender, Funnel Science.

How many respondents did you estimate that started
businesses in the last survey? Just a guess is fine.

MS. HOOK: Let’s see. I think it was

something like 360, 380.

MR. FENDER: So 350 divided into a million?

That’s not a bad cost to start a business.

MR. SHELTON: Hey, it’s Brandon. So I just
think -- so, clearly, I don’t know enough about this
program, my third meeting in on this, so can I make
a -- I see your tactic on this, Jim, so I’d like to
make a suggestion that in the next meeting -- I want to
-- I just want to see the continuum on like one piece
of paper, especially -- and I want to use the fact that
we’re going to go to two -- you know, the mandatory bit
for the next fiscal year, I just think somewhere in the
balance of calendar year 2019 before we do that, I
think it would be great to get an update briefing no
different than Mr. Leney coming in on the
certification, a bit like, hey, here’s the intent and
content of Boots to Business, here’s what we’re measuring onsite, here’s what we’re measuring afterwards, just so we can see that.

I think it’s what you’re getting from us is that we’re exerting great effort in getting a lot of external fanfare for this is a measurement for -- in supporting veteran entrepreneurship through the SBA and partners, but is the -- what’s the intent, what’s the content, what’s the outcomes, and then how are we measuring them. And I think it would be helpful for us as outsiders to see that. Maybe we can get, like, an updated briefing once you guys have worked through all your committees next year, and then maybe like the second March meeting or something like that, we can see it, like, on one piece of paper or something like, aah, that makes sense, now I see what they’re trying to do, and I --

MR. STUBBLEFIELD: So general Boots to Business overview.

MR. SHELTON: But use the fact that you’re about to do extra scale.

MR. STUBBLEFIELD: Right.

MR. SHELTON: You’re going through -- you’re going to have to adjust the infrastructure. She’s adjusting scoring. I mean, there’s a bunch of things
that will change. I think this committee could actually then weigh in, if I could see it on, like, one piece of paper, like, okay, this is what the outcomes are, this is the intent, this is the content, here’s how it will be implemented, and here’s -- here’s how we’re measure it ourselves. I think you’d get more thoughtful advice from this committee --

MR. STUBBLEFIELD: Sure.

MR. SHELTON: -- if we could see --

MR. STUBBLEFIELD: Absolutely.

MR. SHELTON: -- the thing in its entirety.

MR. STUBBLEFIELD: I think that works with, as I mentioned earlier, about going, you know, through the process, leading up to 1 October. So we’ll be doing a lot of that. Well, so, I think it’s time for a quick break. And then I believe VA is here now.

MR. ZACCHEA: Right, so the time on deck is 10:05. I’d like to suggest we break here. Everybody be seated by 10:20, and we’ll start. Thanks.

(Brief recess.)

MR. ZACCHEA: Okay, Mike Zacchea. The time on deck is 10:20. I’d like to get started again. I’d like to introduce Mr. Tom Leney, who is the Executive Director for Small and Veteran Business Programs.

Thank you for coming. We’re really glad to have you
here. And you have a standing invitation. I think that the issue of veteran business certification is an important one, and everybody here is very committed to it, and thank you.

Tom, go ahead, please.

MR. STUBBLEFIELD: Tom, you’ve got to turn on your mic.

MR. LENEY: With your permission, Mike, I’m going to talk about a couple of other things besides just verification. I’d like to talk about four topics. One is the verification -- update on the current verification program. Secondly, to update you on the federal certification effort that is ongoing. Third, talk about some rather extensive changes in our direct access program that will affect veteran-owned small businesses significantly. And then I’m going to ask for some assistance. There is an “ask” associated with my conversation.

So let me talk first of all about the current verification program. As you all are aware, back in June and July, because we had concerns about the security of our VCMS system, we transitioned to a new IT platform. And I want to emphasize, under the old system, there weren’t any data breaches; however, that was a seven-year-old proprietary program that every
time we got a security scan, they would come up with new issues, vulnerabilities, and we made a determination that rather than trying to keep band-aiding an old system, we would develop a new system.

That system was -- also had a second objective, which is to incorporate verification into market research, into providing access to opportunities for veteran-owned small businesses, because one of the very legitimate concerns that I have heard over the time, is a person says, hey, I went through this rigorous verification process, you know, I’m now -- you guys know I’m an owned and controlled firm, I own and control the firm, but what benefit do I get from this? And I will tell you, right now, we have almost 15,000 firms in the VIP program, the Veteran First program.

Less than 2,000 do business with the VA. The interesting thing, about 6,000 do business across the Federal Government, okay? So one of the key elements of the change in IT system was to set up a situation whereby we can start to link verified firms to opportunities, and I’ll talk about that in a minute.

So where are we? We have made the -- we made a determination that we needed to transition the system. We had problems transitioning the system. Many of you who have transitioned a major IT system
probably are familiar with those kinds of problems, and
I don’t say that as an excuse; I say that as just a
statement of fact. We have worked through those
problems. We believe we have identified all of the
systemic errors. The number of IT-related issues has
dropped dramatically over the last 60 days. And the
one thing that we are dealing with right -- there’s a
couple things we’re dealing with right now.

One is what I call the overhang, or perhaps
the hangover from that transition of firms that got
delayed because of the transition. I’ve taken action
to ensure that no firm that is currently verified will
be disadvantaged by any delays caused by the
verification system. What we’ve done, I’ve directed in
that regard is I have extended the eligibility period
for all firms in VIP, okay, for four months to ensure
that nobody -- and I’ve given instructions -- that no
firm expires while they’re in process. So we have -- I
believe we have -- while I can’t guarantee and I was
unable to guarantee that we didn’t have problems, I am
able to guarantee that no firm that’s currently in the
program is put at risk by any delays.

If that should happen anywhere, that would be
a big deal to me because that means that some very
important guidance that I’ve put out there in a policy
that we have promulgated and we’ve reached out to all
the firms that are in VIP and we’ve informed them of
this on sort of three different fashions, but if
anybody’s at risk of expiring, that’s something that
needs to be escalated to me immediately because that’s
not what we’re going to do.

The people that are affected or have been
affected, obviously, are those new applications, okay?
What we have done in the verification program is we
have raised the bar. Simultaneously with the
application event, we raised the bar on the program.
The regulation for the program was that we would, where
practical, would complete the verification process once
we have received -- had received a complete application
within 60 business days.

I’ve changed that bar to saying that our
target now is to complete the verification process
within what we call 60 application days. And what’s
the difference? The difference -- on application day,
the clock starts with us once you initiate an
application, not when your application is complete,
because our current My VA verification process, there’s
a lot of activity that goes on before a completed
application. There are processes, you know, small
business processes say, and ours used to be come talk
to us when your application is complete.

But what we discovered as we analyzed our process over the last few years is that the challenge is getting to a complete application. And it doesn’t do a veteran-owned small business any good for us to say, oh, sorry, your application is not complete, try again; sorry, your application is still not complete, try again, which was a point of significant frustration.

So we now initiate our clock when the application is initiated. It turns off, it stops while we’re waiting on a veteran, okay? So if we ask you for a document in order to determine your eligibility, we don’t keep the clock running while we give you the -- give the firm the opportunity to produce the document. What that’s enabled us to do in addition is we now have relaxed the constraint on provision of documents. And we had situations where someone’s on vacation in the South of France, and we send them a -- we sent them a note saying, hey, you have to give us this document, you have three days to provide it or we’re going to toss you out of the process.

When we discussed that with veteran-owned small businesses, as you might imagine, that was not a popular approach. So what I’ve done is we’ve started
the process upon initiation, much earlier. We’ve now said, okay, if you’re in the South of France, you want to take two weeks to hand the document back, great. We stop the clock, but we don’t say you’re out of the game because you didn’t provide a document on time.

By the way, we still have what I call the Gestapo -- we’ve tried to eliminate what I call the Gestapo messages that says you have to give this document by 11:59 p.m. on this date, because, quite frankly, while we would like you -- firms to be responsive to keep the process going, that’s not required. That’s had some positive effects and negative effects. The positive effect is we don’t screw around with firms that -- where the guy says, hey, I’m doing something else here, okay? I’m running into business, or I’m taking vacation, or whatever you’re doing.

And it wasn’t critical to our success. It does have an impact on the system because for those of you who are aware, we use contractors to do the research and analysis and to engage with the vets. The federal staff does the inherently governmental function of making the final determination.

Now, we work on a -- it’s piecework. The contractor doesn’t get paid until they submit a case
completion report. Now, you may be -- a case completion report could happen if you’re removed; a case completion report happens when you withdraw; a case completion report happens when you get the determination. You can imagine that we have a little divergence in interest between my staff and my contractor because if you, Elijah, say, okay, I’m going to vacation for a while, I’m not going to respond and you are stuck in the process, they don’t get paid. And every time they contact you, they do more and more work trying to solicit your completion so we can get to a determination. They’re not getting paid for that. So there is an incentive, and you may -- you may have constituent or collaborations or people who hear about, wait a minute, somebody gave me a little bit of hassle about how long I was going to wait, okay?

The policy is no one gets thrown out unless they are -- they determine, hey, I’m not going to go forward, but I expect that you will -- there have been instances in talking to veterans where a case analyst was pressing for some response, and I want to just, again, not as an excuse, but to understand how it works, why is that case analyst interested in completing your application, okay? Because you’re a cost to our contractor until there’s some method of
Now, what we let people do -- the other big area -- is we allow people to withdraw. One of the -- as a result, historically, over 99 percent of the determinations are approvals. Now, that’s not 99 percent of the applications that start get to approval because some people lose interest along the way. Why? They say, you know, this is rigorous, and, colleagues, it’s rigorous, and that ain’t going to change, okay? Because this program gets attacked every single day.

How many of you are verified firms? How many of you are verified? Okay, you get attacked every single day by those who say we have people in the program that are not really owned and controlled by veterans. What’s that?

MR. PHIPPS: Who’s doing the attacking? This is Mike Phipps.

MR. LENEY: It comes from a variety of sources. Sometimes -- I’m going to speculate, okay? Sometimes it comes from people who just lost an opportunity to somebody who is verified, and they’re verified, so we do -- we do see a spike in these accusations every time we make a major contract award.

By the way, the system works because we see a tremendous spike in people checking VIP. As soon as we
award a contract, there’s a spike in how many people go
in and look at VIP to make sure that the person who
beat them out on a contract is, in fact, verified. And
the good news is we very seldom get a report, like, oh
-- I think it happened once this year, these guys
weren’t verified. So some of it may be people who are
competitors. Some of it’s people who are genuinely
interested in the program. They are not particularly
interested in the VA, and they would see some utility
in, you know, criticizing the program. They tend not
to do the kind of rigorous due diligence.

I’ll give you an example. You’ve got one to
say, hey, this firm has the same phone number as that
firm, therefore, you guys are incompetent, how could
you possibly verify them? Well, I personally went out
on an unannounced site visit in one of those cases, and
what you find out is, yeah, you had two firms sharing a
receptionist. Hey, you’re two small firms, it’s good
business practice. Were they independent? Were they
verifiable? Were they good to go? Yes. But somebody,
you know, sends us a screen shot of their website and
says, well, these are obviously, you know, fraudulent.
So it does come in. Last year we had over 300
accusations of fraud.

The good news is, given both the rigor of the
process and the rigor of our audit process, we had two cases where we said, okay, yeah, there’s something wrong. Okay? And one of those was out in Kansas City, and the guy just got sent to prison. Okay?

