U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

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Reported by: Jennifer Razzino, CER
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MR. STUBBLEFIELD: All right. Well, good morning, everyone. Welcome to our December ACVBA committee meeting. I want to welcome you and thank you all for being here this morning. A special thanks to the American Legion for hosting us here. Special thanks also goes to my right here, Stan Kurtz and his team for working hard for putting everything together.

For those of you who are online, our slides can be found at sba.gov/ovbd -- Oscar, Victor, Bravo, Delta. And if you want to get in touch with us, go to veteransbusiness@sba.gov.

All right, at this time, I will turn it over to our Chair, Liz O’Brien.

MS. O’BRIEN: Thanks, Larry. Good morning, everyone. Special thank you, of course, to the American Legion for hosting us today. I was pretty fired up when we walked in the front door and came straight up without going through security, so I appreciate the opportunity.

How long will the renovations last at the SBA?

Laughter

MR. STUBBLEFIELD: Unfortunately, they’re
finishing up in the next day or so.

MS. O’BRIEN: It’s been a year that has certainly probably gone more quickly than I think any of us ever thought it would, but it has been a year that I think that we’ve had an opportunity to shine a light on some things that perhaps we weren’t focused on in the past, to include CDFIs and looking forward to how those continue to play out and impact our community as we move forward.

This will be my last meeting today, correct? And we’ll look forward to electing our new chair as we close doors later today, so this certainly has been an educational experience and allowed me to take information forward into the evidence but most specifically the military spouse community as we look to create opportunities for entrepreneurship for different populations within our community as well.

So I think on that note, are we going to move forward? Do you want me to introduce members? Are you going to do it?

All right, we’re going to go around and do roll call. We will start to my left with Joe.

MR. SHARPE: Joe Sharpe with the American Legion.

MR. PHIPPS: Michael Phipps, the Lending
Group.

MS. PEREZ-WILHITE: Fran Perez-Wilhite with the North Carolina Military Business Center. I’m also American Legion Post 1819.

MR. ZACCHEA: Mike Zacchea, University of Connecticut School of Business, Entrepreneurial Bootcamp for Veterans.

MR. LOWDER: Lynn Lowder, Veteran Business Project.


MS. PORTER: Kandis Porter, Effective Flow Connections.


MR. STUBBLEFIELD: Do we have anyone -- any committee members on the phone?

MR. BANTON: Yes. This is Glenn Banton with OSB.

MR. STUBBLEFIELD: All right, thank you, Glenn.

MS. ANTHONY: This is Michelle Anthony with AEI.
MR. STUBBLEFIELD: Thank you, Michelle.

Okay, if we -- I guess we’re going to move on. Next on the agenda, I guess, is introducing our new ACVA members. So I guess we’ll have the mic swing back to you. And first of all, welcome. We’re very happy that you’re here and very appreciative of your interest in being on our committee, so welcome. So tell us a little bit about yourselves.

MS. PORTER: Hello. I’m Kandis Porter. I’m based in Reno, Nevada. I’m an Air Force veteran, and I’m founder and managing director of Effective Flow Connections. It’s a management consulting company, and we go in and help organizations -- program management, project management, change management, leadership development. We’ve been in business for about three and a half years, all private sector. We mostly work out on the West Coast. And I’m so excited to be here today. We are a service-disabled veteran-owned small business certified through CVE, and also self-certified woman-owned small business. So thank you.

MR. STUBBLEFIELD: Thank you.

MS. VALERIE LEWIS: Good morning, everyone. Thank you for having me. My name is Valerie Lewis, owner of Valerie Lewis Janitorial. I started in 2005, so I’ve been in business since then. Service-connected
disabled veteran. I’ve had contracts with the VA, amongst other agencies. So it’s been about 14 years. So been really active in advocacy, with the Task Force, my own network, and others around the room, I see a lot of familiar faces.

I’m a Marine veteran, and I think that’s about it. Thank you for having me.

MR. STUBBLEFIELD: Again, welcome, and thank you both for being here to be part of our committee.

All right, I guess we will go -- move forward to the OVBD updates. I’ll go through these really quickly because we really have a great agenda here. We’re going to have Joe Sharpe talk about our roundtable that we had, and we also have our VA partners here as well. And, then, we’re going to have Sam Le here to talk about a lot of the legislation that’s going on.

And yesterday, I was very -- very, I guess, active engagement, if you will, with -- we had Chris Clarke here. He’s one of the attorneys that, you know, focus on all the legislative proposals and things of that nature, but Sam is part of Government Contracting and Business Development, and so I think for the amount of things that he needs to go through, I’m pretty sure it’s going to be an active discussion and we probably
need to allow a little bit more time.

So in that regard, for the OVBD updates, I just have four there real quickly. I’ll just jump to the second one first because I kind of missed it a little bit yesterday and had to backtrack to it, but, you know, because of this body, a number of times things come up in terms of contracting, issues and things of that nature -- mentor protégé, 8(a), and so forth -- and no one in OVBD, we don’t necessarily have the expertise there, so what we’ve done is established a liaison position, if you will. And that’s Amy Garcia. I know all of you know Amy.

Amy came to OVBD from Government Contracting and Business Development. She’s meeting on a regular basis with Barb Carson and her team, and she’ll be our liaison back and forth with Government Contracting and Business Development. And yesterday she got a taste of all the legislation that she’s got to get her arms around, so we’re looking to have an expertise here in the committee for those issues.

Okay, we’ll go to the next slide, and this is just an update on the GSA federal surplus property bit, and just kind of like tells you where we are. We’re in the rulemaking area right now, if you will, but the bottom line is we’re looking to have the surplus
property up and running by March/April time frame 2020.
We’ll go to the next slide, if you will.

Okay, all right. National Veteran Small Business Week, you know, just a shout out to a number of folks that participated in National Veteran Small Business Week this year, and in particular our district offices, our 68 district offices located around the country.

All in all, we had over 130 different events around the country, and the purpose of National Veteran Small Business Week is to just highlight to the American people our 2.5 million veteran-owned small businesses, what they bring to the communities, and also to let those business owners know about the resources that we have available to help them, you know, promote their businesses and so forth.

So this year we were very fortunate to get the acting administrator -- we were very fortunate to get the acting administrator out to New Mexico and down to Business the Battlefield. And so, all in all, it was just, you know, a great team effort for National Veteran Small Business Week. And if you look on the slide where it talks about social media, the fact that we were able to reach, you know, 2.8 million people, you know, promoting National Veteran Small Business Week, was also, you know, something that we’re very,
very pleased with.

All right, so is that the -- that’s my last one, I believe. Oh, okay, no, I’m sorry. The SBA -- okay, we’re in the process right now of planning Veteran Small Business Summit, and we’re actually partnering with the American Legion on the summit. At SBA, I can tell you that the senior leadership from the acting administrator through our regional administrators are all very excited about this opportunity because the focus for the Veteran Small Business Summit this time will be on rural. We’re looking at Rural America, and the administration is also looking at opportunity zones, so this goes hand in hand with what the administration is looking at.

So we met. We’ve had -- I guess we had our initial meeting where we talked through the roundtable, which Joe will talk about the roundtable here very shortly, but during that meeting, the American Legion had gone out and looked at, you know, poverty levels across the country. The American Legion identified Mississippi, I guess as being the number one state in terms of, you know, the high levels of poverty, and then the next state was New Mexico.

Now, I was surprised that -- I know Washington, DC isn’t a state, but it was, like, number
nine -- number nine on the list. When you think of the Federal Government here, you know, all the things associated with the Federal Government, but DC was number nine. So we initially wanted to take a look at Mississippi, but to show you the amount of importance the administration is putting on this and the SBA is putting on it, their regional administrator responsible for Mississippi is actually on a detail to the White House, so the SBA leadership, in conjunction with the American Legion, we decided to focus on New Mexico.

So we’re in the process right now of looking at what resources are on the ground in New Mexico, what resources we have in SBA that can help with this, and where are the veterans. Where are the veterans in New Mexico? And we’re also going to take a look at the tribal community as well.

So the plan is to have the summit in the March -- February/March time period. The SBA has taken one of the regional administrators out of her position and created a new position that’s called Rural Initiatives, so she’s the director of Rural Initiatives. She’s working with us on this. In our office, we have sitting here to my right -- Star, you can raise your hand, Star Wilbraham has come over. She’s going to lead with the effort from the OVBD
perspective. I don’t see Kathy McShane here. I think all of you know Kathy. Kathy’s working on it. And then we’ve got Stan here and his team. So we’re really going to pull this off, and the goal is to go into the rural communities to know what the problems and issues -- banking -- financing issues, banks moving out of those communities and things, to go where veterans are in those areas and promote opportunity in terms of entrepreneurial opportunities and things of that nature.

All right, so on that note, this is our second collaboration -- oh --

MR. O’FARRELL: Jim O’Farrell. So, Larry, when you’re going out to an issue like this, are you all -- who are you partnering with locally in New Mexico to -- and it’s a loaded question because I have the answer I’d like to provide for one snippet of possible connection is through work that my company does with the Veterans Health Administration. We’ve discovered that the University of New Mexico has a phenomenal rural medical capability, and I realize all the HIPAA rules and all that involved in health care, but if there’s a way to connect with the University of New Mexico’s medical school and that kind of thing, maybe there’s a way to access veterans that you might
1 not otherwise be aware of.
2 And so going back to my first question, how
3 are you all connecting with the local folks that want
4 to work with you?
5 MR. STUBBLEFIELD: Okay, well, first, I’ll say
6 in terms of the University, we’re happy, and I can see
7 Stan nodding his head, we’re happy that you passed that
8 on because we started off working with Mississippi, and
9 we were working with Mississippi State University, and
10 we really would like to partner with the University
11 because one of the -- part of our plan we’d like to be
12 able to stream some of the sessions, you know, around
13 the country and so forth, so we will definitely take
14 you up on that offer.
15 MR. O’FARRELL: Okay, and it’s through a
16 partnership we have with Ernst & Young, one of their
17 senior partners is a doctor from the medical school,
18 and she plugged us in there, and they’re really easy to
19 work with, and I think that would be a channel we could
20 tap.
21 MR. STUBBLEFIELD: All right. And I’m pretty
22 sure they’re all over the state, too.
23 MR. O’FARRELL: Well, and as far as the
24 bandwidth issues and everything, the telemedicine
25 efforts that they’ve been undertaking there have been
MR. STUBBLEFIELD: Yeah, we will definitely follow up with you on that.

MR. O’FARRELL: Okay, thanks, Larry.

MR. STUBBLEFIELD: And in regards to the local partners, you know, we’ve got VA at the table with us, the Department of Agriculture. You know, we’re looking into the Department of Interior, and I will tell you that during National Veteran Small Business Week, I had a chance to travel to New Mexico, so we had our district offices on the ground there, the VBOC, you know, I mentioned the regional administrator. So we’re really putting the team together here to make this really successful.

MS. O’BRIEN: Thanks for letting me borrow your microphone. I just also want to share as we’re talking about efforts focusing on rural areas, we are -- we have finally wrapped up our survey in conjunction with Google, so it’s a year-long study, but taking a deep dive into specifically how military spouses are impacted in rural areas that want to launch small businesses and barriers they’re facing. So I certainly would be more than happy to share some of that information with you guys in advance before our release if you need it.
MR. STUBBLEFIELD: Absolutely. Thank you very much for that.

Yes, Fran.

MS. PEREZ-WILHITE: Larry, thanks so much for going out to rural areas. It’s going to make a big difference. I’d like to remind you, too, about the New Mexico Military Institute. It’s a military junior college. The majority of their graduates are veterans. You might be able to tap into their network. I’m sure they’re across the state, and I’m sure they’ll want to be involved with this worthwhile endeavor.

MR. STUBBLEFIELD: Great, great point. I was just wondering, Stan, did I miss anything that you want to add?

MR. KURTZ: No, I think those are great points, and I’ll definitely reach back out to you. If anybody else has connections in New Mexico, please let us know. But as Larry said, we’re really relying on our district office because they’re plugged into the local community. We’re hoping you’re plugged into the University because we need a place to be able to stream it.

And, again, as Larry said, our vision is to stream it to rural areas. And I did talk to Student Veterans of America. I’d like to plug in some of those
agricultural schools, Texas A&M and some of the other agricultural schools across the country to maybe, you know, tune in and learn about our resources. So definitely, if you have anything, contact me and we’ll be in communication. So we’re starting to work it now.

MR. STUBBLEFIELD: Okay, hey, Lynn, how you doing?

MR. LOUDER: Hey, Larry. How you doing?

I’ve been with mayors in downstate Illinois. I’m a small-town guy to begin with, and there is a hunger in small town America. They’ve had Walmart go through, and they’ve had Costco go through. It’s been devastating to the local economies. So we have, and I think you guys have the stats on a surprising number of our veterans that live in rural, small-town America, for all the reasons if you were raised in rural areas, we know why they’re there. Calmness; your kids can still play outside unsupervised; you don’t have to lock the doors. It’s a -- and you’re not anonymous, put it that way.

