THURSDAY, JUNE 11, 2015
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PROCEDINGS

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MS. CARSON: Okay, I think we're ready to go on the record. May I ask who has joined us on the phone?

MS. JACKIEWICZ: Christy Jackiewicz, GSA.

MS. CARSON: Could you repeat that again.

MS. JACKIEWICZ: Christy Jackiewicz, with GSA -- (inaudible.)

MS. CARSON: Fantastic, thanks for joining us.

MS. JACKIEWICZ: Thank you.

MS. CARSON: Good morning, I'm Barb Carson, the acting associate administrator for the Office of Veterans Business Development here at the Small Business Administration, and I'm really pleased to see a robust group today for the Interagency Task Force on Veterans Small Business Development. We have an aggressive agenda and work ahead that goes beyond the agenda, so I look forward to just diving right in.

I would like to say that we will have the 2013 Interagency Task Force Report going into interagency coordination, so please be on the lookout for that in the next week. We all have responsibility to provide input for fiscal '14, which is last year's, everything that we have done. I think when you see this one come through coordination, it will give you an idea of what
would be a helpful contribution for the '14 report, and we'll give you a small breather before I'm asking again for '15, I won't ask you until about November, but that will be a priority to hold us all accountable.

So, I would like to take a moment and just go around the room, because there are some new faces from the members and have you introduce yourself.

CAPT. BALZANO: Captain Dick Balzano, Department of Defense.

MR. FLETCHER: Jerome Fletcher, GSA OSDBU.

MR. LENEY: Tom Leney, Veterans Affairs.

MS. WOOD: Good morning, I'm Jaime Wood, I'm the director for policy and engagement here at the Office of Veterans Business Development.

MR. STOUT: I'm Jeff Stout, I'm with the Treasury State Small Business Credit Initiative.

MS. CARSON: Thanks. We have representation from the U.S. Senate Small Business Committee here with us today, as well as business owners, American Legion and the chair of our Advisory Committee on Veteran Business Affairs, thank you very much for joining us this morning.

We are going to kick off with -- I'll give you our updates from SBA as we go through the different committee reports. I'm really pleased to have guests
from Treasury to talk to us about the State Small Business Credit Initiative, which is a significant part of their contribution to our Access to Capital Subcommittee. So, I would love to turn it over to you, Jeff, to go ahead and share your views with us.

MR. STOUT: Great. Thanks, Barb and Jaime for having us. I would like to take a few minutes this morning to introduce everyone to the State Small Business Credit Initiative, which is operated at the Department of Treasury. It came into being, let's see, we have slides, let me make sure. Okay. That's fine.

MS. CARSON: I can get it going.

MR. STOUT: No worries.

MS. CARSON: I have the slides.

MR. STOUT: I can get started while we look those up, if that's okay.

MS. CARSON: Yes, or I can turn it over to our deputy for the Office of Capital Access is here from SBA, we could do that, whichever is better.

MR. STOUT: That would be great.

MS. CARSON: Be right back with you.

MR. STOUT: Thank you for inviting me. Are we putting some slides up?

MS. CARSON: Yes, I'm going to give a little background and introduce John Miller, our deputy
associate administrator for the Office of Capital Access here at the Small Business Administration. I'm very grateful for their partnership with our office. We have taken a look at what is happening for the veteran borrower, and all of us have some things that we could be doing potentially in this landscape. It wasn't trending the way that we had hoped. We are investigating what can be done, and John is going to give us a deeper dive on what we've learned so far. Thanks, I'll turn it over to you, John.

MR. MILLER: Thank you, Barb, and thank you for inviting me to speak to the committee. We have some slides here, I'm from the Office of Capital Access, which is responsible for SBA's lending, and its lending programs, not only to veterans, but also all small business borrowers.

Lending is down in this the vet arena -- do I have to click here?

MS. CARSON: Right here.

MR. MILLER: Okay. Despite consistent trends in overall SBA lending in the last three years, lending to veterans has not performed comparatively well and shows room for improvement. You can see the red bars are dollars loaned, and the blue are numbers of loans, and on the top is all SBA lending for business. And on the
bottom is lending to vets.

From 2009 on the left-hand, for those of you in the back, to current 2014. So, this does span through the recession and to current date, at least the end of last fiscal year.

Since 2011 record highs, lending has declined since reaching well below 2011 levels, and so we are below that peak that we hit at the end of 2011, which was also, there was other legislation from the Recovery and Jobs Act that was still in force that did have some impact on our lending at that time.

I know these numbers are small. Furthermore, as SBA's portfolio increased from 2009 to 2014, veterans are not seeing the same relative gains in dollars and approvals. Despite the decline in the SBA 7(a) and 504 programs, veteran lending in the microloan program remains strong. This mirrors the industry data that suggests borrowers have a high demand for low-dollar credits, and loans in the SBA's microloan program are provided by nonprofit intermediaries and the loan size typically averages about $13,000. And microloans go up to $50,000, maximum.

To give you some good news, while we know there is a lot more work to be done, FY '15 is bucking these trends and returning veteran lending to above 2010
levels. So, what you have here is data through the end of May, and we'll be soon getting data through the end of June and confirming that the trend is still looking up.

Based on the first two quarters, veteran lending is trending above the rest of the SBA portfolio in dollars and approvals. So, we have a 20 percent -- 27 percent increase in loan numbers, and a 65 percent increase in dollars that are going to vets, versus the rest of SBA's entire portfolio, which is showing a 22 percent increase in number, and a 20 percent increase in dollar.

This slide shows a year to date activity in all of our underserved markets, so we have minorities, women and veterans by year. From 2012 to 2015, overall veteran lending is up 37 percent in dollars, and 11 percent in terms of units. And veterans' share of the SBA portfolio is also trending above the last two fiscal years.

What's important to note here is that there may be -- if there is a woman veteran, they may be reflected in both of these numbers, or women minority veteran may be in all three categories.

For the microloans, here are the underserved numbers as well. You see the bar on the bottom right
shows a healthy increase over 2014 year to date.

So, we have fee relief in our programs and there's a handout, if we don't have it here, maybe we can bring a copy down, that talks about the veterans advantage program, and what SBA is doing to attempt to attract more veterans and make it easier on small business veterans or startup veterans.

We have reduced our fees to zero across the board for all small loans for veterans and non-veterans, up to $150,000, but for veterans, we have also reduced the fee for SBA express loans to zero on all loans up to $350,000, and then for all 7(a) loans from $350,000 to $5 million, we've cut the fee in half for veterans only.

Yes?

MS. CARSON: This is Barb from SBA and I wanted to clarify, also, that those eligible for the fee relief are also military spouses and survivors of veterans as well, and these numbers are from January 1st, 2014 when this program went into effect. Thanks, John.

MR. MILLER: Thank you.

What this slide states is that the fees that have been saved for veterans that are since January 2014 is over $8 million. This is pretty substantial and we think that word is getting out and attracting more and
more veterans to the no-fee programs.

Next I'd like to talk about a tool that SBA has launched called LINC, and it's on our SBA website. This is where individuals, including veterans, of course, can enter their own personal information about themselves and their business and they can be matched up with lenders who are eager to lend to them.

So, what LINC does is you would go to the website, create an account, and there are frequently asked questions for people to use, and, of course, this LINC can be sent anywhere to whatever veteran organizations that may be interested. And it's only for SBA use. So, SBA and its lending partners. So, SBA lending partners who register can get onto this system and identify would-be applicants and make loans to those applicants.

So, the user or the veteran would create an account, and you can also use some other tools such as business plan tools, and then the small businesses can submit one LINC inquiry per day and they would hear fairly rapidly from a lending institution that may show an interest in them.

So, this slide talks about the various information and questions that we would be asking, years in business, and if it's a startup, that's fine, also.
Number of employees, whether it's for-profit or non-profit. We've had some confusion there, we have a lot of people saying I'm nonprofit, but that's because they aren't making a profit. We're going to change the wording.

CAPT. BALZANO: That's what they want to be.

MR. MILLER: That's right, do you want to be profitable? Exactly. And then it talks about, there's just a map of all of the areas served in the continental United States and the islands. And also resource partners that are in those areas, local resource partners that are available to assist veterans in putting together business plans, helping them with their financials, and helping prepare them -- prepare their loan application. And that's the end of my presentation.

SBA is also working hard to improve its lending programs in general to make them more accessible to lenders and attract more lenders to our programs, which will have a positive impact, and we are overhauling our lending system and creating a virtual lending system, if you will, that will walk lenders through all of our eligibility and program requirements, so that will be launching in August and there's a lot of press and so forth around that. So, we believe that is also going to
1 drum up a lot of interest for lenders who will submit
2 loan applications on behalf of borrowers.
3
4 Yes?
5
6 MR. LENEY: Question: Any sense of what caused
7 the trend, both to trend down from 2011 and now what
8 appears to be a rather sudden surge? Is there a policy
9 change, legislative change? You know, it seems to be
10 going in the opposite direction of economic changes.
11
12 MR. MILLER: A variety of factors could be
13 involved, and, Barb, I don't know if you want to help
14 out, help answer the question, but we have so many
15 possible factors that it's hard to pinpoint any one
16 factor. A lot of it could be lending -- lender behavior
17 during the recession, where they were more reliant on
18 SBA's guarantee, and there was not a lot of lending ripe
19 in 2009 and 2010 to small businesses especially, without
20 the SBA guarantee.
21
22 MR. LENEY: Got it.
23
24 MR. MILLER: Lending behavior changes, word
25 getting out, programs such as Boots to Business, and
26 just the lending industry's NAGGL, the National
27 Association of Government Guaranteed Lenders did a very
28 big release and push to their lending -- to their
29 lending members around Veterans Advantage. Really
30 encouraging lenders to step up and lend to veterans.
So, I think a variety of factors and probably a dozen more that I can't even mention, or can't think of.

MR. LENEY: There is a demographic sweet spot for your loans? Do you get microloans, which are obviously very small, but is there a -- have you sensed any spot where it's -- you know, you've been in business three years, or you have no revenue, are these all -- do you find the bulk of your borrowers are brand new businesses?

MS. CARSON: No. No, we're not. And they are existing businesses and fewer startups, and we have more data that we can share that I don't have in front of everyone today, but our sweet spot for dollar amount is actually around the $350,000 range, and I will provide at our next meeting the scatter chart that shows you the density of these dollars and more vets are looking.

So, although microloans, it is trending flat and not down, gives some comfort, that's only about 10 percent of the market where vets want to be. So, vets, there are some stereotypes about vet borrowers that we are putting aside as we learn this. One, that they're a decent credit risk, and some would say they had assumed they were not, for various reasons, like not making a lot of money on active duty, didn't know about business ahead of time.
MR. LENEY: Right.

MS. CARSON: That is not appearing to be the case in what we're seeing so far. So, a couple -- and I would like to address your questions on what other factors might have affected the lending downturn. We did see, when we started this program, on January 1st of '14, what we transitioned from was Patriot Express.

MR. LENEY: Right.

MS. CARSON: Which was an 85 percent guarantee, and with this program, it dropped to 50 percent. So, there is obviously an incentive for borrowers to approach SBA and try to get this loan, but the incentive for the lender has diminished.

MR. LENEY: Right.

MS. CARSON: So, that's why I'm interested to see why we're trending up in the first two quarters of '15. We have a lot to learn, and we, our office is actually doing a GAAP analysis now to learn a lot more about what is happening economically for vets.