So we’ve raised the bar. Right now, the average time to an approval is 58 days. Okay? I believe we are continuing to drop that number as we go forward and get through the hangover. And the average time to a denial is 108 days.

Now, here’s where I am interested in some feedback from you all. The main reason for the difference in time is what I call incremental, minimum necessary approach. We have a thing called a predetermination finding, where once we evaluate an application, we send it out to the applicant and say, hey, we’ve gone through your application and we found these things make you ineligible. And we give the firm the opportunity to do one of three things. A, fix it, and many do, okay? They adjust their operating agreement, they adjust whatever the issue was. B, they can withdraw, okay, without prejudice. Walk away. All right? And, three, they can move to determination.

Now, I frankly do not understand in the last -- in the last month, we had 12 people that went to denial. We’re surveying those people because I had no
clue as why somebody would go all the way to be having a determination of denial, which means then not eligible to reapply for a year. I talked to three of the firms. Two of them believed that our -- that the regulation is wrong or our interpretation of the regulation is wrong, and they are going to denial so they can appeal to the Office of Hearing and Appeals to the SBA.

And I’ll tell you flat out, I’m okay with that. I think that’s great. If that’s why somebody’s going to denial, hey, have at it, go appeal to OHA, that regulation is now in place. And what it does for us is the Office of Hearing and Appeals at the SBA, since the regulation on ownership and control as of 1 October is an SBA regulation to which we adhere, we’re going to get a check. We’ve gotten our first one back from OHA, and the answer was CVE, you’re correct, and they appeal was denied.

I expect over the course of the next few months we’re going to see a spike in that until firms believe that, okay, you know, CVE still knows what they’re doing. The CVE interpretation is the same as the OHA interpretation, and then people will stop appealing.

But I want to be very clear. I have no
problem at all with somebody appealing to OHA. In fact, I would encourage anybody who thinks, wow, CVE’s got it wrong, appeal, and we’ll find out. And if we’re wrong, then obviously we’ll fix it because we will adhere to the OHA interpretation of the regulation, okay, which is one of the reasons we work so closely with Rob Long and his people and the SBA and Ken Dodds to get that thing moved, the appeal process moved over to SBA.

For those who think that we were against it, you’re wrong. In fact, we were the organization that pushed for that because we thought it doesn’t make a whole lot of sense to have a separate appeal process or a separate regulation. But SBA was very, very helpful, and now we have both of those things done.

Sir?

MR. CRANE: Mr. Leney, Eli Crane. What are the top reasons that people are getting disqualified from getting their certification?

MR. LENEY: Almost completely due to control issues, okay? We -- I have -- I don’t think we have a situation where somebody wasn’t a veteran in the last three years. When I first got here, we had -- some people were fake veterans. That’s gone. Ownership, very, very few instances, okay, of -- where people
don’t own 51 percent. There have been a few. They
were anomalies. And usually they are a function of a
firm not being very well organized, okay? Because you
could start a business and get a registration in a
state and start doing business. One of the things that
verification does is you got to be a real, live, no-
kidding business, you know? And where we run into
problems still is control. Things like, you know,
membership on the board, split voting on the board,
some of those things have been addressed with the
change in the evolution of the regulation. We made it
a little easier. We provided a little more protection
from minority owners. But even with the new SBA
regulation, the bar is very high on control. So that’s
where we see the problem.

MR. CRANE: The reason I ask, sir, is because
several years ago my company applied, and we ended up
just being one of the companies that you talked about
just walking away. One of the requirements at the time
was that our investors, who were minority investors in
the company, would have to submit a lot of their -- a
lot of their information and paperwork.

MR. LENNEY: Yep.

MR. CRANE: And we knew that that was -- just
because of the nature of our deal --
MR. LENEY: Sure.

MR. CRANE: -- was going to be impossible.

And, so, I guess my question is in my specific case, I own 60 percent of the business.

MR. LENEY: Mm-hmm.

MR. CRANE: Why is it that that would be a requirement, that your investors would have to submit so much paperwork if you do, in fact, own the majority of your company?

MR. LENEY: Some of that has changed, evolved with the new regulation. However, there is still a significant requirement, and to make sure that we’ve identified all the owners, okay, and to ensure that they are, in fact, owners, so that their ownership status is correct, because what we have found historically, we don’t see all the owners, then we don’t have the ability to determine if they’re exerting some inappropriate level of control.

MR. CRANE: I can understand that, but it was actually requesting financials and other, you know, that just seemed over the top, and I knew that the investors that are in my company that have, you know, umbrella companies with, you know, 70, 80 companies in them are not going to submit their --

MR. LENEY: I understand.
MR. CRANE: -- financials to the SBA. So I just concluded from that, if I’m dealing with it, then I’m sure there’s a lot of other veterans dealing with it. And it’s just unfortunate, especially if you have a veteran with a real-live business, like we do, you know, that owns the majority of their company and cannot get, you know, veteran-owned-certified.

MR. LENEY: Like I say, some of that has changed with the new regulation, so we’ve eased some of that, but not all of it.

MR. HAFER: Eli, I’ll second that. This is Evan Hafer from Black Rifle Coffee.

MR. LENEY: Yeah.

MR. HAFER: I’ve got private equity and it’s about the same percentage as Eli does. There’s 112 companies associated with minority investment, and that’s -- it’s a cumbersome process, especially when you’ve been a veteran entrepreneur and you’ve gone out and you’ve successfully raised capital, whether through VC or PE, if they’re a successful equity partner, they have a significant amount of detail they have to disclose. And it becomes very cumbersome.

MR. LENEY: I tell you, probably the most useful thing I can do is provide -- I’m happy to provide the Advisory Board with a statement of
rationale, so we’ll put that together, and then we can, you know, happy to discuss that. But rather than doing it sort of off the cuff, I think, you know, this is -- this is a -- has been an ongoing issue. It’s one that we sought to mitigate with the joint reg. We mitigated some of it, but not all of it. But I’m happy to lay out that rationale for you.

MR. CRANE: Thank you, sir. Appreciate that.

MR. LENEY: No problem.

MR. FENDER: Tom, this is Alex Fender at Funnel Science. I’ll second what Eli said and Evan. Funnel Science was previously verified, and we lost our verification, and on the reverification, I lost track of our checklist. I think it was, like, 80 or 88 documents, which comprised a folder of like this much (demonstrating). I felt it was overly burdensome. I’m 80 percent majority owner of the business, fully control it, and we’re asking for documents of a 5 percent investor.

MR. LENEY: I understand.

MR. FENDER: How can a 5 percent owner ever have control of a limited liability corporation, an S corporation, or a C corporation when there’s an owner that has 80 percent. Like, I don’t understand that rationale. And this has been going on for years now.
MR. LENEY: Absolutely.

MR. FENDER: So I want to understand that, but I want to get to the point of how do we reduce this burden --

MR. LENEY: Mm-hmm.

MR. FENDER: -- but I’m in agreement on we need to verify if these vets control the business, but we also have to recognize if I go to Brandon’s company and they invest a million dollars into my small business, that he’s going to have some control over the million dollars that went into my business.

MR. LENEY: Two different things here. So like I said, I think the easiest way to deal with the first question, which is the data question, is we’ll -- what I’m prepared to do is lay that out in detail and the rationale so we can have like a more useful conversation. Some of that, like I say, has been resolved, but not all of it.

On your point, Alexander, it has not been resolved completely. We have sought to protect the equity of minority investors. In fact, Brandon was very helpful in sort of helping us think through some of those protections. But I’ll flat out tell you, we have not gotten to a place where if you are a minority investor that you would like to be with a veteran-owned
small business. And in our conversations with the SBA, we aren’t there. As a business guy, is it where I would like it to be? I will -- I support the rule we have come up with. From a business perspective, I certainly understand this concern, but our challenge is like it or not, this regulation and this law was intended and was promulgated to protect veterans, more than we might expect them to be protected, okay?

So, yeah, when I was running a business, there was only one person in the world that would give me a million dollars with no control, my mother. My dad wouldn’t, okay? So I get that. But the nature of the law and the nature of the regulation has put us with a very high bar, and it does -- previously, there was no control by a minority investor. Now we’ve put in some places like rights of first refusal, et cetera, where we’ve given some protection.

But I don’t -- you know, absent change in the law, I don’t see where we’re going to get to where you would like it to be, Alexander, and others might expect it to be in a normal business practice because minority investors want influence. And some minority investors get that influence with 5 percent ownership, and you don’t have to have majority ownership in the normal business setting to have a considerable amount of
influence.

MR. FENDER: But how does that negate that it’s still a veteran-owned business? I still have my DD-214, I’m still 80 percent in control, I still sign the checks --

MR. LENEY: No, you’re 80 percent ownership.

MR. FENDER: Yes, 80 percent ownership, but I have the final say in the operating agreement. What does his financials have with me --

MR. LENEY: Okay, Alexander, if we can move on, I’m going to -- like I said, I will provide you with a detailed rationale for the documentation and the information thing, okay? In terms of what you’re talking about, Alexander, about having minority investors be protected and have influence, that’s a different issue.

MR. STUBBLEFIELD: Okay, we’ve got a comment.

MR. WONG: Hey, sorry, this is Robb Wong from SBA, with GCBD. We run our 8(a) program and all of our programs for certification. Right, to the point that you’re getting to, our job is to make sure for the Federal Government, for the small businesses, that the companies who we certify are who they say they are. I’m coming from an example in working with my first 8(a) company since I was 15. I’ve dedicated my career
to this industry.

The short answer to your question is what we call in SBA negative control, okay? You made a point that said that if somebody’s going to give you a million dollars, they will have control over that million. I have seen -- I have seen numerous times where that $1 million is the difference between you staying in business and going out of business. I’ve seen so many times that on the front end you have an agreement with Brandon, right, and Brandon, on its face, is a subcontractor, okay, or he’s an investor, 4 percent. But the 4 percent is providing you with what we call negative control.

And I have seen so many companies in situations -- I’m a lawyer by trade, and I’ve been in industry. Up until two years, I would sit where you sat, okay? I’ve run 16 8(a) companies, okay? I know every game there is in this -- I know every trick in this game. And what we’re trying to do, in situations like yours, where you’re running a company, which is, you know, absolutely compliant, we apologize for the intrusion and the difficulty in getting these documents together, but they’re necessary because what happens is we don’t get credit for the 99 companies that are certified that allow the Government to rapidly,
responsively, and reliably get to the quality solution that they want, despite other competition. We get hammered on the one company that gets through the goalie, the one company that is all of a sudden, this is an illegal company that’s getting these contracts, the whole program should be shut down. Okay?

I understand your concern and your anger, and it makes us believe that you’re running a legitimate company. My experience is I have to say it that way because lots of companies look like yours, and they don’t act that way. Okay? So they are necessary, but I will do it to help Tom, because this is new with the ownership and control rule, I’ll try to help you -- give you at least an orderly way of how we look at negative control, give you some of the examples of why this is necessary, and to the extent possible, what we’re trying to make to hopefully take this process over to prepare you for future companies that you’ll be dealing with and also how you can operate your company with minimal -- you know, with no headache.

MR. STUBBLEFIELD: Let me just say this real quick. If you’re not speaking, turn your mic off.

MR. CRANE: All right, a question on that real quick. How are you going to -- regardless of how much money an investor puts into a company like mine,
how are you going to prove who actually controls it?

