U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON

VETERANS BUSINESS AFFAIRS

THURSDAY, SEPTEMBER 5, 2019

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Reported by: Jennifer Razzino, CER
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MR. STUBBLEFIELD: Okay, we’re going to get started, and let me just start off by apologizing for this technical delay. And we’re going to look into the possibility of moving the meetings to another place. We’re definitely going to do that. Yesterday, we had the Task Force meeting and everything was perfect. In fact, we had the best Task Force meeting we’ve had in a long time. Full house, you know, technology working and the whole nine yards. So what a difference a day can make.

But, anyway, Larry Stubblefield, the associate administrator of the Office of Veterans Business Development, and welcome, everyone to today’s committee meeting. I know we have a lot of -- because of the weather, we have committee members who are not necessarily present here in the room. So we have a full agenda, and before we get started -- before I turn it over, rather, to the chairwoman, I want to go around the room and on the phone. For committee members only, this is the roll call. So I’ll start here in the room and go to my left.


MR. SHARPE: Joe Sharpe with the American Legion.

MR. PHIPPS: Michael Phipps with the Millennium Group.

MR. STUBBLEFIELD: Okay, for our committee members on the phone only.

MR. O’FARRELL: Jim O’Farrell, AMSD.

MR. CRANE: Eli Crane, Bottle Breacher.

MR. STUBBLEFIELD: Okay. All right, at this time, I’m going to turn the meeting over to our chairwoman, Liz O’Brien, for her opening remarks.

MS. O’BRIEN: Good morning, everyone. To those of you that are in the room, thank you for joining us. And, Fran, appreciate you coming up from North Carolina while many of our committee members are dealing with residual or potential effects across the country from the impending storms.

I want to touch on the fact that I think it was actually a great summer in terms of creating and raising awareness around some of the challenges currently facing veterans and military families in the space of small business. I know the Small Business
Administration hosted their summit. We hosted a summit over in Northern Virginia, where Michael Phipps and Brandon Shelton participated, so it was great to have representation from the folks that are part of this community and fighting that battle.

We recently had meetings with Google, who I know has reached out to Small Business Administration looking to partner going into National Veteran Small Business Week. So I think that the conversation across the country is starting to rise, due in large part to the fact that our committee members are going back and having discussions in their communities across the country and starting to get outside our traditional audiences that we are interacting with.

So I think there’s residual effects by the folks that are coming in and sharing, like VetFran who will join us today. And as we pull in other nonprofits and organizations that are in this space, it really is on us, though, to go forward and carry this message into our communities if we actually intend to impact change, and conversations can’t stop once we leave the basement of the SBA.

So I think we’re coming off of a good summer, and looking forward, I know September, October, November, a lot of activity goes on, especially going
into National Veteran Small Business Week, so looking forward to those outcomes and certainly where we can get our committee members out into the community.

So that’s it, Larry. Thank you.

MR. STUBBLEFIELD: All right. Thank you.

Thank you, Liz.

So in the interest of time, what we’re going to do is if you look at the agenda, we’re going to skip the OVBD updates for now. I’ll get them in, you know, later, and so we’re going to go straight to our VetFran update.

MR. DRAGOMACA: Excellent, Larry. Thank you so much, and thank you again for having us. I think this is our second time speaking at this committee, and we are always thrilled to have an audience of people from across the private and the public sector who are so positively engaged in this important space.

The IFA has been actively engaged in this space since 1991. Our program currently has nearly 550 companies in it, all of them offering discounts to veterans, as well as meeting other stringent quality criteria to be included in the program. We’re proud of the commitment that the franchise industry has to veterans, and we are grateful for the attention of this committee on a very specific issue that we’ve raised
here before and that we hope the committee will seize
up and put into their annual report to join us in
fixing a few things that would enable veteran franchise
owners to qualify for the government certification
programs.

To that end, I’d like to introduce my
colleague, Caleb Gunnels from the government relations
side of the International Franchise Association, who
will be speaking more in-depth on this topic, and for
all of those following along, we brought packets for
everyone. Caleb, did we -- yep, I think everyone’s got
packets around the room.

There’s three documents there. There’s the
statement which we’ll be presenting today; there is a
VA fact sheet that we’ll be referring to; and we’ve
brought a three-page excerpt from a six-page rejection
letter received by one of our franchisees that lays out
some of the rationale that all franchises would fall
under.

So with that, I’m going to hand it over -- oh,
final thing, for those joining us on the phone, these
documents are being emailed to you as we speak, so
hopefully you’ll be able to open them up and follow
along as well. Thank you.

Caleb.
MR. GUNNELS: Thank you, Radim. And good morning, everyone. My name is Caleb Gunnels. I work for the Government Relations Department at the International Franchise Association. I just thank you so much for the opportunity to be here and to provide some insights about franchising, to clear up any misconceptions about our business format, and also just to share the experiences and concerns held by some franchise businesses, and I guess concerns about the Veterans First Federal Contracting Program.

Quick background on the IFA. We are the world’s oldest and largest organization representing franchising worldwide. IFA promotes economic impact of more than 733,000 franchise establishments, which support nearly 7.6 million jobs and $674.3 billion of economic output for the U.S. economy. Specifically, IFA and its member companies promote veteran entrepreneurship in franchising through a program called VetFran, which is what Radim was speaking on a moment ago.

The VetFran initiative facilitates transition of veterans into franchising by encouraging franchisors to offer discounts and incentives to these veterans. Veterans have always been drawn to the franchise business model, and franchisors have long recognized
that entrepreneurial veterans are some of the best qualified, motivated, and successful prospective franchisees out there. So even though veterans account for only 7 percent of the population, they account for 14 percent of franchisees. And, also, veteran franchisees are certainly more likely to hire veterans, so that has certainly just been an awesome opportunity to combat veteran homelessness, which is something that is an issue in our country.

Recently, 65 percent of franchisors have indicated that the rate of hiring veterans has also increased in the recent years. So to get to some of our concerns with, you know, the VetsFirst program, you know, I think the goal is obviously that businesses and its partners in the Government, the goal is to take reasonable steps to promote opportunities for veteran business owners.

We understand that many veteran franchise owners seeking to be certified through the VetsFirst contracting program are being rejected for the sole reason that they are part of a franchise. You know, if you look in the packet -- and the email has gone out for those on the phone -- and look at the fact sheet, according to that Franchises and Veterans First Contracting Program fact sheet, franchises are not
automatically excluded from applying for verification; however, the fact sheet then states that generally franchise business documents contain provisions which do not allow the veteran or service-disabled veteran owner complete authority in managing and controlling critical elements of the firm.

Given what we understand to be the nature of the examination for the Center for Verification and Evaluation of Franchise Agreements of veteran franchise owners when they apply for CVE certification, it appears that franchises, in fact, are effectively disqualified from ultimate verification. Several franchise business owners have applied for the CVE certification and been denied on the basis that they operate a franchise.

In a preliminary rejection letter which was issued to Franchisee Timothy Meade, that’s also in your packet and will be in the email that’s sent out, a number of arguments are made against his eligibility for certification due to the nature of his franchise business. The document also does not appear to offer any means of redress or appeal. So, overall, this is misguided and, candidly, incorrect reading of how our business format works if you look at the rejection letter.
Given, you know, if we get into how the franchise business model works, given federal law requires certain franchise controls, which are being used in this rejection letter that we sent out, to disqualify or reject our franchisee, Timothy Meade, and many other franchises from being verified in the certification program. So given the CVE’s interpretation of the franchising model, it’s beyond dispute that a veteran who purchases, owns, and operates a franchise is virtually guaranteed not to meet the certification standards of the VetsFirst program.

Unfortunately, this is not a situation that the franchise community can readily resolve by amending its contract structure to conform to the assumptions and interpretations inherent in the application or the VetsFirst criteria. The franchise business model is itself subject to federal law, restrictions which necessitate certain elements of control by the franchisor over the franchisee. However, these essential controls do not and should not be construed in a way that deprives veteran franchisees access to the program.

So to get into some of those federal laws, a certain amount of franchisor control over its licensees
and franchisees is critical to the franchise business format. So, in fact, federal law requires it. If we look to the Federal Lanham Act under trademark law, it requires all licensors of trademarks such as franchisors to exercise certain control over their franchisees’ operations. The Lanham Act allows the use of trademarks by someone other than the owner only when the owner exercises sufficient control over the nature and quality of the goods or services sold under the trademark of the other.

So the stakes are high for franchise brands because as the Ninth Circuit has noted, where if a licensor fails to exercise adequate quality control over a licensee, a court may find that the trademark owner has abandoned the trademark, in which case the owner would be estopped from asserting rights to the trademark. So that would cause the brand as a whole to lose its value. That is the value of franchising itself, and that is the blood of franchising, the value of that trademark and the logo.

And losing control of that would destroy the brand in itself and hurt all of the franchisees and even the veteran franchisees who independently operate their business. So that is one reason why at least one court made clear that a franchisor must have freedom to
impose comprehensive and meticulous standards for
marketing its trademark brand to operating its
franchises in a uniform way.

Second, the Federal Trade Commission also
requires a certain level of control by a franchisor
over franchisees. The very definition of “franchise”
under the FTC’s Franchise Trade Regulation Rule
includes the following essential element: the
franchisor will exert or has authority to exert
significant degree of control over the franchisee’s
method of operation, or provide significant assistance
in the franchisee’s method of operation.

So when we get into some of those federal laws
which require for a franchise to exist, certain
controls, one to protect the brand or the trademark,
but, two, also to operate as a franchise, it’s hard to
construe it, even in this program, that those controls
would now reject these franchisees for operating in
that business model. And so, you know, while these
controls are important in franchising, we want to make
clear today that franchisees do have full autonomy to
operate their businesses on a day-to-day basis. They
should be treated as the autonomous, independent
business owners that they are, and veteran franchise
owners should not be treated differently from similarly
situated veteran-owned businesses.

Veteran franchisees own their businesses. They hire and fire their own staff. They meet their own payroll. They pay -- they make their own profits. They pay their own bills. They maintain their businesses. They direct the provision of the services and creation of products. They make the same daily decisions that any small business owner would. Because a veteran franchise owner doesn’t get to make his own logo or choose the color of his employees’ uniforms or is subject to certain federally mandated controls that exist to protect the very brand operated by the veteran does not mean that he or she is any less independent veteran small business owner than I guess anyone else.

So, I mean, we understand that the International Franchise Association and I guess everybody in the room understands that in its early years, the program tightened its criteria to make sure businesses weren’t abusing the benefits of the program. We understand and applaud efforts to make sure that veterans weren’t being taken advantage of as silent partners or otherwise tangentially connected to businesses they didn’t run or didn’t own so as to make those businesses eligible for certification.

However the criteria should be interpreted in
a way that doesn’t make veteran franchisees collateral damage to that aim. We believe that the CVE certification process should be harmonized in substance and practiced with the intent and requirements of other federal laws that recognize the importance and special characteristics of the franchise relationship so that veteran franchisees are not automatically disqualified from the very program that originally aimed to help veteran small businesses of all types, especially when these veteran franchisees, welcomed to franchising and incentivized by countless companies thankful for their service, comprise an ever-growing percentage of the franchise community.

You know, quickly, you know, I want to jump for just a moment. If we look at the rejection letter, when I talk about certain controls and, you know, as far as a franchisee wearing a brand or a logo or certain things like that, if you look to this rejection letter for Mr. Timothy Meade when he applied for the CVE program, what was used in the rejection here was that the franchise agreement and what was used against him as a rejection was that the agreement included prohibitions on the limited right to use the name, logo, website, phone number, and email contacts of CertaPro, ongoing training approved by CertaPro, or
reporting requirements and franchise fees.

These are all things that are necessary for a franchise business, and if this is the criteria in the interpretation of what would reject a franchise from applying for this program, then every franchise will be excluded. There’s not a franchise that does not institute these sort of controls, and some of these controls, especially the brand and log and things like that, are required by federal law.

So at the end of the day -- you know, certainly we’ll be open for questions if anybody has any, you know, if you’d like to contact me I’ll hand out a business card or whatever it may be, but at the end of the day, we’d just ask this committee to join us in calling for a revision of the guidance and interpretations that currently make it impossible for a franchisee to qualify for these certifications while having a franchise agreement that complies with legal mandates pertaining to franchises.

We stand ready to work with this committee to assist in drafting language for the committee’s annual report to that effect. Further, we stand ready to work with the SBA, the VA, and any other body to work at a technical level on proposing those changes that will preserve the aims and integrity of the certification
process, while recognizing the veterans and service-disabled veterans who own and operate a franchise and should not be ineligible for these certifications.

Thank you so much for your time. I’m happy to answer any questions that you have. I know we’re probably pressed for time today, and I just appreciate it.

MS. O’BRIEN: No, we can certainly take time for questions. I know I have some, and I’m sure committee members do as well. I appreciate you gentlemen joining us today. You mentioned that several or many have been denied in this process. Do you have an accurate tally of those that have been denied, that have come back to you?

MR. GUNNELS: So at this moment, we don’t have an accurate tally. We’ve reached out to, you know, our member base obviously and have some reachout, but we’re planning to, you know, look through that and potentially go through the route of, you know, discovering that, maybe with -- I don’t know if that’s appropriate or not, but maybe through a FOIA process or something just to get how large of a problem this is.

We’re basically just looking at the interpretation and the fact sheet that’s offered. I think it’s in your packet -- on the VA’s website --
which it lists out maybe certain controls that it would
deem too much control and rejecting a franchise and
also using the rejection letter that we have from a
member of ours that lists out certain grand standards
as a reason for rejecting.

If this is the interpretation of rejecting a franchise, then, you know, certainly we will follow up with you with a number. I would love to, you know, keep in touch with you and get that to you, but if this is the interpretation based on a rejection letter that we have, any franchise at all, any franchisee at all that would apply would automatically be rejected, so...

MS. O’BRIEN: Okay, so then let me ask you this. Of your franchisees that are members --

MR. GUNNELS: Yes, ma’am.

MS. O’BRIEN: -- what percentage of them are veterans?

MR. GUNNELS: We have -- so I know as far as the -- I mean, I know as far as the franchise population goes, it’s 14 percent of franchise --

MS. O’BRIEN: Right. I’m sorry. Let me rephrase.

MR. GUNNELS: Yes, ma’am.

MS. O’BRIEN: What percentage of them have the CVE certification?
MR. DRAGOMACA: I have not encountered any
that have the CVE certification.

MS. O’BRIEN: None.

MR. DRAGOMACA: Un-nuh. Again, I think the
FOIA route is going to be the only way to get to hard
numbers because they’re not accessible to us from our
side.

MS. O’BRIEN: Okay. And then you had
mentioned that your franchisors have seen an increase
in veteran hiring. Do you know what percentage of
those that are responding with an increase in veteran
hiring are veteran-owned franchisees, franchisors, and
are -- versus civilian-owned.

MR. DRAGOMACA: I can take this. I can answer
that. So unfortunately, our research is a little bit
dated. 2014 was the last time that we commissioned a
research report in this, but we did find -- that report
found that veteran franchisees were 30 percent more
likely to hire veteran employees, or that the veteran
employment rate at veteran-owned franchises was about
30 percent higher than at nonveteran-owned franchises.

MS. O’BRIEN: All right, and that aligns with
small businesses across the country and Veteran First
veteran small businesses.

Committee members have anything?
MR. PHIPPS: Hi, Mike Phipps. So this has been an ongoing issue that the committee’s been dealing with for -- it’s been going on for -- just the fact that the VA and the SBA are coming up with one common ruling, which has been a long process, and it’s something this committee has been addressing. And inherently the issue lies in the fact that the certification program gives certain benefits in the government contracting world.

And so -- and there’s a number of alternatives. So far, what I think may be an alternative, depending on if there’s value in it, one is since the franchisees or the franchisors, rather, are not going to be -- or may not be engaged in any form of government contracting is the inherent value of the CVE more about just the recognition that they went through a certification process. And I’ll finish the whole thought because this well help, you know, get your response, the idea being that if there was two different tracks for certification -- a government contracting track and a commercial track, would that be of value to a franchisee, even though they may not be able to compete with government contracting because of they’re on a different track within the CVE?

MR. GUNNELS: I think there would certainly be
value to that; however, you know, at the end of the day we’re not -- you know, and our franchisees are not asking for special treatment. They’re simply asking for equal treatment, because at the end of the day, these franchisees that are veteran-owned, or any franchisee, those are independently operated businesses. They -- like I said, you know, they certainly make the same decisions that any other independent small business owner makes, you know, the decision to hire, fire, you know, pay the bills, make day-to-day business operation decisions, how many hours their employees work, how much they’re going to pay their employees.

I mean, all of these decisions are under the business -- an independent business judgment of the franchisee. And so, you know, we would like our -- you know, and our franchisees would like that. I know our veteran franchisees would like that. They would still like the ability to compete for, I mean, government contracting because they are independently ran and operated small businesses, so I mean, I won’t say there’s not value to that, but I don’t necessarily know that we would push for a second track of some sort because if you look at the interpretation of what constitutes maybe too much
control, I think I understand the purpose of rejecting a business because there is a third party that has too much control, but if we look at that type of control that we -- I guess the standard of control that we’d like to reject, I would point you, because it’s very similar to the standard of joint employer, where -- which the Department of Labor and the National Labor Relations Board have just proposed new rulemakings to narrow that scope of joint employer.

And what they’re looking at is the same thing -- how much is too much control to make a franchisor the employer now of the franchise. And what they’ve looked at are the essential elements of business of the day-to-day operations. So if the franchisor is controlling the rate of pay or hiring or firing or supervision of the day-to-day operations and those types of things, then a franchisor has exerted too much control and, therefore, would be a joint employer, but it seems that the interpretation here of what is too much control is any type of control.

We don’t think that’s necessary. It’s not in line with what current law is becoming, and it’s not in line with what one employer from the National Labor Relations Board -- or rather under the NLRB was for 30 or 40 years before 2015 under the Browning Ferris
decision, but that has been redacted and that new
proposed rule is coming out in a month or two, which
will bring it back to what a joint employer used to be.

So if we had to institute some sort of remedy
here, I would just say to look to some of the other
agencies and what -- you know, what the law is and what
it’s becoming to -- I would mirror image that law. The
interpretation here is very, very expansive. So I
think really the remedy here is can we decide if that
is an issue, too much control will get you rejected,
can we decide or work together to figure out what that
control might look like is kind of where we’re at.

MR. DRAGOMACA: And to add to that, I think
any other avenue of opportunity for veteran franchisees
is welcome. And then just speaking from personal
experience, one of the most eye-opening things for me,
having worked in this industry, is how incredibly
diverse it is in terms of the sectors of the economy
where a franchisee operates.

And I think most people think of quick-service
restaurants or hotels, but there are literally
hundreds, if not thousands, of businesses in the
service sector, so everything from parking lot painting
to building maintenance to cleaning, office services.
So there are a lot of business formats and a lot of
companies out there that do compete for those
Government contracts and certainly would be better
positioned to do so with the benefit of the
certification.

MR. PHIPPS: This is Mike Phipps again. So
inherently the issue from the small -- we’re going to
be doing this all day.

Inherently, the issue is not really a legal
issue, and I think the core of your argument rests in
more of the philosophical reasons that those laws
exist. And that is if I have an investor in my company
or if I am part of a franchise, I have an inherent
advantage over the other veteran-owned small businesses
that don’t have somebody to inject capital, that didn’t
have the power of a franchise to organize my business
for me. And ultimately that’s really the core of the
issue that you guys are dealing with. It’s perceived
as an unfair advantage in certain cases.

And so I’m not agreeing or disagreeing, right,
because I think the opportunities on both sides exist,
but your issue is not a legal issue. I think it’s more
of an emotional and kind of a fair issue, which is the
reason that -- the reasons those laws exist. And in
government contracting, if I have an investor that is a
10 percent or 20 percent owner, but I can get that
injection of capital and not have to deal with --
yesterday in the IATF, there was an issue with bonding,
right? So now certain veteran-owned businesses can
only get 6.5 percent.

But just say I’m a franchise with a
construction company and I can bond at 50 percent that
company doesn’t deserve the same small business
setasides that just say that small business has to
compete at a lower level. And so the reason I was
suggesting the tracks, it might just line out certain --
certain legal questions that could be answered to
maybe get some of those things in line where those
advantages and disadvantages occur, just to say at the
same -- on the same playing field.

MR. GUNNELS: If I may, this is Caleb Gunnels
again at the IFA. You know, if we -- if a connection
with a franchise would be the reason that they’re
rejected, I would still argue, even on an emotional and
philosophical argument here, if you have a small
business owner that is hiring a marketing or a PR firm
to do the exact same thing, which is what franchisees
do pay for, you know, then you would also reject those
small businesses who have hired a marketing or PR firm
to help them get, you know, more advantage or whatever
it may be, and the same thing would happen for somebody
in a distributorship type of agreement. You would
effectively -- you would have to throw those guys out
for some sort of business advantage that they
apparently paid for.

These franchisees, they are independently
operating in their local communities, they are
marketing, and they are expected to market and
advertise in their local communities. It is an
independent business operation, and if they do not make
profits, if they are failing as a business, the
franchisor doesn’t swing in and pick them up and just
hand them cash to keep them afloat. It doesn’t happen.
That is their business. So you sink or swim.

Thankfully, veterans have done very well in
franchising. And I would say that they outpace
nonveteran franchisees, which is why franchising is a
great business model for veterans, and 14 percent of
our population are veterans. You know, but to say that
they inherently have some advantage because they have
federal -- sorry, national marketing or something,
which they pay into, that’s the same playing field as
any small business in this country. If you get a
marketing or PR firm and you pay them to do that
marketing for you, it’s the same thing.

MS. O’BRIEN: I think I’d kind of just in
terms of discussion here, I don’t know that it’s the
exact same thing if I’m a McDonald’s franchise owner or
if I’m a small business -- a true small business owner
with five employees and I go out and hire a marketing
or a PR firm, I think that these are two very different
buckets. So what you’re saying is franchisors across
the board do not receive an influx of capital at
different times if they need it.

MR. GUNNELS: You’re saying franchisees or
franchisors? I’m sorry.

MS. O’BRIEN: Franchises.