MR. LENEY: Just a thought, we may be able to be helpful in marketing this, and we have 5 or 6,000 veteran firms processed through our verification process every year, and we are seeking ways to expand the communication of them to be not just focused on verification, but why does someone get verified, you're
in business to do business, and we may be able to be
helpful by passing out both information to the thousands
of firms that are in our vendor database, but also as
people go through that verification process, we'll make
it part of a package of information that we want to give
them to help them in their business future. So, I would
offer that, I'm happy to pursue that as we go forward.

MS. CARSON: Thank you, I appreciate it. We'll
take you up on that.

MR. MILLER: Thank you.

MS. CARSON: Were there questions from anyone
else?

CAPT. BALZANO: I just have one to add onto
that. We get this question a lot, because a lot of the
vets want to do business with the Defense Department,
because that's what they know. So, very often our
outreach people hear of these small companies, very
small companies, not the borrowing $7 million, that have
no equity and can't get loans to do the things that they
want to do.

So, my first question is, and just so I
understand it, but this is guaranteed 50 percent by the
SBA, so it would make them look a little better to
potential lenders, and if you could get us that
information, I can make sure it gets into the hands of
our outreach folks, who get contact, I don't want to say daily, but they get contacted quite often in this very sense.

MS. CARSON: We can get you that. The handout that John mentioned is really so technical that it is better for the bank, so it's a lender's product so they understand what's available so we can get them engaged, but we can get you something that is more appropriate for the folks that approach you.

CAPT. BALZANO: If we could get a breakdown, we will access it somehow.

MS. CARSON: Sounds good. Okay, we'll give you both.

MR. MILLER: We would definitely want to get them in the LINC to LINC, and also, it's important to note, too, that the SBA express guarantee is 50 percent, but our regular 7(a) guarantee runs as high as 85 percent for small owners. So, there still is quite an incentive for the lenders.

MS. CARSON: If there are no further questions, I really want to thank you, John, for joining us and sharing this information. For everyone who is here and signed in with an email address, if you don't already have it, you will have the lending analysis that we just went over, and I'm always open to take more questions.
and I'm sure, John, you would help as well.

MR. MILLER: Absolutely.

MS. CARSON: Thank you.

MR. MILLER: Thank you. It's an honor.

MS. CARSON: I will respectfully request a minor change to our agenda as far as sequence and thank you, Jeff, very much for being willing to give us a change here. We have Ken Dodds from SBA's Government Contracting Business Development Office, and unfortunately he has to leave us rather rapidly, but there are significant policy changes afoot, potentially, and we wanted to make sure that this group heard about them and we all had a chance to discuss any concerns now, or identify things that you want to hear more about at our next quarterly meeting, that would be helpful. Thanks. Welcome, Ken.

MR. DODDS: Thank you very much. Some of you have heard this before, but I'll go over what we're working on, because it's, you know, every day we're working on different rules and trying to get things implemented that Congress charges us with.

The first one I'm going to start with is the change to how we do the limitations on subcontracting. This is from the NDA of 2013. It basically changes how we calculate compliance on a set-aside contract from
costs incurred for personnel that we do, for example, for services right now, it's essentially to an amount paid. And, so, that's a different type of calculation than getting into costs incurred for personnel, excluding things and so forth. It seems like it's a simpler direction from Congress to calculate how we're going to comply with that.

And the second thing it does is it allows a prime to rely on a similarly situated subcontractor to perform those requirements. Right now, in the SDVO set-aside arena and HUBZone arena, you're allowed to count subcontractors toward your performance requirement, but right now, for 8(a), and women-owned, and small business, you're not. And, so, this legislation kind of directs us to make every -- all the programs the same, allow subcontractors to count towards that performance requirement if they're a similar type of firm.

That basically means if it's a HUBZone setaside, the subcontractor has to be a HUBZone, if it's an 8(a) set-aside, the subcontractor has to be 8(a), if it's small, then the subcontractor has to be small.

There's a little note at the bottom, there was a case at GAO where someone protested whether a small business would be able to meet the limitations on
subcontracting, and in a footnote, GAO said, well, even if the prime can't meet it, their subcontractor is a small business, and under this new law, you're allowed to do that.

So, we're not telling agencies to go ahead with this, because we haven't implemented it yet in our rules and in the FAR, but there could be agencies out there that kind of, if they're being proactive or bold or whatever, they want to take risk, they may try to start putting this into a solicitation. So, be aware of that.

So, we are trying to implement it, we came up with a proposed rule, in December, the comment period closed in May. We have over 200 comments on this particular rule. Some of the issues we're trying to clarify are, you know, if you're going to rely on a subcontractor, we propose that we want to have a written agreement, so that we know who you're relying on. We want to make sure that it's not just a second level pass-through. I mean, the whole point of limitations on subcontracting is to make sure the small business is benefitting and performing some of the work. So, if we're going to let you use a subcontractor to meet that, we don't want the subcontractor to turn around and then just subcontract to a large business.

So, should we, you know, have a written
agreement, should we clarify and specify what we're going to perform on that particular contract. We want to make sure that only the work that the actual small business sub does counts towards that performance.

We also are trying to propose a way to kind of loosen up our joint venture rules. Right now, when two firms joint venture, they're basically affiliated for that contract. That means we would add up both parties' revenue and they would have to collectively meet the size standards, and we have some exceptions that are very complicated. You know, if it's a bundled contract, or if the size standard is, you know, more than half the size standard, the value of the contract is more than half the size standard or for manufacturing there's a $10 million threshold.

So, what we're proposing is as long as each member of the joint venture is small, we're going to allow them to count as small for that particular contract if they joint venture. It will allow, we think, more capacity for purposes of performing these contracts that seem to get bigger and bigger as the years go by.

Now, obviously if the two firms are in business and doing too much together, they might be affiliated generally. So, you have to be careful when you're doing
this, but it should help small businesses.

We also did some things around affiliation and recertification, some clarifications in this proposed rule.

We're trying to clarify how the non-manufacture rule works, specifically with respect to software. When we, as a government, when you hire someone to create software, that's a service, but in a lot of contexts, the government buys software, they think of it as a commodity, as a supply. And we haven't really adjusted our rules to deal with when we're going to allow that to be considered a supply and when we will waive the non-manufacturer rule or when we're going to treat it as a service. So, we went out for comment on that.

We also want to make sure that everybody is on the same page with respect to the rule, which basically says, you know, in a supply contract, we want you to supply the contract of the small business, we want you to make yourself or the product to be made by a small business, but SBA will waive that requirement if there are no small business manufacturers of that particular item. So, that's what the non-manufacture rule is, we want to make sure it's part of the process where everyone knows up front, the offerors know what they're getting into, what they're certifying to, because when
they submit an offer, they're telling the government that they've made it or that they're supplying the product of the small business, unless SBA has waived that requirement. So, they're putting themself at risk if there is no waiver there. We want to make sure it's up front before the solicitation that everyone knows what the rules of the game are for this particular supply contract.

So, what we're working on going through those comments and hopefully, you know, there's still -- even when we're done with our rule, there's still usually a three-month process where we send it to OMB and get comments from all the agencies, GSA, VA, DOD, of course. And, so, you know, we're going to hopefully wrap this rule, our rule up, get it to OMB and start that interagency review process, then we'll issue a final rule, and then we have to send it over to the FAR counsel and they have to actually put it into part 19 and part -- you know, the 52 clauses and all those areas. So, there's still, even though we made some progress, there's still quite a bit of work to be done in terms of getting this actually in the FAR and out there and into the contracting community.

The second major rule we are dealing with is the Mentor Protege Program. You know, right now at SBA we
have a Mentor Protege Program for our 8(a) firms that allows them to joint venture with their mentor and be treated as a small business for any government contract.

The Jobs Act of 2010 gave us authority to create one for HUBZone, service-disabled, veterans and women, and then the NDA of 2013 extended that to all small businesses.

So, you know, the scale of that is pretty big. Roughly we have around 5,000 8(a) firms and around 500 mentor protege participants, and in SAM there's usually around 300,000 small businesses registered. So, it opens it up to a lot more businesses.

It wasn't funded, we don't have the resources, we weren't given ways to implement it. So, that's going to be the challenge for SBA. We want to make sure that we verify the mentor, we want to make sure that the benefits are actually flowing to the protege, if we're going to do this.

So, we also have to actually look at the mentor protege programs of other agencies. Under the statute, once we issue a final rule, we have one year to review all the other programs to see whether they're going to continue or not. So, I guess the idea is should SBA, should there just be one basically under SBA, should SBA plus all the other ones that agencies have created, you
know, maybe we're going to have to take a look and set forth what the criteria is and then make a determination one year after our final rule.

DOD is exempted. The statutory Mentor Protege Program at DOD, which is subcontracting-based, is by statute not something that we're looking at. So, that will continue.

CAPT. BALZANO: I will tell you it's on a continuum for more years. We have been fighting that very issue with the --

MS. CARSON: Can you turn this up?

CAPT. BALZANO: Sorry. We have been fighting that issue with the Congress to get it reauthorized for long-term, and we were unsuccessful. We authorized it, the language that we see right now is only going to be one more year. They really are scrutinizing that program right now, especially our reimbursable portion of it.

MR. DODDS: Okay, so --

CAPT. BALZANO: Which is what you don't have.

MR. DODDS: So, has that been like a one-year renewal?

CAPT. BALZANO: It's been a three-year, over the three to five-year for the last however many years.

MR. DODDS: Right.
CAPT. BALZANO: And this year, the SES really dug into it and they went into every contract, every agreement, and wanted to see the return on investment and all of this stuff. So, we requested a long-term authorization for it, but right now the language does not get us that.

MR. DODDS: Do you know when that theoretically expires? I don't want to, you know, because they could always I guess renew it, but is it next year?

CAPT. BALZANO: I think it's based fiscal year.

MR. DODDS: Okay. All right.

CAPT. BALZANO: On the reauthorizing now will start for -- will be for '16.

MR. DODDS: Okay, we will keep an eye on that, I was not aware of that.

CAPT. BALZANO: Okay.

MR. DODDS: So, we did issue a proposed rule to get this program -- to get comments on it. The comment period closed in May. We have, I think for this one, around 113 comments on this particular rule. You know, some of the things we're dealing with are, you know, how many proteges should a mentor be able to have? You know, I hear from a lot of large businesses who have many subsidiaries, they have many divisions around the country, they have many fields that they're in, and they
want to have the ability to have lots of proteges,
because one division doing engineering here is not the
same as a division doing construction in California.
You know, and they feel that they're separate business
lines. So, we're asking for comments, how many proteges
should a mentor have? We don't want them to take over
our program and totally benefit from it, you know, by
the same token, and the same with, you know, how many
mentors should a protege have? You know, one, two,
three, what's the right number there. What should it
be? How are you going to qualify as a mentor and how
are you going to qualify as a protege? What are the
standards?

Right now, in the 8(a) program, for example, you
have to be, you know, less than half the size standard,
never have an 8(a) contract or be in the first four or
five years of the program. And in the 8(a) program you
graduate, you know, a small business can be small for a
very long time. So, we have to figure out are we going
to let every small business qualify, do they have to be
in the startup stage, do they have to be -- we don't
want them to be so young that they really aren't going
to be bringing it into the joint venture and the mentor
is going to be doing, you know, most of the work. So,
you have to try to strike a balance there to get the
right mix.

Just like the 8(a) program, we're going to have a written agreement that we're going to approve. We propose that the relationship will last up to three years with one three-year extension, we're going to get comments on that. And we do want to have annual reports that someone needs to verify that the benefits are from the protege and, you know, continuation of the relationship is going to be based on a review of that relationship.