MR. WONG: So at the end of the day, we have to file -- you know, and this is why we talk about things in the minority, okay? People who are intent on breaking the rules will constantly figure out a way to do that. So it’s always set a rule, pivot, and then address the pivot. But in general, for companies, what we -- that’s why what we want to be able to see is you could have on its face -- I think you said you had 80 percent control in your company?

MR. CRANE: My wife and I do. I have 60 percent personally.

MR. WONG: Okay, so now it’s an example. Okay, now, I’m just going to play games a little bit, right, because I’m not adverse to you, okay? If you have 60 and she has 20, there’s a question of why would she have 20. Right? I mean, and here’s an example of what happens. Oh, maybe she worked with Microsoft, and if we look at your revenues of where you’re getting the revenues, maybe you have -- you know, maybe you have a lot of revenue coming from Microsoft, okay? Again, that goes into that negative control type of a thing.

There’s a thousand different ways to slice this and figure out ways where people are gaming the system, right? We’re not saying that all of them are
doing it, but we’ve got to come up with a system that is rapid, reliable, and is really one that is legitimate that also gives us the result that we need, which is a truly certified company.

MR. O’FARRELL: Jim O’Farrell. Can I jump in here real quick? So I’m so glad you came before the committee today to offer testimony. What I’d really like to do, Mike Zacchea, is for the next meeting have you make a presentation. I’m very interested in the transition process that you’re going to go through with the VA.

And just a quick comment on what you just said. You started your comments by saying you’ve been running a business since you were 15 years old. There are some of us that believe that are veteran business owners and have been through the verification process and the renewal and the renewal and the renewal and have had issues with it over the time that the folks that have been doing the work of the VA are not as competent as you appear to be.

And, so, we’re looking forward. I personally am looking forward to that transition to the SBA. Maybe the grass won’t be as green as I think it will be, but I think there’s more professionalism and I look up some of the people that interview me, Mr. Leney,
when I call the call center. You can find out a lot of
things about people these days. And I go on LinkedIn
and I find out one guy was a car dealer or a car
salesman in his previous employment before joining the
VA as a contractor and now holding my feet to the fire.

So I’m hoping that when we get to the SBA
you’ll be able -- and in our next meeting, maybe you
can come before us and tell us what the exact
transition plan is that you’re going to go through.

And while I’ve got the mic for a second, I do
want to ask a couple of questions, so I’ll go back over
to Mr. Leney, switching out of the verification. So,
Mr. Leney, you recently had a conference in New
Orleans. How many veteran-owned businesses attended
your New Orleans conference?

MR. LENEY: About a thousand.

MR. O’FARRELL: So you had a thousand out of
15,000 that are in the database. How many attended the
St. Louis conference a little over a year ago?

MR. LENEY: You really can’t compare those.

MR. O’FARRELL: I asked you a question.

Could you answer the question?

MR. LENEY: No, I can’t.

MR. O’FARRELL: How many attended? You
can’t? You don’t have any idea? Was it more?
MR. LENEY: Yes, I have an idea, but I’m not going to answer the question.

MR. O’FARRELL: Was it more or less, the same?

MR. LENEY: It was more. If you’d let me answer the question completely, it might be helpful to the committee.

MR. O’FARRELL: Okay. I’ll -- I’m awaiting the question and the answer.

MR. LENEY: Great.

MR. O’FARRELL: Go ahead.

MR. LENEY: The event in New Orleans was specific to construction.

MR. O’FARRELL: And why was that?

MR. LENEY: Because we have $6 billion in construction spending that we need to do over the next couple of years. We have over 3,000 construction-related projects. Given the fact that we are seeking to provide maximum practicable opportunities for veteran-owned small businesses to get access to that money, we focused the New Orleans event on architecture, engineering, construction, and facility maintenance.

We brought 250 VA staff to include the chief of engineering or chiefs of projects from almost every
VA medical center to New Orleans. Why? Because it was a lot of real requirements, real opportunities, real money. So we --

MR. O’FARRELL: Did you get any feedback from the rest of the community, the other 14,000 that are verified that have gone through the verification process that you should be doing something similar to what you did in St. Louis?

MR. LENNEY: What a great idea. And, therefore, we are.

MR. O’FARRELL: When is that going to be?

MR. LENNEY: We’re having -- we’re having it in the end of the second quarter, we will do one for IT services. We will do one for medical services and supplies and professional services, because we did get feedback from people who came to previous events with the fact that while we may have 4,000 people at the event, we only brought 30 construction people, and the 150 construction people that came to the St. Louis event said, there’s a lot of people here from the VA, but they aren’t in my field. I had IT services, program managers, and veterans saying, well, I keep sitting down with people that are not in my business sector.

So as a result of that feedback, James, we
have broken up the national veterans small business
engagement to focus it on particular business sectors.
And, currently, I have now the authority to do one
for IT services, one for medical services and
professional services, and the first one we did,
because we had 30 -- we had 3,000 real, live, no-
kidding projects with money, we did it with
architecture, engineering, construction, and facility
maintenance.

MR. O’FARRELL: So there is a -- you know,
what’s driving -- I guess I’m a little bit confused,
which isn’t the first time, but, you know, having
everybody under one tent, more like you did in St.
Louis, I’ve heard a lot of feedback from folks in the
veteran community that that was a better way to go.
And adding the IT, and adding -- having a tent for, you
know, if it’s a three-ring circus, why not have all
three of those rings in one place as opposed to forcing
small businesses to, if they’re, say, they’re
supporting some construction here, some IT here, some
professional services here, making them go to three
different conferences? And that reaction, by the way,
I think is highly unprofessional.

MR. LENEY: Well, you know, I apologize if
you think that. What I’m chuckling about is the
feedback we got was just the opposite, sir.

MR. O’FARRELL: And you have that in a

survey, in survey data?

MR. LENEY: Yes, we have that in a survey.

MR. O’FARRELL: Can you bring that to the

committee next time? That was another thing. I’m kind

of disappointed that I thought when I saw the first

slide there you were going to make a presentation to us

today, but it seems like --

MR. LENEY: I am.

MR. O’FARRELL: -- we’re just kind of doing

off-the-cuff --

MR. LENEY: No, I’m making a presentation to

you. If you need slides, I’m happy to give you slides,
sir.

MR. O’FARRELL: I don’t need slides, but I

thought we were asking you to present information that

was a little more --

MR. LENEY: Which is what I’m trying to do.


-- are we done with the -- did you have anything else

you’d like to say about the conference question?

MR. LENEY: All I’d like to say is we will be

doing conferences that are industry-specific based on

feedback received from our previous conferences, and
the fact that the complexity of the national veterans
engagement is very high. Okay? We aren’t running a
cference. How many of you have been to one?
Okay, have you noticed at those things, even
with the construction conference, we did 2,500
scheduled events in two and a half days. That’s
complex. And to try to do that across all the
communities of interest makes it even more complex.
Our goal with this is to enable veteran-owned small
businesses to get access to procurement decision-
makers. One of the other reasons we did this in New
Orleans is that we heard from the veteran-owned small
business construction people that they were having to
go to two events. One was our event, where we only --
where we can only bring a relatively small number of
construction people, and the SAME event, the Society of
American Military Engineers event, which was heavily
attended by DOD, particularly the Corps of Engineers.
The Corps of Engineers used to send 40 or 50
people to our event. They no longer could sustain that
because they were putting their emphasis on the SAME
event. So in an effort to help veteran-owned small
businesses expand their access to economic
opportunities, rather than merely focusing on the VA,
we collaborated with the Society of American Military
Engineers to hold a collocated event, where somebody could go to both and they could get access to the 200 DOD procurement decision-makers that were present.

So contrary to what you think, sir, we are attempting to improve the level of access and improve the benefit to veteran-owned small business, and that becomes the basis for our decision-making. So, frankly, I resent the assumption that we would be doing something else.

MR. O’FARRELL: Okay.

MR. LENEY: So I hope my clarification helps you.

MR. O’FARRELL: Thanks for your clarification. I surveyed some of the veterans that are in the network that I roll in, and they had the following questions, if I could offer them up to the committee and to you, Mr. Leney.

The U.S. Supreme Court, in its Kingdomware decision, opined that Veterans First applies to “all VA contract actions.” Does VA policy state this, that this includes purchases under the simplified acquisition threshold as well as micropurchases?

MR. LENEY: It applies to everything above the micropurchase limit. In fact, the Small Business Act states that all procurements under the simplified
acquisition threshold will go to small businesses. We apply the rule of two, and under 8127, to all acquisition actions over the micropurchase limit. We do not currently apply the rule of two to micropurchase actions because micropurchase actions are not competitive procurements, and we don’t have the visibility there intended to enable a program officer to obtain things quickly and easily. But everything above the $3,500 limit or now the $10,000 limit for certain items, is -- the rule of two is applied.

MR. O’FARRELL: What mechanisms does VA have in place to ensure compliance with Kingdomware, and who in the VA’s responsible for ensuring the compliance. It’s a two-part question.

MR. LENEY: We have a number of mechanisms in place. One is the normal acquisition review process. Secondly, my office has put into place a procurement review policy, whereby everything above the simplified acquisition are -- the simplified acquisition threshold that is in NAICS codes for historically veteran-owned small businesses have done business with the VA, my office reviews.

My offices does not have the authority to approve or disapprove procurements; however, we have the authority to concur or nonconcur. And when my
office nonconcurs with a procurement action, it goes back to the contracting officer and requires a senior executive’s sign-off to say this -- notwithstanding the OSDBU nonconcurrence, this procurement is of such -- so essential to our mission we’re going to move forward without setting it aside.

My office examines the market research that’s done in the preparation for the procurement, and based on the quality of the market research makes its concurrence or nonconcurrence decision.

The ultimate decision authority in all cases is the head of contracting activity.

MR. O’FARRELL: Thank you.

MR. LENEY: Now, by the way, I’m here. I’m happy to engage here. I had a set of things to go through in the briefing, but I’m more interested in answering your concerns. That’s -- by the way, James, that’s a very legitimate concern, and I appreciate that question.

MR. SHELTON: So it’s Brandon. Hey, Tom. So Brandon Shelton, TFX Capital. That was a fun ten minutes. We’re all veterans here, let’s remember that, especially the week of the Army-Navy game. So I will tell you this as the lone investor on this panel, equity investor, I don’t deal with debt at all, I can
tell you, Tom and his team moved heaven and earth over the last 24 months, and, my goodness, that’s how long it took just to get an inkling of the rule changes that went through. And I can tell you, Tom, I appreciate you and your leadership to do that.

I come from the non-government contracting side, so, Jim and Mike, you guys can hammer away on all that stuff. I will tell you that the majority of veteran-owned businesses in the United States do not serve the State or Federal Government. Okay? So that’s what I care most about. Eli, you don’t sell to the Federal Government, unless you got some weird Seal Team thing you’re doing. So my point is is that Tom’s rules, they fall short. So you’re right, Alex and Eli, you’re exactly right. So I can’t invest.

Now, Sean, you know from Bunker Labs is across the country, is that the vast majority of the startups that we’re dealing with are not product companies; they’re more like Alex’s company, software companies. And, so, it doesn’t really come up in those conferences, I’ll tell you. So one of the things I’ve challenged Tom and I hope in this committee is there’s a whole ecosystem of veteran entrepreneurship stuff going on that is totally oblivious to VBOCs, SBA, VA -- like, they don’t even want to deal with it. And I
don’t know if that’s indicated in that Federal Reserve report and those other -- CNAS is now working on a report. I told you our group is working on the report.