MR. GUNNELS: Franchisees do not receive an
influx of capital. I don’t understand --

MR. DRAGOMACA: Yeah, but, in fact, it would
be the opposite. It’s the franchisee who pays a
franchise fee to purchase the franchise. So the entry
-- the cost to entry into that business might be --
even be higher. I think the franchise business model
comes with advantages and disadvantages, and I think
the fact that they pay annual royalties back to the
franchisor is one of the disadvantages. The fact they
have to pay for the business model is a disadvantage.
I think the biggest thing that they get, it’s not
additional capital; it’s really the strength of the
brand that they’re paying for, and it’s the roadmap --
MS. O’BRIEN: Social capital.

MR. DRAGOMACA: Yeah, yeah, yeah, absolutely.

MS. O’BRIEN: Thanks. Thank you.

MR. PHIPPS: So just one -- on that note, I think addressing the root of that is the perception, right? I can’t do a national marketing campaign like McDonald’s can, right, and get the same -- as a small business, I couldn’t afford to have that -- what I’m saying for you guys is if this is ever going to happen, because this has been going on since the inception of the law, addressing those issues and getting involved with the VA and with the SBA to address their issues, basically which is to make an even playing field among all small businesses, that’s going to be probably the strength and what you guys are going to need to accomplish.

And as the committee, we hear this every -- for us, it’s better to get more companies that are CVE without government -- government contracting makes up very, very -- I think it’s less than 10 percent, right, of small businesses. So for us, we would prefer to hit more veteran-owned businesses to see a commercial and a government track because the impact from a commercial track would be far greater than it would be just for maybe those handful of franchisees that want to do
government contracting.

And so one of the things that we struggle with on this committee is how do we make the biggest impact not involving government contracting to the majority of the people of veteran owners. And maybe not from your guys’ perspective, maybe not reject it, but maybe that’s just the first step, right, to -- just that, for us to get accomplished, we’re talking would be a long process, but, you know, that might just be a win that would affect a larger effect on the veteran business community.

MR. DRAGOMACA: May I pose a question to some of the members of this committee, particularly the SBA and the VA members? So I’ve been educating myself on this topic over the last year, and today’s actually the first time that I’m hearing the argument that the reason for rejection or the underlying reason for rejection is potentially an unfair advantage that the franchisee receives by virtue of the franchise relationship.

I had always thought that it was interpretation of the CFR -- I think it was CFR 30A, that basically the standard of control is the issue. Is that, indeed, the sense of the federal agencies that franchisees should be rejected on account of
potentially having an unfair advantage?

MS. O’BRIEN: I won’t speak on behalf of the SBA and the federal organization. This is our thought behind the curtain and just our discussion out there for you, but certainly we’ll defer to the SBA folks to answer that specifically, but certainly that’s our opinion.

MS. HARVEY: Good morning, everyone. I’m Ruby Harvey. I’m the executive director of VA’s Office of Small and Disadvantaged Business Utilization. As far as that particular restriction that you spoke about, that is not information that we’ve had, so certainly we have some policy representation in the room -- Cordell, I’d like to make sure if you’ve gotten that information to go ahead and speak on it -- but we have been presented with that same set of restrictions.

MR. DRAGOMACA: I’m sorry, are you referring to the argument that franchises may be too advantaged to --

MS. HARVEY: Correct.

MR. DRAGOMACA: -- yeah.

MS. HARVEY: Correct.

Tom, are you -- Tom McGrath, who is the director of our verification program, Tom, have you been presented with that information?
MR. STUBBLEFIELD: Tom, you’ve got to come to the table and use the mic.

MS. HARVEY: Yeah, Cordell, come on up as well.

MR. SMITH: To answer that question, no, we would go strictly -- from what I’m hearing here, coming in and have to prove the owner control. This is Tom McGrath. I’m the director of CVE.

MR. SMITH: And I’m Cordell Smith. I’m deputy director for acquisition policy. One of the other issues that came out in the discussion -- this was a very enlightening discussion, by the way, so thank you. One of the other issues I heard was the possibility of kind of a separate verification track for different purposes. We would have to take a very careful look at that within the confines of our appropriations authority.

Under the revolving fund that we operate from, VA does the verifications as a part of maintaining a system of supply for the VA. This would amount to an expansion of the role of verification beyond what is currently authorized for the appropriations, and we would have to take a look at that. That would be an open issue to examine.

MS. HARVEY: I will, however, offer for the
sake of the committee’s information that we are --
we’re willing to work with IFA on this topic. Wherever
there are economic opportunities for veteran-owned
small businesses, we want to know more about the
options available to us at VA to support that, so, you
know, without having any prior information about what
you’re hearing, I’m going to commit on behalf of VA and
our small business programs that we are quite willing
to do some followup with IFA and see if there are
additional opportunities that we can explore.

MR. DRAGOMACA: No, I think that that really
means a lot to us at the IFA Foundation and at the IFA,
and I think that’s the great strength of this committee
that it brings together folks who would not otherwise
be in the same room and puts them in a problem-solving
mindset. So thank you for that.

MS. HARVEY: You’re welcome.

MR. PHIPPS: This is Mike Phipps. So when you
guys meet, what this committee is able to do is make
recommendations for legislative change. And so from
that standpoint, if you guys do come up with some sort
of compromise to be able to articulate that in writing
to this committee, it can go right into our annual
report that goes through the whole legislative process,
it would be very helpful, and we would love to see
MR. DRAGOMACA: Is there a deadline for submissions of -- and what would be the appropriate way for us to assist the committee in that?

MS. O’BRIEN: Can I have it by end of October?

MR. DRAGOMACA: Yes, ma’am.

MS. O’BRIEN: Thanks.

MR. PHIPPS: We do a yearly report, so...

MS. O’BRIEN: Right, I want it by end of October so I can put it in the yearly report.

MS. HARVEY: And I just shared my information with them, so as soon as you’re ready to discuss it with you, we invite you to come over and visit with us.

MS. O’BRIEN: Thank you so much, Ms. Harvey.

MS. HARVEY: You’re welcome.

MR. O’FARRELL: This is Jim O’Farrell, a committee member on the phone. Am I able to ask some questions at this point?

MS. O’BRIEN: Go ahead.

MR. O’FARRELL: For the Veterans -- the CVE members, Tom in particular, could we -- do you have at your fingertips by any chance how many franchisees have submitted applications, say, in the past three to five years?

MR. MCGRATH: No, I don’t have that data
available now. Frankly, I don’t track that. I could
do a dive on it, deep dive, and see what we come up
with.

MR. O’FARRELL: Do you know if any of them
have been accepted?

MR. MCGRATH: Like I said, I don’t want to say
off the cuff, but I’d have to take a look at what’s
coming through. Very few, though. I’d be surprised if
-- very few based on the criteria that we’re using as a
franchise, but let me take a look at that for you.

MR. O’FARRELL: Sure. Beyond -- because there
were other topics mentioned, say, for rationale, if
you’re approving them or not approving them, the only
reason I’ve ever heard of for not approving has been
ownership and control, which isn’t really a control
issue. Are there any issues or reasons beyond control
that you see for not approving them?

MR. MCGRATH: Well, generally -- as I said
earlier, generally speaking, no. It’s control, in the
way I’m looking at it in the VAB that we put out, the
data sheet, it’s a control issue.

MR. O’FARRELL: Thank you.

MR. MCGRATH: Thank you.

MR. STUBBLEFIELD: Okay, I would just ask, I
guess for the VA, for our next quarterly meeting if we
can have that, that input.

MS. O’BRIEN: Sure, absolutely.

MR. DRAGOMACA: If I may add to that question, I actually had a chance to speak with Mr. Timothy Meade over the phone, and one thing that he relayed to me, and this is information that would not be trackable quantitatively but is anecdotal, is that a number of veterans in his system -- I believe he is with CertaPro Painters -- decided not to pursue the certification after reading the fact sheet because they basically said, oh, well, you know, I definitely don’t meet these criteria, so I won’t bother applying. He’s one of the few that did apply and then shared the rejection with them.

And I think -- I’m not sure who asked the question over the phone, but I hope by now you’re in possession of that rejection letter, so you’ll be able to read through that rationale there. Control is definitely the overwhelming theme, but I think there’s a number of other things that are sort of tangential to control but are also included. Thank you.

MS. O’BRIEN: Anybody else have questions on the phone?

(No response.)

MS. O’BRIEN: All right. Thank you so much
for your time, gentlemen.

All right, we’re going to move forward and welcome Ms. Ruby Harvey. She’s the executive director of the Office of Small and Disadvantaged Business Utilization. Thank you so much for joining us today.

MS. HARVEY: You’re very welcome. And if I may start by just acknowledging the presence of our veterans in the room today. I believe that most of you are, in fact, veterans. And so on behalf of VA, I would like to thank you for your service. I’d like to thank the committee for inviting us to be a part of today’s discussions. We believe that we have useful information to offer for your consideration. I want to thank SBA for being such an outstanding partner to VA.

For myself, a little bio information is included in the packet. As noted, I’m the executive director, and I’ve been in the position for just a little over -- approaching eight months, not quite eight months. I’ve been with VA for ten years, and I will tell you that coming from my prior role as the chancellor of VA’s acquisition academy for a number of years, knowledge is power in the small business community. I’ve found that to be the case, and we’ve given a lot of focus to ensuring that the small business community, particularly our veteran-owned
small businesses, are equipped with sufficient knowledge about our processes and the opportunities that that information can and will position them for success.

If I may just pause for just a moment to more fully again introduce my co-attendees. Cordell Smith, who is our policy director attending today. Thank you, Cordell for being here. And Tom McGrath, as he mentioned earlier, is responsible for our verification programs at VA.

For me, again, having served veterans in various capacities here at VA over the last ten years, I can tell you that we are fully committed to supporting economic opportunities for veterans. We’re certainly committed to the overall mission of VA to care for him who shall have borne the battle, his widow, and his orphan, and that’s the folk in this room, of course, and the many others that we support.

Today, I’d like to share with you some contextual information about our programs, and then I’m going to move directly into telling you our current statuses as it relates to verifying veteran-owned small businesses. So I’ll try to be respectful of the time, and if anyone on the phone feels that you’re at a disadvantage, please feel free to give me questions at
the end of my comments.

So I’ll go ahead and get started here. Who’s controlling the slides for me? Okay. Oh, thank you so much. I’ll give you a nod when I’m ready to move forward.

So from a context standpoint, I shared our mission with you. We serve under the leadership of Secretary Robert Wilkie, who is himself a veteran, and Secretary Wilkie has ensured that every employee at VA -- and we number 370,000 -- that every employee understands the criticality of customer service as we attend to our veteran needs. He is also very invested in the belief that veterans who desire to go into business for themselves, that they have every opportunity to do so at VA.

I’d like to point out that for the first time in nine years -- I’m looking at Slide 3 for folk on the phone -- for the first time in nine years, VA has raised its goaling number for veteran-owned small businesses in the case of SDVOSBs -- service-disabled veteran-owned small businesses. We’ve gone from 10 to 15 percent. That’s quite an increase. And in the case of veteran-owned small businesses on the whole, that number has moved from 12 percent to 17 percent.

So, you know, if you do the math, you’ll see
that as a tremendous increase in our goal numbers. We ran the numbers for as recently as just a few days ago, and we’re already well on our way to meeting and hopefully exceeding -- exceeding those goals. Last year alone in 2018, we did 30.6 percent small business contracting at VA, and of that number, for SDVOSBs and VOSBs, we achieved 22.4 percent for SDVOSBs and 23 percent -- 23.4 percent for veteran-owned small businesses. So, again, we’re very committed.

I work extremely closely with the senior procurement executive at VA and the chief acquisition officer for VA to ensure that we’re monitoring the numbers, we’re gauging whether or not we’re on the right trajectory to meet our goal numbers. And while the numbers absolutely are numerically our goals, our real goal is positioning veteran-owned small businesses for success. So for me, to say that we seek to ensure that veteran-owned small businesses are procurement-ready, what we’re really saying is that we want them to be well positioned for success to maximize opportunities. Next slide, please.

We talked a little bit about the vision, so I’m going to keep moving here to Slide 5. We have multiple groups of stakeholders in the OSDBU organization that we try to work directly with:
veteran-owned small businesses. There are other small
business groups that we work with, socioeconomic
groups, to include HUBZones, woman-owned small
businesses, and the other of the seven socioeconomic
groups, but, you know, certainly given that we are VA,
we are extremely focused -- laser-focused, I would add
-- on what makes sense for veteran-owned small
businesses.

And we also work with the veteran service
organizations. Whenever I’m invited, I try to make a
personal appearance to the veteran service organization
so that they can directly question me about our intent,
about our efforts, where we’re progressing, where we
perhaps need their help to message into the small
business community. We want small businesses to have
realistic expectations of what it entails to work with
the Government. And so we want to ensure that they
avail themselves to the educational opportunities that
we offer through the small business programs.

I serve on a government-wide council of 24
small business organizations headed up by SBA, and
through that, we try to ensure that the support for
veterans, that that reach goes beyond VA. All federal
agencies have a veteran-owned small business goal, an
SDVOSB goal.
And, you know, where there are opportunities for us to share some of our best practices so that we can all meet that number, we do that. We take advantage of our membership on that council and we reach across and say this is what we’re doing, would you like to join us. I often -- or my team members will join the other at OSDBU organizations, at their events, so that we can again cross-communicate VA’s commitment and some of the opportunities that are available. Next slide, please. I’m at Slide 6.

I noted that I’ve been with OSDBU since January, and although I’ve been formally attached to the OSDBU office since January, I’ve been extremely committed to small business programs during my entire career with VA in one fashion or the other. Prior to being the chancellor, I served as the associate deputy assistant secretary for acquisition program support. That’s a long way of saying I managed the money that funded the OSDBU programs and other lines of business at the Department. And so in that role, I had a firsthand opportunity to understand what are the financial resources needed to ensure that the small business programs are well funded, well positioned to do the type of outreach that we need to do to make sure that veterans have the full opportunity to work with
So for me personally, I wanted to focus my efforts very quickly in four areas. I wanted to reflect the Secretary’s commitment as it relates to customer service. That was number one. The second has to do with outreach. Again, if our veteran-owned small businesses don’t understand what opportunities exist, it’s going to be difficult for them to fully participate. So we’ve ramped up our educational training for them. We do it both virtually; we visit their parts of the country. In certain instances, we will have events here in Washington, and we open those up both virtually and for in-person participation. If we don’t ensure that veteran-owned small businesses have the opportunity to have some direct access to procurement decision-makers, unfortunately, they won’t succeed as well as they otherwise would if we -- you know, if we didn’t make that available. So we’re doing all that we can to ensure that outreach takes many forms: in-person; virtually; we put information in a webinar format; we speak to groups such as this to help you understand what we’re doing. We would be delighted to have you carry our message forward as well, but we can certainly do it on our own.

We also knew that there was a critical need to
focus on verification. I’ll be honest. Coming in, you know, with an outsider’s perspective, number one, I want to acknowledge the great work of the OSDBU organization that I found when I arrived. What a committed group of folk. Lean but mean. And so what we did, working under Tom’s great leadership here, we took a hard look at our processes. We took a hard look at our metrics as it relates to processing time from the point that you hit “submit” to the time that you learn that you did or you did not receive approval for verification.

We took a hard look at that because, quite frankly, even before I walked through the door in January, I started getting emails to say the verification process needs your attention. It needs your attention, and from that standpoint, I knew that we had work to do that would focus our efforts very quickly on the needs of the verification process. If Tom needed resources, we had that discussion. If we needed to simply lean our processes, again I come from an education background, an IT background, it suggested to me that there were opportunities to revisit our processes, so we did that.

And then, finally, from an engagement standpoint, internal to VA, and internal to OSDBU, I
saw some need to ensure that we were engaging across VA, that I could reach out to the senior procurement executive or the heads of contracting to say this is what I think we’re missing out on; here’s where I’d like to engage with your organization. Veteran experience office at VA, in my view, yes, veterans want to have job opportunities, but they also want to own small businesses. And so we’re doing a lot of internal engagement as well.

Some of our core capabilities in OSDBU, as noted on Slide 7 there, we do verification, as I noted. The direct access, we have a great center in my office that invites small businesses in and some of the VSOs to get us together to talk about what we can do differently. We also provide an oversight role. That’s the procurement review process, wherein if a contracting representative wants to give business to other than a small business, we want to know why. There is the rule of two, and so in those instances, we provide a oversight role and responsibility.

We also do onsite visits for veteran companies claiming to be veteran-owned small businesses. We want to make sure that the owner is engaged, that the company is indeed veteran-owned and that they are operating in a manner that’s going to well serve their
fellow veterans. So we do onsite reviews.

Tom, in a minute, I might get you to say more about that.

MR. MCGRATH: Sure.

MS. HARVEY: But we try to do full, holistic program support for any veteran requirements that we are aware. And, again, we do outreach efforts in combination with SBA. Larry, thank you for inviting us along, and we will be there whenever you give us the opportunity to be a part of what SBA is doing.

If I could now just talk a little bit about the verification program enhancements, I think that’s why we’re here today, to hear how’s it going, what improvements have we made, what support can we turn and ask you to consider on our behalf. But I’ll tell you that, again, I can’t give Tom McGrath and his team enough credit for just being willing to hear my and my deputy’s vision for processing verifications at VA. We -- I’m actually going to go to page 9 first, and then we’re going to come back to Slide 8. How about that?

Yes.

Because this is a visual that I think matters. On the left, you see how we stood in January 2019, eight months ago. To the right represents our processing levels today. And so I want to just explain
what you’re seeing here. So from end to end, our
average processing time was about 63 days. Now,
statutorily, we’re required to do 90 days. So VA was
doing their work already.

But there were those outliers that
occasionally would exceed 120 days, but on average, we
were hitting about 63 days. But we felt that we could
do better because in this era of advanced technology,
advanced expectations, we’re in a 24/7 cycle of
expectation, we wanted to understand what our
opportunity areas were. And we identified those.

So what we’re seeing right now on average is
26 days. Here -- the end of August. That was our
number, 26 days on average, as opposed to 63 eight
months ago. I think that’s a good news story for the
veteran small business community because that means
that -- and we understand that behind every application
that comes in, and I’ll speak to those metrics in a
moment, but there is a business owner waiting, you
know, with bated breath lots of times, to find out will
I be approved so that I can take advantage of the
opportunities available to veteran-owned small
businesses like myself.

So we have two stages. We have some
contractor support that helps us out. We have a fair
amount of volume coming through, and then we have the federal role. In each instance, we’ve identified areas of improvement, and the team is working very hard to keep those numbers going in the right direction, which is a lower direction.

Let’s go back to Slide 8, please. I wanted to give you that visual because I think it will help you understand Slide 8 a little bit better. Currently, we have over 13,000 verified companies in our database. And of that number the majority are SDVOSBs. VOSBs broken out also there, but as you know, the total is 13,000.

And so in order for us to move those numbers down in the previous slide, what we did to get there is we did as much as we could through automation. We integrated with the other federal systems, SAM, you may have heard of that; worked closely with other providers to understand our numbers, to understand areas of efficiency; and where we could take advantage of automation, we did that.

We also, and I’m really proud of this, we streamlined the federal review process. We decided to just take a more triaged approach to look at what are we doing that’s redundant through the many steps of the process. What are we asking for? In some instances,
we were asking for the same documentation multiple
times in the process. We didn’t think that made sense.

So we are discontinuing that type of
inefficient process without seeing the quality of the
outcome suffer. So that was really important that we
have some balance in what we were changing about the
process and how it would impact the veteran-owned small
business. We are -- you saw the numbers for yourself.
Where we needed to add to our contractor support or
ensure that we were properly resourced, we’ve done
that, but we’re also doing it in a way that allows us
to work a lot smarter. And so what we’re finding is
that we’re actually saving money. So we’re reducing
our numbers but we’re saving the taxpayer dollar. So
we’re very pleased about that.

And then as far as the intake process is
concerned, you may have heard it discussed at VA that
we have what we call the white glove treatment for our
veteran-owned small businesses. Good morning, Joe.

MR. WYNN: Good morning.

MS. HARVEY: And what that means is we believe
that veterans are deserving of some added support from
VA. And so instead of them being left to just a
computer-engaged process, we have individuals who are
reaching out to those folk throughout the process to
say, you know, I noticed that you may have stopped
processing, are there questions that we can answer. We
will welcome them to the process in one manner or the
other, and then we also ensure that we have a very
robust customer service process wrapped around every
step of the verification process. And we’ve gotten
extremely good feedback about our methods at VA.

What we want to do in working with SBA, should
we see the point arrive that this work moves over to
SBA, number one, we’re not going to wait until that
decision is made. There is pending legislation right
now which has not gone through the full review and
voting process, but there is legislation proposed right
now that would see the verification process currently
performed by VA moved over to SBA. As of July, it had
gone out for a voice vote, I think, or some -- oh,
comments, I’m sorry, for comments. So we don’t know
the final outcome.

That is going to be left up to Congress to
decide that, but what we are very committed to at VA
is, number one, we won’t stop our efforts to improve
the process awaiting that decision. We are working
hard to refine our processes to ensure that if we hand
off to SBA, we’re going to hand off in a way that says
they can keep the momentum going. We will not hand off
a backlog. We do not have a backlog at this point. We are in a very good place with our processing. But if it’s decided that that work is left with VA, I assure you that our efforts will remain very focused on continuing to refine our processes and improve the veteran experience as they go through verification.

Let’s move forward to Slide 10, please. So we are working very closely with various stakeholder working groups, but we’re hearing directly from VOSB. SBA has invited us to be a part of the planning workgroup for the possibility of us moving the work over to SBA. And so Beth -- did Beth --

MS. TORRES: I’m here.

MS. HARVEY: Hey, Beth.

MS. TORRES: I’m right behind you.

MS. HARVEY: Beth Torres is our representative from VA, also a veteran, who’s working closely with SBA to ensure that if we do a handoff that that handoff goes very smoothly. Some other work that we’re doing in the outreach area has to do with large and -- large businesses who might have subcontracting opportunities. We’re going to add IFA to this list going forward because we’d like to work with you all as well.

You know, I was thinking about the question about many barriers to veterans, maybe going the
franchise route, and I think there probably are some
questions about fees. A lot of veteran-owned small
businesses, they bootstrap their way to that first
business opportunity, and sometimes, you know, maybe
the fees are prohibitive to them, but I’d like to have
discussions with you about what you’re seeing, and
we’ll share what we’re hearing. How about that?

MS. O’BRIEN: Fantastic.