A recent final rule that was effected in August, will be effected in August, allows a firm to get an advisory size decision. SBA will do a size decision if there's a contracted issue. If someone has been selected as the awardee in an unsuccessful offer or files a protest, that's when we will do a size decision. We don't have the resources to just give opinions out to 8(a) small business, any of the 300,000 small businesses out there, to determine whether they're small at any particular point in time.

Under this law, a small business can go to an SBDC or a PTAC and get an advisory size decision from that organization, and then the process is they would have to submit through the Office of General Counsel and then our Office of General Counsel will make a
determination as to whether they agree or disagree with
the decision.

So, they are forcing us to get involved at that
second level. That's assuming an SBDC or PTAC wants to
actually render these decisions, which are almost like
legal decisions when you have to look at affiliation,
case law, you know, so on and so forth. So, I don't
know how much this will be used, but this is a statutory
provision that we had to implement.

You probably can't read this, but basically what
the statute says, this is from NDA 2014, for large
businesses that have an individual subcontracting plan,
under this revision, we are going to start looking at
lower tier of subcontracts to count that towards the
goals. So, right now, everyone reports at the first
tier. That's where you get credit. That's how we count
whether you're meeting your goals or not. Large
businesses, especially in the construction industry, you
know, lobbied for this and they felt that there's a lot
of small business participation that goes on at sector
fourth, fifth and lower, and they also, frankly, felt
that they were being forced to do subcontracts at the
first tier level with small businesses who didn't have
the capacity and they turned around and subcontracted to
large businesses, where that small business would
probably be playing at a lower tier if they were done
without regard to having to meet the goal.

So, that's the idea behind it. We have a
proposed rule drafted, and it should go to OMB very
soon, and it will go for interagency review. So, we
will be getting input from DOD, GSA, VA, and the other
agencies, that's usually a three-month process, so then
it will come out some time this fall and hopefully has a
proposed rule. And in the same process, we will have to
go through the comments to a final rule, and then send
it over to the Small Business Committee at the FAR to
get it into the FAR.

MS. CARSON: Captain?

CAPT. BALZANO: Did you see the proposed change
to the CSP language that came out in 2014? It seems to
be a confidential subcontractor plan.

MS. CARSON: You have to turn it on.

CAPT. BALZANO: I'm sorry, I thought it was on.

So, the last year, we, as you know, the department has
tried very hard to end that program, Mr. Gudger worked
hard and was unsuccessful.

MR. DODDS: The comprehensive?

CAPT. BALZANO: The comprehensive subcontracting
plan.

MR. DODDS: Yeah.
CAPT. BALZANO: We feel it allows large industries a much lower subcontracting goal to be held accountable to, and Mr. Gudger tried very hard to change that.

We were successful in getting into the '14 bill the clause that if the participants in that program failed to meet their previous year's goal, then they could not negotiate a new goal with the department, which would effectually remove them from the program.

The staff has submitted language to remove that one single clause, which will affect a lot of the stuff.

So, if you haven't seen this, you might want to voice in on it.

MR. DODDS: Yeah.

CAPT. BALZANO: We have objected to it highly.

So I'm sure if you all got on board, it would be helpful.

MR. DODDS: Was that extended with the sunset date, again, or was that --

CAPT. BALZANO: I think they gave us a three-year extension to it, and with that, the only clause that we were successful in getting in there was the clause about at least meeting your goal that you negotiated, because often we find that come and negotiate a goal, and then sometimes they don't even
MR. DODDS: Right, okay. The way that -- yeah, I mean, we haven't been monitoring that, there's certainly strong feelings about that within the agency. The way we're interpreting this particular statute, it only applies if you have an individual contracting plan. And, so, it won't apply to the -- you know --

CAPT. BALZANO: (Inaudible.)

MR. DODDS: Right.

CAPT. BALZANO: But this is where we want to end up, that's why.

MR. DODDS: Okay, all right, thank you.

The last kind of rule we're working on that I'll mention are the changes in NDA 2015 around women-owned small business program. I mean, first of all, they gave us authority to have sole source awards to women-owned small businesses. Similar to how we have it now in HUBZone and service-disabled veterans, where you do market research, if you don't believe you'll get two women-owned small business offers, but you find one that you think will perform, you may do a sole source award if it's under these threshold values.

So, it's not the same as 8(a) where you're kind of directed to do sole source. It's only there if market research shows you can't do a competitive
set-aside, basically.

We issued a proposed rule in May, the comment period closes in June, at the end of June. The good news is this does not have to go to OMB for review, so we can move quickly on this. We've already sent over a case to the Small Business Committee for them to start working on. So, this will be implemented, that part of it will be relatively lightning quick for government standards.

The second thing this legislation did is direct us to do a new study of what industries where women are underrepresented. You know, under the program, you can only do a set-aside if it's an industry where women own small businesses or not, are underrepresented. We're working right now with the Commerce Department for them to come out with a new study for us by January of 2016.

And then the last thing they put in there was a certification requirement. You know, right now this program is a self-certification program, with the added requirement that you have to upload documentation to a repository, ownership and control documents and things like that. Under this legislation, you know, we can do it, other agencies can do it, the state can do it, or these national certifying entities can do it. We have approved some third party certifiers, but we approved
them not for the purpose of complying with something like this. You know, it was a -- kind of a -- something to make you feel comfortable, give you more confidence that you qualify, but it wasn't supposed to be official. So, we're going to have to figure out as an agency, again, this was not funded, we don't have the resources, they didn't give us extra resources to ramp up a certification program. We're going to have to figure out how we're going to implement this, and that will be a different rule that will be coming out later on this year.

So, that's all I have. My contact information is there. Are there any questions from anyone?

MS. CARSON: We have about five minutes for questions before our next presenter needs to get going. If there's someone who is attending and would like to ask a question, please come up to our microphone.

MR. DODDS: No?

(No response.)

MS. CARSON: Okay. So, next time, Ken will be back, hopefully we'll be talking about SCORE card, and a few other items of interest for this community.

MR. DODDS: When is your next meeting?

MS. CARSON: It is September 9th.

MR. DODDS: It should be out by then.

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MS. CARSON: Good, we can talk about fiscal '14 before the end of '15, that would be fantastic.

MR. DODDS: All right, thank you.

MS. CARSON: Thank you very much, Ken. And we are going to go back to our training, counseling and outreach and access to capital portion of the agenda and I am going to turn it over to Jeff Stout from the Department of Treasury, the State Small Business Credit Initiative, where he is the director. Thank you.

MR. STOUT: Thanks, Barb, and thanks for having us, appreciate the opportunity to share our program with the committee.

So, just a little bit of background before we get going. This program was enacted as part of the Small Business Jobs Act of 2010. It's a one and a half billion dollar program that lasts for seven years through 2017. And the dynamics are really Treasury administering these funds, transferring them to state economic development agencies who deploy the funds through programs of their own design, in support of small business lending and investing.

There are no explicit set-asides or thresholds for veteran businesses at the federal level, although some of the states when they implement have targets of their own or markets specifically in that direction.
And even without the targets, obviously this is an opportunity for small businesses that are operated or run by veterans. Just the fact that there are -- is an additional credit enhancement program out there.

We're all familiar with the changes facing small businesses seeking secure financing, lack of collateral, short credit history, small dollar requests, as we heard earlier. Also, different types of capital have different challenges. Early stage companies that need equity capital that can't qualify for a bank loan, for example, intellectual property-based businesses need equity financing before they can grow in cash flow and be a bankable business.

So, this is a wide range of needs, and states have operated a wide variety of programs for decades to address some of these needs. The benefits of some of these state programs were more local programs that they can align with state economic development objectives, target local needs. For example, in Florida, they operate an export finance guarantee program for very early stage businesses that don't qualify for SBA or XM export programs, try to graduate them to those programs. Or in Michigan, for example, they developed a program during the downturn specifically to address collateral gaps because the value of the plant, property and
equipment of the manufacturing businesses had dropped so precipitously that they developed a specific program just for that need.

So, those are just a couple of examples of how state programs can target local needs.

Another benefit of these state programs is they can partner with, they know the folks on the ground, they know the potential partners that can implement these programs on the ground, and we'll get into that a little later, how these in some ways, sometimes are administered directly by the states, other times by other intermediaries, CDFIs or even for-profit funds, for example.

And, finally, the question that always comes up is don't these programs duplicate SBA, USDA, and typically because the states have an interest in spending funds wisely, targeting local needs, they don't want to compete with SBA or USDA where they wouldn't get their money on the street and support small businesses.

So, just a couple of quick examples. Non-profit businesses are eligible to enroll transactions in these state-run programs, for example. During the recession, obviously, credit seized up, not only that, state budgets were hit very hard, and where these programs did exist, many of them were swept or defunded, and that's
where SSBCI came in and recapitalized or helped launch programs in all 50 states through the -- program awarded $1.46 billion, almost $1.5 billion to state agencies. Allocations were made by formula, so in the statute that's targeted the hardest hit states in the recession, the dollar amounts ranged from $13 million to $168 million in California, which was the largest, obviously. States, as I mentioned, have broad flexibility to design their own programs, because in part, this program was meant to plug into existing programs that were working that had been defunded, so you couldn't take, sort of design a federal program soup to nuts and lay it on a state program, there had to be flexibility so they could plug funding in.

Very, very broad parameters. Businesses -- this is not exhaustive, and this is a summary, but less than 750 employees, the states must target a transaction $5 million or less, with a maximum of $20 million. You can see where the definition of small is quite odd here, but very key, two key components that really make the program work, I think, are there has to be private capital in every single transaction greater than 20 percent, and more typically, it's 50 to 80 percent in practice.

And states had to demonstrate a reasonable
expectation that they would lever funds 10 times during
the program period. So, if you got that $13 million
allocation, you were targeted $130 million in small
business lending over the course of the program.

Circling back a little bit to how the funds
flow, just to reiterate, Treasury grants funds to the
states, the states either administer a program directly
or partner with a CDFI, quasi public, for-profit, BDC,
for example, or investment funds in the case of equity
programs, and those administrators then support small
business transactions led by lenders or co-investors.

Eligible programs that the states run generally
fall into two buckets, as I said, credit enhancement
programs that support lending, financial institutions,
which are defined in the statute as banks, credit unions
or CDFIs, or equity programs. The debt programs fall
into four categories, that I'll run through really
briefly. The Capital Access Program, which is a
portfolio insurance program, loan participation programs
where the states or their partners purchase generally
speaking subordinate loan or subordinate participations
in transactions. Collateral support programs which are
also known as cash collateral programs where the state
or their partner post a deposit at the bank, for
example, and pledges it as collateral to the
transaction. This can plug a gap when an appraisal comes up short, for example.

The loan guarantee programs, which can be up to 80 percent, typically the states are dealing in actually on average a lower percentage, 50 percent is a common number, again, not to compete directly with SBA. They also, in this category, often work with the very small community banks that don't participate in SBA lending.

And then the second broad category is venture capital programs, which can fall into either direct investment programs or state sometimes invested in funds that was then invested in small businesses. This was a really interesting set of programs, completely different than the lending side. States more and more are focused on growing their own intellectual property-based businesses as an immediate long-term economic development strategy, and this being able to fill the gap in funding these early stage businesses is an important part of that strategy, especially for the middle states where there's not a robust venture capital community. We can get into that more in a little bit.

As you can see here, about 30 percent of the funding was apportioned by states to these investment programs that remained their true lending programs. States when this began, it was at the discretion of the
states how they wanted to apportion their funding. The results so far, as of the year end, $864 million of the $1.46 have actually been invested or lent -- I'm sorry, deployed in closed transactions. That translated to $6.4 billion in financing supported. And the businesses report that that would create or retain over 130,000 jobs.