So what I’m saying is is that the rules are better for equity investors, but I’ve been on hour’s call with my attorneys, and Tom was gracious enough to put Beth and some of this attorneys on late nights, trying to just wrestle around, because they’re exactly right.

Unfortunately, most of the rules are built towards ding-dongs who skirt the system. Okay, so you have to index for the worst player possible, which to your point, Eli, like common sense is you control your company. Even if I invested in you, you’d say thank you so much, but no offense, I’m not telling him what to do on a daily basis, like there’s no way that would happen into like three or four years.

The other pit that we’re looking at is more and more veteran-owned businesses we believe -- we don’t have data on this -- regardless of their participation rates -- is that they’re going to be technology-focused. Technology startups or tech-enabled service startups that don’t have the cash flow capability right out of the gate, like a product, need equity-type capital, not debt, because debt is -- no bank is going to lend you because you don’t have 25K of
revenue and you haven’t been open for a year.

I mean, so you only can launch equity-type capitals, and that’s angel investors, that’s venture capital firms and stuff like that. And that’s where -- I mean, I think the rules are better, but what I would encourage us for this committee, Tom, is that it be a - - like, what’s phase two? How can we, over the next 24 months, work to continue to open up the thresholds where we protect the status, right, but more and more veteran-owned businesses that do business away from the Federal Government and state governments are going to be more technology-like, and they’re going to take more equity-type capital. This problem will continue to grow.

And I’ll give you one last example. The reason I even as an investor stumbled into this, I worked off the same assumption of 51 percent, it’s not as simple as that for the government contractor types. It’s way more complex. And the reason was a Fortune 50 company said, oh, you want to do business with this technology startup I was about to invest in, give me your VA certification because they had the diversity supplier person, and he wanted credit for having a veteran supplier. I couldn’t provide it. And he’s like, and we don’t qualify either because we have
equity investors, and those were the old rules. So I just -- a couple examples there.

I just wanted to -- for the record talk about the nongovernment contracting space. Let’s make this like phase one, Tom. Maybe we can get to phase two over the next 24 months with our support. But I just want to recognize your leadership for you and your team getting us to this point.

MR. LENEY: Before I pass the mic to Robb, a couple of things. One, about less than -- far less than 1 percent of the veteran-owned small businesses in this country do business with the Federal Government, okay? So you’re absolutely correct.

Are we where we need to be in terms of enabling veterans to get access to equity capital? No. Do veterans -- one of the -- for those of you who have been in business, one of your main challenges is capital, right, and how do you get it. And as a small business, if you go to the bank, that’s not a very good way to do it. I was in a small business where I was having to deal with the -- I won’t call them loan sharks. They were the -- well, they were close to loan sharks, okay? So I am not only sympathetic but empathetic to that.

The -- we’ve done two things. One, the
ownership and control reg is -- was negotiated with SBA. It is now an SBA regulation. The second thing is in terms of this ownership and control piece, okay, and I’ll separate that again from the documentation piece, because there is some things that we might be able to do in documentation, but on the ownership and control piece, that’s going to get decided by the Office of Hearing and Appeals based on the current regulation. That’s why you heard me at the beginning of this I have no problem with firms going to denial if they’re doing so in order to get a determination by the Office of Hearing and Appeals, did we interpret the regulation right? Because I have an interest in making sure we get that interpretation correct. Okay?

My goal is not to throw obstacles in the way of veteran-owned small businesses, but now I’ve been doing this for seven years, and I’ve spent a lot of time talking to the people on the Hill who built this regulation, talking to veteran-owned small business groups who thought they helped build this regulation, okay, and the law, and there is an element of seeking perhaps to be overly protective of a veteran. Not to -- the law is not built around frauds. And I got good news for you, the vast majority of the 15,000 firms in VIP are not frauds. They are
legitimate. We go out. Last year, we did 400
unannounced site visits. We had less than 2 percent
where we discovered a problem.

So the vast -- and one of the -- and why do
we do this, because to provide credibility to this
socioeconomic group and to fit it into to -- going back
to your question, James, into federal certification,
okay? My goal, and the goal of the VA, is to make sure
that in order to do business with the Federal
Government, all firms have to meet the same standards,
as opposed to the set of firms that self-certify versus
the firms that want to do business with the VA or FAA
who have to go through a verification process.

So we have taken actions. We’re happy to
come and give a briefing. I was prepared to walk you
through the actions we’ve taken to date and where we’re
going, but that is where the SBA and the VA are headed.
It’s part of the President’s management agenda, his
modernization plan. We in the VA are all for it.
While I disagree with you, sir, about the level of
competence in CVE, I am 100 percent supportive of
moving this over to the SBA, okay? As long as the
standards apply across the Federal Government to all
SDVOSBs.

And we put these standards in place to make
sure that the SDVOSB socioeconomic category is the
category of choice because they become the least risky
category. The more information we can provide to a
program manager or a contracting officer about the
SDVOSBs, the less perceived risk there will be in doing
business because the ugly reality is, the default is if
you’re a small business and if you’re an SDVOSB, people
aren’t predisposed to do business with you. Okay?
Because you are perceived as high-risk. And anything
we can do to mitigate that perception of risk benefits
to the veteran-owned small business community.

And that’s been my focus, is how can I help
mitigate that risk, because it doesn’t do any good to
beat up a program manager or a medical center director
who’s trying to take care of veterans and tell them,
hey, you got to go work with somebody that you don’t
trust, that you don’t know, has not got demonstrated
capabilities to help you perform your mission, because
I will tell you flat out, every medical center director
that I’ve talked to, and I’ve talked to a bunch of
them, their focus is on the patients that walk through
their door, and if the veteran-owned small business can
add value to that mission, they’re happy to deal with
them. But the default is not there.

So, yeah, that’s one of the reasons for the
veteran-owned small business. Wow, this is a very rigorous process, but when I talk to our program managers and contracting officers, it helps mitigate that perceived risk. They say, wow, these people went through a rigorous process, so they have a higher level of trust, even though the ownership and control has got nothing to do with capability to perform on a particular project.

MR. ZACCHEA: Tom, this is Mike Zacchea. All right, so I just want to mention a couple of things that you mentioned here. So one about perceived risk and doing business, that I can attest to, I agree with you there. It’s about risk management versus reward. So I think that -- I understand that this is a slice of the overall veteran business ecosystem, and we’re trying to get a -- you have, I think, two constituents really that you’re trying to -- between the Federal Government or the VA specifically, where you’re protecting their exposure, but also encouraging veterans to both start and access these opportunities.

So it’s a difficult -- there’s tension there. There’s always going to be a tension. But I think that we can work together on that because I think that’s really important. This is an area where there’s been tremendous, I think, change, even in the last three
years or so. So there’s bound to be these kinds of
tensions, and we’re trying to work out these boundaries
that we’re running up against as this whole ecosystem
changes. And, so, I think that your point is well
made, and I appreciate that.

And, yeah, I would like to extend an
invitation to you for future meetings to come and brief
us about that because we’d like to be partners with the
CVE on these issues.

MR. LENEY: So I think we owe you two
briefings at the next meeting. One is a briefing of
the -- what the new regulation says, and I will defer
to the SBA, though I want to be very clear that this
new regulation was done in collaboration. We made --
both sides ended up, as is always the case whenever you
collaborate, making some compromises, but I think it
would be useful to brief you in detail upon what the
new regulation says and what changes have occurred from
the old regulation. There have been some changes.

Secondly, I think -- I’m prepared to give you
an outline view of what has been done to move toward
federal certification. And we can give you a more
detailed -- we made a lot of progress in that regard.
I believe that in FY2020 we will get there. It does --
to give you the high points, it does require
legislation, okay? There has been a House bill introduced to push toward federal certification. We’ve been working on regulations, policies, processes, to make that happen under the expectation that it will be a law at some point.

But as you can imagine, it involves budgets, you know, giving the SBA money it currently doesn’t have and that sort of thing. So it’s -- many of these things are not intentioned, but they require balance.

The other thing I will provide for the record, and I don’t mean to -- and the goal will be transparent. We will provide you the statistics for both this year’s meeting in New Orleans and last year’s meeting on the number of veterans who applied. I will say one thing. I was -- I have been extremely disappointed in the turnout of VOSBs at these events. We had a real benefit in New Orleans because by collocating, we had over 500 firms that were -- had signed up to the small business event for SAME cross over and attend ours, but that was -- you could sign up for one and attend both. Actually, it was about 700.

More people crossed over than signed up.

MR. ZACCHIA: I think -- and, so, I have not been to that one, but I’ve been to a bunch of these things around the country, and I think there are some
opportunities there. The last thing I want to say --

MR. LENEY: But let me just state for the record here what the problem is. When the VA brings 250 procurement decision-makers to New Orleans and spends that kind of money, and there are 500 VOSBs there, it is very difficult for me to justify that kind of an expense to my leadership, at a ratio of two to one. I’m here to tell you, the VOSBs in that arena that were there were pretty happy, because they got a lot of face time with people who were making requirements decisions, but from an enterprise perspective, it’s very difficult to justify.

Therefore, one of the things I want to brief you on is we’re changing the game. We are now -- we’ve established a VAMC program where we’ll be doing 50 to 60 events in FY19 in the medical centers, because the people that we have difficulty getting to these small business events are people that work in medical centers because the directors are hesitant to release them from their day-to-day duties of patient care. We are looking to change the -- include a lot of construction there because we realize there’s a fundamental flaw in our model, which is that many of the small business construction opportunities are local, and a guy says I want to do -- I want to paint the hallway in this
medical center in Hartford, I won’t want to go all the way to New Orleans to talk to the guy about painting the hallway, I get that, so we have -- based on feedback, we got from people who did not attend New Orleans, we are seeking now to change our model, and we are constantly evaluating our model based on survey results, based on discussions with veteran-owned small businesses, and our own procurement decision-makers to figure out what’s the best way to connect these small businesses with the VA procurement decision-makers.

MR. PHIPPS: This is Mike Phipps. I’ve been trying to talk for about 20 minutes. All right, so I’m not going to ask for some of the answers right now, Tom. I just wanted to just cover a few things.

One, could you look at why a contractor is motivated on completing an application, which is going against the way a veteran is getting certified in the business application and maybe making that contract more in tune with the service and not having that opposite pole occurring because the contractor is motivated to basically screw the veteran over in the certification process. And I understand that’s -- there’s procurement issues that are involved in that, but that just might be --

MR. LENEY: Yeah, could you restate that?
I’m not sure I understand.

MR. PHIPPS: Okay, so, you had mentioned that the contractor that’s responsible for the certification process is evaluated on how many contractors or how many veteran-owned businesses they close, so they’re motivated to close more cases of certification, right?

MR. LENEY: Okay.

MR. PHIPPS: So if we don’t motivate that contractor in that way, right, we motivate him more on the customer service, then he is not -- then that contractor or that contracting company is not pressed to close out a case.

MR. LENEY: The quick answer to your question, the only place that it really -- the motivation to close out a case is to move a case to stagnant, where no action is happening. We evaluate our contractor on the basis -- on the evaluation criteria, his customer service, and I want to be crystal clear, no contractor makes any decision. Every single application that gets to determination is reviewed by a federal staffperson. And if the federal staffperson determines that the contractor reached an erroneous conclusion, it gets kicked back to the contractor and they don’t get paid. In fact, if it’s kicked back, they get decremented on what they do get
paid.