MS. HARVEY: Okay, great. All right. And so
getting back to what’s going on with the large
businesses, we’re letting them know that VA has
partnered with you in some pretty significant ways when
it comes to dollars and cents. And if I could use as
an example the EHRM -- Electronic Health Record
Management System -- well, we were hearing from
veteran-owned small businesses that they wanted to have
some input into what opportunities perhaps could be
allowed small businesses.

And so we worked closely with the program
management office for that effort, and we established
-- well, we set up an event where small businesses --
we had about 800 companies -- join in for discussions
about what opportunities for that major VA initiative
could be considered for small businesses. And so from
that standpoint, again, we are very plugged in to some
of the major initiatives work that’s going on at VA. And if there is any opportunity for small businesses to participate or to be considered for participation,
we’re bringing the right stakeholders together at VA to say we’d at least like for you to hear them out. And so that’s going extremely well.

We’re also listening to -- we have ongoing listening efforts in place or programs in place to hear what are the pain points. We have a customer service group, but we actually invite businesses in on a regular basis, quarterly now, to tell us what is problematic about what we’re doing. Are we doing okay? Is there more that we can do?

Joe -- Joe Wynn -- I’m going to call you out, if you don’t mind.

MR. WYNN:  No, not at all.

MS. HARVEY:  Because we had your group in not long ago and, you know, you got to hear directly from me and my staff, and we got to hear from you. We do that with other groups as well. So we’re very happy to be directly eyeball to eyeball in front of our customers, in front of stakeholders, to hear what’s on your mind.

One other area that I’ll highlight here, and then I’m going to open it up to questions here, we’re
focused on women veteran-owned small businesses. There is no socioeconomic group for women veteran-owned small businesses. It’s women-owned small businesses. VA hasn’t met our number in quite a number of years for women-owned small businesses. And what we realize is that there are so many women veteran-owned small businesses, so we’re targeting that group.

I stood up that initiative. It’s led by an Air Force -- retired Air Force colonel, a female, and we’re just getting wonderful feedback about that particular initiative because it will move us closer to meeting our overall women-owned small business goal number, but more specifically it allows us to work more closely with women veteran-owned small businesses.

Just for your awareness, I talked about those outreach efforts. Slides 12 and a couple of the slides after that speak to what we’re doing and when we’re doing it to invite our small businesses to understand opportunities. I won’t specify all of them, but they are noted there.

And early on, I talked about the H.R. 16-15, specifically the proposed bill that Congress is looking at right now. We will keep on top of that, working with SBA. Within VA again, Beth is my representative on that effort, and we have ongoing discussions about
what would that look like in the future, what does VA
want to see in place for our veterans going forward.
So I’d be delighted to provide ongoing updates, Larry,
if I may, from a VA standpoint back to the committee.

Some other access events are noted here. If
we could go to Slide 16, please, I’d like to just
highlight that we are very committed to bringing
veterans together to have opportunities to engage with
each other and VA procurement decision-makers. So our
very largest event is going to be later this year in
Nashville, Tennessee, so the details are provided there
on Slide 16.

In addition, we’ve just given you some useful
links to know what we’re doing. We’re doing a lot, and
we’d be here all day if I tried to cover everything in
greater detail than I’ve already spoken about, but I’d
just like to say to the committee that I personally
thank you for your work. I know so much is decided
just based on the feedback that we get from venues such
as this, but I know I speak for the entire OSDBU team
at VA and the acquisition professionals there when I
say that we are very serious about the opportunities
that we want to see made available to veteran-owned
small businesses, and I thank you for your attention
this morning and for having us in. Thank you.
MS. O’BRIEN: Okay, I was just going to say, Ruby, before we open up for questions, again, thank you very much for you and your team being here and for your great partnership. I want you to know, and I think I speak for the committee, you have a standing invite --

MS. HARVEY: Thank you.

MR. STUBBLEFIELD: -- to our quarterly meeting because the committee is always asking for VA involvement. So going forward, we’ll always give you that invite.

MS. HARVEY: Thank you.

MR. STUBBLEFIELD: All right, so any questions?

MS. O’BRIEN: Yes, of course. One question in particular. How many start -- how many veterans start the CVE process for certification and don’t complete it?

MS. HARVEY: Tom, what’s our abandon rate?

MR. MCGRATH: Well, generally speaking, it’s about 70 -- 65 percent. So this -- last year, I got 13,000 applications that came in. And we approved about 4,900. This year, I’m on track for 14,000. Did I say 1,300? I meant 13,000.

MS. O’BRIEN: You said 13K.

MR. MCGRATH: Yeah, and 14,000 this year. And
right now, I’m at about 5,200, so you can see the delta
there. Some of those are repeats. They’ll come back
in, but we like to think at the start of the phases,
the initiation, that we’re able to identify those who
aren’t going to make it through, or they identify
themselves if they don’t want to go through the process
or something like that.

Now, of the -- we have created a submit column
also that veterans will come in, look around, see if
they’re interested. About 40 percent of those drop
out. So it’s 60 percent of those go through, and then
a smaller number get verified. So we think we have a
pretty thorough, rigorous process to identify who is
who they say they are based on the regulation.

MS. O’BRIEN: Right. I’m always curious
because we see a lot across the board of folks that
start applications in general and walk away. And I was
interested if you had metrics.

Has the white glove part always existed? Is
that a new initiative for folks going through this?

MR. MCGRATH: I think we’ve been very veteran-
friendly to help them through. We’d like to get them
verified, as long as they meet the -- you know, the
requirements of being a veteran and ownership and
control. About a year and a half ago, we instituted
some calls that were being made initially to veterans. We’ll see if we continue those. We do send out emails on a regular basis to the veterans. For instance, when you come up for reverification, we’ll send you emails at 150, 120, 90, and 60 days to let you know that you need to get started and moving through the process.

When you go through the process, you will talk to no more than three people is the goal. You may -- it may vary depending on the complexity of the case, but when you come in, you talk to your intake analyst, and then you’ll talk to the person that’s doing an assessment, and a federal reviewer. So that way we know who you are. We don’t have to kind of do a lot of digging and guessing and things like that because our case analyst will handle about 15 cases at a time so they can stay on top of it and know who you are and the requirements then. So I think we treat the veterans very well.

I have a veteran support team of two feds and about four contractors. We’re on the phone all day -- all day with vets, answering questions, and we’ll tell it like it is. We don’t sugarcoat anything, so if we need this document, we need that; we need this clarification. We also have webinars that we do a couple times a month of how to get verified, how to
stay verified and reverify, and we do training. And so we work with the PTACs also, so I think we’re pretty -- pretty wide scope when it comes to helping veterans.

And we get pretty good feedback from the ones that make it. The ones that drop out, they definitely aren’t as happy as the ones that make it through, but we think we’re getting the right people through. Does that help?

MS. O’BRIEN: It does. It does. And my questions weren’t necessarily aimed at success or failure on your part. I’m always curious as to why a veteran or a military spouse or whoever that we’re interacting with doesn’t necessarily see a process through to completion and not necessarily because of your efforts.

Anybody else have questions?

MS. PEREZ-WILHITE: Do you track on your end the reasons why they’re not finishing the application?

MR. MCGRATH: We send out surveys, and some say we weren’t verified -- I mean, we weren’t qualified, we don’t meet the qualifications. Others just kind of drift off. It’s difficult with surveys to get answers from people that don’t complete. We’ve all been through that. You get a survey, but the ones that come through, we get a pretty good response rate. So I
don’t have anything that I’d say right now is good data on why they’re dropping out. We are coming up with a new contract with surveys, and we’ll be asking those questions and see if we get some good answers on what it is and see if we can help get that through.

Hopefully, most who were dropping out don’t meet the qualifications and they realize it along the way, but we do have some others in there that you shouldn’t be getting in if you’re not a veteran because we go directly to the VVA’s database in our Pearl system, and it will pull your name right up and tell us everything about you, if you’re a service-disabled veteran or a veteran, the disability number, when you served and that sort of stuff so we know who you are. And then we start doing the digging into the control and the ownership. And that -- they may not have that or choose not to go through it.

MS. HARVEY: And if I could also just add that we understand that there is a frustration level out there. Some of it, you know, as Tom described, some of the reasons, sometimes, you know, even 23 days is felt to be too long. And so where we -- you know, versus the 63 days that we had. So we’re -- as I noted before, we’re looking at those opportunities to streamline the process without sacrificing adherence to
policy and so forth. So we’re committed to continue doing that.

We are going to expand our review of those abandonment rates just to try to understand is there more that we can do from a training standpoint, but we get it. We know that there is a frustration level out there, and hopefully we can overcome that in the days to come.

MR. SHARPE: You mentioned earlier about your outreach efforts. Are you part of the new -- is your program part of the new TAP program?

MS. HARVEY: The new TAC program?

MR. SHARPE: TAC.

MS. HARVEY: You know, I’m glad you posed that question. I have been in discussions with VBA about ways that we can early on be a part of the transition process. We do hear from veterans that we didn’t know, you know, when we were being discharged, we had no idea that these opportunities existed. So VBA has expressed willingness to work with us to see if we can be a part of that process early on.

MR. PHIPPS: Hi, Ruby. Mike Phipps.

MS. HARVEY: Good morning, Mike.

MR. PHIPPS: Thank you guys very much for being here.
MS. HARVEY: You’re welcome.

MR. PHIPPS: I think somebody’s mic is on.

And, Tom, you guys being here and being part of the verification process has been -- is huge for us. I want to give you a little bit of background about -- and, Tom, you might be able to shed some light on this. We’ve had contradictory information from the VA about the verification process. So my comments are going to be focused on more of the process and what’s been reported to us.

And so from our standpoint, we’ve gone through a couple of phases of getting information and then finding out that we know more about the underlying numbers from other veterans that have gone through the process and dealing with Tom Leney and getting some of that information back and forth. So initially, we were told that people don’t get kicked out of the queue and rebooted for a certain number of reasons. And that was told to us -- and we took that at face value, I would say, and if Jim is on the phone, he’ll -- he has even more information about this. That -- for a couple of years, that was taken at face value.

And I would say over the last year, maybe year and a half now, we’ve had multiple companies that are coming through our channels through this committee
channel, we have companies that help other companies do verification that have contradicted those things about getting kicked out of the queue for certain numbers, which would then artificially deflate the 63 days or the 26 days.

So what has happened is we’ve had -- and then we’ve had a couple of people -- some veterans calling in, and we understand what you guys have to deal with, with the levels of frustration. So something this community was really asking for, I would say back before Tom had left, was can we get information about why people are -- statistical information, we don’t need any PII, about why people are getting kicked out of the queue.

We’ve had veterans calling in specifically contradicting what Tom was saying, you don’t get kicked out of the queue for X, Y, and Z, and they were calling in and saying that’s exactly why we got kicked out of the queue, which would have artificially deflated this life cycle of getting verified.

I think another thing that we’ve heard from the committee is that the counselors that are calling the veteran-owned businesses aren’t well versed in business, and so they’ve had some frustrations about getting their counselor to understand what their issue
or understanding business in general. Those are just
some -- I would say those are from what I’m recalling
right now two of the big points on our list.

Having you guys here and, Ruby, you taking
over and doing a review just in that short amount of
time, for us, is a huge improvement. And we’ve had the
VA say to us, well, we’re not always invited to this
committee. That was kind of -- that was kind of
Larry’s comments -- you’ll never be rejected by this
committee. We love having you guys here, even if
there’s contention or people calling on the phone.

You’ll get more of that, but I think
ultimately that improves and helps your job, but those
are just some of the background that we’ve seen. And
so thank you very much for coming in here, and
hopefully that gives a little bit of context from the
committee’s perspective on some of those charts that
you guys were having up.

MS. HARVEY: Thank you, Mike. And, again,
we would be delighted, and I’ll come personally,
whenever -- you know, whenever my schedule aligns with
this meeting. If you want me here, if you want my
deputy here -- I think she was here yesterday, right,
you heard from Sharon Ridley yesterday. So we will be
here. And I’ll make sure that the questions don’t
necessarily need to always leave the building for a response. I’ll bring the experts with me. So thank you for allowing me to have some added expertise here today. I think it saves us time in getting to the answers.

MR. MCGRATH: If I may, on some of those -- on some of those points, we’ve changed the system somewhat with the new information management system. For instance, if you’re dormant in the system, you do nothing for 30 days, it’s an automatic drop. And you can come back in, no harm, no foul. If you’re not providing documents in a timely basis, because we have to keep things moving, we can extend you almost as much as you want, but we’d rather not do that because we have other cases to do, then you could be withdrawn.

I’ve only had 63 denials this year. People have gone all the way through and fought the battle. That’s down from 111 last year. I removed only 300 companies this year through cancellations or other things, so those are pretty good numbers in that respect of people who were in or try to get through.

The other numbers are the dropping. If -- you know, if there’s issues, we’ve got the -- I got a great call center, a very knowledgeable call center, and they can call directly to me or other representatives and
we’ll try to work with them as much as we can, but the law is pretty clear on ownership and control. Of course, there’s a veteran without a dishonorable discharge. We did have issues recently about reservists and Guard, and the rule has been clarified that you had to serve some time on active duty, at least one day, other than training. So that is changed somewhat as coming through. But, please, give us a call anytime you want, and I’ll give -- my number is (202) 461-0441. I’ll give you my card here. Let us know what you need or issues that are coming up.

MR. PHIPPS: I can give that to the people who call us.

MR. MCGRATH: Absolutely. Absolutely.

MS. HARVEY: Yeah, absolutely.

MR. PHIPPS: Knowing those little anecdotes, like you get dormant for 30 days, you get dropped allows us even to -- when we get bombarded, right, because we’re kind of like at the top of the pyramid, so just to ask those questions and give some of those anecdotal things back to them and --

MR. MCGRATH: And I’ve got a great support team that does outreach for the -- as a matter of fact, I got a retired first sergeant recruiter, so he knows -- he knows how to talk to people. He’s very
straight and direct. I’ve got -- anybody else. My
deputy, I talk to veterans all the time, so we’ll be
more than happy to engage with anybody anytime about
their application. And we’ll tell you the truth.
We’ll say this is what we’re seeing. And if we’re
wrong, we’ll make -- I usually err on the side of the
veteran. Hey, give this guy another chance. He missed
it by this time or that time, okay, fine.
Even if it’s headed off to OHA, which OHA now
in SBA makes the decisions, we’ll say, hey, why don’t
you pull it back, we can make this correction because
it’s something simple. So we like to get veterans
through the system if they meet the qualifications.
Does that help?

MS. O’BRIEN: Tom, do you think when you go
back you can share with us of the 63 denials how many
were potentially applying through franchises?

MR. MCGRATH: I’ll try to take a look at that
and see what I can pull it up.

MS. O’BRIEN: That would be easy --

MR. MCGRATH: Yeah.

MS. O’BRIEN: Thank you.

MR. WYNN: We just had a couple -- a couple of
good questions. Good morning again. My name is Joe
Wynn --
MS. HARVEY:  Good morning.

MR. WYNN:  -- with the Veterans
Entrepreneurship Task Force.

MS. O’BRIEN:  Joe, can we wait for you for the
time allotted for public comments?

MR. WYNN:  I had a question for the
presenters. Is that okay? Or you want me to wait
until --

MS. O’BRIEN:  You can go.

MR. STUBBLEFIELD:  Go ahead, Joe.

MR. WYNN:  All right, thanks. My question
was, first of all, I was on the phone at 9:00 waiting
to connect, but actually when I heard that some of the
presenters who were here today, you know, I continued
my travel to get down here. So one question, though,
when I was transitioning from the garage to get in here
and lost the connection, the question came up about
franchises. I don’t know if you answered it, whether
or not they could be or was it being looked into that
they could be verified as service-disabled veteran-
owned businesses. Was that answered, or is that in
deliberation?

MR. PHIPPS:  They’re going to be talking to
the VA about how to do that.

MR. WYNN:  Okay. All right. Another quick
question. First of all, the time it takes for verification has improved tremendously over the years. I mean, it was taking almost six months at one point. To hear now 26 days, that’s phenomenal. The number of businesses that have already been verified, it still looks like, though, it’s a very low percentage of those businesses that are getting contracts. It seems like the last we looked it was like 2 percent of the number of verified owned firms were actually getting contracts. Any thoughts on why that might be the case?

MS. HARVEY: Joe, we are seeing some evidence of repeat business opportunities for certain veteran-owned small businesses, so I’m going to acknowledge that that is an area of focus for us to spread the wealth, if you will --

MR. WYNN: Mm-hmm.

MS. HARVEY: -- to ensure that more of the 13,000 companies that are verified have opportunities. Some of it -- you know, you’ve heard us talk about positioning veteran-owned small businesses to understand how to navigate the federal procurement system processes. So we’re doing more to educate there. The number is not where we want it to be. It’s higher than 2 percent. I believe that number is closer to 7 percent.
Beth just gave me more information. I think we need to look at exactly what -- if we’re comparing apples to apples and not apples to oranges. Two percent -- 2 percent is not the number that we’re working with. Beth has seen it as high as a third, but I know it to be something closer to, you know, less than 10 percent. But we want to understand the reason that more of the small businesses are not seeking out those opportunities that they are actually qualified to perform for the Department.

As it stands right now, much of that work is going to IT companies, but as I noted, we have a number of new initiatives at the Department to include those that require program management support, work that’s customer-service-related, and we want to ensure that those opportunities are also looked at for small business participation.

MR. WYNN: Thank you, because, you know, the whole effort behind getting verified, of course, you know, the companies want to get business with the VA.

One last question. Has anything changed with regard to the requirement for service-disabled vets or veterans that want to get verified but they’re new to business. Is it any length of time that they have to be in business before they can be verified?
MR. MCGRATH: No.

MR. WYNN: Okay. All right, thank you.

MS. O’BRIEN: All right.

MS. HARVEY: I will say, though, Joe, if I may, and I know we’re concluding, that brand new
business will be looked at for past performance
history, you know, and as contracts are being
considered for them. So we want to always make sure
that they have the ability to evidence past
performance, past business performance.

MR. WYNN: And, see, that’s -- that’s one of
the issues because verification, does that mean you’re
trying to apply for a contract, or you’re just trying
to get verified? See, that’s been the issue.

MS. HARVEY: Just getting verified.

MR. WYNN: If they have to have past
performance, then how do they even have it if they’re a
new business? Now, they may not get a contract.

MS. HARVEY: Right.

MR. WYNN: I mean, we’re talking about just
verification. Can they get verified?

MS. HARVEY: Oh, they can get verified. They
don’t have to have that past performance to get
verified. The credentials for that -- Tom, why don’t
you describe --
MR. MCGRATH: They really have to be organized as a business. They have to have been set up. They have the licenses and all -- whatever type of business they are. They come in like that, and that’s what we’ll -- what we view them on as the structure and their ownership and control.

MR. WYNN: Yeah, we just -- we just got so much going on with this community and other organizations with Boots to Business, which I’m sure you’re familiar with. So we’re encouraging more veterans to start their own business, and, of course, they want to get verified. They don’t want to hear that we can’t because we just started. So...

MR. MCGRATH: No, they can. They can and will. We do it all the time.

MR. WYNN: Okay.

MS. O’BRIEN: All right, thank you so much. In the interest of time, Ms. Harvey, Tom, Cordell, thank you so much for joining us.

MR. PHIIPPS: Can I just -- I’ll let Ruby take it off the record. I will take it afterwards but --

MS. O’BRIEN: I’m sorry, is someone on the phone?

MR. O’FARRELL: Yeah, this is Jim O’Farrell. I’m a committee member and I just wanted to see if I
could get a couple of questions in before you end. I was waiting for all the questions in the room.


MR. O’FARRELL: I’m realizing how difficult it is to not be in the room, I’ll try never to do this again, so I apologize for being on the phone. I wanted to see if we could get -- I just wanted to go on the record with a request for the next meeting. Earlier, Larry followed up with a question I had asked about the franchising data and asking them to bring that back for the next meeting, so I kind of wanted to do the same thing here if you all would just bear with me so that it goes into the record and we ask for this.

And, Liz and Mike Phipps, I can send this to you and Larry so that it can be transmitted to the folks from the VA.

Let me just start by saying I am incredibly thankful for having the member and representatives from the VA today at our meeting. As a past chairman of the ACVBA, you know, we have struggled at times over the past several years with getting information from the VA regarding the CVE verification program. So here’s my request. Could we, at the next meeting, and I understand that you may say we don’t have that data, we don’t have that data for some of these, but let me just
throw out a couple of items that I’d like to see addressed.

You mentioned that 13,000 businesses were verified last year, and 4,900 -- I’m sorry, 13,000 were submitted and 4,900 completed. What is the number of verified companies since CVE’s inception on an annual basis so that we can see what the trend is looking like. Are we holding flat at 13,000, because I think that’s approximately the number we’ve seen the last couple of years, which to me points to the need for, you know, even more improvement to the reach and the outreach and the verification process.

You mentioned that -- for the next -- let’s see, can you bring metrics on the number of applications per year, the number that were completed per year, the number that were abandoned per year, and the number that were abandoned since the inception, and then the number that’s been rejected each year, because there is definitely a difference between abandoned and rejected.

And can you also give some of the major reasons for the rejections so that we on the committee can figure out ways to help our veterans, our fellow veteran business owners get through the process? As you’re doing that, we’d like to help you with that as
well with our annual report and other outreach activities.

Do you have statistics or metrics on your mention of the site visits that you do on an annual basis to verify veteran businesses? For example, if you provide us with the number of businesses who have been terminated annually from CVE based on a site visit. So, for example, if you’re doing 500 site visits a year, have you terminated 50 companies because you didn’t like what you saw when you showed up to do the site visit.

And at the next meeting, can you describe -- you know, provide the process for the site visit? How are companies being selected? It’s been -- it’s an understanding from previous years from Tom Leney that if you won the VA Vector IDIQ you were instantly put in for a site visit. Based on those site visits, how many companies are being rejected?

Another question that I hear from veteran business owners, they are concerned that SDVOSB companies are doing the verification or are involved in the verification process. Could you explain at the next meeting what SDVOSB companies are contracted to do this work? If you don’t want to name them, you don’t have to, but we’d like to know what information is
being shared with them that might be proprietary and confidential, for example, tax returns of the owners, et cetera.

And those are my questions. Thank you very much.

MS. HARVEY: I don’t see a problem responding to any -- to all of those questions. So we’re going to do our best. With respect to the past years for the stats that you’re asking for, I’m not going to commit to a number of years right now. I need to find out how much we can access through our records, but I’m pretty certain that you will get at least two or three years if that’s sufficient, and we will start there. Okay.