So we have a number of small business people in small towns that are coming up on the -- they’re my age, you know, they’re baby boomers, and they want to flip their businesses, sell their businesses and retire. So there’s -- and we’re finding there’s lots
of opportunities there right now in small-town America
to keep those businesses open and have no more closed
storefronts.

But beyond all that, with the CDFI program
we’re teaming up with, there’s tremendous opportunities
now for veterans to start their own businesses. What
we do, you know, is match up people looking -- veterans
and spouses -- with existing businesses, not startups.
So we see rural America all across the country as a
fertile ground for small business opportunity and
greatly welcomed by small town mayors.

So what we’re going to do, Larry, is we’re
going to roll these mayoral associations in various
states and they meet out here nationally. I think that
would be a great place to establish relationships and
push top-down, bottom-up.

MR. STUBBLEFIELD: Greatly appreciate that.
I’m thinking like, I guess they were partnering with
the American Legion, and they’re just like SBA.
They’re everywhere as well. So the more, you know,
data, resources, and things that we can bring to the
table on this in collaboration, you know, this is going
to be, you know, all for the good for our veteran
community and rural communities.

Now, speaking of the Veteran Small Business
Summit, this is summit number two. Back in July, we had that summit number one, which is, again, our great partnership with the American Legion hosted the summit here. We brought Corporate America here. We had JP Morgan/Chase, First Data, Booz, Allen and others and small businesses who were able to have that dialogue in terms of, you know, what Corporate America looks for in supply chain and things of that nature. But we would not have had the summit if it hadn’t have been, again, for the American Legion. So at this time, I just want to take a moment to present a letter to Joe Sharpe from our Acting Administrator for your support for the first summit.

(Applause.)

MR. STUBBLEFIELD: And it just says on behalf of the U.S. Small Business Administration, I would like to express our sincere appreciation to you, the American Legion, for hosting the Veteran Small Business Summit on July 25th, 2019. During the event, you gave SBA’s Office of Veterans Business Development staff the opportunity to educate and present SBA programs to our nation’s veterans and military spouses.

This collaboration helped us to better engage with veterans and military spouse small business entrepreneurs and connect them with other veteran-owned
small businesses. We truly appreciate your
collaboration in accomplishing our mission to help
start and grow veteran-owned small businesses. Thank
you again for your continued support to SBA, and please
congratulate your staff on a job well done. Sincerely,
Christopher Pilkerton, Acting Administrator.
(Applause)

MR. STUBBLEFIELD: Okay, do we have IVMF on
the line? You’re on the line?

MS. CASEY: Good morning. This is Maureen
Casey. Can you all hear me?

MR. STUBBLEFIELD: Yes, Maureen. Thank you
very much for being with us. Let me just say here to
the committee, one of the things that, you know, we’ve
heard at OVBD is that some of you are hearing from your
constituents what do we do for -- you know, for women
business -- for veteran business owners. So what I
thought I would do for this, our meeting here today, is
just highlight a very successful program that’s
sponsored by IVMF, known as the V-WISE program. You’ll
understand what V-WISE means here in a second when
Maureen gives you, you know, a briefing on V-WISE.

I have had the opportunity to go attend two of
the V-WISE sessions, and the way I look at V-WISE, it’s
not just about -- it’s just not about, you know,
business development and things of that nature. It’s also something for the participants. And the way I describe V-WISE, to me, it’s a life-changing event. The first one I went to was in Atlanta, and the type of things that they cover -- like I said, there is workshops, and Maureen, she’ll get into it, but this thing about developing the person, the inner being of a person, is really, really powerful.

So with that, I’m going to turn it over to Maureen Casey at IVMF. Maureen, thank you very much for being with us.

MS. CASEY: Larry, thank you, and I am joined here today by Deanna Parker, who is the actual program manager for V-WISE. And Misty Stutsman, who directs our entrepreneur program, the portfolio here at the IVMF, regrets that she cannot be with you today unfortunately. She had a death in her family last week, so we’re just giving her a little bit of time to deal with that situation, but I do want to make one -- add one thing to what you said, Larry, about the V-WISE program and it being sponsored by the IVMF.

We do this program in partnership with the Small Business Administration. As Mike Haney, my boss, often tells the story, it is the SBA that got V-WISE started with a grant a number of years ago, and it was
a grant to do six of these V-WISE programs nationwide over a two-year period, and as we’ll talk about in a bit, we are now on -- going into program number 23. We’ve done the program 22 times in 20 different states, and we have a waiting list of 1,000 women, veterans, transitioning service members, military spouses and partners, all waiting for the next opportunity. So what we do here at the IVMF with respect to V-WISE and some of our other programs would not be possible without the partnership of the SBA and others that are in the room.

So with that, I’ll -- I know we only have 15 minutes. I want to be able to move through this presentation pretty quickly -- you have it there -- and leave a few minutes for questions at the end. I am now on Slide Number 2. Just very briefly for those of you who do not know who the Institute for Veterans and Military Families is, we are situated here at Syracuse University, a lovely location to be in the middle of December, with our first foot of snow on Monday, but, you know, and we -- the IVMF was founded nine years ago.

Really the focus at our founding was on entrepreneurship and small business training. Since then, we have certainly expanded with regard to other
kinds of career preparation, employment programs, community-based support, and care coordination through our American Serves initiative and a whole host of other entrepreneurship programs that we’ll review with you in a moment.

We also have a very deep research and policy analysis focus. And I think that is one of the things that makes the IVMF unique is that not only are we doing direct service delivery to transitioning service members, veterans, and their families, but we’re also doing research and analytics that support not only all of the programs and services that we deliver, but we also offer that service to others around measuring the efficacy and efficiency of their programs and services.

I’m now moving on to Slide Number 3. This just gives you an idea of the growth of the IVMF since our launch in late 2006. To date, we’ve delivered programs and services to more than 125,000. As we can see by that timeline, V-WISE, Boots to Business, Ignite EBV, EBV Accelerate, Strive, all of those are entrepreneurship programs and I need to give a special shout-out to Mike Zacchea in the room. He is a great partner of ours on the EBV program and does a great job over there in Connecticut.

If we move on to the next slide, Number 4, I
think the thing that we come to appreciate as our
etrepreneurship and small business training has worked
and we’ve certainly come to this in partnership with
the SBA as we’ve come to understand what our
transitioning service members, veterans, and their
family members need as they move along on their
entrepreneurial journey. Certainly some of our early
programs focused on that ideation, early-stage, startup
work.

We then realized under Misty’s leadership a
couple of years ago that we started all of these small
businesses over the course of the last several years,
and they’d gotten to a place where they need to grow
their business, figure out how to sustain their
business, or, in some cases, look to see how to sell or
transition their business into something else. And
while there are a great deal of programs and services
in that ideation, early-stage, startup phase, we didn’t
have a lot in that “how do I grow my business.” So you
see in that third column EVB Accelerates, Veteran Edge
and VetSource. All of those particular programs are
really focused on established veteran and spouse-owned
businesses and how can we deliver programs and services
to them as they look to take their businesses to the
next stage.
The other thing that we’re doing is figuring out -- and I know there was some conversation earlier around supplier diversity and connecting to larger companies and how to figure out getting into the supply chains of these larger companies. So each of these programs, particularly Edge, which is a very large training conference that we do in March, and then VetForce are really focused on not only figuring out how to make sure that our veteran-owned and spouse-owned small businesses are procurement ready but that they also have the opportunity to connect with supplier diversity professionals from a host of companies, medium-sized, large-sized companies, to ensure that they know what they need to do to be successful, whether it’s a Tier 1, Tier 2, or a Tier 3 supply chain effort.

And we had one particular veteran-owned business coming out of our Edge conference last year in Dallas that connected with Walmart, a company called Aqua Blue. They sell a vitamin water. He was invited to Walmart All Call in the spring to present to their supplier diversity professionals, and his water will now be on the shelves of a number of Walmarts across the country. So -- and there are a number of success stories that we have like that.
We just also did something in November with Fox Business. We profiled a number -- three of our veteran-owned small businesses. One of them was a lawn game called Rollers, and we just learned that he has sold out his supply for the Christmas season as a result of his appearance on Fox News. So we know that we’re gaining some traction with these veteran-owned small businesses that have figured out how to be prepared to do business on a larger scale, and we’re going to continue those efforts.

Now on to the next slide. This one is a little more of a complicated slide, I guess I would say, but the bottom line is it really depicts what we’re talking about with regard to the prior slide about meeting veterans where they are on their entrepreneurial journey, so what does this ecosystem look like, how do we from the IVMF’s perspective support them along their journey, and certainly the SBA is a part of that.

Now to just talk a little bit more specifically about V-WISE, I’m going to ask Deanna to step in and walk you through at a high level what the V-WISE program is.

MS. PARKER: Thank you, Maureen. Can everyone hear me okay?
COMMITTEE: Yes.

MS. PARKER: Great. So I am the program manager, as Maureen said, of the V-WISE program, as well as Entrepreneurship Bootcamp for Veterans Program. And V-WISE is a very special program to me, mainly because I am also a woman veteran, and I can tell you from personal experience that in the Marine Corps that I -- that VWISE is the only place that I have ever been in front -- or I guess engulfed into that many women veterans and military-connected women.

And so it’s very impactful for that purpose alone. And I know a lot of the women expressed the same views and have that -- had a similar experience as I do because being in the Marine Corps, I was surrounded by about two to three other women at one time in each platoon that I was in.

So V-WISE is a three-phase program, and what V-WISE is focused on is -- and we can move to the next slide. I’m going to kind of give you a brief overview of the whole program. It talks about the different phases of V-WISE is a training program that is an -- that provides education and ongoing support and all the tools that is needed to start a business -- ideation and pushing them through the launch and then into the growth phase through our coach program support.
As Maureen said, we’ve done this in 22 -- or 20 different cities. We go on to our 23rd conference in 2020, lots of twenties there, and the cost for this program is a very nominal registration fee and travel. So they have to pay a $50 registration fee to guarantee their spot at the conference and find a way to get there. We also like to help with scholarships for registration, and that is something that’s included in our grant, so when we have someone connect with us, we work with them to provide them an avenue to attend this conference.

So these three phases, what are they? The first phase is a three-week online course. So it is 15 days, and it is instructor-led. So we do have an instructor on -- we use various instructors. The one we’ve been using recently is also a graduate of some of our programs and he’s kind of been there, done that, and been in a place where some of our participants have been, so she’s very relatable. And they have a lot of reading, classroom discussions on the online portion, and they have webinars.

Some of them are videos that they watch and discuss afterwards, and they also have three different webinars that are with the instructor as an office hours type to kind of go over what they’re going to be
learning that week, introduce that, and to ask questions why with their instructor. Those are very vital to this group, and we try to make it very interactive as possible through that.

They also have access to this online portal for a year prior. So the Phase II is the three-day conference that we hold in a different city each time. This conference is really set to dive deep into the business fundamentals. It’s really there to connect them. They’ve been on the online course. They’ve connected virtually. Now they’re connecting face-to-face. And it’s really there to be face-to-face with the instructors, to go through the different fundamentals on Saturday, like marketing, selling in an entrepreneurial venture, economics, business planning.

And then the third day is elective. So we have a multitude of electives that they can choose. If you want to move on to the next slide, you can see those. We have -- I won’t go through each of them in detail, but really they can choose two different tracks. If they’re in the ideation phase, they attend the 101 classes, which is very basic knowledge of entrepreneurship, and then 201 guides them a little deeper into those fundamentals. And then on Sunday, as I said, they attend a multitude of breakouts.
Although we offer certain breakouts every time, we really look at the registrants to see what their needs are and try to provide electives that will meet those needs.

Phase III is the ongoing support that we have. I like to say a lifetime of support for the life of your business. So some may attend V-WISE and choose that it’s not the right time to start their business, and some may say I want to start it right now. Well, for both of those crowds, we have that coach support program that really helps them whenever they’re ready to dive in and continue their business. Let’s move on to the next slide.

MS. CASEY: This is Slide Number 8.

MS. PARKER: Back to Maureen to talk more about the impact.

MS. CASEY: Got it.

The other thing that I would add to what Deanna just covered with regard to the -- really the fundamentals of business operations, as Larry referenced in his opening remarks about V-WISE, I think the other thing that is unique about the program is that it also offers a series of keynotes that are really structured around things like work/life balance, to the extent such a thing exists, other kinds of sort
of life experience type things between transitioning
out of a military lifestyle into a civilian lifestyle,
so it really does try to look at the veteran as a
whole, as opposed to we’re just focused on the small
business aspect of this, and I think it is a very
unique aspect of the V-WISE program.