So the only reason I mentioned the issue of wanting to close out cases is that you had -- we run into problems with cases that are stagnant for a very long period of time. I understand, when somebody decides to withdraw from the process, we would like you to notify us, yeah, I’m no longer interested. But, however, I understand that when you decide to walk away, ain’t a whole lot of energy around them when it tells the CD I’m walking away, I’m just going to walk away.

MR. PHIPPS: And, so, that was motivated because -- in the last meeting, and I think we had a phone conversation, the help desk, when they didn’t get information, was actually recycling and dropping people out of the process, and so that 60-day time period was not really 60 days, it was because the help disk simply was recycling applications, and we have multiple contractors that we didn’t know about in our last meeting come out and start to ask that question, because that was occurring, and I think you have fixed that since, if -- right?

MR. LENEY: Yes, I believe we have. So I’m anxious to --

MR. PHIPPS: I think you had mentioned that
you had gone through that and that is no longer occurring, which is great.

A couple -- I’m very interested in this micro-threshold purchase and the rule of two, because even though the $3,500 and the $10,000 perspective, depending on what kind of contract it is, there are billions of dollars at stake there. And, so, what we would like to see is what is the dollar amount below the micro-threshold purchase agreement that goes into the VA budget, because at one point, there were -- there had been -- you know, that number was in the several billions of dollars, and I don’t if that was on a yearly basis or cumulative, but we would just like to see what that number is on a yearly basis from the VA.

MR. LENEY: I can provide -- that number is in the billions, with a B. What I will do, though, is provide that back to you in writing because obviously the acquisition community would like to make sure that I’m getting that right.

MR. PHIPPS: And one more thing. This committee --

MR. LENEY: And by the way, there are a lot of VOSB who survive on micropurchases, probably in the hundreds of firms that --

MR. PHIPPS: Absolutely.
MR. LENEY: -- make their living via the micropurchase program. And it is an intent by the VA to reduce the amount of micropurchase because as you can imagine, when you buy stuff $3,500 at a time, when you run the biggest healthcare system in the country, the -- we’re not getting good pricing.

So that is -- that is a challenge, and a lot of -- our efforts to -- our efforts to be good sort of to respect the taxpayer and to take care of our veterans and make our money go as far as it can, the VA is seeking to reduce this micropurchase level from billions -- plural -- and that will have an effect on VOSBs, especially those who are living off of micropurchases and have been doing so for years, and one of the points of discussion and, frankly, debate within the VA is how do we balance the need to be better stewards of the taxpayer dollar because I have heard credible information that says our price per patient for medical supplies is 25 percent higher than the commercial world. You can’t compete in that kind of a situation.

A significant dimension of that is micropurchases. But what my office is engaged with is how do we reduce this micropurchase issue but not -- but mitigate the adverse effect on small businesses.
How do we enable them to continue to play where, you know, it’s like we can get to this maximum practical event. But, yes, I will -- I take as much information I can to give you that number.

MR. ZACCHEA: Tom, more coming from Robb Wong.

MR. WONG: No, I’m okay.

MR. PHIPPS: And, so, just one last comment. We, as a committee, even though we might not like a certain rule that the VA has on certification, we at the committee can take a look at those certifications and make recommendations to Congress, the White House, and the SBA and the VA on some of those things that Brandon is working on on all those possible changes.

So I would like to see some of that because, you know, those are -- rules can change, and things can get easier for the certification process, which is why it would be really good to know who’s attacking the program, a little less anecdotally and more statistically so we can see who it is we’re talking -- you know, who it is -- who really is attacking the program. Is it -- are we talking about people on the Hill? So we can address that as a committee and see, okay, are those the chairman attacks and maybe even address some of that in some of our recommendations.
MR. LENEY: And we welcome that. By the way, I just remind everybody that when we did the change in regulation, as per many change in regulations, it went out in the Federal Register for public comment. And we addressed those public comments -- or SBA addressed those public comments. But we in the VA would welcome any input from the committee on further regulation changes.

And I am precluded to a significant degree from telling you about the who for privacy purposes, okay? One of the things that we have started is a program when someone’s being accused of being ineligible, letting them know that they’ve had an accusation. But I am precluded from revealing -- most of these accusations, 98 percent come from other veteran-owned small businesses or private sector.

MR. ZACCHEA: Tom, I really thank you for coming here and speaking, but just in the interest of time, we need to move on to the next topic. You’re welcome back to our next meeting. I think that --

MR. LENEY: I’m happy for you to move on. I’m also happy to be here to answer whatever issues and questions you all have. That’s why I come.

MR. ZACCHEA: No, thank you. And I think that this is the beginning of a dialogue, and that’s
what my hope is.

MR. LENELY: Right.

MR. ZACCEA: So let’s ask John and Dan next up, please.

(Discussion off the record.)

MR. STUBBLEFIELD: Okay, we’re going to move here real quickly to cap access and I guess we’re going to have to go through this kind of quickly if you will.

MR. UPHAM: Oh, you’re not cheating us.

MR. STUBBLEFIELD: Well, you’ll be on the public comment period here soon.

MR. MILLER: All right, we’ll move quickly.

Good morning. My name is John Miller. I’m the Deputy Associate Administrator for the Office of Capital Access, and I report to William Manger, who is the Associate Administrator. And both of us work tirelessly for Linda McMahon to make capital available to small businesses, and we do this through our capital access programs. Our mission is to make capital available to small businesses who would otherwise be unable to obtain it and otherwise unable to access capital to either start or expand a business through conventional terms or conventional loans.

In other words, we help reassure lenders on loans that they would not make without our programs.
We don’t want to compete with the banking industry, but we are here to offer guarantees. And we are not a direct lender. That’s important to note. We cannot go out and identify borrowers directly who we will make a loan to, lend money through other lending partners, which are banks, credit unions, certified development companies, and nonprofit lending intermediaries. So not being a direct lender, we can influence, but we can’t direct lend to our small business borrowers.

We have -- we influence by a number of ways. We have an intense network of field offices, district offices with trained lender relation specialists, and they reach out to our lenders and train our lenders on our programs and are continually marketing our programs throughout the United States. We also have a network of network partners across the United States, about 1,800, and these are small business development centers, women’s business centers, VBOCs, SCORE chapters that provide free, individual, face-to-face or internet counseling for small businesses.

Let me move on and talk about our activity for the fiscal year, which ended September 30th, 2018. Our largest program is the 7(a) program.

And, Larry, how much time do we have? I’m sorry? Keep going? Okay.
Well, the 7(a) program is our largest, and in Fiscal Year 2018, we lent around $25 million, guaranteed loans with a principal balance of $25 billion. That is slightly below where we ended 2017, so I noticed a slight slowdown in lending. We think this is due to lenders offering conventional credit, expanding their credit box, offering more conventional credit in areas that before they used our guarantee to supplement.

For 504 lending, this is our second largest program, and this is mainly for construction or purchase of building or fixed assets. And this program was down 5 percent in 2018 over 2017. It was lower -- far lower during the year, and it had been down over 15 percent. But because it offers a fixed rate instrument with interest rates increasing throughout the summer, we realized that it quickly picked up and ending the year only down 5 percent.

Next slide, please.

Our small loans, we struggle with small loan lending because the -- for a lot of our lenders, they look at the larger loans as more profitable. They would look at a small loan and state that it takes -- uses about the same amount of work administratively to put a small loan on the books as a large loan. So
while we market and try to incent small loan lending, unfortunately we were down about 6 percent for loans, up to $150,000 last year over 2017. And then around -- just slightly higher for loans $150,000 to $350,000.

Next.

Veteran lending declined 5 percent in 2018 from 2017. You’ll see that 2015 was a tremendous spike. We had a lot of fee waivers to provide, and fee waivers being one of the ways we were able to influence lenders and small business borrowers, so we waived fees for veterans, low applicants, in all -- in our 7(a) program in all loan sizes. And also waived the lender fee. And what that allowed was a tremendous amount of lending to veterans in 2015. Unfortunately, the fees -- we have to keep these programs at zero subsidy. Both 7(a) and 504 are -- there’s no taxpayer subsidy to run these programs. Well, not to run. The administrative cost is subsidized, but the programs themselves, the losses from the programs are covered by the fees that the programs generate. And, so, as we’ve gone through the years, that the amount of fee waiver available, the amount of subsidy that we could turn into fee waiver, has been steadily decreasing. I would note, though, that in 2018, we are still higher by 40 percent over where we were in 2014.
And, now, I’m going to turn it over to Dan to talk about the Mission programs.

MR. UPHAM: Thanks, John. My name’s Dan Upham. I’m the Acting Director for our Office of Economic Opportunity, and I’m Chief for the Micro-Enterprise Development Division within the Office of Cap Access. In talking about our Mission lending programs, you know, John mentioned our 7(a) and our 504, those are obviously our flagship programs. They do billions of dollars of guarantees.

The programs that my office manages are smaller. The Community Advantage loan program, which is Mission-based lenders, nonprofit lenders having access to the 7(a) guarantees to do loans -- guarantees on loans up to $250,000, so a much smaller loan size. And the Microloan program, in which we have nonprofit and intermediary lenders, in that case, SBA is actually making a direct loan to those intermediary lenders who in turn use the money we lend to them to relend to small businesses in amounts up to $50,000.

With the Microloan program, an important distinction there is that it’s not just lending dollars to small businesses, but it’s also a combination of lending and training and technical assistance. The intermediaries, as part of the program, must provide
both training and technical assistance along with the small dollar amounts of capital. And over the last couple of years, those programs have seen managed growth in the neighborhood of 10 percent per year. From 2017 to 2018, that growth trend has continued. And being smaller dollar loans, they seem to be a better fit to a large degree in terms of our lending to veterans, and we’ve seen that trend continue or at least been very stable over the last couple of years, that these small-dollar loan programs in terms of the percentage of what’s going out program-wide, a larger percentage is going to veterans with these lending programs.

Next slide.

So just a little bit here on what the dollar volumes look like. Instead of, you know, looking at loan volumes in the billions, the Microloan Program, we’re -- obviously it’s a smaller program, much smaller loans going to the small businesses, but as I mentioned, we are seeing, you know, some managed year-over-year growth in those programs. And while in -- if you look at the very bottom of the slide, the veteran lending slide for the Microloan Program, we did a few less, I think, four or five less microloans. We actually did additional
dollar volume in veteran lending last year.

Next slide.

And this slide, if you all actually want to make some notes on this slide, there are a couple things, unfortunately, that got left off when we had to publish the slides last week. Where we’re talking about the second bullet point, borrower fees reduced from 2 percent down to .67 percent, and lender fees reduced from .55 to 0. These are on loans of $150,000 and less. And they’re also on loans that are located in rural and HUBZone. If your veteran-owned small business meets those criteria, then obviously they would also get this fee relief. And then the top bullet point there in terms of fee relief, veteran-owned businesses pay no fees on the express loans. Right, and those are up to $350,000.

A final point in terms of our prepared comments is on Lender Match. This is a tool provided by the Office of Cap Access. It’s a tool that enables a small business through the sba.gov website to enter some basic information about the business and about what their borrowing and other needs might be. And it allows our lenders to, you know, enter their information into this system, and it matches what the lender is looking for with what the needs of the
The program has been tremendously successful in terms of the number of matches that it has been able to make. Unfortunately, we don’t keep statistics on the number of loans that are completed as a result of those matches, but we do know that there are a lot of those matches taking place.