MR. O’FARRELL: Thanks, Ruby. I appreciate that.

MS. HARVEY: You’re welcome.

MR. PHIPPS: Mike Phipps. I just want to get two things on the record, and, Ruby, you can respond to Liz directly. These are -- one is the issue going on with AbilityOne and SDVOSBs and AbilityOne potentially getting priority over SDVOSBs. I know the American Legion is preparing a memo that’s going to go to Congress on this, so we would just like to get -- because I don’t think we have official standpoint from the VA on that, so that was one of the requests.
And then there was another concern about the Defense Medical Logistics standard support contract and the medical/surgical prime vendor contract getting delayed and the possible effects that’s going to have on a number of veteran-owned businesses and how those delays are going to have effect and what’s the consequences of the delay of that contract. And so those are two questions that we’re tracking and would like answers for.

MS. HARVEY: Okay.

MS. O’BRIEN: Mike, if you can send those over, and we’ll put everything together and send over, it would be helpful. Thank you.

All right, Ms. Harvey, Cordell, Tom, thank you so much for your time. I really appreciate it and that you spent extra time with us. And this is refreshing.

MS. HARVEY: Our pleasure.

MS. O’BRIEN: Appreciate it and look forward to seeing you at the next meeting. Thank you.

MS. HARVEY: Thank you.

MS. O’BRIEN: So in the interest of time, are you guys okay with pressing on since we have Chris here --

UNIDENTIFIED MALE: We need a break. We want to talk and exchange cards and everything. We want a
break.

MS. O’BRIEN: You want a break.

UNIDENTIFIED MALE: Yeah.

MS. O’BRIEN: All right. We’re going to take a ten-minute break. NO more than that because we have Chris waiting for 11:00.

(Meeting in recess.)

MS. O’BRIEN: All right, if everyone can go ahead and find their seats, I’d greatly appreciate it. We’re going to go straight to the public comments in case folks are dialing in.

All right, good morning, everyone. This is Liz. Yeah, we’re almost to the afternoon. We’re going to go back on the record. We want to check if there’s anybody on the phone that has anything to add from the public side. We’re going to open it to public comments first.

We’ll give it another 60 seconds in case anyone is late dialing in.

(Brief pause.)

All right, so if nobody has any public comments, Larry -- oh, Joe?

MR. WYNN: Oh, I didn’t know this was -- all right.

MS. O’BRIEN: All right, we’re going to
welcome Joe for public comments.

MR. WYNN: Okay, thank you. Joe Wynn, VetForce. Just a couple of comments. One is to bring before the Advisory Committee about there was some talk a little while ago about the SBA taking over the verification process for VA. The legislation that I’ve seen that we’ve discussed pretty much would direct SBA to verify veteran small businesses for VA contracting only. And a number of us have talked about expanding that to make it government-wide.

Why go through all the effort to move the process to SBA only for SBA to verify companies to do business with VA? So I was hoping that this committee would take a look at that, maybe provide some recommendation in support of government-wide verification if SBA is going to take it over.

The other comment I wanted to make was about the AbilityOne contracting. We were presented -- a letter was shared with us from several -- that was signed by several congressional members and a few senators, asking the VA Secretary to prioritize contracting for AbilityOne contractors over service-disabled vets at the VA. And we are -- VetForce, you know, our members are opposed to that, and I hope that this committee would also take a look at that.
We’re not sure what actions the VA Secretary has taken as a result of that letter but to please keep us informed. Hopefully, you know, we’ll continue to prioritize service-disabled vets at the VA. Thank you.

MS. O’BRIEN: Thank you.

Anybody else on the phone?

MS. O’BRIEN: All right, then we’re going to move forward and welcome Chris Clarke, Office of Procurement Law, and he’ll be briefing on behalf of Barb Carson.

MS. CARSON: I’m on the line.

MS. O’BRIEN: Oh, you’re on the line?

MS. CARSON: I am.

MS. O’BRIEN: Okay. Welcome.

MS. CARSON: Thank you.

MS. O’BRIEN: All right, we’re just holding one second.

Oh, okay, we’re just holding. They’re doing an update to your presentation, Barb and Chris.

MS. CARSON: And please forgive me, I’m cutting in and out just a bit. Is Chris in the room?

MS. O’BRIEN: Barb, Chris is in the room. Do you want to start with any opening remarks, Barb?

MS. CARSON: Certainly, Liz, sure. It’s so nice to be back with the veterans. I miss you all very
much, and I hope that we’re going to do good work for you. I just listened to the VA presentation of procurement, and we want to reinforce that getting firms procurement-ready, which is what VA needs and so does the rest of the Federal Government, we really hope that I can support you from my role in Government Contracting and Business Development.

And many of you know it comes down to some really fine details, that if you don’t get them right, you’re going to have trouble. So I’m pleased to turn it over to Chris Clarke, an attorney who’s been an incredible advocate for veterans who pursue work with the Federal Government. And I will stay on the line to see if there are questions I can answer at the end, but thanks for giving us this opportunity.

MS. O’BRIEN: Thank you, Barb, for joining us, especially while you’re on the road.

Chris, we’ll certainly welcome you for remarks, and once the slides are ready to go.

MR. CLARKE: We can go with the slides. There’s just one mistake. I’ll point out where it is when we get in. It’s not a very big deal.

Along with myself, I also have Sam Le here, and he’ll presenting some of the -- want to introduce yourself?
MR. LE: Hi, everyone. I’m Stan Le. I’m in SBA’s Office of General Counsel. I’m also on a detail temporarily to be the acting director of the Office of Planning Policy and Liaison within Government Contracting and Business Development. Thanks for welcoming me here, and good morning.

MR. CLARKE: Okay, so what Sam and I are going to do is we’re going to go through quickly the slides and basically give a brief update of everything that the Office of Government Contracting and Business Development is currently doing, where we are with each thing we’re doing and basically where we’re going in the next couple of months so you’ll have an update.

MR. CLARKE: The first slide that we’re looking at is the veteran-owned small business concerns surplus property. This was a change made in the Veteran Small Business Enhancement Act of 2018, and what this act did is GSA runs a federal government surplus property program, and there’s an entire system run by GSA where as things move down different tiers, different entities are eligible to receive federal government surplus property.

Congress directed that for veteran-owned businesses should be one of the entities that could get in in one of those tiers, so SBA is currently working
with GSA in drafting the proposed rules for how that will happen. The rules are currently drafted. They’re being reviewed by GSA and SBA right now. They’ve been deemed not significant by OMB, which will speed up the process, meaning we should not have to do an interagency, 90-day period.

So we look at that rule — proposed rule being published in the next month or so, give or take. It is the end of the fiscal year, so things can slow down just as — but basically in the next month, month and a half published with a 60-day comment period to the public. It’ll close after 60 days. SBA will then take probably a month and a half to review the comments and publish a final rule. And at that point, there will be a program.

And concurrently with that, we’ll be working with GSA and the state agencies for basically making sure that when the final rule is ready, the program is basically program-ready. The date — close to with the date of the final rule. So that’s where we are. Basically SBA’s on time for basically what it said it would do at the beginning of the summer. So we’re basically right on line with having that happen. Next slide.

MR. CLARKE: The other major rule that’s
currently finished the proposed and it’s in the final rule stage, which is the WOSB certification program, the comment period for this closed in the middle of the summer. SBA received, you know, about 300 comments from 300 different people, but the comments had about 600 -- north of 600 actual comments. SBA is close to finishing reviewing all of the comments and implementing and we should be drafting a final rule soon now that we’ve reviewed most of those comments.

Next slide.

MR. CLARKE: So just to give you, like, some of what was in the proposed rule, this slide has the one mistake that was noted, which is one of the changes was the WOSB program has an economically disadvantaged women-owned small business component, which is very similar to the 8(a) program. So what we’ve proposed doing was having one economic disadvantaged standard for both programs.

So currently for 8(a), the continuing eligibility standard is 750, but it had an initial eligibility standard that was lower. So we proposed making it one standard for both programs and having it be the 750 because that was the common number between the two programs. So one of the things -- next slide.

MR. CLARKE: So we’ll go on to HUBZone, but
that’s basically the proposed rule for women. That was, like, one of the main changes. There will be a certification program. There’s third-party certifiers, and everything was in the proposed rule, and we’re reviewing it.

The next rule that was a proposed rule and we received comments and we’re getting ready to issue the final rule is the HUBZone comprehensive review. So if you haven’t read the HUBZone proposed rule or anything about what was being done with the HUBZone rule, one of the issues that SBA had received feedback from, from like the contracting community and the participants in the program, is that basically the way the HUBZone program was structured is there was a lot of variance from day to day in terms of, like, coming in and out of compliance, with employees, with HUBZones themselves being removed from the program.

So if you read the rule and basically our proposed rule and, like, our preamble, what we said we were doing and what our proposed changes were is basically efforts to stabilize the program while still meeting the policy objective of, you know, utilizing business in HUBZones. So basically eliminate some of those issues with, like, employees quitting and, like, the time frames. So that’s why you can see one of the
things that we were trying to, like, stabilize was new definitions for attempt to maintain, basically what you’re doing when you have, like, employees of multiple firms and stuff like that.

And one of the big changes is we are moving from basically once you’re in the HUBZone program, you get basically certified for a year and you’re in for a year. So you’re not basically having to worry about going in and out of compliance throughout the year, which was, like, one of the big issues that firms had was just, like, compared to the other programs that we have, maintaining constant compliance was a lot of extra work, and a lot of the things that you have to comply with weren’t in the control of the business. So we’ve tried to kind of, like, smooth that out. That was the attempt. Next.

MR. CLARKE: So this is just more -- so these slides are going to be made available, but so this is just more of what we were doing. One of the things that you’re going to see coming up is if you look at the third one on this is we’ve had issues on all of our contracting with what are we doing with your multiple-award contracts and orders, and it’s the same thing. We want to basically make sure firms are eligible but not have basically this where you’re having to, like
basically constantly maintain, like, compliance with things that are out of your control. So that’s another thing that the HUBZone rule was trying to do there.

Next slide.

MR. CLARKE: And this is where Sam comes in.

MR. LE: This is about the Small Business Runway Extension Act of 2018, which was signed by the President on December 17th, 2018. A bit of a history lesson is called for here. Since SBA was founded in 1953, and at that time, SBA used just an employee-based size standard of 500 employees, and then starting in 1956, SBA decided to create another set of size standards. We used receipts-based size standards, basically revenues.

And at that time in 1956, we determined that using just one year of receipts to gauge whether a business was small would create too many fluctuations for a business that might have, you know, a good year and then a bad year and then another good year. So we decided to go to a three-year average at that time in 1956.

Then fast forward about 40 years to the 1990s. Congress decided to allow other agencies to introduce their own size standards, but the kicker on that was that other agencies would have to use SBA’s three-year
average. And as a result, our statute, the Small Business Act, provides that other agencies may introduce their own size standards for particular programs and, you know, outside of procurement, so it might be a loan program or an export assistance program, but they have to use that three-year average.

The way the statute is structured is there’s actually two parts where the statute calls for a three-year average. One part is for businesses that provide services, and then another part is for any other business that’s under a receipts-based average. And what that ends up being is construction or agricultural or retail trade.

Well, December 17th, the President signs the Small Business Runway Extension Act, which changes two words in the Small Business Act: three years to another two words, five years. And immediately SBA had to interpret that statute, and we sent out an information notice that same week. It was actually the Friday before the government shutdown. We went on furlough for 30-plus days. On that Friday, we sent out an information notice to state that the statutory changes occurred, but it requires SBA to issue rules to implement the statute, to actually change that three years to five years.
And we later explained in a proposed rule that I’ll assess in a second that the reason that we had to do rules is, first of all, the part of the statute that was changed says we had to do rules, so we were just following the statute. But another reason is that the section of the statute that changed was the section that applies to other agencies, that is, the section that was passed in the 1990s, not the one that dates back to 1956.

That’s created some controversy. There are a good number of contractors out there that wanted SBA to interpret the statute differently and put in a five-year average right away, but we -- first of all, we wanted to make sure that we were considering the views of all small businesses. You know, this might help businesses who have increasing receipts or have been in business for five or more years. But if you’re a new business that’s been in business for less than three years, if you’re a smaller small business, the statute doesn’t really help you. And, in fact, some might argue that it creates increased competition for those businesses.

So we wanted to make sure we looked at those businesses and get their views on it through notice and comment rulemaking, and then we also wanted to make
sure that we’re fair across the board for everybody
that participates in any SBA program, including loans,
entrepreneurial development, and government
contracting. So that’s why we introduced a notice and
comment rulemaking process for this.

Now, the businesses that thought that this
should be implemented right away filed challenges at
the GAO, the Government Accountability Office, and at
SBA’s Office of Hearings and Appeals. You can see on
the slide here at the bottom bullet that GAO upheld
SBA’s interpretation and found that the Runway
Extension Act did not immediately change the size
standards to a five-year average. And that’s that
TechAnax case. There’s also a decision that will
probably be released in the next few weeks from SBA
that will interpret the Small Business Runway Extension

MR. LE: This is about our proposed rule. We
issued a proposed rule in June. Comments were due in
August. Our proposed rule stated that we were
proposing to calculate average annual receipts based on
five years for all industries, so not just for the
services but include the construction and agricultural
and the retail trade. It would not just be limited to
the service industries as provided in the statute. And
it would only go into effect after SBA receives the comments, processes the comments, issues the final rule and sets an effective date.

And then until the effective date of that rule, SBA will continue to apply the three-year average for calculating average annual receipts. So as a case study of this, there’s an SDVO business that’s submitting an offer right now, you know, end-of-the-year contracting is submitting an offer. They should be calculating their size using three years as an average, not five years. And there might be businesses that would benefit from averaging over five years, but that’s just not in place yet. It’s not in place until we get in all the comments and we issue a final ruling.

The next slide.

MR. LE: We did, however, provide significant relief to businesses operating under receipts-based size standards in a rule that we issued in July that was effective August 19th. We increased all the receipts-based size standards for inflation. We do this every five years, and inflation over the last five years was a little over 8 percent, so we increased the size standards for about 8 percent. Mathwise, that turns out to be about half a million for the lowest size standard and up to 3 million increase for the
highest size standards.

This means that if an agency is issuing a solicitation after August 19th, the solicitation should include this new size standard, not the only one that hasn’t been adjusted. And then, also, if there’s a business that’s in that gap between the old size standard and the new size standard, they should have received a notice, but even if they haven’t, the notice would tell them that they should go into the registration system and change their registration. It doesn’t automatically update the yes or no for whether you’re small. You still have to go in and, you know, resubmit so that you’re recognized under the new size standard after August 19th. Next slide.

MR. LE: We also issued earlier this year a new methodology for how we will calculate size standards. This methodology will be used for our next update of all the size standards. Every five years, we look at every single size standard, all several thousand of them, and look at the current Census Bureau data on the employees or the receipts of particular businesses. And we update the size standards to keep up with changes in the industry and general business practices.

We’re starting that process right now, and
we’re going to use this methodology that we released in 2019. One big change in the methodology is to move from an anchor approach to a percentile approach for evaluating industry characteristics. And, in practice, what that will essentially mean is that size standards will be allowed to float more instead of being anchored at certain parts.

You might have seen a slide a couple slides ago that we had a list of size standards, and they were kind of separated by 2 or 3 million, but we’re going to let them float a bit more so they don’t cluster at particular spots using this new percentile approach. So you may -- you’ll probably see a larger number of particular figures for the size standards. We’ll also take into account more federal contracting industry characteristics.

Just quickly on a couple more rulemakings that we’re going through for the National Defense Authorization Act implementation for 16/17 and the RISE Act. We’re making changes to the limitations on subcontracting to exempt purchases from particular industries from inclusion in limitations on subcontracting. You can see that in the numbered list up here. And then next slide.

MR. LE: For small businesses that are
subcontractors, they may be interested in the list that we’re currently finalizing on examples of failure to exercise good faith in small business subcontracting. A large business prime contractor is required to exercise good faith in trying to allocate subcontracts to small businesses, but we’ve never really defined what good faith is before. So here, in this rule for the first time, SBA is going to issue some examples of what it means to not exercise good faith.

You can see here some of the examples we said were not entering data into the electronic subcontracting reporting system, not conducting market research for subcontracting, not addressing SBA’s concerns with how that business is doing in subcontracting, and not paying small business subcontractors on time. That’s just a few of the examples that we put into our proposed rule. We’re finalizing this rule right now. It should probably be out, I’d say, in the next five to six months. Okay,

MR. LE: There’s a FAR case that the FAR introduced earlier this summer to allow firms to -- or actually to require firms to get credit for lower-tier subcontracting. So that means if you’re a large business prime and you have a large business first-tier
sub and then that large business first-tier sub then
subcontracts down the line to a small business, that
would be counted for subcontracting by the prime large
business.

Comments were due to the FAR there. That may
be overtaken by events because there’s some movement in
Congress to change the statute that created that
program. Next slide.

MR. LE: The FAR also issued a rule that would
allow the small business programs to apply outside the
United States. That’s been SBA’s position for quite a
long time, and, in fact, we include overseas contracts
in our goaling numbers, except for DOD, which has a
statutory exclusion for certain overseas contracts.
But for the most part, we include overseas contracts in
our goaling numbers. The FAR is following along on
that and allowing the small business programs in the
FAR to apply to overseas contracts. And that’s a
proposed rule. Comments are due October 11th. Next
slide, please.

MR. LE: Other proposed rules we’re looking
at, as I mentioned, we’re going to go through all our
size standards and look at them based on industry
characteristics. We’re looking at consolidating our
two existing mentor-protégé programs at SBA. We have
an 8(a) program. We have an all small program. They have the same rules, some of the same benefits. It doesn’t really make sense to operate two separate programs, so we’re going to try to consolidate those.

We have a requirement by the end of -- or by the beginning of next year to allow governors to propose or designate areas to qualify as HUBZones, so we’re going to issue a rule on that. And then we’re also part of the President’s Regulatory Reform Initiative, and we’ll be trying to cull through our rules to see if there are any that are unnecessary or duplicative. Next slide.

MR. LE: The FAR, in addition to the ones that I mentioned, is looking at updating -- cleaning up some definitions about affiliates, increasing the thresholds based on last year’s NDAA, and then, finally, in 2014, the FAR started a rule about setasides under multiple-award contracts. That’s from a 2010 statutory change, so that’s nine years ago. I hear that is just a few weeks away, but I might have been hearing that for a few years now. But we’ll get there, we’ll get there on multiple-award contracts.

And then, finally, the long-awaited changes to limitations on subcontracting should be coming out at some point soon. That was from a 2013 statutory change
MR. LE: This committee may already have heard that OMB in April -- the Office of Management and Budget -- in April issued a memorandum encouraging agencies to come up with a plan for category management. The idea there is that certain categories of products would be centrally managed through particular agencies, and agencies -- buying agencies should use those best-in-class vehicles or category management vehicles. Under this memorandum, agencies create goals, they develop plans, they share their prices paid with other government buyers, and they trained our employees in category management principles.

Significant for this group, the memo recognized that category management has to be consistent with the small business and service-disabled vet, HUBZone, 8(a), women-owned goals, and with the requirements on -- in those programs. So if you see that memo, if you happen upon that memo, I’ll point you to Footnote 31 in that memo, which states that the agencies cannot violate small business program requirements, such as the 8(a) release requirement by using category management as an excuse. The category management is not a substitute for the small business
programs because the small business programs for the
most part are still mandatory.

That’s all I have. Thank you very much for
your time.

MS. O’BRIEN: Thank you. I have a quick
question if that’s all right. You mentioned
consolidating the mentor-protégé program. Is there an
analysis for how much money that would save or the
impacts for the program in terms of estimated veterans
that can be served through that consolidation?

MR. LE: I don’t have numbers on me, but, yes,
we did a cost/benefit analysis for that rule. It’s
going through the Office of Management and Budget right
now, and they look very closely at the costs and the
benefits of the rule, I think. The biggest benefit for
businesses is when they’re looking at these two mentor-
protégé programs, they won’t have to figure out any
differences between the programs. They can just go to
one set of program rules and benefits and eligibility.

Another big benefit of it is the all small
program uses an electronic application through
Certify.SBA.gov, whereas the 8(a) mentor-protégé
program has a decentralized process through the
district offices. So once we consolidate these,
everybody will be able to go through the electronic
application that should be able to decrease processing
times and get people to have their mentor-protégé
agreements approved much faster.

MS. O’BRIEN: Thank you.

MR. LE: Of course.

MR. PHIPPS: Michael Phipps. So you had
talked about the woman-owned certification program
being allowed -- third parties being allowed that were
-- and we’ve had some of those third parties that have
come in here. So just for a comment for the group, it
seems like the woman-owned -- getting a woman-owned
certification would be much easier than going through
the veteran-owned certification and giving that
socioeconomic group much more advantages in terms of
certification than the VA process.

And so have you guys looked or are you guys
interacting when you’re looking at the proposed rule
with what’s going on with possibly the SBA taking over
verification for SDVOSBs on what third-party
certification might look like for service-disabled
veteran-owned businesses? I know that’s a lot to --

MR. CLARKE: That’s a lot. So one is kind of
defining third-party certifiers. So in the proposed
woman’s rule, the VA is an accepted third-party
certifier. So if you go through the VA process to get
your veteran-owned business certified and you also happen to be a woman, we would accept that as being -- verifying ownership and control. So we count -- so you might be talking about, like --

MR. PHIPPS: The opposite way. If I go through the third-party certifier --

MR. CLARKE: Well, what I’m saying is the VA is a third-party certifier for SBA.

MR. PHIPPS: Right.

MR. CLARKE: So are you -- but we have -- so we have private third-party certifiers like those entities that we have other government agencies that we treated as third-party certifiers. We have, like, Department of Transportation and the VA. And then you have basically the ones that we have, like, agreements with.

MR. PHIPPS: So the ones you have agreements with, and I can’t remember the name of that one --

MR. CLARKE: So it’s National -- WBENC, National Business Council, National Hispanic -- ooh, I know I’m forgetting one. I’m not remembering all three, but those are the three. There’s four. So your question is what do we see as compared to the veteran part?