Comprising the $864 million in funds deployed are 12,400 transactions, 80 percent of which supported transactions that businesses under 10 employees, over 50 percent to businesses less than five years old, and 41 percent were in underserved areas. So, we don't have as granular data as SBA in terms of the demographics of the borrowers, but we do know that -- because we're not underwriting in any form or fashion these transactions, the states operate these programs, we're just a source of funding, and they report back to us, but we do know that the funding is making its way to small and underserved businesses by some measures.

Really quickly, this shows the broad dispersion of funding across the country. I think notable here is some of the states that were hardest hit by the recession have seen significant activity under the program, in Michigan and Florida and Georgia, for example. And these, again, are just visualizations of
some of the points that I mentioned before, that 50
percent to businesses under five years old, 80 percent
to businesses under 10 employees.

You can see on this next slide, by program type,
how many of the businesses are in low to moderate income
communities. So, again, without an explicit threshold
or set-aside or cap, the program is reaching businesses
in underserved communities, 41 percent of the
transactions, just by virtue of being aligned with the
state's economic development strategies, community
development strategies. And we see the funding, you're
not going to be able to read this, you can see the
funding reaching a broad variety of industry types,
roughly 20 percent of manufacturing is a notable point,
it's also a significant percentage of information and
professional and technical services, I think, you know,
in large part representing that activity under the
equity programs.

Just a few observations to close out. We do
see, this is a big experiment, there's over 140
different programs that have been funded. We see a
broad variety of activity suited to different local
conditions. We see that for every dollar in funding to
date, states have leveraged $7.4 in private financing,
so we're well on the way to the one target.
We also see with having a federal program has helped even out or maintain the continuity of these state programs through their sort of volatile budget cycle, which is important because, as you know, starting and stopping a program is very difficult and damaging to your relationships in the private sector. And we also see that having the federal program has created a venue to convene the state program managers and advance best practices, which is something that's in the statute that we're mandated to do, but at the same time, I think it really is a highlight of the program so far that these program managers have been hard at work for years and rarely have the opportunity or the excuse to get together and compare notes.

And then, finally, this is the public/private relationship that emerges from these programs is sort of a key -- the key piece of the puzzle, and something I hope that sort of our research on the program, observations as it winds down, can help shed some light on. And then, let's see, we have a couple of examples. So, again, we don't have a threshold or set-aside for veteran-owned businesses, but we do know that many states target the veteran community, including Illinois and Washington, and so we do see transactions and share some of those success stories with all of you.
I'd say as an interagency group, we would ask if you have thoughts on how to leverage other programs to spread the word to financial institutions about opportunity that this program provides, we would love to compare notes and see if there's a way we could work together.

MS. CARSON: Thank you. Does anyone have a question? And I had one, but I've heard this brief twice, which is great, so thank you yesterday for coming to our meeting with the advisory committee, but if I understood correctly, 84 percent of the capital has already been distributed to small business, so there's 16 percent left to get us through '17. So, there's still opportunity out there.

MR. STOUT: There's still opportunity, and I think, you know, we measure our success by, you know, to what extent has the $1.5 billion been deployed in some sense, but when that's deployed, it doesn't mean that the program is over at the state level. These funds are essentially granted to the state to endow ongoing, resolving funds. And, so, if this program does expire, these stakeholders will live on with the opportunity to take advantage of them going forward.

MS. CARSON: Thank you. And, Jessica, thank you for bringing this forward to us, also, I appreciate
that.

MR. STOUT: I'm sorry, I forgot the very last slide. Links to learn, details about each program in each state. We do have a communications challenge in that we're sort of a wholesale source of funding and each of these programs is slightly different. So, that's the best way to go about researching the programs to look at each state program. Of course, you can always just contact us and we can direct you where it is most appropriate. My email is not up there, but you can contact me at Jeff, J E F F, .stout, S T O U T, @treasury.gov. I would be happy to link you to any resources we can.

MS. CARSON: Thanks again for the presentation.

MR. STOUT: Thanks.

MS. CARSON: We're going to loop back to the training and counseling and outreach. Does anybody need a break? Good? Got energy? Okay, we're going to press.

Okay, I'm going to say a few things about slides and then we're going to jump into some that are OVBD, and I'll go over our three topics, but anybody stop and let me know what you've got. Senate Small Business Committee did send a representative, as I said, to listen to how we talk about things today and what more
we would like to do. So, this committee has gone between OSDBU, the Office of Small Disadvantaged Business Utilization, and then other offices for membership, and we are looking at whether for some large agencies it makes sense to have more than one person here, for the kinds of things we're about to talk about, for example, in this small education portion, because DOD is involved with us in the transition program, heavily, so is Labor, working with entrepreneurs and how that messaging comes into programs that you've got that exist and would be, also, there are entrepreneurship elements within the Department of Veteran Affairs that are very separate and distinct from the role of the OSDBU.

So, I just wanted you to know, that's why we talk about all this here, but it may not make the connection with the actual representative here. So, I will share anyway, because I'm hoping that you will connect to the colleagues, and we all want to build capacity of veteran entrepreneurs so that they can do business with our agencies, whether it's federal procurement or in the private sector.

So, our biggest news, because it took six months or more to get done, is that we have 15 Veteran Business Outreach Centers, 14 of them were competed and we
awarded those on April 13th of this year. I will give
you via email the list of where they are, and how you
can connect with them. And we really want our
interagency partners to think of that as the number one
triage center for anything veteran business. That's
where they can go and they're expected to know all the
resources that are available, both interagency and
regionally for veterans, and that's where the connection
should happen.

We have a new director of the program as well,
his name is Ray Milano, and he is a former U.S. Marine,
also a lawyer, which comes in handy at times, and he has
been with SBA 16 years and comes to us from Boston,
Massachusetts, where veteran borrowers perform
especially well. So, he is also familiar and well
versed with giving one-on-one counseling to vets on
procurement, so he has a very high standard that he
expects from the VBOCs that are within his portfolio,
and I expect to see a lot more out of them in the coming
years ahead. And these are three-year awards.

Access to capital, you've heard where we're at
and we've got a lot of work to do. That program does
expire, at the end of this fiscal year. I would expect
from the language that I have seen, it will continue,
and perhaps even become permanent, but that doesn't mean
that it is a complete answer, and I did mention that the 
Office of Veterans Business Development is doing the 
GAAP analysis, it's looking at where is the greatest 
need for veteran entrepreneurs right now. We may find 
it's in procurement.

I do hear concern that there's not enough from 
the very beginning how to get into that at all. I do 
have a development program for folks that have past 
performance of a certain number of employees and 
revenue, but beginning is tough, and some of that is on 
us to coordinate our resources, PTACs, procurement 
center representatives, et cetera.

So, I look forward to feedback, if we can talk 
about that at the next meeting, or perhaps in the next 
section when we go to government contracting.

For corporate and entrepreneurial training, we 
just took a snapshot yesterday of what's going on in the 
space and I am thrilled that we had programs active 
everywhere. The Veteran Institute for Procurement that 
I mentioned as our mid-phase is ready today. Fifty 
veteran-owned businesses will get training, or those who 
have graduated in the past, 85 percent of them say they 
made a significant business practice change, it improves 
their revenue, increases the number of people they're 
able to hire, and their ability to get federal
contracts, which is the whole point of the program. I will give a deeper dive on that in September.

The entrepreneurship bootcamp for veterans with disabilities is in session right now at Florida State University. Those are showing 65 percent rate of startup business within a year -- (inaudible) -- and 90 percent of them are in business five years later. It's a strong program, high touch, you can't send a lot of people through it, but it's incredibly effective for those that we can, and it's not one of those that I would recommend just spending more money on, you really need to have all the elements of the program to get it right.

Boots to Business was at nine installations yesterday, and one of them included Yokosuka, Japan, so we are everywhere, thanks to DOD, really working on base access issues with us and also inclusive in the Transition Assistance Program. We put 28,000 veterans and military spouses through Boots to Business now.

And the veteran women ignited in the spirit of entrepreneurship, which is an intense program a lot like the bootcamp for veterans with disabilities, it's three phases, and that one concluded in D.C. last week. We have another one coming in Boston, the 21st to the 23rd of August, and Kansas City will be in November.
Coming this summer, for training, Boots to
Business Reboot. That's for all the folks who are not
eligible, they're not in the transition program, they're
not active duty or current active duty spouse. This is
where we reach them in communities across the United
States. So, if your agency hearing this thinks that
would fit well with an event that you're doing, we're
happy to bring this capacity to you, it's a two-day
program. And we do have -- it's a private/public
partnership, we're doing with the Marcus Foundation,
which is run by Bernie Marcus of Home Depot, as well as
First Data Corporation and the Institute for Veterans
and Military Families.

Tom and I will talk about a couple of things
that SBA and VA are doing together for training. I'll
speak to one of them that we just found out about
recently, and that is the Veteran Economic Communities,
which is a VA program, it identified 25 cities where
there's both a need and also potential for veterans and
their services to be more integrated and improved, and
tell me if I'm mischaracterizing it, Tom.

MR. LENEY: Yes.

MS. CARSON: So, today, it was released finally
that SBA is going to partner to make something called
Startup in a Day. It's asking those communities to take
a look at how difficult or challenging it is in licensing or registering for small business within that community and make it easy. So, the proposal is due mid-July, they have a chance to get up to $50,000, they get 80 percent of it up front and then if they make their significant improvement that they propose, they get the remaining 20 percent. Extra credit goes to those that are cities in the veteran economic communities that the VA has listed. It's not exclusive to those communities.

So, I just want you to know that the vets are in there, we take special consideration of vets at SBA wherever we can, and this is one example of it. It's also a chance for interagency leverage. So, that's another thing you can be bringing to the table is this is something where we can hold each other accountable or make ourselves more effective.

So, if you don't mind, Tom, I am going to turn it over to National Veteran Small Business Engagement, before I do a deep dive on Boots to Business, we can talk about that.

MR. LENEY: Thank you, Barb. This year, we are going to be partnering with the SBA around our National Veterans Small Business Engagement. They'll be in Pittsburgh this year from November 17th to 19th, and the
nature of the partnership is we are seeking to focus on comparative advantage. So, SBA is going to be handling what we call the learning agenda, look to focusing on those veteran-owned small businesses that need capacity building. And then the VA and other agencies will be focusing on what we see as our core objective, which is providing direct access to procurement decision makers. So, the VA will be bringing 300 procurement decisionmakers to Pittsburgh, and we are seeking or we are expecting about 60 major commercial corporations and training procurement decision makers as well to talk to veteran-owned small businesses.

We are looking at a different, slightly different approach this year. This is, perhaps, a little bit premature, but I wanted to sort of put it out there to the group, where we are looking at doing registration through veteran small business first. As many of you know, we have a Veterans First Procurement Preference Program, and as we like to say, we do veterans first, but not veterans only, because part of our goal at the national engagement is to support our veterans programs, so what we're looking at this year is to open up registration to veteran-owned small businesses first, and if we fill up the event with veteran-owned small businesses, we will close...
registration and not allow anybody else in. So, it
would be an opportunity for vets to really get a
preference in terms of access.

We also, for the first time, I've got an
authorization for the 2016 conference, which will be in
Minneapolis in November of 2016, which we're kind of
excited about, because normally we get these
arrangements pretty close to the execution date, so it's
a real blessing to know where we're going in 2016 and
have a date. But we're looking forward to the
collaboration with the SBA, because that does enable us
to focus on what we think we do best and brings them
visibility to this community on what they do best.