I am now on Slide Number 9, which just gives
you some of the demographics of those that we serve,
the age of our businesses, veterans and spouse
breakdown. That promoter score is always an important
ting for us to look at. The demographics, I think,
are important of the diverse group of people that we
serve, and we’re always trying to be focused on that.
And then you see the age range of those that we are
serving.

Moving on to Slide Number 10, I think again
another differentiator for the V-WISE program and
really all of the programs of the IVMF is the outcome,
not just the fact that we’ve put more than 3,000 women
through this program but we have a 55 percent venture
creation rate, and then of those that have started a
small business, they are still in business today. So
we feel -- feel very good about the fact that not only
are we giving these women experience, but the outcomes
and the contribution from income to the number of folks
that they employ and all of those kind of things are real economic drivers for the communities across our country.

Moving on to Slide Number 11, that just tells you about the -- you know, as I said, the 3,000-plus that we have put through the program, the industries where these businesses come from. I don’t think that would be any surprise between professional services, retail, health service. I will tell you that on the IVMF website right now is a veteran-owned business shoppers guide. It’s got more than 200 veteran and spouse-owned businesses that are there, and I’ve done some retail therapy over the last couple of days getting some of my Christmas shopping done, so I’d encourage folks to look at that. It’s really impressive what businesses and products they have to offer.

Slide Number 12, I’m just going to move through these. That’s a couple of success stories that we’ve included here.

Slide Number 13, as Deanna mentioned, those ongoing supportive services, that’s -- this slide just gives you an idea of the range of host program support that we offer to our program participants. We have worked very hard over the course of the last few
years to understand what their needs are and then figure out how we can develop partnerships with those that want to provide those services. And most of them are free of charge. Some might charge a nominal fee, but we do our best to ensure that the host program support services are available to our V-WISE participants but also all of our entrepreneurship programs participants.

Slide 14, again, just gives you a snapshot of some of what our women participants have said. I would echo Larry’s comments that I truly believe it’s a life-changing experience. You all would be welcome anytime. We can share the dates of the upcoming conferences. We’re locking them in for next year, but it truly is profound to see the networking and the development of an environment like this which is focused on women veterans and military spouses.

I can’t help -- I’m on Slide 15 -- can’t help but to give a shout-out to what’s going to happen here next year at Syracuse University campus. The University has invested significantly in our veterans program here. What you see there is a rendering of the National Veterans Resource Center that will open here on Syracuse University’s campus next April. It is -- it will be a building totally dedicated to veterans and
their families. Not only will it house the IVMF but all of Syracuse University’s military-connected programs, and it will also have conference space and space for community -- our own community-based veteran servicing organization, but we hope to make it available for others nationally to leverage as well.

On to Slide 16. It just gives you an idea of some of the upcoming events that we have, but I think the biggest thing I would share with you is in March. I’ve mentioned it a couple of times, the Dallas Edge program. It is a three-day -- very intensive -- training and networking event for established veteran-owned businesses. Last year, we had more than 250 veteran-owned businesses, more than 400 participants. We also have established a partnership with Inc. Magazine, and during this event, we announced the 100 fastest growing veteran-owned businesses. So it’s a very exciting partnership that we’ve developed with the Inc. Magazine and with a specific focus on veteran entrepreneurship.

On to Slide 18, there’s our team, and always happy to answer any questions if you have anything not only related to V-WISE but to any of our entrepreneurship programs or anything that’s going on in this space. I think Misty and her team have really
grown to be a critical part of the national veteran entrepreneurship ecosystem and so they’re available here as a resource to all of you.

And with that, we’ll pause. We’ve gone a little bit over, but happy to take questions that you might have.

MS. PORTER: Hello, this is Kandis Porter. I just want to say I went through the V-WISE program a number of years ago. It was a fabulous program. You make so many connections there. And I’m signed up for the EDGE program in March, so I really look forward to that, but I just want to say thank you to you and your team for providing women a place to go and connect and really learn a lot about how to successfully run a business. So thank you.

MS. CASEY: Thank you.

MR. STUBBLEFIELD: Okay, Maureen, there’s no other questions in the room right now at the moment, so, again, thank you very much for taking the time to present here for our committee. We really appreciate it.

MS. CASEY: Anytime, Larry. Thanks so very much. We really appreciate your partnership. We’re going to sign off now. Thanks again.

MR. STUBBLEFIELD: Okay, well, we’re up to a
small break here, if you will. So it’s 9:55. I’d ask everyone to be back in their seats at 10:05.

(Recess.)

MR. STUBBLEFIELD: We are going to get started. Okay, we’re back on.

Okay, I had mentioned earlier that back in September, Joe Sharpe hosted a roundtable discussion on capital access. And so at this time, I’m going to turn it over to Joe and his team to talk about the roundtable and the world of small-town initiative that we talked about earlier.

MR. SHARPE: You know, we’ve all talked in the past about the number one issue for small businesses is access to capital. And at the American Legion, we have about over 2 million members, and many of them are in our small towns and rural areas across the country. And we know that many of -- that having access to capital is a huge issue.

Since we had the recession, a lot of the community banks have left those areas. And many of our small towns and rural areas more or less have been left behind with this new economy. So those are some of the issues that, you know, the group here has been talking about for the last couple of years. And so that’s one of our new initiatives, along with the SBA, USDA, and
But now I want to introduce you to Theresa Lewis. Theresa Lewis is on loan with us from HHS, and she’s going to talk about -- present some of the slides that we presented during our meeting.

MS. THERESA LEWIS: Thank you, Joe. Can you hear me? No. My voice is struggling, but I’ll do the best I can.

Okay, so how’s that? All right, next slide, Cheryl, please. So the primary purpose of the roundtable, in particular, is to address what’s happening in rural America. We know that small business entrepreneurship is a way to help a lot of the local communities with overcoming the impoverished rates. What we learned is that there are some states that have -- there are some states that have poverty levels over 25 percent, which is pretty sad. There are some counties that we have found in Mississippi, for example, that have poverty rates over 50 percent. And so we know that veterans are the ones who can make a difference in those communities.

And those of you who know Joe know how passionate he is about improving the lives of veterans, and entrepreneurship is one of those ways that it can be done. And, so, next slide, please, Cheryl.
So these are the types of resources that we have identified so far. We know that there are more. In fact, just listening earlier, we heard some of those that you are using and that we definitely want to tap into. I want to say also regarding this list of resources, the American Legion has posts throughout the country. We identified -- I think there were close to 40 posts in the state of Mississippi, and those are on-the-ground resources that we intend to connect with as we go forth with this initiative.

So these are the poverty rates that Larry mentioned earlier. These are the top ten, and it included the District of Columbia as well, top ten states -- top ten states and DC. And as you can see, it’s pretty high.

So one thing that I thought about -- yeah, thank you. So when you think of poverty, you think that, right, poor people? What I didn’t realize until I started talking to Joe about this initiative is even underemployment can result in poverty. So you can have someone that has a job but they’re not making enough. And so that’s an impact. And we have veterans that fall into that category. And so those are areas that we intend to look into as well.

So these are the areas. On here, we have two
maps. The one on the right shows the association between income and life expectancy. And so the darker -- as you can see, the majority of the darker color shows the lower income which is in the middle of the country. The one on the left shows the distressed communities. And, again, as you can see, most of that is in the middle of the country, which is one of the reasons that Joe and the American Legion kept taking this initiative on.

And, again, I just -- I’ll probably say it 12 times, is we as veterans know that veterans can make the difference in those communities. Veteran-owned small businesses are the ones that can get in and hire people and pay them fair wages. Next slide, please.

So we started our research with the first one, Mississippi. And looking at this, we see where the veterans are. There are over 180,000 veterans in the state of Mississippi. The majority of them are Vietnam vets. So the unemployment rates -- and these numbers are based on veterans only -- 9.6 percent poverty rate for veterans in the state of Mississippi. I think that’s an oxymoron, right? We should not have veterans that are impoverished. We know you should not leave a veteran behind. So there’s definitely a need.

What I found, which is not on this slide, but
the veterans, even though we have a 9.6 percent -- or, I’m sorry, 6.9 percent unemployment rate and a 9.6 percent poverty rate, what I found when looking at the education is that the veterans in the state of Mississippi have a higher educational level than the overall state average. So that says a lot about our veterans. Next slide, please.

So those are the types of information that we are starting to gather in each state. So we want to do that type analysis on those ten top states as well as Mississippi and then make the connection. We’ve already met with the CDFI, and they are gathering and providing information to us. We’ve met with USDA. They have provided a wealth of information to us on the services that they provide. Joe has brought forth a resolution within the American Legion for SBA to reinstate or to instate a direct lending program, which is similar to the same authority that the USDA has. And so just those are the types of things that we’re working on right now.

So any questions for me and Joe? Yes.

MS. O’BRIEN: Is your database solely on veterans, or is it inclusive of military families?

MS. THERESA LEWIS: It’s veterans.

MS. O’BRIEN: Thanks.
MS. THERESA LEWIS: Yep.
Okay? Hey, Valerie.

MS. VALERIE LEWIS: Hey. I’m just curious.
I’m not familiar with the CDFI. Can you elaborate on that?

MS. THERESA LEWIS: Yeah, so the community development investment. And so the CD -- institutions. So the CDFI falls under the U.S. Department of the Treasury. And they, again, are located -- a lot of them are located in rural areas, and they provide lending support, financial support to small businesses, and it’s based on economic development within that particular community. And they, too, have -- they give out grants and they give out lending support as well.

MR. PHIPPS: So is the American Legion proposing -- what is the American Legion proposing in terms of addressing those issues that you’re working on right now?

MS. THERESA LEWIS: So as far as connecting the veterans with those resources, what we have found is that a lot of veterans aren’t aware of all of the resources that are available. And so what we want to do is make sure that, one, that we identify those resources, put them in a place so that we can -- so that the veterans can find this information and then
1 connect those veterans to those resources.
2 We really want to identify what those local needs are, and then work with those local resources to have the veterans, if the veterans have a business, help them grow their business. And if not, then help start businesses that can meet the needs of that local economy. So that’s the long-term goal of this project.

MS. VALERIE LEWIS: So, Ms. Theresa, I’m just wondering, have we identified veterans who want to start businesses, and if the economy can, you know, can withstand that?

MS. THERESA LEWIS: We haven’t yet, Val, but we are working towards identifying who those veterans are. Just looking at -- the Home Depot has a foundation, and they actually have identified where all of the veterans are in the respective states. And so looking at the map that they have created, the majority of the -- the greatest percentage of those veterans are in the lower part of the state, which is near several military bases, and I think that’s probably, you know, a natural progression for them to just leave the military and stay in that particular area. And so we know where they are.

Identifying -- and, again, we’re just starting this, but identifying what the economic needs are in
that particular community and then making that connection so that we can go in, which is why SBA -- we’re working with SBA. SBA is going to the second highest impoverished state, New Mexico, and working with those local resources to identify, you know, where are the veterans, what we can do to get the information to them and get them on track to supporting that particular local community.

MS. VALERIE LEWIS: So what can we do as this committee? You know, what is it that this committee can do to help you and the American Legion and SBA in that effort?

MS. THERESA LEWIS: Yeah. So, Joe, I don’t know if you want to take that, take that question.

MR. SHARPE: Help get the word out.

MS. THERESA LEWIS: Yep.

MS. VALERIE LEWIS: So help get the word out?

MS. THERESA LEWIS: Help get the word out.

Identify resources. I think that will be -- that will be a great support, and making those connections, so...

MS. VALERIE LEWIS: Mentoring, some of us who are older. Businesses can provide --

MS. THERESA LEWIS: And provide mentorship, absolutely.

MR. O’FARRELL: I wanted to go back to your
earlier comment about the loan program that the Legion is proposing. Is that a direct loan program?

MS. THERESA LEWIS: Yes, as opposed to a guarantee.

MR. O’FARRELL: Right. So then my question -- then I look down the table to Stan and Larry. What is the SBA’s appetite for a direct loan program for the Federal Government to be getting into that business?

MS. THERESA LEWIS: The Federal Government is already -- let me just clarify. The Federal Government is already in that business. USDA has several direct loans that they provide.

MR. O’FARRELL: So -- but I was -- you don’t want to speak on the record, Larry?

MR. STUBBLEFIELD: I was going to say we had John Noah here when we had the roundtable, kind of had a little bit of a discussion, and we need to get back together.

MR. O’FARRELL: Okay, because I know some of us have been looking at this issue. If I’m not mistaken, we lost -- on the 7(a) program, we lost the fee waiver for veterans in October, and that seems like it should be an initiative.

To your comment, Valerie, a minute ago, you know, what can this Committee do, historically what
this Committee does is it focuses on identifying
issues, challenges for veteran business owners, those
that want to start and grow their businesses. And we
try to put policy in place, working with the Hill,
through our annual report, so that things can change in
the Government. And so, you know, to me, if we have
this program where there was this -- where with 7(a) we
had a fee waiver and now that’s gone away, that seems
like something that I think the Chair, you know, we
would want to look at for this year.