MR. PHIPPS: No. And this has to do with our
annual report. Why -- with the third-party certifiers
that can certify -- I’m not talking about government
agencies, the independent certifiers that can certify a
woman-owned small business as current. Have you guys
looked at also allowing them to certify for veteran and
service-disabled veteran-owned businesses as well so
you’re not relying on -- so the SBA all of a sudden has
this requirement to do the certification, are you going
to allow third-party certifiers beyond the -- you know,
beyond working with the VA to do that?

MR. CLARKE: SBA has not looked into that.
And just so you can also go -- if you talk to the
women-owned, like, third-party certifying entities,
those existed for a very long time pre-SBA’s program.
So they’re -- but they were doing certification of
woman-owned businesses with a private entity before
SBA’s program existed. And they have a track record.
And they were asked also to look into a national, but,
no, SBA hasn’t looked at that for veteran-owned
programs.

MR. PHIPPS: So one of the things that
we’ve discussed internally and in our report is the
ability -- if other socioeconomic groups can have
third-party certification, what would that look like
for veteran-owned and service-disabled veteran-owned
certification because it seems like, you know, that -- there’s not a common standard beyond just the veteran part of the certification, or there’s a pretty big difference between going through the CVE and going through the third-party just so you can become a woman-owned certified company. And so we had talked about why can’t we or why can’t veteran-owned businesses and service-disabled veteran-owned businesses use that same process. Does that make sense?

MR. CLARKE: It makes sense. So from SBA’s point of view, while not an expert on VA’s certification program, the third-party certifier’s certification isn’t that much different than SBA’s in terms of, like, it’s not simpler. Like, we require them to look at and do the same level of review that SBA would do. And as the proposed rule is, they’re going to be held to the same standards as SBA. SBA is going to be doing one. SBA’s is free. That one -- they’re free to charge. So in our view, we don’t make a judgment call on one being better than the other. We expect everybody to be very good and have similar standards for doing that with our third-party certifiers. Does that make sense?

MR. PHIPPS: It does. We just can’t -- that’s the only socioeconomic group that can do that right
now.

MR. CLARKE: Yeah, and there’s also, like, a statute that is -- that sort of told us to do that. Like, one of the reasons why is this for WOSB, Congress told us to have it exist for WOSB.

MS. O’BRIEN: Anybody on the phone have questions or comments?

(No response.)

MS. O’BRIEN: All right. Thank you so much for your time. Very informative.

Barb, thank you for dialing in. Do you have any comments? Oh, I’m sorry. Joe Sharpe.

MR. SHARPE: Teresa had a comment.

MS. O’BRIEN: Okay.

MS. LEWIS: Hi. I’m Teresa Lewis, and I am on detail with the American Legion, but as a former OSDBU director, I have a question about the proposed rule regarding the subcontracting proposal. And so the -- from experience, I can tell you that even when the large prime has been found not to be compliant that the agency itself does not take the necessary action. We know liquidated damages have been in the rules forever. Contracting officers don’t want to apply that.

So as you -- and I think it’s great that you are explaining, you know, and providing additional
clarification, but I definitely think that there needs to be stricter accountability to the federal agency on mandatorily -- mandatory actions that they must take when they find the prime to be noncompliant, because, otherwise, it’s going to fall on deaf ears and it’s just going to continue to be the way that it is.

MR. CLARKE: Yes, I understand. Thank you. I think -- part of this effort in defining examples of failure to exercise good faith is at least to give the agency the tools that they need to take actions such as liquidated damages or contract remedies. If there’s a -- if there’s something that we’re hearing from the agencies, they -- one possibility is that they don’t know how to go about going through the enforcement process or looking at liquidated damages. And having the example there we hope will help them do that.

MS. LEWIS: I know that’s what you want to believe, but I’m telling you what really happens. Contracting officers from a former 1102, I started my government career as a contracting officer. They know that that is an option. They know how to apply liquidated damages. I’ve done it for construction contracts.

But what I’m telling you is from the OSDBU’s perspective, what we saw is that unless that agency --
unless SBA has if this happens, then, agency, you must do X, Y, and Z, because it says they may apply liquidated damages, most contracting officers want to continue working with that contractor. So, therefore, they’re not going to be -- they’re not going to hold that prime accountable, and I’m just saying that, you know, that’s nice what you’re doing, but if you really want to help the small businesses, you’ve got to do more to hold the agencies accountable.

MR. CLARKE: So on that note, so we’d like -- you saw these are, like, the changed proposed regulations, so those are the regulations that are being changed, but if you -- over the last couple of years, you might have noticed that there’s been some policy changes around subcontracting. So one of the things is we’ve increased the amount of subcontracting issues that are included in the Scorecard each year to hold agencies more accountable. So, one, we’re tracking what they’re doing with subcontracting; and then we let them know that it’s going to be part of your Scorecard that you’re doing this -- that you’re doing this well.

The next thing that’s changing is in addition to changing these rules, it is the surveillance reviews that we do of agencies now includes whether or not
they’re doing this correctly. And we’re going to grade
them on how well they’re running their subcontracting
compliance. So it’s a thing where, like, SBA goes in
and looks and we see a routine thing where contracting
officers are looking at subcontracting plans, primes
are not in compliance, and that agency isn’t doing
anything, that we’ll eventually affect their Scorecard.

MS. LEWIS: Okay.

MR. CLARKE: So that’s the accountability
part. So we changed the rules to give them clear rules
to follow; then we changed the policies that we -- by
the way, SBA cares about this. And then, too, there is
a consequence for not doing anything.

MS. O’BRIEN: Chris, thank you so much. In
the interest of time --

MS. LEWIS: Put it in the regs, Chris.

MS. O’BRIEN: -- because we are way over time.
Teresa, you can send your specific suggestions through
Joe. We can make sure that they’re forwarded on to
you.

I want to thank you for your time and your
effort and for flexing when we started a little late
for your presentation. Thank you so much. We’ll
reconvene back at 1:00.

(Meeting in recess for lunch.)
AFTERNOON SESSION

(1:11 p.m.)

MS. O’BRIEN: All right, so folks on the phone, can you hear us?

MR. O’FARRELL: (Inaudible) Jim O’Farrell.

MS. O’BRIEN: Got you, Jim.

Brandon, are you on?

MR. SHELTON: Yep, I’m here.

MS. O’BRIEN: Okay. Anybody else on?

Eli, are you on? Okay.

All right, well, thank you for coming back.

Welcome back to everybody. We’re going to welcome Bob Carpenter, acting chief of 7(a) program, and Dan Upham, supervisory loan specialist from Office of Capital Access for their update. It’s a pleasure to see you again. Thank you so much for joining us, and we’ll get into it. Thank you.

MR. CARPENTER: Okay. Well, first of all, we’ve got some of these year-to-date updates compared to the same time year-to-date for the previous five years as well. So you can see the numbers are a little down on 7(a) lending activity, and they’re a little up on 504, and there’s a couple of reasons for that. Primarily, last year, we gave the 504 program a 25-year debenture, which increased from the normal 20-year and
10-year debentures. So adding another level of
debenture to the 25-year maturity kind of put it on par
with loans to acquire real estate with the 7(a)
program, which did permit the 25-year debenture, and
that, in turn, kind of took some of those 7(a) loans
and merged them down into the 504. So it’s kind of
just a shift. It’s not really too much of a decline,
but we have seen some decline. There’s been that
little shift, but we have seen a little bit of a
decline in 7(a) lending.

And it’s also, we believe, because the economy
has been better, we have seen less need for SBA lending
as a whole compared to five, ten years ago, so when the
economy wasn’t doing so robust. So when you have the
low unemployment and better economy, the need for
access to capital elsewhere drops a little bit. So we
see that in our numbers, but we’re still ahead of the
2014 level, which was also robust. The numbers and the
dollars are still ahead of 2014 as well. So we’re just
kind of coming off that little plateau right now, I
believe, staying pretty up-to-date with that.

I think we’ll probably get a little bit of a
push this month with the year-end numbers just because
of the uncertainty of the budget authorization for the
7(a) program, not so much so in the 504. The 504
program authority is fine. The 7(a) authority, we did ask for in the presidential budget request to Congress. We asked for an additional $99 million or to allow us to increase the fees on the very highest of loans, the largest of loans as an alternative.

As you’re well aware, the fees go to cover the cost of the program so we do not have to take a subsidy. And based on OMB’s numbers given to our CFO’s office, and there are revisions to the budget model, the subsidy model. We’ve had to request $99 million of Congress for the subsidy for 2020. They have not yet acted on that, and as a result of that, the statutory provision for the fee relief to veterans under the SBA Express Program, which does have a stipulation that it is only allowed in years in which SBA’s presidential budget request has -- remains at zero cost.

So that request for the $99 million would put us at eliminating the fee relief on that veteran SBA Express Program, but they have looked at some of the data for our cost, so we believe they’re looking at possibly funding that in a separate way and making some legislative changes to remove that provision for zero cost. They have not acted on that yet, but that’s something they’re looking into. All right, next slide.

All right. These are the loans approved to
veterans. As you can see, they’ve dropped a little bit, dropped from 4.9 down to 4.6 percent. The numbers have been pretty much stationary compared to the whole. This, again, is self-reported data from the applicants and the lenders, so it is only verified when the applicants are seeking the fee relief. That’s when we have to actually receive the DD-214 documentation that they are a veteran. So most of the time, if they’re not seeking fee relief, the lenders just don’t fill that part of the application out. So I think there is an artificial suppression here.

I’ve mentioned this before in previous meetings as well, but when we do collect the information, it’s usually because it’s tied to the fee relief and it is self-reported, but we’re seeing a small decline there, and I think the 2015 numbers and ‘16 numbers you were seeing a lot more fee relief as a whole, not just in SBA Express but other 7(a) programs because we were providing fee relief across the board, and veterans were tied into those other 7(a) programs as well. Now it’s only in the SBA Express loan for this fiscal year, which is why you’re seeing a little bit more of a drop. It was -- we eliminated the fee relief outside of everything but the veteran fee relief under SBA Express this fiscal year.
MR. UPHAM: Hi, I’m Dan Upham, and I run the Microloan Program here at SBA. So Microloan and Community Advantage, which are on the slide, are operated through our mission-based lenders, our nonprofit lenders, and really looking at sort of the smaller side of the Cap Access spectrum, with the Microloan Program offering loans through intermediary lenders up to $50,000 per small business loan and Community Advantage operating under 7(a) as part of the Guarantee Program, making loans up to $250,000.

The Microloan Program has about 150 lenders nationwide doing about $75 to $80 million in microloans and an average size of around 15,000 per loan. And on a percentage basis, the Microloan Program had a record year last year in terms of its lending volume, dollars, and number of loans and is averaging approximately 5 percent of its lending to veterans and service-disabled veterans.

This year, we’re seeing an additional growth in the program, which will end up being somewhere between 5 and 10 percent growth over last year, so another record year. Veteran lending is down slightly over what it was last year but still running at what we feel like is a pretty acceptable clip.

Community Advantage is down. As part of 7(a),
it’s sort of following the trend that the overall 7(a) program is following. Small loans are actually somewhat impacted to a larger degree than what some of the larger loans have been in at least what we’re seeing so far in 2019.

But the good news is that Community Advantage in terms of lending to veterans is one of our stronger Cap Access programs. It seems to do very well in that space. We do have some lenders that specifically target and are located near large numbers of retired vets or exiting vets. And so it’s averaged around 10 percent of its loan volume -- both dollars and numbers of loans -- to veterans. And even though lending volume is down this year, that percentage is holding pretty true. I think it’s just under 10 percent this year. Next slide.

And so we just wanted to break down for the Microloan Program, you know, sort of what some of those numbers look like. As you can see, the Microloan Program targets underserved communities, specifically low-income, minority-owned, women-owned, veteran-owned, startup businesses, and, you know, so that -- those are the markets that our intermediaries specifically target. Those numbers are holding true. Our minority numbers are up a little bit this year. Most of the
other numbers are right in line with where they’ve been in prior years. Next slide.

MR. CARPENTER: I’ll take this. All right, as I said earlier, the SBA Express Loan Program provides the veteran-owned business with fee relief this current fiscal year, and that fee relief is applied to those loans that are submitted under our SBA express delivery method up to 350,000. And there is no fee charged to the lender or passed on to the borrower on that for the up-front guarantee fee.

Currently, other 7(a) loans, non-SBA-Express, up to 150,000. If they are located in a rural or HUBZone community, we are providing fee relief by reducing the fee for the smaller loans from 2 percent down to two-thirds of a percent. And the lender fee has been reduced entirely from the 55 BPS down to zero. And that’s to encourage lenders to make loans in these rural communities, underserved areas, and HUBZone markets that have been kind of left to the side by the lenders historically. But that’s the current fee relief.

Based upon the budget request, the fee relief for the rural and HUBZone areas will be going away in full. And as I said earlier, the veteran free relief will have to go away unless they figure a way to fund
it separately on the Hill because of the request for subsidy. And the way they can do that, like we said, it’s either the fee on the very highest of loans to cover that offset or they could fund it separately and remove that stipulation in the statute that requires no fee relief be provided in years in which we receive a subsidy. That’s the ongoing discussion.

When Congress gets back to work next week, we’ll find out a lot more about what’s going on, I guess. We’re just kind of waiting until Monday or Tuesday to see what’s going on. It is a very closely watched item on the budget by our resource partners and our stakeholders. Nagle (phonetic) is on the Hill constantly talking to members of Congress about the fee relief and the 7(a) authority.

So, unfortunately, if they don’t act either way, they just have to act one way or the other to give us the authority to continue to operate from October 1, but if they don’t operate or act either way, our programmatic authority for 7(a) just stops. It does not affect 504 or the Microloan Program, but it does affect the 7(a) program if they do not act on the subsidy request one way or the other.

Lender Match, what can I say? We’re trying to -- you got more on Lender Match?
MR. UPHAM: I can give you a quick update. I was traveling with our associate administrator a couple of weeks ago in the Midwest, and he was giving briefings on Lender Match over and over, so I kind of have what he was talking about down. So as you know, Lender Match is like our Match.com referral tool. Small business borrowers can go on the SBA.gov page and very quickly get routed to our Lender Match program. They fill out a series of about 20 questions and can be routed to lenders that are interested in working with them to complete a loan and/or training and technical assistance.

We had been getting a lot of feedback from our participating lenders that they were getting bombarded with leads that really weren’t in their wheelhouse, and so our tech guys went in and they’ve added quite a few filters so that lenders can now go in and choose the filters that they want, you know, loan size, loan term, type of equipment, use of proceeds, type of business, to really filter down and only get those leads that they think will more than likely be a better match for them.

And as a result, we’re starting to see an uptick in the number of matches that we make. Now through the first couple of years, it’s been very
successful. I think 4 million small businesses have shown interest by completing a Lender
Match input page, and over 200,000 matches have
actually been made between a lender and a small
business. We do not require that if a lender is
interested in a match that comes in from SBA’s page
that it be completed with an SBA product. It’s really
just a tool to engage getting interested parties
together.

So that’s sort of the update on -- oh, there’s
one additional technological improvement that’s coming
that’s not completed yet, but in those instances where
a match is made, the next tech update will be to
transfer the borrower information that’s been inputted
in Lender Match over into our E-tran system to help
increase the speed in which that application can be
reviewed. So the initial input and the information
will actually become part of the application for loan
guarantee, so reducing the need, you know, for
duplicate entries in the separate systems and so forth.
So, anyway, that’s the update on Lender Match.

MR. CARPENTER: I’d like to add we are also
working or our tech people in OPSM are working to
improve Lender Match to allow it for the smaller loans
to come in and do SBSS credit score, which is our
liquid credit score that we use for our small loan programs under -- for loans under 350. And if the SBSS score is currently -- we have it set at 140 or better. If that score is at 140 or better, the lender can make that loan with a reduced writeup and analysis of that borrower using much less information. So you may not even have to use financial information or data to do that. And it’s based on the FICO liquid credit score that they’ve modernized and adapted for SBA lending.

So we’re looking to take the data that is input by the potential borrower in Lender Match and have that so when it does get a referral to that lender, if it’s a smaller loan under 350, they can get a SBSS score as well so they can see if this is a viable candidate for borrowing or not, without having to do the analysis themselves. So that’s one of the future tools we’re going to have with Lender Match that they’re developing.

I think that’s the last slide.

MR. UPHAM: Yeah, I was just going to say I think that it’s for our sort of prepared presentation, so I guess we can take questions and so forth. It looks like we have about 30 seconds left on the clock.

MS. O’BRIEN: You can keep going. We’ll give you a little room.
I have a quick question. So you said 200,000 matches have been made, and I don’t know if you’ll know this answer because I know it’s a little outside your scope, but maybe if you could get it back to us. Of the 200,000 matches made, I was wondering how many of them resulted in a loan.

MR. CARPENTER: We actually don’t track the number of completed loans. We only track the number of matches at this point. At some point in the future, I’m sure that’s, you know, something that we would like to capture. But like I said, you know, it’s not important for us that they complete a loan using an SBA product, so in the future, you know, it may well be that a loan is made, but because it’s not an SBA product, we’re not going to capture the fact that it was ultimately an approval, but I think at some point in the future we will at least be able to see the SBA approvals, but we can’t yet.

MR. UPHAM: Lender Match was developed with basically $30,000 of spare cash that -- so this has been a program that has utilized its funding very well. It’s not really funded in our budget item to do a lot of things with it, but because we see the potential with it, we’re trying to do these other things, such as put the SBSS score and tie that in, using the tools we
already have and just have them merge together.

So it’s -- we’re trying to get a little more
funding for that part of it as well, so the OPSM team
is working on that with the contractors. And to that
point, I can’t speak to what they’re doing, but I know
they are pushing to make it so we can see what the
outcomes are, whether they get a loan or whether the
get an SBA loan, but right now, we just don’t have the
systems talking to one another, and that’s the main
problem. We don’t see if a lender match occurs. We
don’t see the data intake and we would have to put out
a new collection of information to get that.

MS. O’BRIEN: Gotcha. And we’re not tracking
it through veterans, right?

MR. CARPENTER: Not that I’m aware of.

MS. O’BRIEN: The 200K

MR. UPHAM: I don’t believe so.

MR. CARPENTER: I don’t believe so.

MS. O’BRIEN: Okay.

MR. CARPENTER: That could be another ask that
we could say, you know, if it’s veteran, if it’s not
veteran.

MR. UPHAM: Yeah, I mean, I think at this
point I don’t believe one of the questions that a small
business would fill out, somebody that’s applying
through Lender Match, I don’t think that’s one of the questions they’re asked and wouldn’t be until they’re actually in the application process where we might collect the veteran status. So it’s not something that’s tracked yet.

MS. O’BRIEN: I’m curious because I feel like probably a lot of veterans don’t even know this exists.

MR. UPHAM: Right, yeah, I mean, a lot of people, period, don’t know it exists. Anybody that does stumble onto SBA.gov, though --

MR. CARPENTER: It’s right up on the front.

MR. UPHAM: -- I mean, it’s as soon as you --

MR. CARPENTER: It’s a big, yellow box.

MR. UPHAM: -- say I’m interested in a loan, it’s going to take you to Lender Match, so yeah.

MR. CARPENTER: I mean, in fact, if you go on the SBA website, in order to read the SBA website, you have to close the box for Lender Match. So, you know, it pops up as a big popup, and most people just think it’s a popup ad, but it is “Are you interested in getting financing? Click here to go to Lender Match.” And you can click it once to exit down and it brings it smaller but it’s still there. You have to click it twice to get rid of it, to move it to the side. So it’s persistent.
MR. SHARPE: Do you know how many veterans apply for each type of loan?

MR. CARPENTER: For the application, we don’t track by application, we track by approval. So the numbers we gave are for 7(a). I can give a further breakdown from our data team. We can get the information as a breakdown by delivery method the next time.

MR. PHIPPS: I have one question, and it’s a holdover from yesterday’s IATF. The gentleman called in. He owned a construction company, and he was asking about the bonding, and we hadn’t talked about that, the bonding issues. He’s limited by the 6.5 million, and then there’s another -- I was just looking at my notes from yesterday. There’s something else and some sort of financial check he’s got to -- he has to pay, like, almost $5,000 for it to go through this financial check that could just be done some -- maybe just with something like the FICO score, I’m not sure.

But, basically, this gentleman’s issue was he’s limited -- he has to turn down work because he can’t get bonding beyond the $6.5 million. And so because I don’t understand what -- you know, the SBA-backed bonding compared to this commercial bonding, if you guys know any insight and can shed any light on
that, that would be really helpful.

MR. UPHAM: Sure. So SBA does have a surety bond guarantee program. It is really to help small contractors that are having trouble in the commercial market getting a surety bond. A surety bond is basically an insurance policy that a contract -- somebody that needs to have some work done wants the assurance that that project is going to be completed, and if it isn’t, they have the surety bond that allows a new contractor to come in and take over that work and complete the project.

So as a contractor, a lot of times what happens is a contractor will get in business, they won’t be able to compete for their own contracts because they may not have the experience. They’ll work as a subcontractor under a prime. And a lot of times, as they’re getting started, they’ll actually work with the prime on, you know, using their surety bond and won’t get their own, which is a big disadvantage because then when it does come time for them to get a surety bond and start bidding on their own projects, one of the questions on that surety bond questionnaire is what is your largest bonded project. And if they’ve just been working on somebody else’s surety bond, the answer is zero.
And so for instances like that, and for contractors that are just smaller contractors that maybe are just, you know, not able to work in the commercial market because of the size of the projects they’re working on, the SBA Surety Program -- Surety Bond Program does -- is set up to help those specific types of contractors.

The other thing that I think we see in the Surety Bond Program is that, you know, as these companies do grow and they’re out in the commercial market, in a lot of cases, they’re paying way more for their surety bond than what they need to be paying. And I don’t have the exact numbers. I’m not a surety bond expert, per se, but I believe the number is, if you’re paying more than 3 percent for your surety bond, you’re paying way more than you need to.

But, you know, Peter, the director of our Surety Bond Program, says, you know, time after time after time he’ll be out talking with contractors, spreading the word, and, you know, find folks that are paying huge amounts above, you know, sort of what they really need to be paying. And so, you know, a lot of it is, you know, just understanding sort of what the market is, understanding what the program is, how it’s priced, you know, what they should or shouldn’t be able
In terms of the guy having to pay $5,000 for a financial check or something, I’m not quite sure what that is. I know that with the SBA Guarantee Program that we -- you know, they work through contracted licensed agents and so forth and that we have our -- you know, our own team here that will help contractors fill out those surety forms and get them in contact with, you know, the partners that work with SBA. And I don’t believe there’s any charge for helping them get all that application and so forth put together. And the only time they would be paying any kind of fee would be at the point where they actually have that surety bond guarantee. So --

MR. PHIPPS: Michael Phipps. What would be your recommendation?