MS. CARSON: And, Tom, I don't want to speak to
you, the call to action that Tom and I had discussed,
though, is that as members of this body, we would
appreciate it if you would make a commitment to have a
strong presence there, to make, to bring procurement
decision makers to this engagement and we will follow up
with you in the September meeting to see how that's
shaping up. Anything to add?

MR. LENEY: I will call my colleagues out, the
department doesn't hesitate to do that.

MS. CARSON: Do you remember the bus you ran
over me with at the last meeting? I just brought that
back, I'm driving it this time.

MR. LENEY: Okay.

MS. CARSON: On a lighter note, during the month of November, November 2nd to 6th, we will have National Veterans Small Business Week, and I will be reaching out with invitations to your senior leaders, your secretaries, administrators, and invite them to join the senior leader discussion on what we are doing together on opportunities for small business owners. It won't have, necessarily, a procurement focus. But I'm open to shaping that, I just want to let you know that that's coming. The invitation will likely go out in July or August.

There are other opportunities that week for us to partner. Our three core pillars here at SBA are access to capital, entrepreneurial development, which is training and counseling, and then procurement. So, for example, procurement events that we plan to do across the United States, we're developing a menu, and I think your agencies may want to partake in this, is get a PTAC together with a procurement center representative, for example, and maybe some decision makers, and have an engagement with that business owner.

Last year when we did National Veterans Small Business Week, we had over 150 activities across the
United States. So, if you had something in that time frame, we chose the week before Veterans Day because we're not a veteran-centric agency and we want to be able to support our colleagues at DOD and VA, for example, the following week, but if there's something that you're doing that week ahead of time, we sure would appreciate it if we could be a part of what you're doing. Or the week after.

So, if we can move on to our largest entrepreneurial training program, and this is a great forum for it, because we are doing this with DOD, VA, Labor, Department of Education as well. So, I'm going to hit those slides.

As I said, Boots to Business has trained over 28,000 people already, and we have some strategic objectives that our program manager and really strong team are hitting and knocking them out of the park. So, Craig Heilman is our program manager, he can't be here today, he's at Vets 2015 down in Norfolk, which is a significant procurement event, but I wanted to share with you what we're doing.

Many of you know that it is really hard to get data and then to share it, especially interagency. So, DOD will be getting the information sharing plan, data sharing plan from us, and it had to make it through some
wickets first with OMB, just also within our own system, and then we don't have the IT infrastructure yet to make this possible. So, it's a really long lead time notification, it may be a year from now, we can get there, but I'm hoping it's faster, but we want to be able to show, when a service member or spouse attends Boots to Business, SBA is there for them across the arch of their business life. When they move to another home, because not all stay at a military installation, we are there to receive them at a Women's Business Center, a Veteran Business Outreach Center, SBDC or SCORE, then we can also know did they ever get a loan. Did they ever get a federal contract. That's the arch that I can't get to yet and show outcomes. I can only show outputs. I put 28,000 through. So what?

So, that is our large -- it's a huge challenge, and I know that we're not alone in that, showing outcomes.

There's a legislative language out there for the program that I had mentioned earlier, which is reboot, being able to do that under the Boots to Business funding and authorization, so until we get that, we will continue it anyway, with a public/private partnership. I am thrilled with where that's going, and again, if you have cities where that fits in with something you're
doing, let me know, we'll get it on there.

We have some statutory language that allows us to promote, which is unusual, so we can have an advertising budget. I think VA, you have quite an outreach budget as well, but we're proud of what we've been able to get done so far, and I am going to turn to that in a few minutes so that you can see where we are, because hopefully if there's a chance where it makes sense, you can connect small business owners that you have procurement opportunities with or would like to, wherever this makes sense, let us know and we've got more content than you could shake a stick at. And for DOD specifically, a lot of success stories of folks who have gone through Boots to Business, how can you can visualize how to be successful in the next phase.

I'm going to go to the next slide. So, quarterly, just a basic overview, the best part about this is there are more participants in every class. We're offering more classes, and as I said, we're all over the world, in 165 installations right now. And we see some seasonal dips that have to do with when people are separating and retiring. And we're working on the other intangibles like commander support and service culture differences and access to the base, for example, for spouses and also for some of our presenters.
And Leigh Ann, I'm going to have Leigh Ann come up from our team and talk a bit about our marketing and outreach updates and collateral that you will be seeing and as we partner together, we would like to ask you to share through your channels as well.

MS. ARNOLD: Thank you. So, we've had a number of things kind of going on in terms of marketing and outreach over the last year, to include updating our collateral, we've also kind of launched a digital and print advertising campaign where we're running campaign or ads in Vetrepreneur, Military Times, Stars & Stripes, for print. And then on the digital side, we're on Facebook, Bing, Google and LinkedIn.

So, kind of, you know, trying to raise awareness, right? We have a great program, we think, and we're doing some positive things, but there is still a need, there are a lot of people that still aren't familiar with Boots to Business.

So, we launched the digital campaign in early April, and what you'll see on the screen is kind of some of our highest performing ads. It's a two-part campaign that we're currently running, trying to get people to engage and figure out, you know, really at that futuristic mentality, right, so not waiting until the last minute, but trying to think further on down the
road and actually think what they want to do. So, trying to raise awareness and drive traffic to our sites are two of our goals for this campaign.

If we go to metrics next, please. And here we have just a breakout of some of our digital metrics that we've seen thus far. So, on the top chart, far left you'll see a breakout of kind of the non-paid traffic that we're seeing to the landing page, since the campaign has started, and on the right you'll see a breakout of, you know, about 75 percent of the traffic which is paid, and from there, a further breakout of spy landing page.

So, the green is, I believe, Facebook, and to break that out even further, we're seeing about 60 to 70,000 people being reached weekly by our Facebook ads. So, what does that mean in terms of how much traffic we're seeing to our site? Well, prior to starting this campaign, we were seeing about 15 to 1,800 views on our website monthly, and now we're well over 10,000. So, you know, really seeing a strong increase in traffic to the website.

We've also made some additions to include leveraging our success stories, so we have a series of videos that are on the website. We have our new curriculum overview video that's on the site, a calendar
of any of the upcoming classes for Boots to Business
that has a four-month outlook, and a number of other
features. We're really trying to make it more of a
one-stop shop that has more information and isn't just
an overview of what we do.

Some issues that we're kind of seeing still is,
you know, how do we actually drive the conversions since
we don't own registration for Boots to Business, it's
still kind of a pain point because we have more than one
click out. So, right now we're driving anyone that goes
to the site to sign up for a Boots to Business class out
to their branch-specific TSM website where they can find
the location for their transition service manager on
their installation.

So, a few pain points that we're seeing, but
we're still trying to optimize accordingly, and we've
seen, I think we skipped over one of the graphs because
I went on, but I apologize for that. We've seen a huge
spike in increase just in the traffic to the website,
and you'll see the slides later, but you can kind of see
how it ebbs and flows based off of the week breakdown
and kind of a weekend further low, but as we continue to
optimize, there is a strong increase in traffic that
we're seeing to the landing page. There you go.

So, on the far right, the baseline in blue on
the far left in the top chart is prior to actually starting the campaign and then in red, about halfway through the chart, you'll see where we launched, and then at the end of the month, you kind of see that huge break out in disparity between the red and blue. And again, red is our paid traffic versus blue, which is our non-paid organic.

MS. CARSON: Thank you. I'm thrilled that we had some cutting-edge new ways to reach people and then we've got a few traditional ones, and so I'm going to hit, is there quickly any questions for Leigh Ann?

(No response.)

MS. CARSON: Thank you for doing that. We're also joining with VA, Labor, and DOD, at Hiring Our Heroes summits, with Soldier for Life, and those have been effective for us. Our goal is, and it is, to get service members into the Boots to Business program. We're seeing great success there, and hope that people are learning about SBA and all the resources that are free, because there are many in our community who are offering their services or advice for quite a lot of money to vets, and we don't need to do that.

We're also trying to catch them before following that big idea before they've done a lot of homework. This is a challenge to start a small business. There's
no two ways about it. Yes, you can control more of your life, but you might be surprised at how much of your life is about business, and we want to help make good decisions and build capacity.

That's what I had so far. I forgot one thing. There's a new coalition, and it is private sector, some non-profit, and then I am not -- SBA is not officially signed in to this, but it is the Coalition for Veteran-Owned Business, and it is focused on supply chain diversity. A lot of corporations, Fortune 100 and 500 want vets in their supply chains, and many of the things that the veteran business owners learn to do federal procurement against to serve them very well in this business stream as well.

So, the commitment is that these companies are making priorities, they're not necessarily setting a goal, or any set-asides, that's not possible, but they are committed to bringing veteran and military spouse-owned companies into their supply chains. This is going to include things like doing events with us. SBA is going to host a veteran-centric American supplier initiative event, which I will definitely put the word out to you so you can push this to your OSDBUs, please. This is an opportunity for veterans to see procurement decision makers on the corporate side, and do some
match-making. And then we are there to provide the training and capacity building, that's our role.

The other thing that SBA is asking is that members of this new coalition will agree to take part of supply or pay. All it is is that once you receive an invoice, a valid invoice, that you pay within 15 business days. We think if you're interested in having a vet business, that's a commitment that you want to make. And that is a wrap-up on my training, counseling and outreach.

MR. LENEY: What's the name of the coalition?

MS. CARSON: Coalition for Veteran-Owned Business. Lead founders are the Institute for Veterans and Military Families, and First Data Corporation.

MR. LENEY: Thank you.

MS. CARSON: Thanks. Tom, do you have anything else you want to add on training outreach, access to capital?

MR. LENEY: No, not at this time.

MS. CARSON: Treasury, DOD? I'm sorry, go ahead.

MS. WOLEK: So, this is Sara Wolek speaking. So, it was great that today Jeff Stout came and he talked about the State Small Business Credit Initiative, because that is our flagship program, along with the
fact that we most recently had an annual conference that took place between May 11th and May 13th, here in D.C. This conference is an opportunity for all different state programs that we've heard about that are actually out there implementing and using the treasury funds, it's an opportunity for the state program managers to come and get assistance from the program, meet each other, learn from each other, have learning sessions and trade best practices information.

So, we had 150 attendees come in that comprised of state program managers, contractors, federal agencies, federal bank regulators, and we got really positive feedback from the session. People found, you know, the panels, the quality to be really helpful, a majority of them would like to have another conference next year, and overall, found that the topic areas were useful for them as they continued with their ongoing work.

The conference consisted of 25 separate sessions, one of which was actually on federal resources, and for that we've reached out to SBA to share with the participants at the conference information related to veterans businesses so that those state program managers and contractors and so forth in attendance had the opportunity to learn about the
resources that we may know around the table here, but aren't necessarily readily, you know, information that's shared and available across the country. And this is our one opportunity since we have everybody in the room who is participating from every state, frankly, to be able to share this information.

So, we shared that via this panel that we had, but then also we got some materials from SBA that we were able to share with the participants in the sort of packages, informational packages that we had for all the participants, and that included brochures and other fact sheets, information on these resource centers that you have -- that you were just speaking of, Barbara. And, so, this was a great opportunity to touch every, you know, state, know that we have shared this information, we're hoping that we do this annually, we really want to make sure that this was a forum that we used for this particular issue that we support.

So, I just wanted to update you on this effort that we had and thank SBA for their support as we're reaching out to them for the materials that we felt would be very helpful. I would say that not only did people, you know, give positive feedback, a lot of them were attending this conference for the first time, so there was -- there is a lot of turnover on the state
level, as people are leaving their jobs and new ones are coming in, so that this was an opportunity also to educate for the first time new program managers on the veteran businesses.