But my question is kind of driven by -- so, to
me, that’s what the American Legion might want to be
focusing on as opposed to a direct loan program. And
I’d asked the other committee members if they have
thoughts or comments on this. Appreciate it.

MR. LOWDER:  Lynn Lowder, Veteran Business
Project. Joe, we are -- I’m on the advisory committee
for Veteran Launch out of Oakland, California. They’re
one of the 15 CDFIs that loan to veterans already. The
thought here was to get veterans as a group, and the
other targeted population for the CDFI program, once we
found out, our organization, about the CDFI, we’re on
that thing like a laser right now.

There are 15 approved CDFI now out of the
1,000 outlets around the country that are currently
authorized to lend to veterans. They cover about 60 percent to 65 percent of the country. So I’d be happy to -- and Jacob Singer, who is the CEO of Main Street Launch, of which Veteran Launch is a program, Jay could pull together that 15 CDFI coalition, so you’re definitely going to want to talk to him. He can help kick the word out about this.

It’s a natural marriage. $250,000 loan, no FICO score, and minimal to no collateral. Their default rate in California is less than 4 percent with veterans. They’ve been doing this now for about five years. So the track record is there, too. Be glad to help you on that.

MS. VALERIE LEWIS: Are they also affiliated with Street Shares?

MR. LOWDER: Nothing to do with Street Shares.

MS. VALERIE LEWIS: Just nothing -- it’s a different.

MR. LOWDER: No, un-nuh.

MR. SHARPE: In response to you, James, again, the American Legion is looking at all resources to help veterans start a business, access to capital. So it’s not one thing over the other. This resolution was done about four months ago during our October NEC, National Executive Committee, meeting. The issue that you
brought we’re also looking at. So it’s not one thing as opposed to the other. We’re trying to look at all avenues to make sure that veterans across the country have access to capital.

MR. PHIPPS: Joe, would it be possible for this Committee to get a copy of that resolution just so --

MR. SHARPE: I got it right here.

MR. PHIPPS: Awesome. That way we can take a look at it.

MS. THERESA LEWIS: You know, I just want to add, in speaking with the Office of Cap Access and the research that we’ve done, initially with the Patriot Act, there was a -- what they considered to be a high default rate amongst the veterans with that particular loan guarantee program.

Part of the problem was that there was no followup literacy training -- financial literacy training for the veterans. So once they got the money, nobody taught them, you know, how to spend the money, you know, how to spread it out, what to spend the money on, that sort of thing. So a lot of them didn’t know what to do with the money. And, to me, that’s got to be that connection, is not just say, yes, we want to give them financial support, you know, from a lending
perspective, but we also need to give them the necessary training so they can continue and keep their business going and growing.

MR. STUBBLEFIELD: I was just going to say, going back to your question, Jim, the answer really is, like, we had John Noah here. John Noah, he’s from our -- he’s the deputy in our Office of Capital Access. And we started the discussion, but it’s -- you know, I guess we just need to follow up with that, with the discussion. But, you know, like right now, the 7(a) program, as we speak, is a little down overall, and part of it is, you know, SBA, we’re kind of like secondary, if you will. You can go to a bank and get a loan. You know, you don’t come to SBA. So we’re looking at it from the perspective that the economy is doing very well, and the 7(a) program is down a little bit, and that like in -- we’re still looking at FY19 numbers, but in FY18, the 7(a) program, there was like over $1 billion in loans to veterans. So when you start talking about additional programs, that’s where we -- we got to socialize this, if you will, with the Capital Access because they don’t see a need, you know, necessarily to do it. So we’ll just continue the dialogue.

MR. PHIPPS: Can we ask Capital Access to come
MR. STUBBLEFIELD: We certainly can.

MR. LOWDER: The way I view the 7(a) program is if you want to get more veterans involved, particularly the junior enlisted personnel that deserve this more than anybody, they do the heavy lifting in combat, we all know, we’ve got to look hard at the criteria that is out there by way of credit score and collateral in the 7(a) program. I’ve heard that if the SBA would bump up into your threshold of 80 percent -- I’ve had community bankers tell me this -- they’d be more interested in getting involved, but until then, I think that’s one of the things we want to look at really carefully, please.

MR. STUBBLEFIELD: No, no, great, great point. And one of the things for Joe’s roundtable, he had a few lenders here. We talked about, you know, lender readiness standards and what they look for and things of that nature. So you’re absolutely right. We have to work a little bit more in terms of getting veterans lender-ready. And I thought that was a great session during the roundtable.

All right, I’m going to tell you, we’re a little bit over, but, you know, we’re very fortunate to have our VA partners here with us. You know, Ruby
Harvey and her team is here. You remember the last Council meeting -- Committee meeting we had, Ruby came and she briefed, and so this is a followup to the last time that she was here. So with that, I’ll turn it over to Ruby Harvey.

MS. HARVEY: Thank you, Larry. First of all, let me, on behalf of VA, thank both the Chairwoman for the kind invitation to return and SBA for working with us to ensure that we were providing the information beforehand to aid today’s discussion.

As was noted, this is our second visit. I’m actually joined by some of my colleagues from the Small Business -- Office of Small and Disadvantaged Business Utilization at VA. The intent of today’s discussion with you really is to follow up on a list of about 18 questions that we received back in September. So to that extent, I will be calling on some of my colleagues to join in the discussion, given their subject matter expertise, especially as it relates to the verification process.

Let me just share with you that of the questions that we received, we found that most of them related to some understanding of our verification statutes, how many companies are verified, what share of those companies are receiving contracts with VA. We
also included information in the slide deck -- I’m at Slide 2 for the folk on the phone -- we also included information in the slide deck that speaks to the concentration geographically of verified organizations. So we can go to the next slide, please.

What we’ve done in your packets, and hopefully everybody in the room and on the phone had an opportunity to not only receive the responses to the questions that were provided, but hopefully you had some opportunity to consider the material that we provided. The approach that we took was to consider the question. In the slide deck that you have, you should note that the question is repeated on each page of the slide deck, along with a clarification as to the questions that were raised.

I’m going to at this point ask that Tom McGrath join me up front just to ensure that as we move to Slide 6 -- let’s go to slide -- actually, we can pause on Slide 5 for just a moment, please. Slide 5 is that geographic representation that I spoke with you about in terms of the concentration of our verified firms. This was not one of the original questions that we were asked to respond to; however, we thought it might be useful for you all to know where organizations are doing business once they’ve been verified by VA.
Given our discussion about rural participation by company, this might be useful to SBA and the American Legion at some point. You’ll see that many of the rural areas certainly do not have the concentration of veteran-owned small businesses, but if VA can support your efforts in any way to further identify -- currently verify veteran-owned small businesses ready to do business with the Government, whether they’re in a rural area or a more populated area, we’d be happy to do that.

That was a fascinating discussion. I heard a lot that I do believe VA would be able to support, including access to our medical centers through VHA, but for purposes of today, we’ll stick with the questions. I will stay around for a little bit if anyone wants to talk about any of the other initiatives, including the V-WISE program. Again, that’s just something that VA wants to also be a supporting partner in ensuring the success of that effort.

So, Tom, if I could get you to walk us through the breakout of the stats, please.

MR. MCGRATH: Thank you, Ms. Harvey.

All right, good morning, everybody. My name is Tom McGrath. I’m the director for the Center for
Verification and Evaluation. Our job is to certify veteran-owned small businesses so they can compete for set-aside funds, and also compete across the Federal Government for business opportunities.

Just a little bit of a background, to meet the qualification, very generally, you have to be a veteran, one day of active-duty service, not including training, and you have to own that business, 51 percent, and you have to fully control the business, okay? And I’ll show you some numbers here. Next slide, please.

So the question was current inventory with the number of VA contracts right now in our inventory, 13,000 on this slide of early November -- actually it’s up to 13,853. I count it every day. And you can see the breakdown that we have here of the entire database. SDVOSB contractors, 11 percent -- 11.6 percent. And you can see the small number of VOSBs. And if you look at the legend, you can see the large number of veteran-owned businesses with the VA that do not have contracts, so there’s a lot of opportunity out there.

If there are any questions, please, you can ask them now, ask me later, I’m an open book. You have my phone number. You have my email address, and I’ll be more than happy to entertain anytime. Next slide,
please.

Next current inventory across other government agencies with contracts. And you can read the details there. Again, lots of opportunity across the Government. The good news is that if you go through a process -- it’s a rigorous, it’s a thorough process -- many of you in here have been through it. It’s a very fair process, I believe. It protects veterans and reduces risk to you and to the Veterans Administration. You are who you say you are. I’ll stand by that. And if you’re not and we find you, we’ll remove you that day. We’ve done that, but not a lot, because we do that very thorough analysis on the left-hand side.

Next slide, please.

And this is just a breakdown of self-certification that we have in the Government. VA does -- for contracts within the VA, we do require you guys to be verified. So you can see self-certification versus verification. Next slide.

Okay, so here’s -- the question was the applications completed, how many applications have been looked at over the last couple of years. Well, you can see there’s quite an increase over the last two years, and the best we can go back with really good data because we changed the process around early on. Some
of you have been here from the very beginning, and you
can see that things have changed for the better, which
I believe.

Right now, we have 18 days to get your
application -- we are pushing your application through
in 18 days right now, application time, which is down
from 61 last year at this time, so our people are doing
a great job. But you can see the numbers here.
Withdrawn, that means the veteran, as he or she are
going through the process, decided that they may not
have met the requirements, can’t meet the timelines or
whatever, they withdrew themselves with no penalty.
They can come back in anytime, as long as they’re
meeting the qualifications.

Yes, sir.

MR. PHIPPS: Tom, I think one of our questions
last time was the rest of -- one of the issues that we
had brought up last time was this bucket of the
administrative removal.

MR. MCGRATH: Yeah.

MR. PHIPPS: And some of the details within
that administrative removal. Some of the feedback that
we have gotten throughout the community was as
companies were hitting a certain day mark, they were
getting administratively withdrawn or there were a
number of issues with the software, also for the verification software. So we had kind of wanted to see a breakdown of this administrative removal and really what was the driving force behind that. Was it the contractor? Was it a process? Like, what were those issues, because it seemed especially in FY19 it makes up the majority of the removals.

MR. MCGRATH: Yes, and we’ll talk about that and the denials, also, in more detail, but for most of the removals, they’re dormancy issues. You have 30 days to act on your application. Each phase of the application, you’re uploading a document. If somebody’s sitting there for more than 30 days, they’re removed. Okay, it’s an efficiency issue, the way I look at it, in that, you know, we have queues of applications lined up and we try to keep those at a manageable level, and we want people to move on it, to go through.

If you are removed, you can come right back in that next day. No harm, no foul. So I think that’s a fair way of doing things. And it also increases our efficiencies to people who come who are ready to go through, upload the documents, and meet the requirements. Does that help?

MR. PHIPPS: Yeah, thanks.
MR. MCGRATH: Also, denials, you’ll get a letter from me that you didn’t meet the requirements and you’re removed from the system for 180 days. Approval is you did meet the criteria. You’ll receive a letter from myself, and you’re in the system for a period of three years.

As you can see, 14,635 is very high volume. We’re getting a bunch every month as you can see, 1,200, 1,300 a month, but not everybody gets in. So I think we have a very good process to filter out those who aren’t ready, those who don’t meet the qualifications. It’s about 40 percent, 5,695 that are getting through.

The reduction in the denials, we’ll go into that. It is a lot of the rule change that came out October of ‘18. And one of the biggest things was full-time. And we’re able to relax the rule on that for startups and people who are doing two or three businesses at the same time, and that opens the door up for opportunities for veterans coming in. Next slide.

And we’re still working the data on 2019, so I apologize, but it goes back to control. Again, if you’re not controlling your business, you will be denied. So we want to make sure there’s no passthroughs. We want to make sure that the veteran
isn’t a rent-a-vet. But if you look at the number, 64, it was pretty low, the numbers that are coming. So I feel very confident that if you’re denied, it’s for a good reason. Interesting point is if you are -- we give you every opportunity to pull out, fix things if necessary. It is kind of interesting as people take it all the way.

But, anyway, the next slide we cover by -- yes.

MR. SHELTON: So Brandon Shelton. So we’ve talked -- I think we’ve talked in the past.

MR. MCGRATH: Sure.

MR. SHELTON: So in my business, we’re dealing with a lot of veterans who are taking on venture capital and angel investment, so thus there’s -- each time they do that, there’s certain terms that go along with this investment document, and I know that when Tom was in the seat there was always an issue around does that qualify or does that not. So in denials of the 78 percent last -- or the last fiscal year, do you have any idea how many of those were around the fact, okay, well, you have investors, you have other owners, and there’s right to first refusal, all those other legal terms that are in there.