MR. UPHAM: Contact the local SBA district office, ask them about surety bonding, and --

MR. PHIPPS: I think -- so he had been using the surety bonding, and I think his issue was the limit on the 6.5 million and then being able to do multiple projects, where he just had to turn work down because he couldn’t --

MR. UPHAM: Right, I mean, if he’s outgrew the program -- because I think 6.5 million is the
MR. CARPENTER: Did they just increase it? I think they just -- the proposed increase.

MR. UPHAM: They may have proposed an increase. I think it’s still currently at 6.5. Now, one of the issues is that our guarantee would cut off at 6.5. That doesn’t mean that they can’t get a larger surety bond. You know, they can go out in the commercial market and get a larger surety bond and simply have a guarantee on that $6.5 million that SBA would guarantee. But it’s also possible that at the point where they’re sort of outgrowing that 6.5 million that they really should be in the commercial market and no longer really have that need for the government support.

MR. STUBBLEFIELD: You know, I was just going to say, Mike, that we’re in the process now with that gentleman of setting up like a roundtable discussion where he’s going to come in. We’re reaching out to Peter -- Peter who runs the Surety Bond Program -- and then we’re going to sit down to just talk all the way through all the issues and then report out --

MR. PHIPPS: Oh, that’s great.

MR. STUBBLEFIELD: -- the next time we get together so that everyone is on the same sheet of
music, because you’re absolutely right. His point is that the $6.5 million is limiting his ability to participate. And I know this has been brought up to the acting administrator, because I guess he brought it up in another forum, and we really need to get to the bottom of what the issue is. So this is another issue that we’ll report out on in December.

MS. O’BRIEN: Does anybody on the phone have any questions?

(No response.)

MS. O’BRIEN: All right. Well, thank you so much for joining us today. I’m sorry we took so -- it was an easy day for you. We’ll see what we can do next time.

MR. UPHAM: Thanks, you guys.

MR. STUBBLEFIELD: All right, and you know, I know we’re getting ready to move over to the all small mentor-protégé program, so I guess you’re representing Derrick Brown today?

And come to the table, and we all know you, but introduce yourself as well so that the recorder can capture it on the record.

Thank you, guys.

MR. CARPENTER: Thanks.

MR. JONES: Good afternoon, everyone. My name
is Stanley Jones. This is my third day in this position as the acting director --

MS. O’BRIEN: Ooh, I have lots of questions, then.

MR. JONES: -- of the all small mentor-protégé program, so I’m really excited about that. I do serve as the director of the Office of Management and Technical Assistance in the Office of Business Development, so I was just given this extra duty when I came in after the holiday, but it’s all good, it’s all good. It’s fun.

MR. STUBBLEFIELD: Well, you have to look at it like I always tell people, more work is better than no work.

MR. JONES: That is very true. Absolutely very true. But I am excited to be here to represent them, and we just have some -- a few stats to kind of share with you, what’s going on in our program. And we thought would highlight some of those important key indicators and outputs so far this year. And we’ve had a very successful year in our program. We’re approaching 1,000 agreements, which is a major milestone for us. The program came into existence October 1 of 2016 when we started taking applications, so we’re really excited about reaching that milestone
here before the end of the fiscal year, so we’re going to be really celebrating that.

So as you can see, 89 percent of our applications that we receive are approved into our program. Again, this is a veterans advisory council, so we do -- we’re excited that, you know, 38 percent of our agreements are service-disabled veteran-owned small businesses. So we’re excited about that that they are participating in our program, and we know that being a protégé and being mentored will allow those businesses to be able to grow and be able to compete in the federal marketplace.

Some of our top NAICS codes are 236220, which is construction. Of course, that’s our top NAICS code of those mentor-protégé agreements. And you can kind of follow the rest of the pie chart on those other NAICS codes that are our top NAICS codes.

And just for informational purposes, we just kind of identified our top SBA district offices that -- where the majority of those agreements are coming from. So we didn’t identify all of them, but that’s the bulk, and we know WMATA, which is the Washington Metropolitan Area District Office here in DC, that’s where the majority of our federal contracts are and most of our businesses are located. So we have 177 agreements here
in the DC area.

So we move to the next slide, which happens to be the final slide, so this is all they gave me to share today, so I’m excited about that. No, I’m just kidding. We can see again there’s a part of our program, there’s several levels of assistance that protégés are seeking, and we’ve kind of identified those and business development systems represent 92 percent of all of the agreements that we have. That’s the majority of what firms are looking for, the business development assistance to help them to again to be able to compete in the marketplace. And then it just goes down from there to management and technical assistance and so on and so forth.

And then another indicator we track is, year over year, full-time employees. So we’ve had about a 5 percent increase thus far from FY18 as far as the number of full-time employees of the protégés, so we measure year over year, again, that those protégés are improving and getting better to be able to compete. So that’s -- again, that’s just a high level of some of the key indicators of our program and, again, how successful our program has been to date. And hopefully in the future we’ll be able to share, you know, some dollars.
Right now, we’re in the process of, you know, looking at our annual reviews. Mentors and protégés are required to report out on an annual basis, and we’re hoping to be able to get some real good data on how well these relationships have been over the past three years and all of the good work that those relationships are producing for the federal marketplace.

So I’ll open it up for any questions that I may be able to answer at this time.

BEY: Yes, my name is Bey, and I’m asking what’s the difference -- what is the difference between your protégé program and the SCORE program? Are they one and the same, or are they some different things, or -- if you can enlighten me on that.

MS. O’BRIEN: I’m sorry, can you repeat your name for the record, please?

BEY: Bey, B E Y. And I was asking a question -- I’m sorry, what’s your first and last name?

BEY: Bey. And I was asking him the question of the SCORE program and the protégé program, how are they different and how they can -- and how they’re helping the veterans.

MR. JONES: Well, the mentor-protégé program is -- we have two programs here at SBA. We have the
8(a) mentor-protégé program, which the all small
mentor-protégé program was mirrored from. And, of
course, the 8(a) program is the grandfather of all
programs, and that relationship is tied directly to
those 8(a) firms that are in our program.

So the all small program encompasses all small
businesses. And, again, the benefit -- the primary
benefit of the program, again, is exclusion from
affiliation, and it allows the protégé to gain capacity
in those areas for which they lack so that they can
compete in the marketplace.

So I’m not 100 percent sure of all the
programs that SCORE offers, but I know SCORE does not
offer these type of programs because the all small,
people don’t want to say, it’s kind of a business
development tool, but it really is a contracting tool
to allow those protégés to get engaged in the
marketplace. So I hope that answers your question.

MR. WILSON: This is Nelson Wilson. I have a
question. Hello?

MS. O’BRIEN: Yep. Go ahead with your
question.

MR. WILSON: Yes. It’s a bit of a convoluted
one, but I’ll do the best I can. I understand that the
mentor-protégé program gives the -- the protégé and the
mentor get together for the small -- for the service-
disabled veteran status. Does it require business --
automatically allow the mentor to then seek contracts
under the service-disabled veteran programs --
contracts?

MR. JONES: Yes. Once they form a mentor-
protégé agreement and we approve that agreement, then
that agreement takes on the characteristics of the
protégé.

MR. WILSON: Okay, and then the second part of
that question is I understand that the SBA and the VA
have come to a decision through the NDAA to eliminate
self-representation for service-disabled veterans and
that House Bill 16-15 is on the floor to be voted on to
go to a federal-wide certification process. How will
that affect existing mentor-protégés that are service-
disabled veterans?

MR. JONES: I don’t know the answer to that
question, but I’ll definitely take it back to my
leadership.

MR. WILSON: Thank you.

MS. O’BRIEN: Are there any additional
questions on the line?

(No response.)

MS. O’BRIEN: All right. Thank you so much
for your time. Appreciate it.

MR. JONES: Thank you for having me.

MR. MCGRANE: On the line, I have a comment.

MR. STUBBLEFIELD: Oh, Stanley, wait a minute.

Somebody said they have a comment.

MS. O’BRIEN: Okay, may I have your first and last name and your comment as well? And we thank you for staying after we closed it. Go ahead.

MR. MCGRANE: Sure. My name is Mike McGrane. I’m with Veteran Launch, and I wanted to clarify a point on the Lender Match on the previous discussion or segment. There is a designation on the Lender Match right now for veteran, service-disabled veteran, and other veteran. And that has helped us a lot in trying to, you know, screen -- screen out or hope to identify the veterans as we would like to try to link to.

MS. O’BRIEN: Thank you very much for that comment. Those gentlemen have left the room, but we will flag that for them and appreciate the input tremendously.

MR. MCGRANE: Great. Thanks.

MS. O’BRIEN: Glad to hear it’s been of help to you.

MR. MCGRANE: Absolutely.

MS. O’BRIEN: If there’s no further comments
or questions, we’re -- all right, we’re going to take a
ten-minute break until -- or a nine-minute break until
2:00 and we’ll be back on.

(Meeting in recess.)

MS. O’BRIEN: All right, this is Liz O’Brien.

We’re going to go back on the record. We did have one
last question as a followup from Joe Sharpe, so I’m
going to turn it over to you, Joe Sharpe.

MR. SHARPE: Yes. One of our business owners
wanted to know how do you distinguish management and
technical assistance versus business development
assistance.

MR. JONES: Joe, I knew you were going to have
a tough question for me my third day on the job. I
knew that. So, again, not knowing all the details of
the all small as of yet, business development
assistance ranges from, you know, how to prepare your
proposals, how to prepare pricing, that’s the business
development we’re talking about in preparation for
bidding on contracts and things of those nature.

Management and technical assistance is really
more of your back-office assistance, you know, the
accounting systems, any HR system, employee policy
manuals, those type of things to help your business be
more efficient. So that’s kind of how we look at the
two types of assistance that the mentor is providing to
the protégé.

MR. SHARPE: Okay, thanks.

MR. JONES: Thank you.

MS. O’BRIEN: Thanks.

MR. JONES: I think I might give like three
minutes, and then I’ll leave after about three minutes,
just in case.

MS. O’BRIEN: Okay. All right. Thank you so
much.

MR. JONES: Thank you.

MS. O’BRIEN: All right, I’m going to go ahead
and turn it over to Randall Smith, the program director
from DOL for veteran employment and training,
specifically the HIRE Vets Medallion Program.

MR. SMITH: All right. Thank you, Liz.

Welcome, everyone. I am Randy Smith again
from the Department of Labor, the Veteran Employment
and Training Service, and I’m the HIRE Vets Medallion
Program director for vets. I’ve got a short briefing.
For the folks around the table, I’ve got a folder for
you. For the folks on the line, everything in the
folder is available on HIREVets.gov. Hopefully you
have the briefing, but pretty much we’ve strived with
this program to make sure that anything we have is
available to employers at HIREVets.gov as their resource to find out about the program itself.

So with that, let me go ahead and start through the briefing, and I wanted to leave some time at the end for some questions, obviously.

All right, Slide 2. This is simply the front page of HIREVets.gov, and it’s actually as it stands today. So for HIREVets.gov, as we look in that, we kind of wanted to go, okay, there’s the front page of what’s on HIREVets.gov, what’s important, and for what’s important, we actually go to Slide 3.

And really we’ve got three basic things that we want to make sure everybody has and is aware of, and we’ll kind of go through those. But you’ll see on Slide 3 we’ve got a fact sheet, a digital toolkit. The 2020 version of those are in the process of being improved right now, and so those will be up on the website soon. And what you’ll see on the right side of the slide is the program criteria handout. That’s the 2019 version. The 2020 version has been approved and will be on the website probably here -- it’s actually in your folder, and that should be on the website here probably in the next week or two.

But, again -- and then there’s a copy in the folder of some widgets and some graphics. Again, all
of this is available on the website under Resources at HIREVets.gov.

So I figured the best way to start out this briefing is why are we doing this. That’s always a good place to start with any program. And so if you go to Slide 4, we’re doing this as a result of the Hire Vets Act of 2017. And I’ll call particular attention to the very first word of what the act is because it kind of drives everything we’re trying to do with this program at the Department of Labor. HIRE is short for Honoring Investments and Recruiting and Employing, American Military Veterans Act of 2017.

And, again, the law that was passed requires DOL to establish a program to recognize employer efforts to recruit, employ, and retain veterans. And we’re trying to stay very true to that intent, and that is all of our messaging to employers that, again, this program is about honoring their investment in recruiting and employing American Military Veterans.

And there are some very specific ways and criteria that we believe adds quite a little bit of rigor and credibility to the program as this is the only federal government program that actually does award employers for what they’re doing in veteran employment, and one of the very few federal award
programs that is open.

So now that we answered why are we doing this, there’s a better question -- or not a better question, maybe a more often asked and private question, what’s in this for me. And that’s actually a great question when you’re dealing with businesses where you can be honest with about what is in it for you, what’s in it to be involved with this program. It’s something we should be able to answer very clearly.

For employers, we believe there’s -- you know, first and foremost, it’s a powerful, and in this case, absolutely transparent way for a company to signal its investment in veteran careers. It is the only veteran hiring award at the federal level. And when I say that, I want to, you know, be clear on what there is because there are other awards. The one that most often comes to mind, and a fantastic program in itself, is you may be familiar with the employer support of the Guard and Reserve Awards Program.

Another fantastic program that is an actively serving Guard or Reservist ability to nominate their employer for what they’re doing for acting Guard and Reservist. So these are complimentary programs, we believe, and quite honestly, if you’re doing well in the ESGR’s program or you’re doing well in our program,
more than likely you’ll be able to have an easier path
to meeting those standards.

What’s different about ours, as we’ll get
into, is that there are open standards in law and in
rule that have been published by the Federal
Government. So one of the things we want to make sure
and that we believe makes this program have a chance to
being successful is the credibility of being selected.
One of the requirements in law is that the CEO or the
CHRO of the applicant has to state and attest, under
penalty of perjury, that the information they are
submitting is true to the best of their knowledge. And
we actually have the ability to go in and check, and
they agree that we have the ability to go in and check,
that information if needed.

Quite honestly, I hope it’s never -- I hope
it’s never needed because for the most part -- and I’m
sure what you see in dealing with, you know, lots of
veteran business -- lots of veteran-owned businesses is
that that kind of goes in sync with how we operate here
on credibility and, quite honestly, some of the
benefits of working with veterans. Those same
qualities are available in other spheres with other
folks, and that’s great, but we know who we’re dealing
with here, and so we’ve got it focused for that.
The actual receipt of the reward, we believe that will assist the employers in their recruitment and advertising efforts. They do get a certificate signed by the Secretary of Labor, and it is very beautiful because I had a hand in designing it, or perhaps because other folks also had a hand in designing it. And that’s great for a wall in the main hallway or wherever it is.

They also get the rights to their digital medallion, which, you know, this is one of the first times I’ve seen this in a while where it actually says in the law that they can use it as part of advertisement, solicitation, business activity, or their product. And it goes back to this idea that you’ve earned this award, you’ve met the criteria in writing, and we want it to benefit the employers.

And we hope that having -- you know, I mean, the folders, they are pretty, and you can see them on the slides, those medallions look nice. So, you know, like I’ve told some of the folks I work with, I’d love to have you, you know, paint it on the side of your building in the middle of Iowa where everybody can see it because if it’s a three-story building where I’m from, everybody can see it.

And, you know, whether that goes on your
truck, whether that goes on your card, whether that
goes on your signature block, a lot of different ways,
the employers who are making these efforts in veteran
employment, we think that’s another way to attract more
veterans. And that goes back, again, to the
credibility of the award.

The last part for employers is that the
Department of Labor has part of the TAP program for
transitioning service members, and this information is
communicated to those service members and spouses
during our work-ship that, yes, there is this award and
if you go to HIREVets.gov, you can find employers
who’ve met criteria in law that say -- that really are
walking the walk here on what they’ve met.

What’s in it for veterans? We think that this
is one of the solid ways to truly identify veteran-
ready employers. I’ve been around long enough, as many
have, to see the movement from military-friendly to
veteran-friendly, and the conversation about what we’re
really looking here for is it’s easy to be military-
friendly and veteran-friendly. It’s not as easy to be
military-ready or veteran-ready.

However, it benefits employers by being
veteran-ready or military-ready, and, quite honestly,
veteran-ready because they’re trying to get the ex-
military. And so having that have some meaning to it, what does veteran-ready mean? For us, as we get into the criteria, we’ll show you what that actually means. And we believe it can facilitate a more focused employment search and, again, goes back to the employers that if you’re doing this stuff, it should be easier to attract transitioning service members, members of the military family and so let’s give you some tools to help make that happen.

All right, we can go to Slide 6, and now we’ll cover what it is. So let’s talk a little bit of program basics. There’s three medallion award categories under the law. The law separated large, medium, and small employers, and on that you can see a large employer, over 500 employees; a small employer, under 50.

And we get into some of the basics, and I didn’t put it on here, but what I’ll tell you, and you can find more information in-depth if you look at this on the site under our FAQs, but what the law goes after and what we put into the rule to make sure we’re hitting is the definition of employee. Depending on how you define that, that can make something easy or something really hard. When you get into retention --
period is and everything can make something really easy or really hard. And under law, I don’t think under law -- the intent was not to make it really hard. On the other hand, there’s a clear intent not to make it easy. And the law, I think, did a fairly good job of trying to meet that standard of kind of what is veteran-ready, what is above the norm, not something outrageous, but as you get into different industries, we’ve found different folks have different opinions, depending on where they’re situated, so we’d like to help them along that journey as we go.

To get into that, there’s a platinum and a gold tier for both of the -- you know, for each category, so there’s the platinum award, the gold award. There’s also a minimal application fee that covers the processing cost. You may ask, why do we have an application fee, and that has been asked. It’s very easy. This is brought on to the law as a no-cost-to-the-Government program. So our charge has been to strike that middle point to get a reasonable fee, and there’s about a ten-page financial, economic analysis that we went through the award because we have costs to cover -- we have to cover the cost of the program, and I’m in the wonderful position of having to track every dollar, which, you know, I’ve decided I want all
government to work that way, because it’s not easy, but
we do do that, and what we’ve done, then, is I can sit
down with any employer who asks what does my $90 cover
for the application fee, I can say it truly covers the
cost to process your application. And here’s the math
behind it; here’s the economic analysis; there will be
a report to Congress every year on what we’ve done. As
we get into openness and credibility, that applies to
the program, also.

So if you’re a large employer, it takes longer
to process your application as we go through review
than it does for a small employer. That’s why a small
employer pays a $90 application fee. Large employer,
you may be a 100,000-employee company, and we’re going
to charge you $495 to process your application because
it’s not that you’re 100,000-person employer; this is
based on the time that it takes to process your
application. So that’s really what folks are paying
for as this is brought in as a no-cost-to-the-
Government program.

The other good news of this, and specifically
for small and medium employers, is that as -- and this
is not only for DOL. This certainly applies to this
audience, to SBA, as you have -- you know, work with
your veteran businesses, is that there is government
services and support available for free to help you meet these standards. And if you’re looking to hire -- I mean, on your side, if you’re looking to start a business, you know, DOL’s going to send you over to SBA. If you’re looking to hire employees or recruit, there is DOL resources available.

Hopefully, you’ve all heard of American Job Centers. We do also a lot of grant-making to state workforce agencies to help with their programs. Within DOL itself, we have DVOPs and LVERs. Hopefully you’re familiar with that. If you’re not, you’ve got my email address. You can ask me, but again, trained folks who are out there to help folks looking for jobs, and these folks are trained specifically to help veterans who are looking for jobs in the state as part of those state workforce agencies.

All right, program basics. The advanced course is next. I’m going to give you all the criteria for all the applicants, hope you memorize it in 15 seconds. If you don’t, you can switch to Slide 7, and it’s all laid out for you right there. This is what we try to give out. You know, we want folks to have two products -- the fact sheet on the program and then we want them to have this chart because this chart is the basics of what do I need to do to qualify to meet the
criteria for recognition. And, again, you can be on
your employment journey anyway here. You may be
working to meet the gold criteria this year so that you
can apply next year. You may have met gold criteria
this year and applied and got it, and now you’re on
that path to work towards platinum recognition. And
we’ll help you with that along the way.

But this chart quickly, as you look on the
left-hand side, the top two categories are hiring and
retention. Again, it’s in your folder, your briefing,
you can blow it up, but as a small overview, for the
gold level, we look at 7 percent veteran hiring. The
easy way to look at this is we’ll talk about right now
we’re in 2019, all of the folks who applied for the
2019 award, they look at who they hired in Calendar
Year 2018. If they hired 100 employees, and we look
for permanent. We’ve got it in the rule.

We talk permanent employees. And I danced
around that a little bit earlier. We’re looking for
permanent, full-time or permanent part-time employees,
those employees that you hire intending to keep them on
for a 20-year career and give them the gold watch at
the end or whatever that is. That’s who we’re really
looking for as your full-time employees. The reason we
put that in is that there’s -- there is nothing wrong
and there is everything good with hiring veterans for any job they want to be hired for. If that’s a seasonal job, if that’s a temporary job, fantastic.

That may be the gate that gets them started in your company, more power to you, but if we -- and that would make it very easy to meet hiring numbers perhaps, but we are only looking at those permanent, full-time or permanent, part-time. You may hire somebody to work ten hours a week, that’s fine, but those permanent employees, where 7 percent of those that you hired were veterans.

Now, the reason that becomes important is when we talk retention under our example, we looked at who you hired for permanent employees, and we’re going to say for the gold medallion, it’s 7 percent; for the platinum medallion, that’s 10 percent. As we look at retention, the retention numbers we’re looking at are the employees that you hired two calendar years ago.

So this is Calendar Year 2017, and we would say out of all those veterans you hired -- and in 2017 it might not have been 7 percent, that’s okay because, you know, over time you’ll meet that -- but for the retention part, if you hired 15 employees, were you able to retain 75 percent of those employees for 12 months or longer. Again, kind of a common-sense, basic
standard that gets you started that we can track, that
the employer can track.

If you’ve retained them for 12 months or
longer, that forces a lot of stuff on the beginning
about finding the right folks, hiring the right folks,
and having programs that help you do that. That’s the
next part of the chart, the middle of the chart, where
we talk about integration assistance programs.