So, this is our biggest push of the year, and we're happy to say that it went well, and we think that, you know, we were able to connect with the states. I'm happy to take any questions on that, and we'll check in again in September and see what we can do before then.

MS. CARSON: Thank you, Sara. Any questions?

(No response.)

MS. CARSON: You made me think of one thing. One more thing. FDIC is about to do some engagement as well, specifically for the veteran business owners, and also for lenders. So, National Association of Government Guaranteed Lenders, that's who SBA engages with, but that's not the only place where veterans go to get loans. And, so, I am pleased that the FDIC would like to work with us on getting opportunities to talk to business owners, if that's something that you would like to do with FDIC, please let me know, they are willing to talk, specifically DOD, they would love to be a part of transition assistance, or earlier as we look now at military life cycle in talking to service members at different points when they add a dependent onto their
DEERS, when they get promoted, when they PCS, it's always a good time to check in on finances and how that's going. I just want you to know that FDIC has offered to bring some capacity to that training material if it was of interest.

Thank you.

We'll move to the government federal procurement and contracting procurements with DOD, VA and GSA, this side of the table gets to take over the next few minutes. Would you like to start?

CAPT. BALZANO: Do you want to go first?

MR. FLETCHER: Sure, I'll go first. I'll go first because I want to do a brief introduction and update as to where we are. I don't exactly know what the expectations are for GSA for this portion of our allotted program. I do want to make sure that you are all aware that we are committed to fulfilling our obligation and our role.

I came in in October of last year as the associate administrator for the Office of Small Business, and as I was transitioning in, Tony Eiland, who was our former representative, had just left the GSA. So, while he transitioned out, we had Christy Jackiewicz, who was on the phone call today, handle a lot of our veteran questions, events, programs, and
efforts. And she is the one who made sure I attended
the veteran conference in Atlanta last fall where I met
Mr. Leney there, and saw what great efforts they were
going to to make sure that our veteran community was
taken care of.

Since he has been on board in that role, we also
have solicited the assistance of Marty Jennings, who is
one of GSA's past leadership in an SES role to provide
some of the local and visible efforts for GSA in the
veteran arena, and he has been very helpful as well.

So, with Marty and Christy and myself now on
board, Marty did create and get going a monthly veterans
forum that we host with the GSA, and the forum was
similar to if you are aware of the kitchen cabinet that
was in place prior to my arrival, but Marty had his own
ideas about how to improve and make it better and more
useful, so he is going through that process to set it up
as a monthly recurring meeting.

And in addition to that, you know, we also
support the other veteran initiatives such as VetForce.
We've hosted them and we provide speaking at their
engagements when requested, as well as some of the other
annual conferences, but overall, you know, just speaking
from the GSA standpoint, we have $2.1 billion of
available spend in this year, and we're spending 3.27
percent of that on veterans. So, we're making our goal for this year, as we also made it for fiscal year '14. So, the veterans are a category that we never want to underestimate or not show our full appreciation.

I know that others here are veterans, and there is capacity, and I feel like we need to have one as well. So, we are striving towards making sure that the GSA is represented by someone of veteran leadership.

MS. CARSON: That's fantastic, I'm glad you joined us here and I'm grateful for what Christy and Marty are doing as well. Thank you.

MR. FLETCHER: Thank you.

MS. CARSON: Any questions for GSA?

CAPT. BALZANO: Okay, so it's my turn. Well, first of all, thank you for having me, I'm sitting in for Mr. Wesley and Mr. Gudgers, who has moved on to a different position in the department, but he still has his hands very much into our operation. On the department side, since we last met, the few things that I can update you on and then I'll talk about something Mr. Gudgers asked me to bring up.

First of all, we talked about a little bit with Mr. Keith Dodds, is that his name, our major programs, mentor protege, SBIR and Indian incentive programs, we have been fighting to keep those programs alive, and we
authorized the requested long-term authorizations for
them, but that was not -- we have not seen that being
granted, but we are seeing them get reauthorized. So,
we are pretty thankful that those programs will
continue.

The comprehensive subcontracting plan, which
Mr. Dodds knows a little bit about, most all of you may
not, we have not been as successful as we wanted to be
on it. So, and I'll touch on that here in a second.

The second announcement I have is we have a new
SES on board, a Dr. James Galvin, and I'm glad to hear
that September 9th is the next meeting, because my
orders end on the 30th, and so I will make the next
meeting, I think, and I will introduce Mr. Galvin and he
can go from there. But the big thing that we wanted to
talk about is, I'm not a procurement person, I am a
military assistant, in this office, and I have learned a
lot in the last two and a half years. And I've had the
opportunity to sit into a lot of the really high-level
meetings with Under Secretary Kendall and the large
defense contracting firms. And one of the more recent
meetings was to discuss the comprehensive contracting
plan, which is a plan that allows Boeing, and I
shouldn't use any company names, but allows these large
corporations to negotiate a lower subcontracting goal in
their massive programs than what is traditionally allowed. And it's because they're doing unique things that not many small businesses can provide and so on and so on.

But one thing I noticed, and I'll try to -- I should have made some slides, I apologize, I just have been maxed out, and hopefully I can explain this all, but the one thing that I have noticed sitting in all of this, and I briefed Mr. Gudgers on this yesterday, and he said, please, bring that to the task force. Is the task force, the beginning of the task force, the Boots to Business, the training aspect that you all have been working on, has been very successful, and very good. And today, we touched upon the financial part of it, companies getting access to money and all of that, which is another part. And you mentioned, your three pillars. So, the final pillar you said is procurement, I would phrase that as opportunity.

So, I think the next phase, my recommendation, this is just me speaking, is that if the task force could do something for opportunities for small businesses to actually get the procurement or get the subcontracting job. So, with that said, when we meet with these very large defense firms, we at the Office of Small Business Program have developed a thing called the
Defense Marketplace. This is a vision of Mr. Gudgers, it's an electronic website, you know, it's electronic marketplace, it's a website where he is attempting to have a one-place entry to find out where you can get business, who you can do business with, how you get qualified, how you get involved in all of this.

But the one thing that's missing that we cannot do, statutorily, but GSA, SBA, maybe even VA can do, is we see an opportunity here for a marketplace where small businesses could log on, and large businesses could log on, and large businesses can post, I'm building the Joint Strike Fighter, I need tires for the Joint Strike Fighter. I have in my plan to use small businesses to buy those tires, right? Well, I can put that out to bid. I could put that out to bid and I could have small businesses competing who are qualified to sell me these tires, or to do an engineering analysis on the landing gear, or whatever the case might be.

Kind of like an eBay thing, almost, which doesn't exist now, the way as I have seen from the large companies is they have small business liaisons within their organizations. They have a network of small business kind of certified companies that they choose to do business with. Well, if I'm just coming out of the military and I've gone to Boots to Business and I've
started up my company, how do I gain access to that market? How do I -- I've got to go knock on the door at Lockheed or Boeing or whatever and say, hey, I used to work on aircrafts in the military, I do this, what, you know, can you use me?

So, Mr. Gudgers agrees that this would be a great tool, because industry would buy into it and say, hey, if I can get access to all of these veteran-owned small businesses or just small businesses, for that matter, and I can compete my needs and requirements or anything, that drives down my costs, that gets handed hopefully back to the Defense Department, that gives small businesses far greater opportunities now because it's all out there, it's not just the network of, oh, I know Joe at Lockheed Martin, I know Frank at Boeing, blah, blah, blah.

Maybe something like this already exists and I'm speaking out of turn, but the one thing we can offer is that in building our marketplace, we already have paid a fair amount of money to a contractor, who effectively has built the bones to what I'm referring to, and at the next September meeting, if you would like to hear more, if you would like to have them come present what they've done, and see if possibly there's a way you could all maybe have them or have somebody develop this, we see
this as a really good next step forward for the task
force and a really important tool to drive our
subcontracting numbers up, because in the end, it's the
subcontracting numbers that are really going to help us
make our goal, which we did last year for the first
time, and will continue to drive up the success in the
department.

So, if that makes sense, I hope it did, I'm
happy to put that in some sort of form that you can all
understand, and I'm happy to bring the firm that built
our marketplace to the next meeting and let them brief
what their concept of this type of system would look
like. And I ran into you at the chow line right after
that meeting, and that's why I said to you, I would like
to bring these folks in to introduce you.

MS. CARSON: I would definitely like to accept
the offer that you would show us what is happening in
that space and then for those of us, especially GSA and
VA, if you can advise on exactly what I had from a
different angle, what about the beginning, what could we
be doing differently and what are the obstacles? I
mean, obviously we would be doing it now if we had
identified everything, or there is a constraint that we
can overcome, and it would be helpful, because there has
been a lot of support for vet business, especially in
small business, in general, that we should go after those obstacles. So, if it's legislative, if it's executive policy, what is it that's keeping us? Is it money? That's the part 2 of the discussion that I would like to be able to follow up with in September. But is there any immediate feedback, GSA, VA, on the idea of such a thing, or what we already have in our agencies that without limits we combined could do?

MR. LENGY: Some good news, the VA has been working with the Department of Defense to expand the notion of the Defense Marketplace to a broader veteran business marketplace, and we have contributed some money to DOD, and together in the development of what we call an engagement management system, which would be a place, a web-based -- I hate to reuse the term marketplace, but a place where we connect, particularly veteran-owned small businesses with opportunities.

We already do some commercial direct access events, where we partner with commercial firms who are seeking veteran-owned small businesses. And what we seek to do is adopt that in an electronic web-based format where either commercial firms or government agencies can input their requirements and identify through review of the small business profiles those small businesses that are compatible with their needs.
So, there is work, the good news is, there is
work being done on that, the bad news is it always --
the contracting, the downside of the procurement world
is it goes slowly, but we are, we have consciously
undertaken this in collaboration and partnership with
DOD, because we think we can leverage our efforts and we
both, you know, committed a significant amount of
resources to making this happen.

And then our intent is not only to offer this to
all federal agencies, of course, but since my mission
statement is a little different than many OSDBUs, mine
is to enable veterans to gain access to economic
opportunity, not just in the VA, but everywhere. So, we
are actively constructing this with commercial customers
in mind. So, I think we'll be in a position to
collaborate with DOD in September with a much more
in-depth report on where we are and when we expect to
get there.

MS. CARSON: Okay, thank you. Do you have a
question? Come on up.

MR. FIELDER: I have to turn on the mic'. Ed
Fielder, the chairman of the Advisory Committee.
Jerome, I was thinking that you were introducing a
similar portal as the DOD just discussed, could you sort
of tell us a little bit about that and what its intent
is?

MR. FLETCHER: At this time, I am not aware of a
similar portal that the GSA is doing as to --

MR. FIELDER: At VetForce, there was someone
from GSA speaking about a portal that had similar
concepts to it.

MR. FLETCHER: No, I'm not saying it does not
exist, I'm saying I am not familiar enough to speak
about it today, and as Mr. Leney was saying, you know, I
think what I have to do is go back and figure out where
our efforts are and so that when you two collaborate in
the fall, that I collaborate with you before then so
that we as a group can make sure that everyone,
including the gentleman who just asked the question, is
made aware of everything that the GSA is doing in
partnership with the VA and DOD.

MS. CARSON: This brings back something that now
we're coming together with a lot more than we've had
before, we had fallen off of having routine
subcommittees talk beforehand, because there's only so
much you can get done when really we're just presenting
here. I would be grateful if your Subcommittee on
Federal Procurement and Contracting Programs could
collaborate, and then I owe you the same thing, Sara,
for access to capital and some of the things that we're
doing, I will talk to you more in advance of the September meeting.