MR. MCGRATH: Yes. It falls across several
MR. SHELTON: Is this of all percentage --
MR. MCGRATH: -- it’s a very small percentage because the numbers on denial are small anyway. I know we’ve talked before about this.
MR. SHELTON: Yeah.
MR. MCGRATH: You know, as a rule issue, I would think something --
MR. SHELTON: But you’re not seeing any type of, like, density of it.
MR. MCGRATH: No. No, I’m not seeing stuff like that. It’s more in the control thing, that you are in full control of the daily operations.
MR. SHELTON: Okay.
MS. VALERIE LEWIS: So I have a question. I’m wondering about the full-time requirement. You talked about the full-time requirement and the VA relaxing some of the rules for full-time.
MR. MCGRATH: The SBA, ma’am.
MS. VALERIE LEWIS: I’m sorry?
MR. MCGRATH: The rule covers SBA.
MS. VALERIE LEWIS: Can you talk a little bit about what that is?
MR. MCGRATH: We used to have if you were going to be running your business, you had to be -- and
I’ll keep it simple -- in the office from 9:00 to 5:00, okay? What we’re saying now is if you have another job, if you’re starting up, with full-time -- daily operations really don’t -- can be flexible. Does that help?

MS. VALERIE LEWIS: So that’s specifically for startups, or is that for --

MR. MCGRATH: No, it’s for everybody. It’s for everybody, but most people are -- if they are starting up, I think it’s going to help them keep the business generated and moving, that they don’t have to sit there all day long because they don’t have any business yet. They may be doing something else.

MS. VALERIE LEWIS: Well, we’ve been getting a lot of reports that there’s still a lot of remnants in the database from some of our contacts, and I’m just wondering if it could be for that particular reason, because one of the biggest criteria, if you’re in control of the business, if you’re the one running the business. So if the rules are relaxed, I’m just wondering how are you verifying, you know, if they actually --

MR. MCGRATH: Really day-to-day operations, and you still have to maintain that control, that you’re owning the company 51 percent, you’re making the
decisions, you’re fully involved. What we’re saying is you don’t have to be sitting there from 9:00 to 5:00, the core hours. Those have been relaxed a little bit that you can do a startup business, if you wanted to start up a business, it takes time, it takes coverage. It doesn’t mean you’re doing that 100 percent of the time.

So if you -- [overtalking] if you have issues, if you think you have rent-a-vets out there, let us know, we’ll take a look at it. We have opportunities, and I’ll show you here on our site visits, okay?

MS. VALERIE LEWIS: Great, yes. Yes.

MS. HARVEY: We are actually going to do a thorough review of the definitions of control.

MS. VALERIE LEWIS: Right, see that’s what I was --

MS. HARVEY: You know, what the differences are. Cordell Smith is our policy director. I don’t have a mic, but hopefully we can hear it. He’s going to actually, you know, drill down a little bit on those types of questions. So, Cordell, why don’t you go ahead and launch into that, and, Tom, we’ll probably keep you close at hand and get the numbers --

MS. SMITH: I have a question --

MS. HARVEY: Yes.
MS. SMITH: Hi, Essence Smith here from VetFran. So, of course, I have to ask, and it’s just a great question for myself, how are these rules going to be, as you say, a little bit more refined if you’re looking at veterans who are going into franchising, which in this very case, depending on how you define small business that can be a small business. But the world of franchising, a franchise owner can own the business and kind of be offsite all day, you know, up to three days where he isn’t -- like, how would they qualify for programs such as these?

MR. SMITH: So very good question, and I think some of this will become clearer as we walk through this. We did talk about the issue of franchising at the last Advisory Committee meeting, and that’s something that we have committed to looking into more. As you know, there are issues about control and what’s the role of the franchise owner and the resources that they commit and the obligations that they impose. And how that fits within our rules is something I don’t have an answer for you today, but I think it’s definitely something we’re looking into.

So my name is Cordell Smith. I am deputy director for acquisition policy here in the OSDBU, and I got engaged with this to try to put some sort of
response together for Question 6, which was what are the top ten reasons that people get denied and can we get some visibility into what are the things that trip people up.

So we gathered -- and the slide that Tom showed a moment ago that showed control is by far the dominant issue in that ownership was actually kind of a smaller secondary issue, is derived from these slides. And, actually, Valerie, your question is directly relevant as well, and we’ll get to that here in a second.

So what I did here was try to take some of the policy issues that kind of get into my bailiwick with the different -- the changes in the regulations that occurred. You know, currently, we are now governed by the ownership and control regulations as worked out with the Small Business Administration. We no longer have a VA ownership and control regulation. But for part of the period that we’re looking at her, you know, we have the SBA rule, but we had the VA rule before, and the language is similar but not quite exactly the same, and so we tried to establish some traceability and have some consistency that you can see what the issues were.

And just to look at -- and so this ranking
here is of the FY19 reasons for denial. I ranked them by numerical order one through ten here by the 19 issues and then tried to put where that similar issue occurred in ’18, if there was a ranking we can see for where that fell in the last couple of years. And you see I put where I was looking at the two different regulations and tried to match them up so that we could see that there was a consistency here.

And you’ll see actually on the four here, I dubbed them in parentheses at the beginning whether I classified them as control or ownership issues. And you can see all four of the ones on the first slide here are control. And one of them -- and you see actually it’s the top three, not only in ’19, but it’s certainly the top two of the previous years as well. There were some recurring issues that we’ve been dealing with.

And one of those actually, Valerie, your question about full-time, you’ll see I mentioned that under the former VA regulation of 74.4(c)(3), there was a requirement that there had to be full-time devotion to the business as one criterion of control.

Under the SBA regulation, and we have SBA in the room, so if they disagree with my view, by all means, speak up, but the way SBA reckoned that in their
new regulation is that there’s a presumption that if you’re not working full-time we may question whether you are really in control. But that’s a rebuttable presumption, so that’s kind of the flexibility that Tom is referring to.

We look at that as an issue, but you can come back in and say, well, no, I don’t work full-time but here’s the reasons why I’m still working full-time.

MR. GOLDSCHMITT: Mark Goldschmitt. I wanted to -- I’ve been known to have a few comments about control, management. I wanted to give a little bit of perspective, how I look at it from a business owner perspective, which I think is different from what I’ve seen at somewhat the SBA and at VA. And it is one of the old “he who has the gold makes the rules,” and when I look at control, to me, it’s a matter of who is allocating and managing the allocation of resources and who’s the ultimate authority for doing that.

In any of those cases, I can delegate. I can delegate signature authority for checks. I can delegate signature authority for contracts. And I can do that through the experts and contracts rather than me. I really don’t know much about contracts, so I can delegate it to other folks that can do the -- understand the nuances of all the pieces, and not me
who has an overview, so they can advise me and counsel
me with what the liabilities are, what the risks are,
et cetera.

So the control, when you look at decisions,
there’s a range of decisions from the absurdly low
level to high level. A lot of decisions can be
essentially automated or if it’s smaller than X, the
decision is -- and it doesn’t take much to really look
at that and do that. So in setting what decisions are
important, and to me it’s really allocation of
resources and who’s the ultimate authority. I don’t
have to spend a lot of time doing that. And I don’t
have to be onsite to do that.

MS. O’BRIEN: Thank you. As we’re moving
forward in this process, we’re going to ask that the
questions right now are reserved for committee members
and for folks that are part of the public. You will
have the opportunity to provide public comment and
questions for these folks during the public comment
time in about 20 minutes. So just ask that you take
your notes and your questions and we’ll circle back to
that because we have a lot of information to get
through.

MR. SHELTON: Can I make a request real
quick since we’re on this topic of you guys? So real
MR. SMITH: Do you mind if I speak very quickly to the question that was put --

MR. SHELTON: I don’t think it was a question. I think it was a statement, right?

MR. SMITH: Okay, go ahead.

MR. SHELTON: I just -- so by the way, this is -- can you hear me? Okay, well, where’s that mic? Awesome.

So I will tell you, this information is awesome. So for the past year, we’ve been asking for this level of data, and it gives us context to what’s going on versus passing judgment on what’s going on, so thank you, number one.

I think, not to make more work for you guys, but one of my issues on control is the type of legal entity the business is. So I don’t know if you know right now or maybe you can report later, but the 14,000 VOSBs, you know, how many are C Corps? How many are LLCs? You know, because that’s really important because when you talk about control, the companies, like, that are private businesses that take on outside capital generally have to be C Corps for tax purposes, thus, they have to have a board, thus, it puts into jeopardy this control issue, right, because the board’s
going to have governance and stuff like that.

So it would be helpful -- if you have it off
the top of your head, great, but maybe in another
meeting, just it helps us understand, because if it’s
13,000 are single-member LLCs, that’s a whole different
--

MR. SMITH: That’s very good. And I think we
can -- but I think as you noted, the fourth item in
2019 was touching on one specific, which is a recurring
issue with the LLCs and whether the veteran is actually
really running the show.

MR. SHELTON: Yeah, of course.

MR. SMITH: And there’s criteria in the
regulation for looking at LLCs and how we look and say
that the veteran really is in charge of not being run
by a board of attorneys.

Why don’t we go to the next slide for a
second. So I just want to touch on some of the other
issues here. Again, as I mentioned, the beginning ones
are mostly about control, and you actually -- to get to
an ownership issue, the first one we run into is the
direct ownership of the firm, whether the veteran
actually is the direct owner, and that’s number eight.

So, actually, once -- you had to go all the
way down to eight before you get to ownership. That’s
1 how dominant control is. And it’s only -- in FY18, the
direct ownership was only 3 percent of the denials, so
people seem to have a good handle on ownership. It’s
the control that’s the problem.

So one more slide. So you see that’s the end
of the top ten for ‘19. There were a couple of other
issues and from the previous years that were just
slightly different from the regulation as we reckon
them now. And you see that that is about outside
employment, kind of touches on the full-time but not
quite. It’s not quite the same issue, but if you have
outside employment, are you really running the firm.
That was kind of the language of that was a little bit
different, so we treated that separately here. But you
see that’s still in the top three issues for the two
years. And one more slide, I think.

So, again, some more ownership and control.
The 51 percent is way down on the list. People seem to
have a pretty good grasp of that. So I think that kind
of summarizes those data.

Ruby, do you want this next, or who’s next?

MR. O’FARRELL: Can I just get a question in,
Ruby, before you talk?

I did want to echo what Brandon said a minute
ago, that we -- it’s not just been one year. He’s new
to the Committee, but unlike the rest of us who’ve been here for five or six years, we’ve been trying to get this information, and we really want to give you strong credit for your actions and your leadership and coming back here. I can pull up on my phone the questions that we asked, and I was going through them to check off with the PowerPoint what you actually are responding to, and it does lead me to a couple.

You addressed how many verified SDVOSBs are in the database. You gave us what percentage of the total number of companies are certified in SAM. You said how many times the companies in question one have won a contract in the past five years. And you gave that information. I had a -- and then, let’s see, what metrics do you have that show the percentage of companies in the CVE database that are winning contracts at VA, so you have that. I notice those numbers are fairly low.

Could you go back a few slides, Cheryl, to that slide? Keep going, keep going, keep going, keep going, back, back, back, back. Back. We’re going to come back to that FAR chart in a second. Yeah, right there. Go forward one. Go forward one. There you go. Keep going. There you go.

That’s current -- with VA contracts. So one
1 of the questions we had was is there any kind of an
2 80/20 rule going on here? Are 20 percent of the
3 contractors winning 80 percent of the contracts, for
4 example? Is there, you know, a proportion that’s
5 overly large that are getting those contracts?
6 MR. SMITH: There’s not a formal requirement
7 or any kind of benchmark like that, but there are -- it
8 is working out that way in practice that there’s some
9 who are more competitive than others for whatever
10 reason. And it’s --
11 MR. O’FARRELL: Okay, so for whenever --
12 MR. SMITH: -- actually also true about
13 other --
14 MR. O’FARRELL: Right. So I want to make sure
15 we follow up with that, the for whatever reason. We
16 would like a continuing dialogue, as the Chairperson
17 said earlier in the year, is maybe at a future meeting
18 for you all to dig into that a little bit, because one
19 of the themes that we’ve tried to bring to your office,
20 Ruby, over these past couple of years before you were
21 here is there is an effort that’s tens of millions of
22 dollars of taxpayer dollars are spent every year on
23 this contract with contractors to do this job and the
24 federal employees that work on it. But there should be
25 a separate effort, and we think there is, but it should
be boosted, which is how do we help veterans win contracts at the VA, because the VA -- I think it’s historically whereas the quota across the Government is -- you know, the tag is 3 percent for SDVOSBs, you guys are doing 24, 25, in the twenties percentage-wise of spend every year.

So it is -- and it’s the second largest federal agency. I’m telling you stuff you know, but it’s such a large target for SDVOSBs and VOSBs that we think there should be more effort on helping make that happen, and so then when we hear that there are a small percentage winning a larger percentage of the work.