And, so, you know, in any of the outreach activities, with veterans groups that might need access to capital, we urge that you direct them to the sba.gov page and specifically to the Lender Match application on the webpage, as that will be their best chance to get connected with an SBA resource that can meet their needs.

MR. FENDER: Alex Fender at Funnel Science. How long has the page for the Lender Match been down? It’s currently down right now.

MR. UPHAM: I wasn’t aware that it was down.

MR. FENDER: Gotcha. I really like your analytics in your graphs here. The last time we talked, six months ago, I asked about the top reasons for denials. Have you all started collecting that data yet?

MR. UPHAM: Denials on the 7(a) loans?

MR. FENDER: Yeah.
MR. UPHAM: Specifically to veteran?

MR. FENDER: Yeah.

MR. UPHAM: I don’t believe so.

MR. FENDER: At what point can the SBA start collecting that data on why they’re getting denied, you know, total applications and the denials?

MR. MILLER: I’m not sure that we can. I mean, we’d have to go through probably a PRA, a Paperwork Reduction Act, but we’ll take that under consideration. So denials on vet -- how veterans are getting denied in our loan programs?

MR. FENDER: Yeah.

MR. MILLER: Because we are -- since we aren’t a direct lender, we don’t see the vast majority of the loan applications. They’re actually denied at our lenders. And we -- so we don’t -- we don’t have access to any of the information. It would be -- for example, I’m just going to grab a bank, you know, First National Bank, would decline the loan. We don’t -- we would never see the information. We only receive the apps that come in.

MR. FENDER: But that’s where it fits in.

Let’s say that this bank has a 99 percent reject rate on veteran-owned businesses. They’re still on the Lender Match. Why would they stay in the Lender Match?
MR. MILLER: That --

MR. FENDER: But you can’t answer that question because you don’t know.

MR. MILLER: Right.

MR. FENDER: Because you’re not collecting the data.

MR. MILLER: We’re not collecting it.

MR. FENDER: So that’s why we need to collect it, because what happens in regular commerce with loans is, you know, if the majority of people that apply for loans don’t get them. It’s the minority of the people that get approved for them. So the majority here are getting rejected, so one of the things that SBA does is it does Boots to Business, promotes education, does the VBOCs, does the SBDC, SCORE, promote the education. If you could promote the education on what’s causing you to not get the funding, they could train on that, it would be extremely beneficial and helpful to those businesses. But without that data, you can’t tell them what’s going on or why they’re getting rejected or what they need to do to prepare for it so they don’t get rejected.

MR. STUBBLEFIELD: Well, you know, Alex, I’ll just say this real quick, that -- you know, there’s a discussion on the reason for rejections in the report
that we’re talking about. And this is something that
we’re going to take on that I was talking earlier
about, you know, possibly having a subcommittee so we
can dig down deeper into that, so you’re absolutely
right, but it’s addressing that in that report.

MR. SHELTON: It’s Brandon Shelton. So I
guess a question on the reporting data piece as well.
When the banks do report back to you on the, you know,
loans that are extended, do they give you any
indication of type of business that they run? So what
I’m hunting for specifically is that the analysis that
you’re showing trends, very helpful. Is it mainly
government contractors are the ones that are getting
the loans and applying for the loans, so there’s -- you
know, do they report anything like that so we can look
a little bit beyond?

MR. MILLER: Are you talking about the
type --

MR. SHELTON: The type of business, the
veteran business, right?

MR. O’FARRELL: The industry there?

MR. SHELTON: Or even industry. I just -- I
mean, that’s --

MR. MILLER: Yeah, we have industry codes on
the type of businesses that are getting loans, yes,
definitely. The details --

MR. SHELTON: Is one of those -- oh, sorry to interrupt. Is one of those industry codes, like, I’m a government contractor and providing contract services to a government agency?

MR. MILLER: Yes, there would be a segment on, I’m sure, very detailed numbers. North American Industry Classification System.

MR. SHELTON: Yeah, NAICS.

MR. MILLER: N A I C S. Whatever you see there --

MR. SHELTON: Mm-hmm. Right, but does the NAICS code -- the NAICS code, it’s going to say 54161 is -- 541611 is management and consulting services. It’s not going to say government -- I’m not trying to create and make work, I just think this --

MR. O’FARRELL: No, I know.

MR. SHELTON: I just think this --

MR. O’FARRELL: I agree with you, Brandon.

MR. SHELTON: Yeah, no, I understand, but for you guys, like, I just think that for us to react to the data that you’re providing, yeah, if we can get more data, like Alex is saying, great, take that on, Larry, I just think -- I would want to know in like a subanalysis in terms of, okay, this many loans, year to
date, you know, types of loans, this many went to
nongovernment contracting businesses, and this many
went to government contracting businesses, and this
many went to businesses that do both or something like
that. That would help us understand, like, where is
the need, where are we -- are we using these dollars
effectively versus what’s -- you know what I’m saying,
like I can’t beyond it --

MR. ZACCHEA: Just more breakdown of the --

MR. SHELTON: Only if it’s shareable. I
don’t want to create work and put a congressional thing
out there and all that stuff.

MR. UPHAM: I know right now that we are -- I
mean, we are collecting the NAICS codes on those loans
that get approved. If the NAICS codes themselves don’t
allow us to break it down as far as you want to go, you
know, I don’t think there’s anything in the works at
this point to request additional data that would allow
us to do what you’re asking.

MR. ZACCHEA: Mike Zacchea. Even the NAICS
codes would be helpful.

MR. UPHAM: Yeah.

MR. ZACCHEA: Right, yeah. If there’s that
kind of granularity, I think that would provide --

MR. UPHAM: Yeah.
MR. ZACCHEA: -- illuminate this.

MR. UPHAM: Yep.

MR. LOWDER: Let me -- if I can say something here, Dan and John. I came all the way from Chicago just to talk to you guys today. I’m a Vietnam veteran.

MR. O’FARRELL: Say your name.

MR. LOWDER: Sorry?

MR. O’FARRELL: Say your name.

MR. LOWDER: Lynn Lowder, Veteran Business Project. Stood up a 501(c)(3) about five years ago to address one simple issue that we believe is the major impediment preventing veterans from getting into small businesses. We know post-World War II, right, we had 29 percent; now it’s about 7 percent. Post-World War II, the Fed was a guarantor, all right? George Bailey in It’s a Wonderful Life, it’s that time of the year, George Bailey in the Community Bank Store is long gone. Community banking has changed.

The real need, the real need, the people that deserve the opportunity to be in business, I think more than anybody else, is the young enlisted machine-gunners, the young enlisted folks that put their life on the line, they don’t have a dime. I’m a downstate Illinois hick, a lot of people from my town go in the military. They don’t have a dime coming in. They
rarely have a dime coming out. They don’t have any
credit score, but they got grit, they got great skill
sets, they’re hard workers, and they want a shot. But
they can’t get a shot because banks aren’t lending.

Now, today, we got about 200,000 veterans a
year coming out, and we know statistically about 25
percent of them would go into business if they could.
I reckon that it’s probably more than that, actually.
And when you get to be my age -- I’m 72 -- I look back
and I -- you know, I’m an expert at kicking myself in
the hind end.

My wife always tells me, though, my wife of
50 years, she said, yeah, but if you had of made those
right calls, would you be where you’re at now in terms
of your point of view, and, of course, that’s not the
case. It’s this. You get to be in your seventies, and
maybe even before then if you’re smarter, and this
whole thing about equity kicks into your head.

And, so, the reason I stood this business up,
this 501(c)(3), is to get the veteran to say, hey, hey,
hey, listen, 49 percent of the guys in World War II did
it after World War II, you can do it, too. It’s not
for everybody, but you got the smarts and the guts and
the grit to get it done.

And if you got in business for yourself,
rather than building it for the man, built it for yourself, build it for your family, and down the road, retirement doesn’t look like, you know, that’s way, way out in the distance when you’re in your twenties, right? And then now you’re in your seventies. And I wish I would have started a Subway in Naperville, Illinois. I wish I would have built a business for my family, because then I got equity. And then I can sell it.

So this is the urgency and what we’re doing and what I do, so what do we end up doing? Well, we attach the GI Bill to put it back to what it originally was, which was full employment, didn’t -- it didn’t deify college over anything or trades over anything, but if you wanted to buy a farm or business property, the Fed would be a 50 percent loan guarantor, up to a certain amount. That changed.

Today, so a young machine-gunner’s got to go out and try and borrow money. We thought, well, maybe we could go to Capitol Hill, God bless George Sharp. He’s been knocking on doors with us saying maybe they could -- just maybe they could cash in on a chunk of what’s about $182,000 on average, you know, your educational benefit. But I found out that there’s people on Capitol Hill that really don’t care that much
about all that. Some do, but a lot don’t.

So that’s a long pull, and this community here is working on that. What else do we do? I’m a special operations guy from my Vietnam years, two ways in, two ways out. We found a wonderful Senator in Illinois. Her name is Jennifer Bertino Tarrant. We passed a law, Illinois Senate Bill 324, so the veterans could get a loan guarantee in Illinois to start their business, and we have our first deal coming down the road right now. $1.2 million buy/sell of a restaurant. An Army captain, airborne guy, two tours in combat, is going to take over this iconic restaurant. Revenues last year were $3.5 million. It’s selling for $1.2 million. The dirt alone is worth $1.5, right? And the way it works is Illinois is shoving $400,000 across the table; Community Bank has come up with $600,000, right? Illinois is subordinated lender, but you know what, we went out and got that law passed that any kind of community bank, they want the veteran to have skin in the game, skin in the game.

So, you know, the only way we’re going to make it happen is the lender, who happens to -- or the owner, who happens to be a veteran, is going to take back a $300,000 note. So I’ve got some work to do.

And Missouri, we got the law passed in
Missouri. Illinois has got $5 million to lend; Missouri has got 421. And, man, they want to lend, in their link deposit program.

So we’re -- my challenge is I’m going state by state by state by state to get these federal loan guarantee programs passed. This afternoon, I’m in front of the legislators, and I’m going to make my pitch. It was good enough post-World War II; it ought to be good enough now. Here’s the challenge we’ve got. We’ve got to come down off the standard lending profile, the credit profile for these borrowers. They’ll never make it. A young kid will never make $1, you know, equity for $3 he’s borrowing from you in the programs you guys have or the banks in general.

So I’m going to be making this a case here for this committee. We have got to find a way around this. It didn’t happen that way in World War II, and those veterans got a shot and they crushed it. They did a great job. Will some default? Sure. Well, my guess is more won’t. But we’re never going to get where we need to get to, and thank you guys for what you’re doing to get money out the door for these veterans, but the ones that are getting marginalized and shoved off the side are the $100,000, the $150,000, the $200,000, these young enlisted and officers will
never -- the junior officers are never going to make it. They’re never going to make it. But if you guys, if we were able through your influence to get somebody to say how can we ratchet this down to a level that would be reasonable, reasonable is, you know, reasonable to some people may be different, but we got to do better for these young -- for these young folks particularly. They serve one term, most of them. They go and they sacrifice, they hang it all out. We’ll give tens of thousands of dollars to a kid going to college, no credit score, no collateral, right, but a veteran who has actually served this country, taken an oath -- sorry, pal, we got nothing for you. Something’s terribly wrong with that.