Integration assistance programs really get at the heart
of, you know, where we talk about honoring investments
in recruiting and employing. And then we also talk
about retention -- What are you doing for recruiting?
What are you doing for retention? -- because that helps
in all efforts. So we have the efforts where we talk
about having a veteran organization or resource group.

Does an employer actually have in name, in existence, a
veteran organization or resource group? So if it’s
Smith Industries, it can be as simple as the Smith
Veteran Resource Group, right?

And in the standards and on the application,
it will say, what are you doing for coaching and
mentoring of, you know, veteran employees? Because,
guess what, that helps retain veteran employees. Every
-- probably everyone is familiar with many of those
programs.
The same thing when we talk a leadership program. Do you have leadership programs that are available to your veteran employees? So this isn’t a specific veteran leadership program; it’s a leadership program that veterans can take part in. We go down into HR professionals or Human Resources Veteran Initiative. What’s that really going after, in your HR function, however huge it is at your 100,000-employee company or however small it is at your one-person company because you just started it and you think, what can I do as a human resources veterans initiative, it’s all about how are you doing in your HR function the recruitment and the retention of veterans.

So as a one-person starting your company today, you might choose to work with an American job center and use their screening resources and their resume resources, their hiring resources, their job-posting resources as you work with them to attract veterans to your company.

The last two, we have a pay differential requirement. What’s interesting and what’s extremely challenging is that many folks are familiar with what’s under Guard and Reserve and part of what Vets does and there’s a lot of things in there about five years and different standards. The pay differential for this
program is that you cover -- you basically make folks
even however long they’re on active duty.

    Now, that could be really challenging if you
employed somebody and they went on active duty for 15
years. But I don’t think there’s anybody who’s been
employed and gone on active duty for 15 years. So
you’re not going to have to meet that, but it is that
in law, it doesn’t say we cover it only here and only
here. It’s we’ll make the person whole for however
long they’re activated on active duty.

    And the last one, tuition assistance, do you
have a tuition assistance program that’s available to
veterans. So, again, all of those things that make it
easier to recruit, employ, and retain veterans.

    We do do labor law violation checks, and the
way that’s written under law is that we’re looking at
final settlements that employer has admitted guilt or
culpability in one of these things. And, quite
honestly, under USERRA and VEVRAA, there’s not very
many of those. And there’s meant not to be very many
of those because that’s much more pointed towards
mediation and settlements ahead of time before we get
into any court cases or anything like that.

    All right. As we run short, let me take you
on to Slide 8. A quick review of what we saw in our
first year of the program demonstration. We did do a program demonstration in 2018 where we allowed the first 300 applicants to come in. If you submit your application, we’ll go after it. A couple different reasons to do that, you know, check what we’re building, and then also get some information from employers and learn from that as we rolled out this year’s program, which we’re in the middle of.

What I’ll tell you as you look on the slides, I took the time to break down the numbers. What we really had was we had 67 percent of the applicants were small employers, so that’s 50 or less permanent employees. We had 22 percent medium. That equals 89 percent. And large employers were 11 percent.

The numbers that we’re looking at this year, we ended up with the same percentage, 89 percent, for small and medium, but what happened is our small employers were 55 percent of that, medium 34, large stayed at 11 percent. So it just kind of helps us to look at who are we working with, and as we start to develop materials, are we developing the right materials for the right different categories to help those employers.

The part that I’m interested in, and obviously want to highlight, is the next slide, Slide 9, how did
we connect with these employers. We -- as this is a brand new program, no cost to the Government, watch every penny, we have worked to be creative in how we do outreach. Our primary vehicle is HIREVets.gov, HIREVets.gov, HIREVets.gov. And if you forget everything I’ve said today, tell your friends you can find out information about medallions and getting recognition for your veteran employer effort at HIREVets.gov.

Trust that the folks that work with DOL can repeat the -- can repeat HIREVets.gov. We’ve got some basic materials. Our outreach materials on what that slide shows you on the right-hand side what’s available on HIREVets.gov. You can download graphics; you can print stuff up. We had the State of Tennessee download the two graphics on the right and put up banners in every one of the AJCs. So trying to make it easy for other folks to amplify the program, knowing that I can’t just willy-nilly spend $5 million on it to promote it, even though I really would like to for one year.

But we’ve got some fantastic partners, including yourself. I know this morning you heard from Radim and IFA. That is one of the partnerships, as we’ve looked for partnerships, that we think is unique,
associations, getting this word out to associations so they can get it out to their members. And, quite honestly, what IFA and some of the other associations do in their social media makes our efforts in Vets look -- you know, it’s not even pre-K, it’s -- and that’s as it should be. They live by that, and they do a fantastic word of getting that job out. So let’s take advantage of that.

Your help as your veteran business outreach centers helped us get the word out of this -- on this, whether it’s through our blogs or reamplifying our tweets. And so those partnerships are critically important to us, and we certainly welcome the efforts to do that.

Lastly, on Slide 10, I did put the time line up there. You can read that slide whenever you want, but basically, right now, we’re in the midst of finalizing the applicants for this year, the recommendations, and on November 6th, all holding, we will have the first official recognition ceremony, as we do this under law, for 2019. And we should be having quite a few folks, hopefully at the great hall at the Department of Labor, for that recognition ceremony, and that’s when we’ll let those companies know that, hey, this is the official date and go paint
that medallion on the side of your building. And if
it’s four stories, they can probably see it in the next
county.

With that Iowa humor, I guess that fits better
for Kansas, right? It’s flatter? I’m not sure. The
last slide is the discussion slide. You know, and what
I’ll say as I finish up, you know, earlier in the
brief, I covered the value proposition for employers
and for veterans, and, you know, what I’d like to ask
you or leave you with is to really consider what’s in
it, in this case, for SBA. I obviously do think there
are some things in there. I had a -- I clipped out a
page where I think I saw something talking about 10
million employers -- or 10 million businesses and 2.5
million started by veterans, and I’m not sure where it
was, and I’m not sure what the numbers are for SBA on,
you know, veteran-owned businesses.

Quite simply, for a small employer, the gold
medallion is very achievable in your first year. If
you go to HIREVets.gov, you’ll see blogs from a local
restoration company that we worked with with Radim
that started their own company a couple years ago, and
it’s the -- in this case, the husband and his wife --
I’m not sure if the husband’s a veteran or if the wife
is -- and a few other employees, well, again, if you
hire one employee in your first year and that employee is a veteran, and you are a small employer, you’ve just met the requirements for the small gold.

It’s not -- it’s meant to, you know, again, further this veteran employment journey, recognizing that small employers are at a different place than large employers with different capabilities. We hope that small employer turns into a medium employer that’s hiring more veterans and more of the military family and turn into that large employer. And we just want to work with whoever we can to help out as we move forward in that.

All right, that’s it for me. And I know that there’s folks on the line, so if you have any questions, you’ve got my card in your folders. You can send an email to HIRE Vets@dol.gov, or you can go to HIREVets.gov, click on the “contact us” form. It will ask you what you want to talk to us about. There’s another block, and again, we get that and we can answer that there. So I’m open for questions.

MS. O’BRIEN: I have a question, Randy.

MR. SMITH: Yes.

MS. O’BRIEN: Of the small businesses that receive the medallion, do you know what percentage of them were veteran-owned?
MR. SMITH: I do not know what percentage, and part of that gets into what we got approval to ask for on the application itself.

MS. O’BRIEN: Right. Is that one of the questions, if you’re veteran-owned?

MR. SMITH: Right, so as we’ve gone through, we don’t have an exact number of that because it’s not a field that we capture. Now, we’ve started in our gov-delivery efforts and our newsletter efforts to start to tailor that, and we’ve been able to get a much better picture of who we’re working with by asking some of those questions.

What we’re going to try to do next year is to have a modal popup. There’s a couple different things folks want to ask, you know? On our side, it’s, you know, who told you about this program, right, so we can see are we advertising in the right folks, do we have that done. If we get things that says, yeah, however that is.

The other part that we want to ask about and try to get a little bit more depth is on -- as you talked with Radim this morning, how many are franchises. Now, I can go through 239 applications and kind of figure it out, but that’s a lot of time, and I should be able to get to the point where we start
asking some of that information and get approval to do that. So that’s something we’re going to add on is not NAICS codes or SAIC codes but to ask some of those very simple questions that segment that population.

MR. GWINNER: Hi, Randy. Sean Gwinner, Bunker Labs.

MR. SMITH: Hi, Sean.

MR. GWINNER: I love it, just looking at it, just everything that’s involved, but as a business owner and then I put myself on the other side, and I’m not being critical towards it, but I have to ask myself this question.

MR. SMITH: Yeah.

MR. GWINNER: As a business owner or the veteran community that’s looking for a job, what’s the true value proposition? And I know it’s new, so it’s in its infancy, plus you have to be very resourceful given you don’t have a budget. Is there, like, a strategy to develop these partnerships with these different hiring agencies and stuff like that to create value for that medallion, because me looking at it, again, I love it --

MR. SMITH: You bet.

MR. GWINNER: -- but I just went through joint commission accreditation for home care, which is -- it
was a nightmare, but we got it; however, I wouldn’t put myself through the same thing, to be honest, to get that medallion. I would just implement those processes. So I guess the question is what’s the long-term value proposition for this.

MR. SMITH: Absolutely. It’s a great -- it’s a great question on that. You know, part of what we do is try to increase that value proposition each year. That’s -- you know, utilize the partnerships we already have. That’s why it’s -- you know, since we get to speak to, you know, depending on the estimates and who gives you the numbers, 175 to 250,000 transitioning service members and spouses every year, you know, part of that value proposition is that we’re going to tell those, you know, X number of folks to look for these companies who’ve proven by criteria in law that they’re veteran-ready employers. So we need to get that out to you.

Some of the things we’re bringing out on the website, in the month of September, we should have our new mapping feature up, where before for the awardees that are listed on the site, you could go through the list and do a really cool -- and you can do today -- sorting of who it is, what size, what city and state they are and you can see that under the “about us” tab
on HIREVets.gov where you’ve got the award recipients. That’s going to turn into a heat map where you can actually drill down and see where all of the 239 2018 program demonstration recipients are.

So if I’m in Korea and I’m thinking about coming back to Iowa to work somewhere, this is one of the tools that I can use to look at employers that maybe I reach out to. What will happen in November is that that map will now change to we’re going to give employers who apply the ability to give us a URL for the site they want folks to go to.

Now, Sean, as an employer, it’s going to be on you to keep that URL up-to-date, not me, because if you’ve ever tried to keep URLs up-to-date, you know what a challenge that can be. So we’ll pull it automatically, and you can update it at any time so that when they look for Bunker Labs and they’ll click on it, take them to where we want them to go.

So, you know, along with that, you know, it really goes into the credibility of the program to make it mean something so at the end of the day you can make that value decision to go, you know what, this is starting to get recognized as I really am a place that appreciates veterans to come in as employees.

And there’s other places where you can find
that, also, but for ours, we’ll point to this is a --
this is an employer that has hired 7 percent or greater
of veterans every year. This is an employer that does
retain the folks it hired. This is an employer who
does have integration assistance programs, because
they’ve attested to it, you know, under penalty of
perjury that they actually do it. And hopefully that’s
worth the time and the money because time is money on
this part that goes through.

MR. GWINNER: And are franchises able to go
through this?

MR. SMITH: Absolutely. We had -- you know,
we’re lucky that IFA wanted to partner with us and get
this information out to their folks. For partnerships,
it goes into how we define employers under law, and
that’s defined by the EIN that shows up on the W-2 so
that it’s something that, you know, once you get into
the employer sphere, that’s actually an easier
proposition to understand.

MR. GWINNER: Right.

MR. SMITH: It’s like, well, I’ve got 15
different divisions in seven states, look at the EIN,
you count the number of employees by how many folks are
going paid by that EIN. And that’s worked out great.
Franchisors, franchisees, you may have five franchises.
If you’re paying them all of the same, then you can put that medallion up at all five franchises.

On the other hand, if you’re the franchisor, you may only have 25 people at corporate, and it’s probably 100 people at corporate, maybe 15. Corporate could win it and not put it out on all their franchises, and then they have to get creative in being very careful in truth in advertising on what they’re saying. They could say, you know, the corporate headquarters won the award, or they could start to work with us and maybe we can help those franchisees work towards getting that medallion also by helping them find veterans or directing veterans to them, so different ways they can work on that.

MR. GWINNER: Well, I got you two big guys, so I just sent it to them to try and get feedback.

MR. SMITH: Absolutely.

MR. GWINNER: So keep your eyes open.

MS. O’BRIEN: I have one last question.

MR. SMITH: Yes, Liz.

MS. O’BRIEN: What can SBA do better to support your efforts in this?

MR. SMITH: I don’t think you can do anything better. I think you can -- I mean, we are extremely thankful for, you know, the partnerships we had and the
sharing of blogs and information. I think it’s simply us continuing to work on the relationship. Part of that’s on me to make sure that I’m giving you information, and we’ve expanded our association toolkits.

And I think by working together with SBA on, say, help us tailor the materials that will be meaningful to the folks you work with in the different situations because I’m not going to pretend to be an expert on understanding at what touch points you’re working with folks who are starting businesses or what best helps them, but I certainly will be able to take what you give us and say, yeah, we’ll -- we can tweak this, we can make this, we can work jointly on this. So I think it’s simply continuing to work with us and committing to get it out to the folks that you work with. And we’re extremely thankful for that.

MR. PHIPPS: Hi, Randy. Mike Phipps.

MR. SMITH: Mike.

MR. PHIPPS: How do you guys define employees? So you had mentioned it before, sometimes we have a lot of 1099s and, you know, they’re subcontractors and, you know, that whole world can just open up. You were kind of referencing it.

MR. SMITH: Yeah.
MR. PHIPPS: So how do you guys define it in your program?

MR. SMITH: I’ll go back to the FAQ, you know, and take that one for the record for the exact -- because we spelled it out exactly, but at its short side, we look at employees as -- we’re really, truly looking at full-time permanent or part-time or employees who are getting a W-2 from that EIN. So you track it back. So as you look at 1099s, it depends, right?

You -- what we’ve often found is you may be working with a subcontractor, and we would love for you to have that conversation with your subcontractor to say, listen, you’ve got -- you know, we’re in a partnership where you’ve got 25 folks working for us on this project, and you’re -- you know, you’re paying them. You need to apply for this award because you -- you know, number one, you’re meeting the criteria. You’re doing what the Government, you know, and what we’re asking you to do for veterans. You deserve to get recognized for that.

MS. O’BRIEN: Amy, you have something?

MS. GARCIA: Amy Garcia, OVBD. There is certainly a value in sharing success stories, too. I remember going to the first recognition, and the small
business recipient had shared how he received his
funding, through Street Shares, I believe, the moving
company, right?

MR. SMITH: Yeah.

MS. GARCIA: So there’s a lot of commonality
with everyone’s stories, and here you’ve got businesses
who are successful and who are employing people, so I
think bringing that into the conversation, I don’t know
-- I’m sorry, I haven’t visited the site lately, but
even sharing some of their stories of how they got to
be successful is a big piece of that, too. And there’s
so much overlap, so that was nice to hear from the
recipients and the winners.

MR. SMITH: And to Amy’s point, we’ve got two
clips up on the site, so I think you can even do it
from your smartphone, although I want you to pay
attention to what’s going on in the meeting, not be
playing with your smart phones, but if you are, if you
are and go to HIREVets.gov, you can click on Nick
Baucom from 2 Marines, and he’ll talk about the
recognition and what it meant to them as an employer,
as well as one from also...

So we want to share those stories. We have a
blog on the one from SBA. Well, actually, I’m sorry,
the one from Springfield, Virginia. I didn’t ask if he
had worked with -- and I’m not sure if he worked with SBA or not or VBOCs or not, but those are great stories that we want to tell because at the end of the day, we truly do believe this does benefit those employers and can offer you, you know, benefits in the future.

MR. GREEN: Yeah, this is Tim. Yes, he did work with a VBOC because I did a tour of the VBOC, and he was over there, and he talked to me about the program.

MR. SMITH: Okay.

MR. GREEN: So, yeah, it really is interesting how the dots are connected there. So thank you.

MR. SMITH: Absolutely.

MS. O’BRIEN: All right, Randy, thank you so much for your time. Appreciate the information. We’ll follow up with anything else.

MR. SMITH: Thank you, everyone.

MS. O’BRIEN: All right, so we asked Eric Eversole here today. I know many of you heard from him yesterday on the Task Force Committee. Yesterday, he was representing Hiring Our Heroes. I did ask him to join today because he’s the chairman of ACVETEO for Department of Labor and felt that perhaps there are ways we can better align with efforts that are going on over there as well.
So as many of you know, Eric is the vice president, U.S. Chamber of Commerce. He’s also president of Hiring Our Heroes and chairman of ACVETEO. So we’ll turn it over to you for an update on all your efforts.

MR. EVERSOLE: Great. Thank you, Liz, and thanks for inviting me. Smitty is always long-winded, so...

MR. SMITH: I appreciate everything you do for us, Eric, and that’s for the record.

MR. EVERSOLE: Yeah. But thank you for inviting me, and looking forward to discussing a little bit about what we’re doing over at the Department of Labor any, you know, what we’re seeing from our perspective in the veteran and military spouse employment space.

Part of what I want to do as I talk a little bit about what the Department of Labor is doing from the ACVETEO perspective and what we’re doing as an advisory committee is really lay the groundwork for what we as an organization, Hiring Our Heroes, are seeing in this space because it’s, I think, reflective of a lot of work that we’re doing over on the advisory committee. And I think it’s instructive for this advisory committee as it thinks about small business.
As I mentioned yesterday in the briefing, you know, we started as an organization really focusing on veteran employment events because it’s what the Chamber was well-suited to do, which was connect unemployed veterans in small- and medium-sized towns throughout America with companies that were interested in hiring veterans. And the primary vehicle that we made those connections were hiring events. And we did nearly 800 in the first three years of our existence, and those events were incredibly well attended, unfortunately that they were incredibly well attended because we had so many unemployed veterans and family members that were really scattered throughout America.

The great news is that, you know, through a number of private and public partnerships, working with state and federal agencies, joining forces at the time with -- at the White House, we were really able to put the veteran-owned employment space on a new trajectory. And what we’ve seen, you know, over the last couple of years are record-low unemployment rates in the veteran space.

I thought that -- and, again, I think those record-low unemployment numbers is really a testament as to what private and public partnerships can really achieve, why the work of this committee as well as
other committees are so important because they really
do set the framework for action at a local level. But
there are a couple of observations that I think that
are worth making from what we’re seeing currently on
the ground. And it’s really -- these observations are
really formed not only by what Hiring Our Heroes is
doing but also what the Department of Labor Advisory
Committee is doing well.

And the first thing that I would emphasize is
that those efforts, the collective efforts, the private
and public partnerships to really work with
transitioning service members as far left of transition
as possible, those efforts are working. From what
we’re seeing as we do events on base throughout the
country, we’ll do 35 or so events, large career events
on base, as well as a number of military spouse events,
so the real number is probably closer to 60 events on
base, the narrative of working with service members of
all ranks, of all backgrounds, to really think about
their transition process earlier is working.

We have -- as we service on base this year
somewhere in the neighborhood of 20- to 25,000 of those
active-duty service members and military spouses, we’re
seeing folks earlier in the process. We’re seeing
folks who are much better prepared than what they were
three or four years ago. They’re making decisions, not
only for themselves, but in many instances for their
families as to what they want to do and where they want
to live and how do they get there. And so that has
been, from my perspective, you know, one of the great
achievements as to, you know, again, those private and
public partnerships that we’ve seen on base.

We’re also seeing it again from the veteran
and military family perspective kind of an emergence of
programs that are really geared towards creating
experiential opportunities for service members before
they transition out. In DOD’s parlance, those are
called the Skill Bridge Training programs in many
instances that allow active-duty service members to
essentially do an internship right before they leave
active duty. They can be either skills-based training
programs or they can be experience-based training
programs. We are seeing a proliferation of those
programs currently on military installations as an
example that the Army and all of DOD only had maybe
three or four programs as of 2014.

The Army currently has 181 approved Skill
Bridge programs that are currently operating on Army
installations throughout the world. And the success of
these programs are really second to none. You know,
we’ve spent as an organization and as a community
trying to help -- to work with companies to help
translate experience sets, to get them to open up their
aperture as to who they hire and why they should be
hired.

We’ve talked about the incredible skill sets
that service members and their family members bring to
the workforce, but the reality is nothing beats
firsthand experience in showcasing those skill sets.
And I think, you know, as we think about this
committee’s work and why this conversation is
important, it is -- what I tell people is it’s really
hard to put “I’m a good leader” on a resume and have
anyone buy it, right?

I mean, and we know that from a military
perspective it’s those intangible skill sets that
really can make the difference. And those intangible
skill sets, quite honestly, are very difficult for
service members, if not impossible, to convey on a
piece of paper. And so by creating these
opportunities, these pathways where service members,
while they’re still on active duty, have a bridge as to
-- as to their time in the military into the civilian
sector being able to showcase those skill sets leading
to incredible results.
I mean, for our program, we’ve grown from one corporate fellowship program in Washington State in 2014 to 18 -- 17 or 18 locations. Currently, this year alone, we’ll service more than 1,000 active-duty service members. So that has been an incredible growth curve.

Good news, great news, is that of our 1,000 fellows, 92 percent of them will be hired within a month of leaving active-duty military, and the average starting salary is $94,000. So the programs are working. And we’re not the only ones doing it. I mean, you look at what’s happening with Veterans in Pipefitting; Microsoft has their Software and Services Academy; Amazon has been very aggressive in hiring a lot of fellows. There’s a number of great programs out there that really make a huge difference in this space. And I think we’re going to see that trend continue to grow.

One of the underlying values of benefits to these experiential opportunities, I think, is for small business. When you have -- as Sean was talking about, when you have, you know, smaller teams of employees, it’s really hard to look at a piece of paper where it’s hard to imagine how those skill sets are really going to translate into your business unless you have a
chance to try that person out. And, again, that’s why these experience-based opportunities are so important, not only for big business, but, you know, if you’re hiring, if you’ve got ten employees and you’re hiring 10 percent of your workforce with your next hire, you want to be really sure that the person you’re hiring is going to be a good fit. And, again, nothing beats that firsthand experience. So we’re certainly seeing the emergence of those.