And then I just have one other follow-up question. So you just went through the discussion of the denial. So if we go to the next slide real quick, the one with the bars. Keep going. Sorry, Cheryl. Keep going, sorry. There you go. Let’s stay there for a second.

So we look at the denials. We see in ’17, ’18, and ’19 it was 55, 111, and 64, and we know that we have 14,000 companies in the database. So we’re talking about a very small percentage of the overall that’s been denied. What really jumps out at me, and it’s interesting that it’s in blue, because I see blue as kind of a peaceful color, is that should really be
red because those are the companies that have been removed.

And I’m not going to put it on the spot, but I had a similar situation last year, and the comment was made to me that the administrative removal, you’re saying that there’s time allotted and we won’t remove you, we’ll give you time, but I personally dealt with a situation where we incorporated in Delaware, and I went and they said you need the Delaware proof of incorporation.

And I said, here it is, here’s a screen capture from their website. And they go, oh, the status is from 2011. And I said that -- they -- I called them and stood on hold for an hour and a half and finally got them on the phone. And they said, yeah, that’s the last time anything happened. You’re incorporated. See over in the right corner, it says, you know, ongoing or something like that.

And I had this big back-and-forth with the CVE, but the whole time we were having this back-and-forth, they said, you have five days. You better get this done in five days. And she just told me, just tell the crowd what you just told me.

MR. PORTER: This is Kandis Porter, and I had the exact same thing. There was a huge emphasis on
local permits. They wanted, you know, the City of Reno permit, the county permits. And they’re really getting into that level of nitty-gritty versus looking at the state level. And it was back and forth, and every time I was given five days before being administratively removed.

And so I’m not sure where that 30-day comes from, but to try to turn something around in five days when you’re dealing with local, city, or county, it’s impossible.

MS. HARVEY: Kandis and James, if I may attempt to start responding to some of the questions. First of all, let me just go back to our use of the data. You talked about, you know, the 80/20 scenario and so forth. What this type of data analysis allows us to do at OSDBU and as the advocate group within VA for small businesses is to work with our acquisition community at VA to say let’s look at the numbers, let’s look at how the data is stratified. Of course, we want to meet our overall goal, which was 29.6 percent this year for all small businesses, 17 percent for VOSBs, 15 percent -- thank you -- for SDVOSBs.

We want the data that we’re presenting to you and the data that we are analyzing daily -- I have my IT guy here with me today. We’re committed to taking
the data that we know to be the case in terms of our contracting breakout across the veteran community, and we’re using that information to meet with our senior procurement executive, our chief acquisition officer to say we think we can do better.

If it’s a training matter with the veteran-owned small businesses, we will attend to that. We have already moved very -- very rigorously forward with our training offerings to small businesses, so all that you’re saying, my probably long way of addressing it is to say I agree. I agree. That’s useful information.

Go ahead.

MR. O’FARRELL: Can I just follow up real quick? So just the feedback from the veteran community, though, could be -- and I have -- and I see a couple of my friends against the wall there that own veteran businesses, and we have these discussions, so let’s take two specific examples -- the VA Vector IDIQ.

MS. HARVEY: Right.

MR. O’FARRELL: It’s got approximately 65 total primes. Each of those have some SDVOSBs underneath. So as we’ve seen across the Federal Government in the last 10 or 15 years, the consolidation and the organization of contracts with IDIQs and BPAs, there’s -- Vector is one of them, and
the VHA IHT is another one, Integrated Healthcare Transformation. We could -- you could view those in the consolidation as what is driving what’s happening in your database with a smaller percentage.

And I’ll just take the IHT. The contractors that received the upcheck, the URA viable/vital letter, I was told that four out of five of them or five out of ten, whatever it was, a very large number of joint ventures. So now it’s really the larges are staying fully engaged and taking the revenue away from the veteran-owned businesses.

So -- and as a Vector prime, we’re happy that we’re a Vector, and we finished in the top ten of those companies, but as with my ACVBA hat on, I’m trying to look out for those companies across the country, not inside the Beltway, that want to win business at the VA, as I said earlier, a large pot. And I -- once again, Ruby, I commend you on what you are trying to do because I don’t envy you that job.

So can I just come back to, though, if the VA would consider some sort of a pilot program where they could change the rules about who’s going to be at -- what the time frame is for administrative removal and said instead of using these five-day windows they were to give a 30-day window, just -- you have your IT
guy here. What would that do to the data? What would that potentially -- if you just plugged that in and said, okay, instead of removing -- instead of making it five days, we made it 30 days, would that 8,099 number drop by how much? Because we -- hypothetically, we could give them more time, and I’m looking at the gentleman standing behind you, Ruby.

MS. HARVEY: Well, I’ll pass him the mic in a moment. I’ll respond to some of what you said, but going back to Kandis’ question, what we’re doing in OSDBU at this point, because we want to make sure that our approach to processing, our approach to communicating to you what you need to do differently, is reasonable. I discussed with Larry prior to the meeting starting today that we are -- we are now applying a reasonableness test to everything that we do, and there’s processing times allowed you, whether it is, you know, communications that we have with our policy folk about how this is going to affect small businesses. We still have work to do, we do, but just be assured that we are looking at approaches, as long as they’re in alignment with legislative requirements and policy, and overlaying that with the reasonableness test within OSDBU. That I will commit to you we will do.
Who wanted the mic?

MR. O’FARRELL: And I guess I’ll -- while you’re handing the mic, I’ll just say that, you know, the charter of this Committee, since 1999, whenever it was formed, has been to help shape policy. And so when you say things like that, we would like to also hear from you -- like I said, we’re beginning this dialogue that we haven’t really had previously. And so maybe at a future meeting you might come to us and say, you know, if you were going to help us, ACVBA, with changing some of the policy, here are some policy recommendations we’d like you to incorporate into your annual report.

MS. HARVEY: Thank you. Your questions alone helped us because it allowed us to do some self-analysis, to anticipate, okay, what would make a difference to the small business community.

MR. O’FARRELL: Appreciate that

MS. HARVEY: So being here helps out. If we’re invited back, we’re happy to address those questions and more.

Larry, are we off the stage now?

MR. STUBBLEFIELD: We’ll go another minute.

MS. VALERIE LEWIS: I just wanted to ask a quick question before your IT people leave. In that --
in the count, are you counting -- when you count

service-disabled veteran numbers, are you counting

veteran-owned small business within your SDVOSBs, or

how is --

MS. HARVEY: Other way around.

MR. MCGRATH: It’s broken down.

MS. HARVEY: SDVOBs are included in -- SDVOSBs

are included in the VOSB numbers, so the targets that I

spoke about -- are you looking at this slide? Slide 9?

MS. VALERIE LEWIS: No, I was just looking at

the numbers in general, when you say that you’re

meeting your targets, I was concerned about are you

counting -- you know, if you counted them once, you’re

counting them again.

MS. HARVEY: Okay, Cordell, go ahead. I think

you’ve got a better sense of what she’s asking.

MR. SMITH: So of the pie charts that we were

looking at earlier, breaking it out, who has gotten

contracts, we actually separate those out so that if

it’s SDVOSB that they had that verification status in

the database. If they were VOSB, it was only that. We

did not include SDVOSBs as part of that because we

wanted to have that granularity to see what was going

on. And that’s why when you look at the pie charts

you’ll see VOSBs actually have a smaller slice than the
SDVOSBs, but that’s because we have an SDVOSB first requirement.

MS. VALERIE LEWIS: So in your 11 percent that have contracts, I’m wondering, are veterans that were not service-disabled included in that 11 percent.

MR. SMITH: No. Can you go back to Slide 6? So of the SDVOSB contractors are 11.6, those are SDVOSB -- in the database, in the VIP database, they’re listed as SDVOSBs.

MS. VALERIE LEWIS: Not --

MR. SMITH: Right. It was not -- then right below it is the VOSB contractors that are not SDVOSBs. So we separated that out. That number would be larger if we included SDVOSBs in it. So we wanted that granularity to see what was going on.

MS. HARVEY: Thanks.

Valerie, is that what you were asking?

MS. VALERIE LEWIS: Yes.

MS. HARVEY: Okay.

MS. VALERIE LEWIS: I was just trying to be clear about, you know, what the numbers are.

MS. PEREZ WILHITE: This is Fran Perez-Wilhite with the North Carolina Military Business Center. I sense we’re running out of time, so I’d like to ask officially with the VA OSDBU and the IT professionals

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(301) 870-8025 - www.ftrinc.net - (800) 921-5555
here, we all know that FedBizOpps is now changed over
to Beta.Sam.Gov. And when we wanted to follow VA
opportunities on FBO, you signed up for a saved search,
and it was fantastic. It sent you an email every day.
If we wanted to drop down on the search engine and say
VA VISN 6 opportunities, we got an email with that. If
you wanted to say VA National Cemetery Administration,
you got a daily email with that. And you could look at
the opportunities and decide quickly which
opportunities you wanted to pursue.

Now with the Beta.Sam.Gov, you can still do
that with the majority of the other federal agencies;
however, with the VA, you cannot do that at all. Now,
I have three members of my team looking into this.
They’ve been day and night looking at this, trying to
figure out if maybe it’s us, maybe we don’t know how to
do this, okay? We don’t think it’s us at this point.

Two of my employees are IT professionals.

So we can’t figure it out. We have a lot of
companies now in my state asking for assistance. We’re
spending a lot of time with this. I cannot save any
searches. I have to look up VA, go through all the
opportunities that the VA sends out every single day,
which is a lot. I know I’m missing opportunities. I
know the companies in my state are missing the
opportunities they want to know about. Is there any way we could either find out how to do the saved search properly if we’re making a mistake or can VA get consistent with the other federal agencies on Beta.Sam.Gov?

MS. HARVEY: Great.

MR. SMITH: Excuse me. We’ll have to check with GSA’s integrated acquisition environment, which runs the whole SAM operations. I’m not aware of what would have caused that change, so maybe there is some sort of glitch, but they would be the owners of that system, so we’ll have to see what’s going on. And maybe our system isn’t talking to their system right. I don’t know --

MS. PEREZ-WILHITE: Well, what used to take me five to ten minutes is now taking me three to four hours, and I know I’m missing out. I’m not finding what I need to find.

MR. DOKKERLY: I was just going to agree with what’s been pointed out. We don’t own that portion of the system. And so -- but I will follow up with GSA -- our GSA partners.

FRAN: I’m just a little bit disappointed --

MR. O’FARRELL: Fran, could you say that to the mic? Could you say -- could we request that
SAM.gov come to the next meeting --

FRAN: Yes, can we have SAM.gov and -- I’m a little bit surprised, actually, that no one noticed this from the VA for -- or from GSA when this was rolled out. And I know it was rolled out quickly, and I understand because I’ve been involved with IT in the past. I know things don’t change over perfectly, but this is really slowing us -- businesses down.

MS. GARCIA: This is Amy Garcia. I’m wondering if the change control board at IAE could help with that effort, and so basically that you come up with these issues and send it to the change control board, and each agency should have that. So maybe that’s a venue to make that happen.

MR. SMITH: That’s a very good thought. Thank you.

MR. ZACCHEA: Mike Zacchea from UCONN EBV. So I want to thank you, Ruby, for coming. This is -- I’m now four and a half years on this committee. This has been a multi-year effort to get this kind of visibility and transparency into CVE. So in that regard, it’s a very illuminating breath of fresh air. It raised a lot more questions for me, unfortunately. I’m not going to ask them right now, but I’m going to collate -- figure out my thoughts and I’ll get them back to you, but I
would like to make a suggestion perhaps. It might not be possible to do a quarterly briefing, but I would like to certainly recommend -- and I've never seen if you do an annual report. If you don't, I would like to recommend that. If you do, I'd like to recommend that you bring that to the committee or socialize it with the committee. Thanks.

MS. HARVEY: Thank you. We'll consider that, absolutely.

MR. PHIPPS: Ruby, when Tom was here, there was a comment that he made at one point, if you invite us, we would be more than happy to come. There was a forever invite and extension for the VA to attend every meeting that we have because you're such an integral part of this committee that you don't have to be invited. Please every -- we can work that out with Larry, but we would like every meeting for you guys to be here, and hopefully we'll get to the point where your portion shortens up, but the invitation is just ongoing.

MS. HARVEY: Thanks, Mike.

MR. O'FARRELL: Hey, Mike, could you put that into the record that we'd also like to have Larry and/or Stan invite the -- whoever in the procurement/acquisition side of VA would be willing
to come, or maybe, Ruby, you could help us with that invite. We promise --

MR. PHIPPS: Every meeting we put that on the record.

MR. O’FARRELL: -- to be nice, but we -- yeah. Every meeting.

MS. HARVEY: Handing the mic to Larry. Thank you.

MS. O’BRIEN: Okay, we’re going to thank you for your time. I know that we’ve gone quite a bit over and want to be respectful of time, and we certainly have some great asks out, and remain that standing invitation always for you to come back. We’re going to turn it over now to Government Contracting and Business Development update with Sam.