But if the SBA made a move in that direction by your programs and what you would guarantee and you changed all that, we could make some things happen. So I’m just kind of giving you where I’m going to -- because I’m going to dump this in the lap of Larry and Mike and this committee and say could we please, please approach this because I -- from where I’m sitting, this is the only thing that matters.

Boots to Business is great. We got all these ways to train people, but if we can’t get these kids money to start a business, and we’ve got a cross-check,
a due diligence process at the federal and state level
that didn’t even exist in World War III, and the only
reason we did it was to try and make the bankers more
comfortable. They got to take the Boots to Business
program. They got the Army discharge. They got to
have a business plan. They got to shark tank the
committee to -- the plan to a committee and so forth.
And if they get it, they get a mentor for a year. We
put all that in there, right? None of that existed
post-World War II, not a dime of it, not any of it.

So if you guys could put your thinker-uppers
up to work on that, I would really appreciate it
because we need the help of the SBA, and I’m going to
ask for help. This is what I say in the field. I run
into these people every doggone day. We got a lot of
kids that want a shot but they’ll never get a shot
unless we get -- unless we get this lending criteria
saying ratchet it down to a reasonable -- to a more
reasonable level for them, just like they did in World
War II, just like they did in World War II. So if you
guys got something, take that away, please, and I’ll
give you my number, and I’d be interested in anything
you would have to say and I’m going to ask this
committee to please wade into this. It’s so long
overdue. Does that make sense?
MR. MILLER: It certainly does, Mr. Lowder, and thank you for your comment. We have the Microloan program. Unfortunately, it only goes up to $50,000, but that -- when somebody says to me that veterans come back and they start a business with high interest credit card debt because they can’t get a loan through a bank --

MR. LOWDER: Yep.

MR. MILLER: That’s where I say Microloan program. The nonprofit intermediaries are not banks. And we don’t tell them how to lend.

MR. LOWDER: Right.

MR. MILLER: And they provide startup technical assistance and post-loan technical assistance to help the -- to help these folks get into business and stay into business. And they’re very successful at it.

MR. LOWDER: Can you bump it up to about 150? Because we could do -- you know what, fellows, if we could do that, you would have most of them. Really, you would. You’d have most of them.

MR. UPHAM: Yeah, right now, the $50,000 limit on microloans is a statutory limit --

MR. LOWDER: Yeah.

MR. UPHAM: -- so it would require an act of
Congress. You know, and it’s ratcheted up over time.

I think when the program came out in ’92, it was $15,000, jumped up to $25-, $35-, $50.

MR. LOWDER: Incrementally going up.

MR. UPHAM: So it has gone up, but, you know, but convincing the legislators to go from $50,000 to $150,000 in that program --

MR. LOWDER: Right.

MR. UPHAM: -- probably a stretch.

MR. LOWDER: If we convinced you guys to do it, it would be an easier sell over there. Would you think on it?

MR. UPHAM: Absolutely.

MR. LOWDER: See what we could do? We can do some good business together and get these kids in business. They’ll make you proud. They’ll make you proud. They will.

MR. UPHAM: Fair enough?

MR. STUBBLEFIELD: Fair enough.

MR. LOWDER: Thanks, guys. Appreciate you all for coming over.

MR. STUBBLEFIELD: Well, thank you, Cap Access. Thank you, Lynn. You’re on the record for that. And, you know, from time to time, we do get, you know, a chance to talk to members of Congress and
staffers. They always ask what do we need, what can we do to make things better. And, so, this is one of the things that we can definitely take back in that regard.

Okay, we’re running behind a little bit, but we’re at the public comment period, and we have some folks here that want to go on the record, if you will. So thank you very much, Cap Access, John and Dan.

MR. ZACCHEA: Just to remind you, press the button with the face on it, it will turn red, and then state your name, and then you can speak.

MR. NEIWEEM: Thank you, Mr. Chairman, members of the committee, for this opportunity to give public comments, and it was a very informative session today, so I’ll get going here.

I’m Chris Neiweem, I’m a principal at Next Veterans. I’m an Iraq veteran, small business owner, and our national politics writer. I’m going to read a letter by Dr. Eric Hannel, who was not able to attend today, so I’ll be reading that letter in his absence. He served as the Staff Director on the Subcommittee on Oversight and Investigations in the House Veteran Affairs Committee from January 2001 [sic] to 2016. And the letter begins here.

During my tenure as a Staff Director of the Subcommittee on Oversight and Investigations for the
House Committee on Veteran Affairs, I received numerous reports of Veteran Entrepreneurs being mistreated by VA employees, including verbal abuse during management engagements, theft of intellectual property, and abuse of contracts by illegal manipulation or the over-extension of scope, services, and periods of performance agreed to by the contract. The Veteran Entrepreneurs reported that they tolerated such mistreatment because of their commitment to fellow veterans, because of fear of retaliation in the form of damaged reputation through negative performance reporting, to threats that the entrepreneur would never again be eligible for future contracts, and because the entrepreneurs were unable to afford the costs of litigation, especially when compared to VA’s unrestricted resources provided by taxpayers.

The House Committee on Veteran Affairs investigated and substantiated such mistreatment, held numerous hearings, and also pursued legislative fixes to stop or prevent the abuse of Veteran Entrepreneurs by VA, yet the exploitation continued from one administration to the next.

For example, in 2012, VA was called before Congress for abusing conference and travel spending and ordered to put their annual 11,000 business cases for
such expenditures under tight processing and accounting controls. The Veteran Entrepreneur who was eventually recruited to fix the enterprise-wide weaknesses, Dr. David Paschane, who had already established a reputation for fixing VA problems using advanced analytics, as noted in Computerworld Magazine in June of 2013. Although Dr. Paschane made incredible improvements to VA’s capability for conference management, the department abused him. VA employees changed contract terms without disclosure, extensively expanded the scope without equitable adjustment, and used false claims to terminate the contract after stealing the software, the latter fact documented by VA itself and copy is available by request. Dr. Paschane was severely injured financially, and he had to lay off employees to whom he owes significant debts.

Given VA’s longstanding pattern of abusing Veteran Entrepreneurs, including Dr. Paschane, the department’s apathy in correcting such abhorrent behavior and the lack of objective advocacy available to such vital business owners, is SBA capable of taking a leadership role in ending these well documented abuses and establishing a reliable service using rules, legislation, and oversight to prevent such abuses in the future?
Respectfully submitted, Dr. Eric Hannel.

That concludes the letter.

In the interest of time, because we’re over, just make the remarks brief. Some of this has been featured in recent media, cable, certainly print news. So there’s more attention to this. I think with a new Congress, still a divided Government, it’s always a great time to fix veteran issues, and this is such a great committee to help work on these issues. So thank you for that time, and thank you for allowing me to read that letter. And I believe we have two more speakers.

MR. RUSSOM: Good morning, everyone. My name is Emanuel Russom. Just want to say thank you to the Chair and to the committee for allowing me to speak. I am a former employee of Aplin Labs and was mentored by Dr. David Paschane in the National Eagle Scout Association and can testify to his incredible leadership and, you know, he has influenced me tremendously with his humility and incredible determination. So I honor him for that and I honor you all for letting me speak today.

So I’ll be reading statements by Curtis Warren. He’s a former Aplin Labs employee, and I’ll jump right into it.
Curtis says, Thank you to the Chair and Committee members of the Advisory Committee on Veterans Business Affairs, of the United States Small Business Administration.

My name is Curtis Warren, and I’m a former employee of Aplin Labs. My employment with Aplin Labs ended when the United States Department of Veteran Affairs, or VA, terminated the Aplin Labs contract, which is titled EMAP, the same name of the software that Dr. Paschane built.

I have known Dr. Paschane since 2005. He was my mentor when I was a patient at Walter Reed Army Hospital. He helped me readjust to civilian life and establish my professional career. Several years later, I unfortunately used deadly force to defend my life and home and was imprisoned for over six years. Dr. Paschane not only helped me process out of prison, he hired me to work for Aplin Labs.

When I started working for Aplin Labs as a project manager, I saw that the VA was abusing Dr. Paschane. They not only stole his software and refused to pay him for out of scope work, they made up bogus complaints by which to terminate his contract. Despite his ensuing bankruptcy, Dr. Paschane made sure I was paid, and helped me find my next job. He even came to
my house and helped me move furniture and reestablish
my family.

I know VA is a big bureaucracy, and difficult
to control, but the abuse of veteran entrepreneurs is a
problem for the whole federal government. The military
encourages us to lead in our civilian lives, and when
we step up to start a business and hire other veterans,
the last thing we expect is to experience abuse by VA.
We may not have the legal acumen to challenge VA, but
we know lack of integrity and fairness when we see it.

With the support of all Americans who believe
in fair treatment of our military veterans, I ask you
to help us stop the abuse that VA employees can inflict
on veteran entrepreneurs. I also ask that you help me
advocate for Dr. Paschane to be made whole after the
abuse he has faced at the hands of VA employees.

Thank you, signed Curtis Warren.

Thank you.

MR. PASCHANE: Good afternoon. My letter has
been submitted for the record, those letters, as well
as a letter from Craig Genteman --

MR. ZACCHEA: Name, please.

MR. PASCHANE: Oh, I’m sorry, my name is
David Paschane. The letters have been submitted.
Craig Gentemen also submitted a letter, too. He works
for Congressman Hultgren.

I’m not going to repeat what you just heard. I’m just going to add a few points. So 25 years ago, I separated as a Army veteran, as a Army medic, and committed myself to fixing the experience of veterans. And ended up getting my Ph.D., studying bureaucracy, organizational technologies. Put a lot of my own R&D money into those kind of technologies.

When I went to the VA on a fellowship, I was asked to stay on by political appointees. I stayed on, and it’s in the record that they used my technology. Willingly, I allowed them to use it for contractors who would come in to fix problems. We fixed a number of things, including things that had to do with disability, the largest economic outcome study for veterans, GreenIT. And after putting in almost ten years, I thought, well, okay, now is the time for me to leave and go ahead and take the work I’ve done and commercialize it. I intended to work on M&As and other investment firms.

But then there was the scandal with the travel, and I knew that one of my technologies would be appropriate, and one of the executives asked me to go ahead and participate, and I did. It turned out that the corruption at the VA is -- it’s a hard thing to get
around. I was surprised to find an email where a senior executive said they were going to take my technology, reverse engineer it, and use it themselves. That same executive left the VA and has been selling VA property commercially and is under investigation.

Meanwhile, the employees who were involved in my project have gotten themselves promoted. They’ve used my contract in a way that was very abusive. Those of you who do contracting with the Government know that if you have a contract for $250,000, it can’t be one year unlimited software programming. That’s nearly impossible, but that’s how they interpreted it.

There was no contracting officer for seven months. There was no one to appeal to. I wrote a letter to every single senior person at the VA I knew, and they kept pushing it back to the same contracting officer who was abusing me. She then put up some bogus complaints and decided to terminate me. I never knew that this was a problem at the VA, except I did know from Dr. Hannel that he was investigating it.

And it’s just like when I had a TBI, the best thing about having a TBI, it made me sympathetic to my other veterans who have had TBIs. Now that I’ve been abused by the VA as a veteran entrepreneur, it makes me sympathetic to the problem they face. And I’m going to
continue to fight that, and I’ve joined Next Veterans
as an effort to try to make veterans whole. I don’t
think I will be made whole, but I will continue to
fight on this. Thank you.