MR. FLETCHER: Well, thank you, I was going to say something. And thank you, because I was going to say the same thing, because again, you know, when I got the letter to attend, I was not even aware that we were on a subcommittee until I saw it on the agenda, and I was like, okay, wow. But, you know, like you said, in order for us to provide the best information to those seeking answers, our communication prior to this meeting is essential. And I think that I've met over them and think that based on that I know that we can step up to that task very easily.

MS. CARSON: Thank you so much.

MR. LENEY: I did want to raise one, I think, issue here, with respect to this, that I know Andre and I have had a number of conversations about as we thought about and conceived of a marketplace where we connect veteran-owned small business in particular, but to procurement opportunities, and it relates, Barb, to what you're talking about in terms of the front end of this and the preparation and more the back end, because what we are finding as we developed this marketplace, a great deal of interest on the customer side in dealing with what we have sort of coined the term procurement ready
small businesses.

MS. CARSON: Yes. Right.

MR. LENEY: And there is a great deal of difference between wanting to be procurement ready, which means you have all the infrastructure in place, the capabilities in place, the skills in place, to perform whatever task you're going to be contracted to perform to include mundane things like invoicing, submitting invoices, receiving payment, that sort of thing.

And I think one of the opportunities and one of the reasons we have reached out to the SBA is this realization that there's a great number of veteran-owned small businesses that are not ready to do business with the United States Government. And one of the unfortunate realities is for us, since we at the VA are spending a great deal of time and energy promoting direct access, which is the opportunity for a veteran-owned small business to sit down with a customer, and to understand the needs and to lay out their ability to provide solutions, but one of our challenges in our direct access events is that every time a veteran-owned small business sits down with a program manager and is unable to demonstrate that they have the capability or the readiness to perform, it not
only disadvantages that veteran-owned small business, it
disadvantages the entire category.

And I deal with this a great deal because this
is what I think is one of the key objectives of my
office, and where I think we have comparative advantage,
and there is a challenge that I would put out to the
veteran-owned small business community that listens in
on this, is last December, we brought 350 procurement
decision makers to Atlanta. They stayed for three days,
they were at the national engagement for 11 hours a day.
They were there to talk about their requirements. They
were there to hear from small businesses. We had 1,345
veteran-owned small businesses that were there. You do
the math. That's a ratio of 3:1, and, quite frankly,
while I -- while I accept -- I will accept full
responsibility for any shortcomings in marketing or
information, as we go forward, this is a challenge. We
have a twofold challenge. A, the veteran-owned small
businesses have to show up. And B, when they show up,
they need to be able to demonstrate that they're ready,
because it's prime time.

And I think there is -- I am looking to the SBA,
and I know the SBA has welcomed the challenge in terms
through things like Boots to Business, through the
VBOCs, through SCORE, through all of these programs, to
help firms become ready to do business. And I think as we go forward, as an interagency task force, how do we parse out the responsibilities and the comparative advantages, you know, to make sure that we can really have an impact on those veteran-owned small business, because there's a huge difference between a want to be and a procurement-ready small business.

And I get it, you know, I get lots of phone calls from program managers who we've gotten to drink the Kool-Aid, and they say, I was there for three days and I didn't meet anybody who was capable.

CAPT. BALZANO: And that's exactly why I pointed out that subcontracting is the entry point for these companies. They can -- they don't have to be full prime contractor type ready, they're the guys that are going to do the, hey, you're going to do this portion, and the prime is going to mentor them, even without being in the mentor program, and they're going to force them to give them what they need, which is going to help them to grow and be ready to go to those events and actually be ready to do work for the government.

MR. LENEY: That's a good point, but what I've found is we have now engaged a lot with commercial partners, like I say, last year, in Atlanta, we brought 60 commercial firms down to meet with veteran-owned
small businesses, and my experience now is that they are
tougher crowd than the government program managers,
because when they take on a small business sub, that sub
has got to be able to deliver.

CAPT. BALZANO: Right.

MR. LENEY: Because if that sub is unable to
deliver.

CAPT. BALZANO: It's risk, right.

MR. LENEY: It's risk and it's money and it's --
and I just say, that what I've found is that the
commercial partners, where they come in and they say,
we've got requirements, we're reaching out to
veteran-owned small businesses, they actually have a
higher standard, so they come in and say, I want a small
business that's been in business three years, has to
have a million dollars in revenue every year, has got to
have had contracts of this and that nature, and one of
the things that we have been seeking to put in place on
this -- in this marketplace, is a differentiation
between federal access where we aren't very exclusive,
and commercial access, where I get a message loud and
clear from the commercial partners, don't put somebody
in front of me that doesn't meet all of my criteria,
because you're wasting my time. And more importantly,
the small business is wasting their time. And you don't
get multiple chances.

So, I encourage, you know, we are having the national event in November, we will be, you know, we are in the process right now of recruiting the 300 procurement decisionmakers from the VA and reaching out to other agencies to provide people, but this is a -- I'll be frank, this is a very heavy lift, and it's critical that veteran-owned small businesses take these kinds of opportunities seriously and they understand, I mean, it's in some ways business 101, don't sit down with the customer until you're ready to do business.

Thanks.

MR. FIELDER: Ed Fielder with the Advisory Committee again. Tom, I'm not going to disagree with any of your points, I just wanted to add a few more to those. Many service-disabled veteran small businesses are going to those opportunities to find out where they are lacking in capabilities, and have one-on-one discussions to find out how they fit. And typically, we find if we are, in fact, lacking, that there's teaming opportunities, there's joint venture opportunities, there's other -- there's other ways to approach it.

And the other point is, the large businesses that are there that may be claiming that they are finding that the small businesses that are coming may
not be capable and it may be a waste of their time, what we are finding is that they have a thorough number of companies that they are already dealing with, that they have relationships with, and what we're trying to do is squeeze into very comfortable relationships that already exist and that's very competitive for us. There are some large businesses that are kind of unique, they go back in and they look at and refresh their small business teaming partners on a regular basis. And if you can catch one of those cycles, and they're generally every two to three years, I think some of them may be out as many as five, but if you're not catching those refresh cycles with these large corporations, you may be wasting their time, but they're coming -- I'm not sure why they're coming, they're coming because they want to be present, they want to be part of the conversation, but they may not be genuinely looking for new partners because they have a fair number of people that are already on their list.

MR. LENEY: Very true.

CAPT. BALZANO: Can I just add one thing? I can tell you that in my last meeting with the big 11, every -- it seemed like every company there, when they -- when we announced that the marketplace that we have all been working on was going to have a NYAC
searchable function to it, that had small businesses for those particular codes, they were very interested in having access to that. So, maybe the idea that I present forward is something more appropriate for an association rather than for the Federal Government. Just we're trying to help the whole thing.

MR. FIELDER: The searchable database, currently, and if I'm wrong, please someone speak up, but if there's an SBA dynamic, something database, that basically it's all self-volunteered information when you put it in there, and for a procurement official or for a small business looking for a large business partner or vice versa, the large business looking for a small business partner, it's a huge database and you end up pulling out 20, 30, 100, and then when you start the screening process, you don't find qualified companies, even though their NAICS code is down there. If you guys come up with an alternative with a more reliable, you're right, they would be excited about that, because the current database is not providing a solution.

MR. LENEY: Are we okay with continuing this discussion, Barb? Ed, you raise a really important point. I think you raised a key point. You're referring to DSBS, that I am a small business search capability in SAM, and the challenge, the reality, and
it's not one that a lot of people, I think, want to hear, is that that is a self-assertion, and it has almost no indicator of ability to do the work.

MR. FIELDER: Correct.

MR. LENEY: And people who put themselves in SAM because they want to be, they want to be somebody who does work in the Federal Government. And I'm not saying this to denigrate or criticize anybody, but what the marketplace we are seeking is how do we take this to the next level. And one of the challenges that we're encountering, as we work through in many cases with lawyers, about how do you build a kind of an effective marketplace, that would be useful to customers, we are identifying two major compliments, and we've tried it out in what I call the 1.0 version in Atlanta, which is a new capability scoring, to establish algorithms for procurement decision makers, as to what they need or what they seek for their particular requirement. Because one of the blinding flashes of the obvious that we encountered as we were thinking about procurement ratings is it's in the eye of the beholder. there is no -- we saw a common definition of what it takes to be procurement ready, and what we found is, the most relevant elements of procurement readiness were very idiosyncratic to a particular program manager and
for a particular requirement.

The second piece that we are struggling with, or grappling with, is risk management. Is to the ability in simplest terms to assign a risk score to a firm. The vision we have is that when a program manager or a commercial program manager inputs their requirement into this database, up pops veteran-owned small business with two scores, a capability score, and a risk score. And you want a low risk score and a high capability score.

The challenge, and we see it in other venues, for instance CPARS, when we try to evaluate the performance of small businesses, how to translate that into, you know, information for a customer, and this is probably not a place to go in depth on issues associated with CPARS, but these are efforts by the Federal Government to get at quality. And we haven't.

To be honest, we haven't solved the risk, completely solved the risk thing, except to say, and I would be remiss if I don't talk about this a little bit, the VA's verification program is -- I won't say it's unique, because there are analogs in the 8(a) program, but the difference is, the 8(a) program is a development program.

MR. FIELDER: Correct.

MR. LENEY: And, therefore, you don't have to
have a certain capability to be -- you have to have a
certain level, but it's a fairly low level, to be
accepted into the program.

One of the things that has led us down the risk
path is to realize that my office knows a great deal
about all of the verified veteran-owned small
businesses. And the information that we know about
those veteran-owned small businesses contributes
significantly to lowering the risk of a contracting
office or a program office doing business with verified
small business. Because you cannot be a mom and pop
business without a -- without operating agreements and
by-laws and infrastructure, and be verified.

And, so, one of the things that I think that we
are seeking to pursue is to connect these dots to say,
okay, take those firms that have been verified, that
they are the real deal, not only ownership and control,
but move toward a greater understanding of their
capabilities, and their ability to deliver. And there's
always going to be those who say, wow, you might be
excluding me, because I don't read some set of criteria.
And my response is, yes, but you are already going to be
excluded by the customer, either explicitly or
implicitly, and it's far better to know the rationale
why someone is excluding you so you can work on it and
you can go back to all the resources that the SBA has, and therefore fill in the blanks as opposed to sitting there and wondering why you've spent 30 minutes with a potential customer and they smiled politely and they nodded slowly, and they took your capability statement and you wonder why they never, ever take your call. And there's always a reason.

MR. FIELDER: Just one last comment. Under the risk assessment part, what we see with companies, particular companies that have an established track record that are on the commercial side, when they try to get their first opportunity on the federal procurement side, which is a different direction than what we normally talk about, what we're seeing is that the causal experience, many with DOD, are written in such a way that if you've never done a DOD job, and I've actually responded -- I've actually responded recently to some sources where it specifically said you had to do IT work within the Air Force, not just within DOD. We've got companies that had great experience on the commercial side, but the risk assessment part that's being done by the program manager and by the procurement officials is, well, you've never done it.

So, it's driving us towards these teaming agreements to then start building up causal experience
of our own, within the Federal Government. That was just an additional comment on the risk assessment.

MR. LENEY: Very real.

MR. FIELDER: Yes.

MR. LENEY: And not just DOD by the way.

MR. FIELDER: Because we sort of phrase it as, if you've never done business with the Federal Government, then you obviously can't do business with the Federal Government.