MR. LE: Well, thanks very much for inviting me here. I don’t want to take up too much time, so I’m going to get right into it and really deviate from the slides a bit because SBA’s been very busy, even in the last two weeks. Just today, we published the final rule changing the averaging period for our dollar-based size standards from a three-year average to a five-year average, so you’ll find that in the Federal Register today.

We’ve issued a press release if you want a
quick summary about it, but essentially we decided --
you know, the statute directed us to make this change
right away. We thought that was too sudden. We got
comments from businesses saying they needed somewhat of
a transition period. So we instituted a two-year
transition period.

Since we published today, the rule’s effective
on January 6th, 2020, which is a Monday. It’s a bit
more than 30 days after the date of publication today.
So the two-year transition period will be from that
Monday, that January 6th, 2020, until January 6th,
2022. And during that two-year transition period, any
business that goes into certify for government
contracting can choose between using a three-year
average and a five-year average.

So if you don’t want to make the change right
away and you want to keep using three years as you’ve
done before, you can continue to do that at least until
the transition period ends on January 6th, 2020. We
heard some concern from businesses that have declining
revenues, which means under a five-year average, they
would have two years that were big years that would
average in and might goose them out of small business
consideration, and we want to have everybody on the
same basis, so we added those two years for a
transition period. After that transition period, the intent is that all businesses would be on a five-year average. So that was just issued today.

Even last week, we had a couple policy changes, one in the HUBZone program, which came out on -- one of them came out on Friday and one of them came out on Tuesday. I think the HUBZone was the Tuesday one, and then a more wide-ranging rule about limitations on subcontracting and subcontracting plans came out on Friday. Both those rules will be effective before the end of December.

So roughly speaking on the HUBZone rule, if anybody’s interested in the HUBZone program, we talked about this before with how we had proposed initially to make changes to two big requests in the HUBZone program -- the 35 percent employee requirement and the principal office requirement, the requirement that the business be located in a HUBZone.

On the 35 percent requirement, where we came out is if you have an employee that qualifies your firm for HUBZone because that employee lives in a HUBZone, we don’t want to disadvantage the business because that employee then moves outside of that HUBZone area. So we’ve essentially created a once HUBZone, always a HUBZone employee rule. If that employee stays with
your firm and that employee moves outside of the
HUBZone area, as long as that employee was with your
firm when you qualified, then that employee stays in a
HUBZone status, no matter where that employee moves,
and I think that’s good.

You know, even for businesses that don’t have
that situation with their employees moving a lot, it at
least helps you out in terms of having to keep track of
where your employees live on a consistent basis. Now
you can just say that that employee lived in that
HUBZone area at the time that you qualified.

On the principal office side, we had heard
concerns, you know, these maps changed, the HUBZone
maps changed because unemployment numbers changed. We
had heard concerns from firms that make investments in
HUBZone areas, that buy a property or they sign a long-
term lease, and then the maps change, you know? And
it’s hard to -- when you’ve already printed out all
your business cards, already made the investment in
that area for you to keep track of what’s a HUBZone
area and what’s not. So we’ve said that if you’re in a
HUBZone area with your principal office and you have a
long-term lease or have purchased real estate there,
then you get to keep your HUBZone status, even if the
maps shift and somehow your area moves out from being
So those are the two big changes on the HUBZone comprehensive review. There’s a whole lot of other stuff in there, so if you’re in a business that’s interested in becoming HUBZone, the intent of these rule changes is to make HUBZone more attractive for more firms and potentially, if we can get more firms in the program, especially in industries where there aren’t a whole lot of HUBZone firms, then we can increase the number of firms and get closer to the 3 percent government-wide goal.

On the other comprehensive rule change, the wide-ranging change that I mentioned that was published on Friday, that’ll be effective by the end of the calendar year, we made some changes to the limitations on subcontracting. We heard from firms that, you know, they’re required under most contracts to perform 50 percent of the work themselves or with, you know, another small business or a similarly situated service-disabled, veteran-owned business. But that’s tough to do if you are working in cloud computing, IT, or you’re working in travel because there’s no -- you know, there’s not small airlines, and on the IT side, most of the cloud computing services are performed by large businesses.
So in our final rule, we exempted those industries and several other industries that you’re probably not as interested in. We exempted those industries from the limitations on subcontracting, so those would not count toward the base for your 50 percent. And then on the subcontracting side, for those of you that work as subcontractors to larger businesses, we put some more heft behind the subcontracting requirements, you know, to assess liquidated damages or contract remedies against a prime contractor that’s not meeting its subcontracting goals.

The agency has to find that that contractor has not made a good faith effort toward finding and employing small business subcontractors, but that’s a fairly broad term --

MS. VALERIE LEWIS: Right.

MR. LE: -- good faith effort. You know, you ask somebody, I don’t know that they would be able to tell you what “good faith effort” means. So we came up with a list of examples of what it means to not exercise a good faith effort, what a failure to exercise a good faith effort is. And we published those examples in this rule that just came out on Friday. Some of them are not performing market research to find small businesses, not complying with
directives from SBA or for DoD DCMA when we perform our
compliance reviews on subcontracting.

Last year, we performed over 500 compliance
reviews, and that’s up fivefold from what we’ve done in
previous years. So we’re really trying to put an
emphasis on subcontracting compliance and, in fact,
every week or so we have somebody from SBA -- myself or
people from our Government Contracting office go out to
speak to large businesses about their responsibilities
as prime contractors to comply with the subcontracting
requirements and further the purposes of small business
contracting. And we’ve received good reception from
those large primes.

More changes in that NDAA rule deal with
contracting in Puerto Rico, contracting in disaster
areas, which have been major focuses of congressional
attention. And I’d refer you to take a look at that
rule because there’s a lot of changes for small
business contractors that are relevant, no matter what
industry you’re in.

We also are looking for comments from you,
from businesses and from the public in general, on
changes to our mentor protégé programs. I think
somebody brought up recently the issues that they’ve
faced with competing against joint ventures. We put
out a proposed rule on November 8th asking dozens of questions about how we can make changes to our mentor protégé programs and our joint venture rules.

Some of the changes we proposed were to consolidate the 8(a) and all-small mentor protégé programs and really fold those into the all-small program using that program’s criteria. We asked for views on changes to the joint venture program.

One of the big ones is if you’re a joint venture, you’re subject to what’s called a three-in-two rule. You can only receive three awards over the course of two years. And we asked whether we should change that to just having a two-year, carte blanche, you know, as many awards as you want in two years you can get. So it would just be two instead of three-in-two.

There’s been a lot of talk since we issued this rule about some of the changes we proposed to multiple-award contracts, task order contracts. We said in the rule that we found that on some multiple-award contracts there is a problem with firms that got onto the contract with a certain status -- you know, they might be small or they might be 8(a), and then they leave that status. They grow to be other than small or they graduate from the 8(a) program, but on
some of these long-term contracts, they might be 20, 25 years, they get to keep that status during the contract. And it seems strange for a firm that graduated from the 8(a) program in the first year of the contract to keep that status for the next 15 years.

So what we’d like to do, what we propose to do, is to prevent firms that lose their status from continuing to compete on certain set-aside orders. So say there’s a service-disabled vet order off of a multiple-award contract. As long as that multiple-award contract was not initially set aside for service-disabled vets, then if a firm lost its service-disabled vet status -- you know, maybe it became other than small or the vet left the company -- there was a big case about that, or, you know, maybe they don’t meet the control requirements anymore, that firm should not be able to keep its service-disabled vet status for a set-aside order down the line under this proposed rule. So we’d like to see if you agree with us or disagree with us, and we’re accepting comments up until the middle of January on that rule.

That’s three rules already. We had another one that came out about HUBZone governor-designated areas. Governors can propose HUBZones for inclusion in the program. We have another one coming out about
veteran surplus property, opening up the GSA surplus property program to service-disabled vet-owned firms, to Puerto Rico firms, and to firms in a disaster area. That rule, we hope, should be out sometime in the January/February time frame.

And we are watching legislation on the Hill. As you probably know, the House passed their version of the VA SBA Act, and that’s being reviewed by the Senate. The House also passed a bill to allow surviving spouses of service-disabled veterans to continue to control that firm for up to three years after the death of the veteran. That’s already in place. If it was 100 percent disabled veteran owner and that was already in place, allows the surviving spouse to control up to ten years, but there was no provision for a surviving spouse of a veteran that had fewer -- or less than 100 percent disability.

So this bill that just passed the House is being considered by the Senate to allow surviving spouses of other service disabled veterans to control up to three years.

There’s a few bills that are being considered by the House as a whole, but at the passthrough committee. One of them looks at employee-based size standards. So as I had mentioned, just today, we
changed the three-year average for receipts-based size standards to five years with that two-year transition period.

The House is now considering whether to make a similar change to employee-based size standards. And that generally applies to manufacturing firms. There’s an employee-based size standard also for IT value-added resellers. And the proposal there is to change the current 12-month average to a 24-month average with the idea that that would expand the number of firms in those industries that would be qualified as small businesses.

One additional bill that came out from the House Small Business Committee that’s being considered by the full House is dealing with past performance evaluations for businesses that are submitting offers as primes. What we found is that agencies are sometimes reluctant -- not all agencies -- but some agencies are reluctant to consider past performance from small businesses that participate in our joint ventures and past performance from small businesses that have participated as subcontractors.

So there’s a big problem, we’ve heard, of transitioning from subcontracting to prime contracting because the subcontractors don’t have prime contracting
experience, and there might be a similar problem from
transitioning from being a part of a joint venture with
other firms to being a prime on your own. And the
House, this -- I think it’s Unlocking Small Business
Opportunities Act of 2019, is considering making it
mandatory for agencies to consider those types of past
performance in their evaluation of prime contracts. So
we’ll continue to watch those bills coming out of the
House

On the Senate side, Senator Duckworth
introduced a bill to require the OSDBUs -- the VA OSDBU
to report if they’re not meeting any of the statutory
requirements for OSDBUs, and the Senator is also
considering some bills about raising the thresholds in
the 8(a) program for sole-source requirements and
looking at allowing more venture capital funding and
private equity funding in women-owned and small
disadvantaged businesses.

Those bills have been introduced, but as far
as I know, there hasn’t been any sort of significant
legislative action on that. So as we go through, I
think I’m at 11:30, but --

MR. STUBBLEFIELD: Let me just say this. I’ve
noticed the committee members are looking through the
slides, and you’re not using the slides, so I’m asking
the committee members, look through -- glance through
the slides. Is there something in there you want to
talk about?

MR. PHIPPS: Yes.

MS. VALERIE LEWIS: Yeah.

MR. STUBBLEFIELD: Is there something in there
you want to talk about? We’re not going to -- I mean,
this is a significant presentation today. So we’re not
going to miss anything. If there’s something in there
you see -- I know you were here yesterday, Mike, we
really had a robust -- yeah, over some of the --

MR. PHIPPS: And this one is going to apply to
the VA as well, so I know -- so the question, and I
don’t know, Sam, if you can really answer this, and
that’s on H.R. 1615, and the certification going over
from the VA to the SBA, and there’s so many details in
that. Instead of asking very specific questions, it
would be good if you know a little bit about that, what
is that going to look like? How does that interact
with CVE? How -- there’s just so many questions
involved.

MR. LE: Sure.

MR. PHIPPS: It might be better just to get an
overarching explanation.

MR. LE: Yeah, I would refer you to take a
look at the legislation itself, and you can go to Congress.gov and look up the legislation number, but it’s very prescriptive about how this transfer would happen. It looks at -- the legislation itself directs how the database would go, how the center itself could transfer from VA to SBA. It has a timeline of two years, plus six-month extensions after that two-year period with reports to Congress on how SBA and VA would proceed on transferring everything.

It also has provisions on what happens if you’re already in the VA database and what happens if you’re self-certified in SAM but you’re not in the VA database. And that situation, if you’re self-certified and not in the VA database, under the legislation, you would get one year to actually go in and get certified. But, you know, the legislation is pretty extensive, so I would take a look at it and see what’s actually in there. And I know we were just talking to some of our friends on the Hill, and we know the Senate is looking at that closely.

MR. PHIPPS: And I have one more question and then I’ll pass the mic. For S. 1981, would changed ownership requirements for women-owned small businesses and the 8(a) program for firms and venture capital investment. This has an overarching reach to some of
our other questions that were with the VA. Can you
give an overview, in layman’s terms, of what that’s
considering, because we would like to see if there’s
some kind of recommendation that could come out of that
for VA ownership control, especially I know Brandon is
involved with venture capital investment --

MR. LE: Sure.

MR. PHIPPS: -- and it affects a lot of
companies.