MR. ZACCHEA: Okay, thank you.

Any other -- yes, Joe, please.

MR. WYNN: Okay, Joe Wynn, Air Force veteran,
member of Veterans Entrepreneurship Task Force,
Director of the Veterans Enterprise Training and
Services Group here in DC, and longtime advocate and
supporter of this committee, this advisory committee,
and other initiatives to promote the increase of
contracting opportunities for veterans.

I just wanted to, you know, just make a few
comments since, like I say, I have been coming here for
a number of years. First of all, this has been a good
session today. Of the number of sessions that I’ve
been to here over the years in this room, this has been
a good session. A lot of dialogue, people had a chance
to really express their views.

A couple of comments about some of the things
I heard. One of the things that still tends to bother
me over the years, when we keep hearing about capable
and qualified veteran-owned businesses, why we can’t
find enough, why agencies keep using that as an excuse
for not giving out more contract awards to veteran-owned businesses.

We started down this path in 1999. Here we’re at 2018, we’re still talking about 3 percent minimum mandatory goal for service-disabled vets. A few agencies have -- you know, they’re hitting the 3 percent and they’re waving the flag like they did a big deal. That’s not it. That’s not -- we’re not there, okay?

We’ve got to, you know, work together through these types of committees to actually impact some real change and not spend time year to year enjoying each others’ conversation, okay? At the end of the year, you submit a report, where does the -- where does the -- let me watch my language. Where does the report go, and what happens after the report gets submitted?

No real changes, okay? So I’m just asking the committee, representatives who are here, veteran business owners, agency representatives, to really give some significant thought to our purpose of even having this committee and the Interagency Task Force. We were trying to find some ways to increase contracting opportunities for veterans and service-disabled veterans, particularly in the federal marketplace.
Now, if that’s not really happening, we’re not serving the purpose. We’re not meeting the goal. We’re not accomplishing the mission. Okay?

One of the things I noticed when we have these debates and discussions back and forth with agency representatives about what’s not happening within the system, it’s a nice conversation, but those agency representatives have no authority to really make those changes. If you recall, this whole program and everything we’ve been pushing for and that we have made some headway on came through legislation.

This committee was created through legislation. The 3 percent mandate was legislation. The guy just sat here and said we can’t go over $50,000 because of legislation. So we need to be focusing our game plan on how to hit these members of Congress and change -- make the changes that we really need to be made, because, otherwise, we’re just spending our time having nice discussion, okay? So, you know, that’s my point on that.

The other thing, too, is also still this verification thing with the VA, we’re pushing so long to try to get -- we were bothered about the process at the VA, oh, let’s get it to SBA. So we finally, after several years now, have moved the needle over, moved
the game over to the SBA, but SBA is saying, oh, we
don’t really have the money to do it. So we’ll do it,
but we don’t have the money to do it. So then, in
essence, that means we’re not going to do it.

So even though you’re talking about using the
regulations to -- as the process of verifying veterans
instead of it being under the VA regs, now you’re
saying you’re using the SBA regs, we still can’t go
federal-wide because they’re saying we don’t have the
funding to do it. But guess what, back to the
legislation, if we change the legislation and it’s
mandated that it be done that way, it’ll be done that
way.

Now, many of you who are here, you know how
this legislative process works, you know? Oftentimes,
it’s a matter of just getting to know certain
congressional members, going collectively on the Hill,
letting them know what needs to be done, because they
don’t always know. They need to hear from us, they
need to hear from committees like you what changes
really need to be made legislatively in order to move
the whole process forward. So perhaps we can -- you
know, the committee will take into consideration some
way to get some groups of us back on the Hill some more
to see if we can make some changes.
The other thing, too, just a quick comment on the number of veteran-owned businesses who are verified in the VA database, it’s still puzzling to me how you’re -- we keep hearing these numbers from Tom. Now it’s up to 15,000 in the database, but only 2,000 are doing business with the VA. That, to me, is a serious problem with something. I mean, why do you go through all these changes to get verified and then the VA still won’t do business with you? I mean, something’s wrong with that picture, right?

And then this -- the whole notion of protecting us from ourselves, I mean, come on now, this man is a capable, qualified, legitimate, veteran-owned business owner, and because of the strategies he’s using to fund his operation, you’re going to deny him the benefit that he rightly deserves. That’s not right. That’s got to be changed.

So, anyway, I just wanted to make a couple of those comments. There’s a whole lot more I could talk about, but like I said, we don’t want to just, you know, come here and have, you know, these kinds of discussions. We want to try to look at ways to make some serious changes, and I believe we’re just going to have to get together more often and march on the Hill. Thank you.
MR. O’FARRELL: Can I just respond to your questions? This is Jim O’Farrell.

MR. WYNN: Okay, sure.

MR. O’FARRELL: So, Mr. Phipps and I were just talking, actually, today and yesterday about going back up to the Hill. I just want to let you know that when we both joined the committee four years ago, we were told there would be no meetings in between meetings, there’d be no communication. The only time we would be -- three meetings only; the fourth was a bonus if you choose to do it, you, the committee. So we -- and we -- yeah, and we’ve chosen to do it.

And then little by little, we’ve just basically broken the rules and broken the rules and broken the rules, to the point where we are -- I just couldn’t agree with you more about doing what we need to do with that report, because where does that report go if we don’t do anything with it? You just said it, Joe. It goes -- it goes in the shitcan.

MR. PHIPPS: Well, the note that I just took on that is we should require the SBA to report back to us on what actions they took based on our recommendations. We haven’t done that.

MR. O’FARRELL: Right, exactly.

MR. PHIPPS: And it just popped in my head --
MR. O’FARRELL: Yeah.

MR. PHIPPS: -- as Joe’s talking, because, Joe, we have made some really -- all the things that happen with Tom now, all these rules, all these things he’s claiming as victories, all happened in the last 90 days --

MR. O’FARRELL: Right.

MR. PHIPPS: -- because 90 days ago, the VA came and reported to us that 60 days is the period of time that it takes a vet -- and we’ve been hearing that for two, three years.

MR. O’FARRELL: Right.

MR. PHIPPS: But we started circulating that in our own circles, and all of a sudden, all of these companies start coming out and saying, yeah, 60 days, but they’re just recycling us in the help desk queue.

MR. O’FARRELL: Yeah.

MR. PHIPPS: Right? And, so, we had a call, and to Tom’s credit, he did take some actions to do that, but it’s not -- Tom is not the VA, right?

There’s a whole other -- I mean, it’s the second largest --

MR. ZACCHEA: Mike, ladies and gentlemen, just real quick --

MR. O’FARRELL: Mike, let me just make --
MR. ZACCHEA: -- so Larry has to leave, and

Lynn and I are going to have to leave in -- so first --

MR. O’FARRELL: Can we -- I just want to make

one final comment, Mike, if I could.

MR. ZACCHEA: Okay, go ahead.

MR. O’FARRELL: I’m so sorry, I got to do

this. So one of the things that goes through, and I
really appreciate the comments from our commercial-
focus companies here today that are on the committee
because, you know, it occurred to me in your comment
earlier that this benefits -- whether it’s through
Google search or how it’s helping your business -- it
benefits -- being VA-verified benefits those that are
in the commercial sector.

So I just want to ask a question. Do you
happen to know, because I know you swim in circles of,
you know, lots of veteran companies, and you interact
with the VA on a regular basis. Do you have in your
mind the percentage of effort that’s being spent by Tom
Leney’s office on verification versus advocacy across
the community, because my thinking is that the -- like,
we’re spending way too much energy on the verification
side, and that’s why you only have 2,000 companies that
are doing work in the VA, and maybe an additional 4,000
that are doing it across the federal --
MR. WYNN: Yeah, well, you know, the Center for Veterans Enterprise, when the legislation, when the program first started, that was supposed to be the role of Leney's office. And they have just totally changed it to the center for evaluation -- verification and evaluation. And, so, more and more veterans are getting fewer and fewer assistance with actually learning how to do business in the federal marketplace.

So, yeah, it's been too much -- we've spent a lot of energy on this verification piece with the VA. We have made or caused to have made a lot of significant changes, but -- and like I said, we even pushed for it to the point where let's get it out of the VA, but now here we are kind of in a quandary in the mix of, okay, VA is ready to hand it off; the SBA is saying, okay, but we don't have enough money. So where are we going to end up?

The bottom line is if you got a process -- a verification process that still is challenging for legitimate businesses to get approved and then is still not going to help them increase their bottom line, we got to be looking at that whole programming process about some real changes, because we don't want to just have hurdles and barriers just for the sake of having them. And like I said, that thing just bothers me when
you’re trying to weed out the one, you’re going to also
knock out ten other good ones. You know, you got to
come up with a better process than that. Mm-hmm.

MR. ZACCHEA: And I can speak to --

MR. LOWDER: I didn’t mean to interrupt.

Just the good doctor over here, and two people came in
and told about this story, where’s this going? What’s
happening here? I heard this story where he got
knocked out of the box. Are we here to do something?
Or what’s -- what are we doing here?

MR. O’FARRELL: I would like to make -- if I
can -- I’d really like -- this is Jim O’Farrell again.
I’d like to make a motion that the committee at least
consider the inclusion of this story as an addendum,
but also we make a recommendation to the SBA, to the
Hill, to the White House, that they include the
investigations that have been done so far and we make a
recommendation that we want to dig deeper into this.
And whoever the new chairman is at the end of the day
today that they pick up the mantle so that Mr.
Paschane’s case -- he didn’t just come here and got to
tell his story and we don’t do anything after that.

MR. ZACCHEA: So -- I’m sorry, go ahead,
David.

DR. PASCHANE: This is David Paschane. I
just wanted to clarify. Tom Leney’s office has known
about my case for over a year and a half, has never
done anything, and the White House knows about the
case. It’s been sent to the White House, and the VA
was asked by Congressman Hultgren to investigate it
about five months ago, and there’s been no response
from the VA.

MR. PHIPPS: Has SBA assisted you in any way?
Have you gone to the SBA and asked for assistance?

DR. PASCHANE: No, sir. I don’t know if
there’s an ombudsman or somebody I can turn to, but
that would be helpful.

MR. PHIPPS: There is -- Captain --

MR. O’FARRELL: I think he’s gone now.

MR. PHIPPS: Oh, is he gone?

MR. O’FARRELL: There definitely is an SBA
ombudsman that we can -- we will connect you with.

MR. ZACCHEA: All right, so the time on deck,
12:31. We got to wrap it up. Off the record.

Just to respond to Jim, so the story is on
the record. We can certainly add that to our report as
an addendum for further reading, and, you know, it
certainly can be an action item or recommendations,
which I think is what the goal was to have them come
here and speak.
So we got to get off the record, though. We have some things to do, and then we got some business to attend to. So let’s call the meeting at 12:31 p.m.

Thanks, everybody.

(Whereupon, the meeting was adjourned at 12:31 p.m.)
CERTIFICATE OF REPORTER

I, Jennifer Razzino, do hereby certify that the foregoing proceedings were electronically recorded by me via audiotape and reduced to typewriting under my supervision; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were transcribed; that I am not a relative or employee of any attorney or counsel employed by the parties hereto, not financially or otherwise interested in the outcome in the action.

s/Jennifer Razzino

JENNIFER RAZZINO

Court Reporter