On the other side of this coin, where we’re still seeing some challenges, especially in the veteran side, there is still a challenge that service members have with the sea of goodwill. They’ve moved farther left of transition, but many of them are drowning in the amount of information out there, trying to figure out which resources are good ones, what’s the pathway look like, those are still very significant challenges.

The TAP curriculum has improved significantly, and I think that’s helpful, but there’s still a lot of work that needs to be done to consolidate kind of the directional paths we put service members in.

That’s on really the veteran experience side. On the company side, I would emphasize a couple of things. We’re seeing companies -- American business -- you know, they have jumped in both with their feet in
the veteran hiring efforts. I mean, they see the
bottom-line value to their business. They understand,
you know, the skill sets that are being brought. And
where we’re probably seeing the most significant change
from how American business is really looking at this
veteran recruiting effort is that, first and foremost,
companies are now treating veteran hiring events,
especially active-duty service member hiring events,
much like they treat college campus recruiting.
They’re sending recruiters out. They’re recruiting
them back to where the jobs are from duty stations
where service members are currently located but aren’t
going to live.

And so one of the biggest testaments to that
is that when we host a career summit, the companies
that came to that event last year on average had an
offer rate of 42 percent. So they’re coming in,
offering jobs. They’re doing so on the spot, much in
the same way they do college campus recruiting. You
can’t go to someone and say, hey, you know, I want you
to move back to Indiana for a possible job. Pick up
your stuff, move your family, and we’ll give you an
interview. That’s not going to get you hired -- you
know, hire too many people. So companies are coming
and they’re being very active, conditional offer
served, a big change.

The second thing that companies are doing is probably the most significant from a near-term and long-term value proposition to service members is they’re coming in willing to train these young men and women, to upskill them and reskill them. They have found that a little bit of up-front investment in training goes a long way. Major companies see -- you know, major corporations see that, you know, regardless of whether they’re in the military or, you know, you’re average Joe off the street, they’re going to have to do some level of training for almost everyone they hire. And they’re not going to -- there’s not a training program that’s off-the-shelf in many instances that will allow them to immediately bring employees in, but instead they’re willing to invest up front and provide the training and the skill sets that they precisely need for those future jobs.

So we’re seeing a pretty significant transformation in that space. And, again, that transformation, all these transformations, are really what the Department of Labor Advisory Committee is focusing on is how do we best capture those experiences.

And I think -- so those are two thoughts that
the committee is really diving deeply on. But, you
know, notwithstanding kind of the improvements in the
overall space, the Department of Labor Advisory
Committee is also concerned about the populations that
are still struggling, and we know that there are
populations in the military community that are really
struggling mightily.

Those include, and at the top of the list from
our perspective, are military spouses. Military
spouses still face a national unemployment rate of 20
percent or greater. It is having a significant impact
on retention on the military side, and from a
community-based perspective, again focusing on those
private and public partnerships, what the Department of
Labor can do as it leverages workforce grants and other
localized efforts, you know, how do we best position
within the context of the Department of Labor’s
responsibilities and ACVETEO’s responsibilities, how do
we create pathways for military spouses to find
economic opportunity and get past 20 percent
unemployment.

One of the ways that we’ve seen and we’re
taking a deeper dive is that there has been the
emergence of some local workforce grants for military
spouses. It often comes in the form of displaced
worker grants as they transition from one duty station
to the next. There are some limits in that, but we’re
taking a look as a committee as to how we can
potentially free up some of those federal dollars, some
of those federal funding is going to local agencies to
really help focus -- to help focus on that military
spouse community and put them back to work.

And we’ve seen great success. We’ve had as an
organization, again putting my Hiring Our Heroes hat
back on, we were able to receive one workforce grant
out of Southern Maryland to help military spouses get
back into the workforce. And in the last two years,
we’ve helped put 150 military spouses back to work
through internships, like our fellowship program. It’s
a six-week program, but seeing really, really
significant success at about an 80 percent higher rate
for these military spouses. So we’re seeing really,
really significant results there as well.

You know, other populations that we know
continue to struggle. Student veterans are a
population that continue to have challenges as they
really leverage the great educations that many of them
are receiving but making that transition from a
nontraditional student veteran to a long-term,
meaningful career can be challenging. Student veterans
are not traditional students, and so it’s more
difficult for them to participate in internships.  
And, you know, the challenge for many
companies that we’ve seen is that companies either
recruit them as veterans or they recruit them as
students. And I can tell you, and I think everyone on
this committee knows, that a 25-year-old or a 30-year-
old student veteran is not like a 22-year-old student.
I mean, they are two different animals. Their focus is
different. You know, their energy levels are
different. Their experience levels are different.
They have significantly more leadership skills, so
getting companies to kind of look back and find ways to
credit that military service for student veterans is an
area of focus as well.
And then there are other populations that we
know struggle. Female veterans are still facing
disproportionately high unemployment rates. There’s a
bit of a -- we know that many student veterans, based
on the work that the Department of Labor is doing,
don’t self-identify and they don’t self-identify at a
much higher rate than their male counterparts. So it’s
an area of significant concern for the committee.
And those area really kind of the basic
buckets of focal areas, are those underserved
populations and how do we look at, you know, expanding some federal funding to these populations that are struggling through some of these workforce grants, and then, also, really continuing to focus on things like TAP, which TAP has undergone, from our perspective, very significant, very positive changes over the last couple of years. But, you know, TAP, from my perspective -- I’ll leave it my perspective -- is not necessarily intended to get all service members a job or a career opportunity. It’s intended to help provide guidance and broad overviews. And it’s doing that incredibly well, and through private and public partnerships, it’s really the private sector’s opportunity to then be that supplement, that additive to TAP to really provide them the tools and resources to actually get the job done. But we are seeing good progress in that space as well.

So with that, I’m happy to answer any questions, happy to talk about whatever anyone on the committee would like.

MS. O’BRIEN: I have a question. I always have questions, but what role do you see Small Business playing when you’re talking about serving those populations that aren’t being taken care of through workforce grants and fellowships? How can small
businesses across America and through the SBA better plug into being of service?

MR. EVERSOLE: You know, I’m going to answer this in -- I don’t think anyone that’s left is actually -- Tim and Larry and Stan heard me talk about this a little bit yesterday when we talked to the Interagency Task Force, but I think that this committee and I think what the Small Business Administration needs to really think about is a couple of things.

One, how do we define what it means to be a small business in this country, especially in certain populations around military communities? You know, what we’re seeing are -- you know, again from my perspective, is we’re seeing a very significant increase in especially the military spouse community of the creation of individual sole proprietorships and businesses focused on professional services -- your -- Mike, as you were talking about, your 1099 employees. Every time you end up with a 1099 employee, that is the creation of small business.

And as we think about those opportunities, I would tell you that most of those people who are creating those service members and those family members and those military spouses who are creating those individual small businesses are doing so without the
necessary information to help them succeed from the getgo.

You know, what’s the legal advice? Do I file as S Corp? Do I -- you know, do I need to set this up as an LLC? What do I need to do to protect my own family’s assets in the event something bad happens? What are the insurance requirements, you know? And then how do we maximize some of the tax benefits related to, you know, how do I, you know, amortize my vehicle and do those things for trips or how do I -- you know, what percentage of my cell phone can I take as a business writeoff, which had significant financial implications for these military families that, from my perspective, get very, very little information about.

We think about small businesses, the storefront that takes, you know, so much capital to get off the ground. That’s not the small -- that’s not the businesses that we’re seeing on a lot of military installations.

We also look at e-commerce and the gig economy. Again, significant proliferation of gig-economy-type jobs, whether, you know, it’s like the Ubers of the world of, you know, cybersecurity. We’ve seen some great companies do cybersecurity work on 1099 basis. And more companies are using 1099 employees. I
think if we think about those individuals as business units, that’s some pretty low-hanging fruit that, quite honestly, those 1099 employees are going to go on and create, you know, if they’re successful, more people working for them. And that’s what we see. So within the core fundamental skill sets, it will be a pathway into a larger population.

And, quite honestly, if you work pretty heavily with the spouse population, then you can also have a lot of very direct benefits to the military service member who is going to transition out at some point, you know, asking these fundamental business questions about how do I file with the IRS, getting an accountant, talk to a lawyer, do all the things. I mean, those are going to answer a lot of questions for service members when they transition out. So in my view, that’s a really important thing that this committee could focus on that would have a significant impact on that population.

I think the other thing that I would think about, and I don’t think anybody’s really done it in a military community perspective, is, you know, what are the -- you know, from a business perspective, what are the needs in and around military installations that these service members and their family members may not
I know a lot of folks when we talked about entrepreneurial opportunities think about it, well, I don’t have a big idea, I don’t have something that I can sell. But in many instances, profitable businesses aren’t coming up with the new best idea. It is taking care of, you know, a clear business need around a lot of these military installations.

And the one that I mentioned yesterday that is still top of mind, you think about the tremendous need for childcare across the military, and these are all small business opportunities, but a vast majority of military spouses wouldn’t even think about that as either a business opportunity and certainly wouldn’t know about how you go about the process by which they get the necessary DOD approval if they -- if it does happen in a reasonable amount, but how do they get that approval to be able to start that small business.

Quite honestly, you set up a -- you know, that’s a business that’s pretty portable, too, because once you start to get the work to get the necessary personal clearances, you can work pretty aggressively to, you know, keep that business up. And it’s -- you know, again, it is something that is desperately needed that is -- you know, you’re not going -- well, you
could be a millionaire, I don't know. It depends how
two many kinds you’re watching, I guess, but it is
definitely a very viable business. But I don’t think
anyone’s really looking at, you know, what are those
business opportunities in and around the base where
military families are not only the best candidates to
start those businesses but could have a significant
impact on the communities that they live in and serve.

So those are kind of two things. But, you
know, I think the third thing is I think this committee
can work on how do we remove some of the unnecessary
restrictions on and near military bases that sometimes
prevent businesses from getting off the ground. We
know that Secretary Esper, when he was the Secretary of
the Army, with one signature was able to remove a lot
of restrictions on military bases related to e-commerce
activities. For a long time, really forever, if you
lived in base housing and you were a military spouse,
you couldn’t sell products or materials without certain
approval from the base and other folks. And that
included e-commerce activities.

And so many military spouses who would, you
know, would have, you know, good products to sell or
good opportunity to sell couldn’t go down that pathway
to start their own business because they didn’t want to
lose their base housing.

And so Secretary Esper tackled that very aggressively and lifted that restriction across the Army. That’s a significant change, but, you know, what are the other rules and regulations out there that kind of prevent -- I can tell you, like, you know, even ride-sharing. You know, the services as a whole have incredible different rules about ride-sharing and about getting on base. If you’re in the Navy, you cannot come on a military installation as a ride-share company, even if you’re an active-duty service member with an ID delivering another active-duty service member on base because the Navy has prohibited ride-sharing drivers coming on base, notwithstanding the fact that they have, you know, an ID that allows them on base.

I have a vehicle that has insurance that’s allowed on base. You know, so it’s the legal aspect of some lawyer’s interpretation of the legal aspect of it that is preventing them to do it and then they’re dropping people off at the gates. And the Army, too. And it depends on the base. It’s base by base. And, again, you know, it’s easy to say that, you know, that as a now-retired military officer it’s not to say that we should, you know, throw good order and discipline
and smart practices out the window to keep our folks
safe. It’s just that there are some that are created
that have a detrimental impact on business and small
business that if someone really were to scratch your
head and ask the question as to why, you know, it
doesn’t make a lot of sense in many instances.

MS. O’BRIEN: Brandon, did you have a
question? Eric, the majority of our committee members
aren’t here because of weather, so they’re on the
phone.

MR. EVERSOLE: No worries.

MS. O’BRIEN: Brandon, are you still on?

MR. SHELTON: Yeah, hey. I am. Eric, Brandon
Shelton, TFX Capital actually down here in Charlotte,
North Carolina. Thanks so much for that. I guess more
for the record and open discussion, one of the feedback
I just would love from your vantage point is from the
hiring side, because I think from my -- again, from
what I do in my day job, hiring veterans is very
similar to providing unique levels of capital and
support to veteran small business owners. So for me,
they’re of a similar ilk on both sides.

How can I interrogate your background, what
does that mean for your ability to work with a company
and what does that mean for me to lend you money or
invest in you or something of that nature?

So that’s my lens, but the question I have for you, piggybacking off the question that Liz asked you, do you see in your role in relation to hiring veterans, do you see any bifurcation or any type of available data out there for veterans going to work for, let’s say, government contractors and veterans going to work for everyone else?

And, again, the genesis there is that this committee, in my short time on it, seems to focus an inordinate amount of time on government contractors, government contracting rules, VA rules, for all the right reasons, but they -- on the data I’m aware of, it is a very small percentage of the greater veteran small business world, and so -- again, I’m on the private side and I’m working on opening up resources for, you know, additional trade folks trying to resolve -- you know, create businesses that aren’t current government contractors.

I was just curious on the hiring firm, and as you look across the United States, have you guys seen any trends, do have any available data? Do you track it that way in terms of the types of companies that former military folks who are being hired by? Anything down that path from your feedback?
MR. EVERSOLE: No, I think, you know, that's -- I mean, that's a great question, Brandon. I think the challenge is is that the kind -- the granular data that really starts to point out, you know, where people are transitioning, what those metrics of long-term success look like is a focus of the Department of Labor committee because the data is sparse, at best. And that's just not from a federal agency perspective, but that's generally speaking how do you kind of keep up with all of these folks.

So the short answer is, you know, it's a concern, broadly speaking, as to the data set as to, you know, who's going to the private sector versus who's going to the public sector. I can go back and look -- I will tell you that -- this is probably more anecdotal than anything. I think there's been an increase, especially with these Skillbridge-related programs, more veterans going to the private sector because they're able to take that 12-week or whatever time period experience it is where they're still on active duty.

Again, this is not that different from what college interns do, right? College interns go spend some amount of time in the summer finding out is this going to be a good fit, is this what I want to do long-
term.

You know, prior to three or four years ago, service members -- active-duty service members didn’t really have that opportunity. So it was in many ways a guessing game as to what was good and what was bad, which in my view it caused a large number of service members to go to the public sector versus the private sector because the public sector was less scary to them. It was something that they either worked with or they may go to a private sector company but really on a DOD contract. You know, going to the public sector type of job, the contracting was the safe bet. You knew what you were getting into and you just -- you know, maybe not what you wanted to do, but it was a safe, safe bet.

With these internship Skillbridge-related programs, and I think what we’re seeing with it in the small business community, is that you can spend 12 weeks in the corporate fellowship program trying out that company, but only 60 percent of the 90-plus percent that get hired end up with the company they do the internship. The other 30-plus percent end up going somewhere else because they’re making it an informed choice.

And, ultimately, that’s what these programs
are really about, the emergence of these programs. How
do we make both sides of the equation an informed
consumer so that they can mitigate their risk as they
transition out?

And I think once we’ve started to mitigate
this risk from kind of private sector opportunities as
well as small business, however we do that by giving
them the tools and the resources on the small business
side to really understand what they’re getting into or
whether it’s the corporate side to really think about
what does that day one look like in private sector, the
results -- you’re going to see more people go with
private sector because it’s not as scary as what it
would otherwise be without that experiential-based
opportunity.

So short answer is we don’t have, you know,
firm data on that. I think it is an area as we get
deeper into this will be really important, but what I’m
seeing anecdotally is we definitely have more companies
or more people who are going to the private sector
because we’ve been able to mitigate those risks and
help them understand what they’re getting into.

MR. SHELTON: That’s great. Thank you.

MR. STUBBLEFIELD: I was just going to ask
you, yesterday you talked about licensing and
credentialing. I was just wondering just if you could
briefly touch on it for this audience.

MR. EVERSOLE: Yeah, you know, licensing and
credentialing is a mess for a lot of military spouses,
and it’s been a mess for a long time. A couple of
things are happening that I think are significant.
One, you know, very directly, some states are being
pretty aggressive at creating things like universal
licensing that will allow licenses from other states to
be recognized in their state. Arizona comes up at top
of mind. Florida is doing some work in this space, but
really take a close look at, you know, A, why do they
have a license requirement in the first instance, you
know, is this really the health and safety of its
citizens, so, for instance, you know, do you need to
have -- Louisiana jumps out as one that had a -- that
if you were going to -- what were you going to do --

MS. O’BRIEN: You’re going to arrange flowers.

MR. EVERSOLE: -- oh, if you were going to
arrange flowers, you had to sit before -- you know, you
had to do 12 weeks of coursework or six months of
coursework, and then you had to sit in front of a board
of experts to arrange flowers. That is the antithesis
of business, right, in the sense of, you know, you have
to arrange flowers in front of a board, all of whom are
local florists, and you’re now going to be a competitor. It doesn’t make any sense, but, you know, many states have created these -- you know, these various licensing requirements.

And so what we’re seeing at the state level is states are aggressively looking at, one, can we create some universal standards that recognize the good work that people are doing from other states, and, two, do we really need a license in the first instance. Do I really need a license to have someone install a car radio? Probably not, right? I mean, you know, that’s probably not something you really need to do. And so that’s what states are doing.

We’re seeing movement in that space, but it’s always challenging. I mean, there’s a lot more to it than tied to good common sense. I mean, there’s a lot of money tied to it as well. And so it’s always going to be slow to kind of get states to do that. We are seeing some movement, and I think good movement, work like the Military Spouse JD Network has done some amazing work on licensing requirement for military spouses who are lawyers. Great stuff that’s happening on the individual side. But you’re picking off one apple at a time, and it’s going to take a long time.

What we’re seeing on the Federal Government
side, which I think is encouraging, there’s obviously, with the current administration, there is a significant emphasis on licensing and credentialing, how we can ease some of those restrictions, especially for military spouses and service members. But, again, that’s a long game.

The area where I think -- I’m probably most excited about is that a lot of these federal agencies are really focusing on how do they hire more professionals into their ranks because if you’re a nurse, for instance, at the VA, it doesn’t matter where you’re licensed as long as you’re licensed in a state. So the quickest way around a state licensing issue is a federal job.

And so as agencies really have ramped up their efforts, work -- you know, at places like the VA where they’re taking a hard look at their employment opportunities; they’re using some of the expanded federal hiring authority that they have from the President; and they are very aggressively working to hire military spouses and other underserved populations into those federal jobs where, quite honestly, the states’ license requirements matter very little. And so that’s the other area where, quite honestly, it’s the quickest pathway to, you know, really changing
licenses.

MS. O’BRIEN: The licensing and credentialing, you know, if I want to start a small business and we move, it sets me that much further behind.

MR. EVERSOLE: Yeah.

MS. O’BRIEN: It’s not just about being able to go work for -- it’s about being able to launch a small business quickly.

MR. EVERSOLE: Couldn’t agree more. Couldn’t agree more. And then, you know, you add on, you know, how -- which is probably even a bigger hill to climb, maybe more of a mountain, are the status of forces agreements that, you know, if you look at, you know, the restrictions -- you know, if you think what the states are doing from a restriction point of view are tough, I mean, wait until you get overseas. And in most places, you know, even 1099 employees, you know, have a very, very challenging time because of the registration requirements in that host country as well as the tax consequences of doing so. So it’s not good.

Afghanistan, but even places not like Afghanistan. I mean, if you look at places like Germany -- Italy has some of the most restrictive requirements. I mean, it’s almost impossible -- I mean, you know, in some of these instances, you almost
have to pay the host country to actually work, and that
definitely doesn’t make any sense.

MS. O’BRIEN: Does anybody else on the phone
have a question? Anybody else in the room?

Oh, go ahead.

MR. O’FARRELL: I have a question here.

MS. O’BRIEN: Go ahead.

MR. O’FARRELL: Oh, this is Jim, I was saying
I do not have a question. It’s been a really good
presentation.

MS. O’BRIEN: All right, Jim, thank you.

All right. Well, Eric, thank you for your
time.

MR. EVERSOLE: Thank you.

MS. O’BRIEN: Appreciate it, and appreciate
you coming back to that base, too.

MR. EVERSOLE: You know, I love the SBA.

Thank you all.

MS. O’BRIEN: All right, we’re going to go
ahead and take a break, and then we’ll reconvene off
the record.

Do you want to talk about the report on the
record?

MR. STUBBLEFIELD: I guess we need to decide.

Are we going to talk about if we need to on the record
or anything.

MS. O’BRIEN: Okay. All right, then we’ll go right into it. You want to go right into it and not take a break in the interest of time?

MR. STUBBLEFIELD: We put this on the agenda as a talking point.

MS. O’BRIEN: All right, well, let’s -- all right, we’re going to hold for five minutes until Stan comes back, and then we’ll reconvene and discuss the report on the record -- on the record for them, okay? And then we’ll break after. Thanks. We’ll be back in five minutes.

(Brief pause.)

MS. O’BRIEN: All right, this is Liz. We are back on the record. Who’s on the phone line right now? Anybody?

MR. GWINNER: Sean Gwinner.

MR. O’FARRELL: Jim O’Farrell.

MS. O’BRIEN: Brandon, are you on the phone?

MR. SHELTON: Yes.

MS. O’BRIEN: All right, so we have Brandon, we have Sean, we have Jim.

Lynn, are you on the phone?

(No response.)

MS. O’BRIEN: All right, so we’re just going
to briefly touch on the record on the status of the
report that’s due from last year.

Mike Zacchea, are you on the phone?

(No response.)

MS. O’BRIEN: All right, I’m going to turn it
over to Michael Phipps just to give a brief update on
anticipated timeline for the report.

MR. PHIPPS: Mike Phipps. So without going
into the details of behind-the-scenes, we have all the
input that everybody from the committee has sent in.
It’s all consolidated. Today, we are going to finalize
just a few of the recommendations. And from there, I
will consolidate the writeup for the recommendations
and have it to Mike Zacchea to add to the bulk of the
report by next week.

So I don’t anticipate very many changes to the
framework of the report. It’s just to the
recommendations, so I don’t anticipate it will take
Mike very long to complete it, so all being -- by the
end of next week, I think he could have it in. I don’t
want to speak for him, but after today’s meeting, if we
come to consensus, all the recommendations will be
complete.

MS. O’BRIEN: Thank you, Michael Phipps.

Larry, anything in terms of questions for
that?

MR. STUBBLEFIELD: No. Nothing for the record.

MS. O’BRIEN: All right. So as a reminder, our next meeting will be December 5th, and we’re going to close this meeting for today. Thank you.

(Whereupon, at 3:38 p.m., the meeting was adjourned.)
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