MS. CARSON: Thank you. I did want to follow up, from SBA perspective, that I am concerned that bringing capacity building sessions to an event where if you don't have it, it's already too late, I want to move to the left. So, and we can follow that up in our discussion, Tom, on what those should look like that it would actually be useful, and then what can we be doing now, we all have talent and resources on what we wish we were seeing in people, and if I can be doing training sessions with a myriad of resources that SBA has across the United States in these next months leading up to it, it's not too late, but I need to know what are some of the pain points that we can address.

There's a lot of them, but there are some significant differences in business development for someone who is seeking federal procurement. If you
can't speak certain languages, and you don't have this
document, it's just not going to succeed. And we can
make a change. Because to your point, these companies
are not going to continue to come back to your
engagement if they don't find value in it. So, it does
us all a world of good to keep the opportunity available
by preparing in advance.

So, we are committed to doing that, I'll take
you back and outside of this meeting at any time on what
specifically you would like to see from us.

MR. BLUM: Barb?

MS. CARSON: Yes?

MR. BLUM: Hi, it's Matthew Blum at OMB. How
are you?

MS. CARSON: Great, I'm glad you're with us.

MR. BLUM: I'm sorry, I have been on and may I
jump in for a minute?

MS. CARSON: Absolutely.

MR. BLUM: So, I've been listening, and
everything that you guys have been saying, and what Tom
has been saying about readiness resonates greatly with
us. And just to add to the comment that was just made
about kind of getting your foot in the door, a couple of
things.

One is back in December, our administrator, Anne
Rung, issued a roadmap that she wanted to follow over the course of the last two years of the administration, and one piece of that deals with streamlining and reducing barriers to entry, and one in general that she honed in on was the number of people that approached her about the GSA schedule and the fact that there was a -- I think it's a GSA-specific policy requiring a two-year mandatory experience requirement, which is a little bit different than the example that was given of having to do work for the Air Force, but the same family of issues, with the point being, you know, it's not inappropriate for somebody to require experience, you know, that would demonstrate that you have the ability to complete a project successfully, and therefore lower the risk of failure, but to the point you're saying, it doesn't necessarily need to be, you know, through the particular agency in all cases, or necessarily two years, and what we said in the memo is we've asked agencies to review their -- if they have any minimum experience requirements, to make sure that they aren't across the board in a manner that would somehow preclude exercising, you know, good business judgment and discretion to requirements so that we don't have the unintended consequence of picking companies that are preventing them from coming into the process.
So, that sort of exercise and review is ongoing. If there are other examples or flavors of that, again, we call it minimum experience, but if there are solicitations that people would be willing to share examples where, like the gentleman just said, it had to be specific experience with the Air Force, where it didn't look like it was necessary, or that there could be companies that had relevant experience on the outside, we would love to see copies of that, because it's all part of our collaborative process on this, would be an issue and we can certainly raise that.

So, that's one point. The second related point that I just want to mention and I think I've mentioned this in prior meetings, but wanted to bring it up again. We have been pushing pretty hard this concept of innovation set aside program, it's a pilot, and essentially, it would allow for an agency on a pilot basis to use basically a set aside mechanism, giving preference to small business, but the key would be that it would be a new entrant into the procurement, into the federal procurement market, meaning -- and obviously you can define different ways, but we sent up legislation as part of the NDAA, and in the proposal that we sent up, which I am happy to share with all the committee members and other folks, because it is public, we use a
definition that you have not had or done work directly
with the Federal Government within the last five years,
again, it goes to weight, but the point is, we're really
trying to target those companies that would be new
coming in and don't have those, you know, those
relationships, and equally important, don't necessarily
know all the specifics of the federal procurement
process.

Now, the relief that would be provided in the
proposal would essentially allow for the agency to do
either a first award or limited to, you know, new
entrants, but would effectively recognize that, you
know, it's a tremendous barrier when you have to work
competition and compete for the first time to get in, if
you don't have the ability or benefit of qualifying for
the 8(a) program.

So, this was not intended to compete with the
8(a) program, but it is in some ways a very simple
business development program based on helping companies
get in that don't necessarily know the ropes of
competition in the federal market so that they can get
work, prove their ability, and then learn the process
that hopefully, you know, they will be long-term
partners to the Federal Government.

Last year, the Senate Appropriations Committee,
I believe, actually included an appropriations bill, but it didn't get picked up in the Omnibus. I haven't seen it yet in the NDAA, so I don't know if it's going to be a push this year, but what I would like to propose is to share a copy of the proposal with the task force members, and maybe one of the do overs for the fall is to figure out how we might treat the proposal, maybe make certain pilots specific to, you know, veteran, you know, certification of veteran-owned small businesses, or veteran-owned small businesses specific to our mission here, and anything else that could go into it that would make it useful and practical for the community.

And then, hopefully, get more interest on the Hill, because we think that this is -- I mean, there's no one magic bullet that I think it's another tool that we can use to break down barriers and get people in the mix.

MS. CARSON: That was extensive, thank you. Matthew, I didn't want to -- and you said you have a slide deck.

CAPT. BALZANO: No.

MS. CARSON: But Matthew?

MR. BLUM: Oh, I have a copy of the proposal that we submitted to the Hill that I would like to share.
with the committee members. I can send it around to Cheryl and she can get it around to the group so that everybody can read what we sent up, and maybe put it on the next agenda for how we might improve upon it and make it more -- you know, get it out into the community and get Congress more interested in it.

MS. CARSON: That would be fantastic, thank you. And, so, everyone here, clear out your email boxes, because you will be getting the veteran lending, the government contracting and business development update, the OMB proposal, the State Small Business Credit Initiative deck, and also the Boots to Business deep dive, and probably an invite to the national veteran small business engagement.

MR. FIELDER: Absolutely.

MS. CARSON: We're tracking that. Is there anything else from this subcommittee? Go ahead, Tom.

MR. LENNEY: I know we're running a little over, just a couple of things I think are worth mentioning. The VA, there's been considerable interest on the Hill, both on the House side of the House Veteran Affairs Committee, and the Senate side, and there is a House bill that had been passed in the House, I think it's HR1382, which directs the secretary or gives the secretary of the Department of Veteran Affairs the
authority or direction to utilize veteran employment as
an evaluation criteria.

This is something that we are having a lot of
conversation about within the department. We have
already executed this idea. Our largest procurement,
which is our transformation 21 or a company called T4,
which is our IT services, ID/IQ, which is a $20 plus
billion ID/IQ. The next generation solicitation, which
is people we're evaluating proposals now, veteran
employment is an evaluation criteria. And we are
examining in sort of in light of -- not because of, but
certainly in light of some of the interest in the HVAC
and the SVAC, if you're broadening this evaluation
criteria particularly to our Veterans First program.
And it is what we're examining is a very simple
evaluation approach, which is to look at the percentage
of veterans in a business, and making it a point of
evaluation.

So, I just mention that, because I think this is
an idea whose time has come, and I -- while I'm not in a
position to speak categorically for the VA, but to --
like I said, we have now done it on our biggest
procurement, and I anticipate you will be hearing more
from us on this topic going forward, because it's a --
it's an idea with real legs.
MS. CARSON: I agree. Thanks for leading the charge there, and really being the pathfinder.

MR. LENEY: I did not lead the charge here, I want to state for the record.

MS. CARSON: Okay. I saw you had a point.

CAPT. BALZANO: One last thing. This may be for OMB and VA, you know, I have listened to the conversation about how the chicken before the egg scenario, which is if you haven't done work, so, since this is the Task Force on Veteran Small Business Development, and a lot of these companies are veteran-owned and operated, and I'll use -- I'll just use myself as an example. If I were to leave the Navy and go start my own small business, my company would not have any experience doing business with the Federal Government, because I'm brand new. But me, personally, I have 26 years in the Navy right now. If my company wants to do something that I'm especially trained in, then shouldn't that count? Shouldn't that be a vector to allowing that company to reduce the risk, because here's a guy whose company has no experience dealing with the Federal Government, but yet he, himself.

So, the point is, could legislative proposals be pushed from either organization to allow either ownership or key employees of veteran small businesses
experience count towards experience with doing business with the Federal Government?

MR. LENEY: Good news, already does.

CAPT. BALZANO: Okay, I'm sorry.

MR. LENEY: For those firms that don't have corporate experience, the personal experience of their leadership and their employees is what they sell. And I can tell you from at least in the VA, it does count. And, in fact, in many procurements, it's explicit that when we consider corporate experience, the resumes of key personnel are often a major consideration.

MR. BLUM: And if I can just add, this is Matthew Blum, this is one of the reasons -- this is one of the triggers for the review I mentioned earlier. You know, there were a number of folks actually that were working on healthcare.gov, and helping the challenges that then wanted to form a group that I think at the time it was scheduled, and then there was a problem with experience, and I can definitely understand that if there is some value and times when having the corporate capability matters, but if you're talking about consultants that all have expressly deep experience dealing with the government that are coming together, you know, you have to look at things case by case.

So, you know, we would agree with that intent.
MS. CARSON: Okay. That's a good segue, unless there's something else on that comment, we'll finish up with coordination of federal support. Is there anything separate, Matthew, that you want to address as part of the subcommittee on coordination of federal support?

MR. BLUM: No, not today.

MS. CARSON: I don't believe we have anyone from VetForce on the line. Is that true?

(No response.)

MS. CARSON: Well, there is a big event in Norfolk, and Davy Leghorn from the American Legion is here, nothing at this time, nothing to report for this subcommittee?

MR. LEGHORN: No.

MS. CARSON: You've partnered very closely with the American Legion on a number of business development opportunities and training events, and I look forward to that, but I would like for our next, in September, discussion, what these organizations, what their feedback is for us on how we're doing, a different lens and perspective at the table would be great.

Okay, I'm begging now, not demanding, just asking, and if you could not celebrate your 4th of July holiday without giving us your interagency task force input for fiscal '14, I want you to feel very guilty if...
you are lighting a firework anywhere and have not yet
provided input. I would be grateful if we could get
that from every agency. As I said, it will be helpful
to you, I believe, when we send out fiscal '13 report
for interagency coordination, you can see what kinds of
things your agency has said in the past, because I
realize GSA, for example, it's new, but we have done a
lot of good work. It's plenty to report. And it
doesn't have to be as robust as this one, or in this
format in particular, but there are -- we will also send
you the charter, just to remind you.

CAPT. BALZANO: Is there a format you want us to
fill out and how you want it submitted or anything?

MS. CARSON: Oh, in the past we've done a whole
bunch of crafting for you and made segues and tried to
make agency things flow within certain areas, it matches
the recommendations. Yeah, we'll do a lot of the work
for you, but what I don't have that you do is the data,
in your programs, and what your goals are and your
objectives and how you measure your success or not, and
then what you propose going forward.

CAPT. BALZANO: Is this coming soon, or has it
already come?

MS. CARSON: It has come. But as you know,
there has been a lot of flux in membership and
attendance, to be honest.

    MR. FIELDER: In the past.

    MS. CARSON: Yes. We will do that. So, I appreciate, this is the most robust discussion we've had in a long time, and I am grateful for that. Our administrator did send a letter to each secretary or administrator of the agencies that are members here asking for commitment to this group, and to make sure that the person assigned knows that they're assigned, and attends, and I am pleased that we are making progress.

    So, thank you for that. Any last -- let me make sure I don't have questions.

    (No response.)

    MS. CARSON: Okay. Then we are concluding this meeting. We will be here again on September 10th, excuse me, it's a Thursday, September 10. See you then.

    (Whereupon, at 2:38 p.m., the public meeting was adjourned.)
CERTIFICATE OF REPORTER

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