MR. LE: Sure. That -- from what I understand
from the description of the legislation that’s posted,
which I think deviates a bit from the actual text of
the bill, the description says that the intent of the
legislation is to allow women-owned small businesses
that have investment from venture capital firms that
are themselves owned by women to continue to qualify
for the women-owned small business program.

And on the same side, on the 8(a) side, if
you’re a disadvantaged business owner and you get
investment from a venture capital firm that is itself
owned by disadvantaged individuals, then that would
continue to qualify for the 8(a) program. And that’s
the intent of the bill, but I think the -- and I’ve
told people, I think the actual text of the legislation
deviates from that a bit and actually expands the
qualification for the program, the possibility for qualification for the program much more significantly than what’s in the description of the intent.

MR. PHIPPS: So as a lawyer, would that set a legal precedent for if I was a service-disabled veteran-owned company that was a venture capital firm to supply another service-disabled veteran-owned company with capital, that that wouldn’t -- is there a precedent that we could use for the veteran-owned side is what I’m trying to get at. And maybe -- and we may be able to take that offline --

MR. LE: Sure.

MR. PHIPPS: -- and ask for a full --

MS. VALERIE LEWIS: So I would be concerned about a dollar threshold as a receipt.

MR. SHELTON: Hey, so Brandon Shelton here. So I am the only VC firm in the United States that’s solely focused on veteran-backed startups. There are couple others that dabble in it. I don’t like that rule because that’s ridiculous. I get why the intent is, but for us as a committee, what I would suggest we do is monitor that and see what happens, but I think I’m more akin to saying that rules, the certification rules, and they all left, but the certification rules that you are a veteran-owned -- a VSOB should start to
factor in the type of business you are. If you are a C Corp, you have a board. The board has governance, and this is where the VA CVE gets all sideways because they -- you know, lack of control, terms of control, and then that’s -- that suffocates that startup veteran-owned business from applying for a VA contract, Health and Human Services contract, whatever they need that certification for. I think we should monitor the process, but on this committee next year, I mean, I’ve been for the last year trying to push on this, but I think it’s less about the capital and I think it’s more around the certification and allowing them to compete for contracts as a startup because it could swing their whole business as a five- person, ten-person business. They had to take venture capital to start.

This change of control, I’ll tell you I’ve had long conversations with Tom and then Ruby’s predecessor. Let’s see what happens with that. I would just recommend for us, on this committee, that we just monitor that going into next year, and we can get some more ideas for proposals, we can propose on that front.

MR. O’FARRELL: Jim O’Farrell, just changing subjects here for a minute. The Runway Extension Act,
so a lot of discussion about that over the past year or so. So President Trump signs a law, we think it’s going to happen right away; we find out that it doesn’t, it’s going -- it’s in SBA December 2019, as in this month. Are we going to see it go into effect, or what’s your feedback on the time frame?


MS. VALERIE LEWIS: Which bill?

MR. O’FARRELL: Runway Extension Act. It allows --

MS. VALERIE LEWIS: What’s the number? Is it on here?

MR. O’FARRELL: -- it’s on here. It’s on --

MR. STUBBLEFIELD: It’s the --


MR. LE: Slide 4 there, and then we have the proposed rule described later on in --

MR. O’FARRELL: It allows agencies to look back five years instead of three years to determine size. And then the only -- the other one had to do with the cyber certification that’s coming down the pike.

MR. LE: Oh, sure.

MR. O’FARRELL: Could you just talk about that
and the time frame? It’s on one of the slides and now I can’t find it in here.

MR. LE: Yeah. Sure. It’s toward the end, and I was just at DoD this morning. They had a talk from their Director of Industrial Policy. And CMMC is the number one priority of their acquisition director there. The idea there is that DoD recognizes that there are cyber deficiencies in their contracting base, and the proposal, which I don’t think there’s any way to walk back on this, the proposal is to require all contractors to have a cyber security certification in order to work with DoD.

They put out several drafts of what the certification would look like. A couple months ago, they put out a Version 0.4, asked for comment. SBA submitted some comments saying, you know, you really have to consider small business in this. This is going to be very costly for small business, and maybe give them some -- a break on the timeline or on the cost of it. And DoD, about a month and a half later, issued Version 0.6 and did not ask for comment that time. So that’s out there for the public to review, but there’s not any sort of opportunity to submit your thoughts on that to DoD.

When this goes into place, and they’re looking
at rolling this out starting June 2020 according to the information they have on the website, DoD would require not only that firms have the cybersecurity measures in place but also that they’ve received a certification from what appears to be a third-party partner of DoD. So there initially was going to be a cost for all businesses to obtaining the certification. I believe they’re considering having some sort of small business flexibility for obtaining the certification, but that still doesn’t relieve you from getting the measures in place. And so if a firm doesn’t have those measures in place, it has to put in the cost to, you know, shore up its IT systems, get a new email system, whatever it is.

Now, what DoD said this morning is they are looking to their prime contractors, their large business contractors, to assist the small businesses, you know, subcontractors and whatnot, to get those cybersecurity measures in place. And they’re working very strongly with their prime contractors to roll out some sort of system so that small businesses would be able to comply.

MR. O’FARRELL: All kinds of thoughts on that one. As a company that has 100 employees and eight -- 16, 17 million in revenue, and we are not -- and 93
percent of our revenue is prime, we’re not looking to have larges explain to us how to do this kind of a process. The concern, I think, that’s driving this, though, is that you go get your ISO certification, it’s not -- the Government doesn’t say, you can’t do work with us unless you have an ISO certification. What could very quickly happen is that DoD adopts the stance and a position that says you can’t do work with us unless you have this certification that you have to go spend money on, and there may not be a source of supply to get you the certification at the time that you need to get it done.

So I was going to ask that -- for the next meeting perhaps we have someone come from the DoD and talk to us maybe through your connection with IV&T.

MR. PHIPPS: So Shannon was here yesterday. This is Mike Phipps. Shannon was here yesterday. He briefed this. They are going to be posting -- the terms to Google are CMMC and Project Spectrum. We can absolutely put something out to Shannon. He will respond with the lengths, but DoD is going to have a large/small business -- they’re going to address small businesses specifically within the -- for this certification.

What we’re really interested to hear from DoD
is the third-party certifier, who is that, how many of
them are there, and then all the stuff that Sam brought
up. So I think we should propose, just like we did
with the VA, we should have the committee members pose
a list of questions that we can pass on to Shannon.

MR. O’FARRELL: Well, what we could also do is
have in our annual report propose language that says,
okay, so GDIT can now train a cadre of small veteran-
owned businesses to go out and grow businesses doing
the certification.

MR. PHIPPS: Right.

MR. O’FARRELL: GDIT and other large
businesses could -- if we’re going to use your thought
that larges are going to help the smalls, they could
actually create the training and then train the
trainer, and so now you could have veteran-owned
businesses grow their businesses by using this cottage
industry of certification.

MR. PHIPPS: That’s a whole industry right
there.

MS. VALERIE LEWIS: I had a question. This is
Valerie Lewis. I had a question about the HUBZone and
the small business subcontracting legislation. So on
the HUBZone, you talked about businesses are able to --
if the employees move, they were able to keep their
HUBZone, and you said something else about how the business itself, if they were able -- there’s some new law now that they were able to keep that HUBZone status.

And I’m just wondering is that going to be retroactive, so for, like, you know, when the maps change, that’s what it was referring to. So there were a lot of businesses that lost their HUBZone status because they were no longer in a HUBZone area. So now that you guys are moving it back, I’m wondering, the businesses that were in HUBZones before the maps changed, will there be some retroactive allowance for that?

MR. LE: If you lost your HUBZone certification before the maps froze, I don’t think this rule is going to help you, but we are freezing the maps until 2021. And you want to follow up with me with the exact situation of when the business potentially lost its certification or its HUBZone eligibility, then we can look into that, but generally speaking, from a legal perspective with new regulation changes, they’re effective when they say they’re effective, so this one’s effective at the end of 2019.

MS. VALERIE LEWIS: And on the -- there was some conversation about -- it was a couple of years
ago, it was a couple years back, about the subcontracting requirement for large primes. I’m just wondering, has there been any discussion around instead of using the stick, you know, is there some discussion going on about how we can possibly help prime contractors or incentivize contracting officers for that matter so that we can get the subcontracting levels up?

MR. LE: Certainly. We’re -- you know, from the legal side, mostly it’s the stick. You know, mostly it’s trying to get them to be scared of liquidated damages and contract remedies.

MS. VALERIE LEWIS: But contracting --

MR. LE: From the policy side, we are trying to use the access that we have to data to encourage large primes to subcontract more. So if we see, you know, in this industry, large primes are able to subcontract 40 percent and, you know, there’s a large number of small business subcontracts out there. And we can use that data to tell a prime that its 25 percent subcontracting goal is not high enough, it should be at 35 or 40 percent. So we’re trying to use data.

We have a challenge there with the data because that system, you know, as we talked about...
before with Beta.Sam.Gov, that system doesn’t give us subcontractor-specific data. It just looks at the prime contractor, and the prime contractor puts in the percentages, so we don’t get full visibility into how that contract is being performed at all levels. We may get more information once this lower-tier subcontracting system gets rolled out. So if that happens, we’ll get even more data, and we’ll be able to use that data to try to encourage, as you said, you know, use the carrot instead of the stick there.

MS. VALERIE LEWIS: Yeah, I think there was some discussion at Theresa’s meeting. Remember the prime contractors came back and said that they didn’t have -- if -- I don’t know if it was the dollar threshold or what it was, but they were saying that only -- they only have to do subcontracting if they were required. And I thought that was, like, guaranteed over the --

MR. LE: 700,000.

MS. VALERIE LEWIS: -- exactly. You know, like the date -- no matter what contract you get, you’re supposed to be looking for subcontracting. So, I mean, that’s education that needs to, you know, occur.

MR. LE: That is really interesting, because
I’ve never gotten that question before, and this is the second time in two days that I’ve gotten that question.

MS. VALERIE LEWIS: You know what, it’s good.

MR. LE: This is coming up a lot.

MS. VALERIE LEWIS: Yeah, because that’s what the prime contractor said, you know, at her event. And my last question, and I’ll get your card afterward, but I just want to know if the SBA is considering this whole push. We know that S -- is it S. 49 or the House Bill 4920, again, they’re trying to diminish, I guess, veterans within the VA Ability -- right. Well, its AbilityOne preference.

I’m wondering if the SBA is taking any position on that and, I mean, there was some talk from the CMR from San Francisco before he retired that AbilityOne was trying to get small business status. Can you talk just a little bit about that, if you know if there is a push or if there’s any support for veterans within the VA and the law that’s trying to get, you know, pushed now.

MR. LE: I mean, I think that is a VA-specific issue, so SBA has not been very involved on the AbilityOne VA issue.

MS. VALERIE LEWIS: Right, but --

MR. LE: But I will say on the small business
issue, we had -- specific to the 8(a) program, we had some provisions in these rules that reached on AbilityOne. We got a bit of pushback, but we went ahead and said, at least in the proposed rule that we just discussed on the mentor protégé program, that if the agency is switching from using the 8(a) program to using AbilityOne, they have to -- over at SBA, because that’s happening, and we got some negative reaction to that, but if we get positive comment, that might be able to weigh out the negative reaction that we got on that.

MS. VALERIE LEWIS: I’m confused by what you mean by positive comments. So veterans are small businesses.

MR. LE: Sure.

MS. VALERIE LEWIS: So I just want to make sure that the SBA doesn’t push this off onto VA and the SBA comes alongside veteran small businesses as well, so -- and has somewhat of a policy statement on, you know, what your position is. So for a supported veteran-owned small business --

MR. LE: Well, I will say, the reason this is a VA-specific issue is because the court case, which I think PDS Consultants is the court case --

MS. VALERIE LEWIS: Right.
MR. LE: -- is specific to VA, giving SDVOSBs preference over AbilityOne. And I think what -- the movement that you’re referring to is trying to address that court case. That court case doesn’t apply to other agencies. So other agencies are still required to prefer AbilityOne over SBA small business programs.

MS. VALERIE LEWIS: So FAR Part -- you’re talking about FAR Part 8?

MR. LE: Right. So, you know, there’s an order of priority in FAR Part 8 and AbilityOne and UNICOR are above small business.

MS. VALERIE LEWIS: So --

MR. O’FARRELL: Right, so I think isn’t the AbilityOne case, it’s basically seen as a pushback against the Kingdomware decision at the VA that said we’re going to go to our veteran businesses first. Now AbilityOne comes along with the PDS Consultants case and says, well, wait a minute, hold on, we should let the -- we should let -- and I know that there was an NVSCBC newsletter that came out and said the AbilityOne folks have gone and gotten 40 Congressmen, Representatives to, you know, try to enact a law that says AbilityOne can get in front of the veterans within the VA. What I hear you saying is, hey, not really my agency, that’s -- and it’s VA-
specific, but I think what Valerie is saying is, but you guys are the SBA, so we would help -- we would hope that you would support veteran businesses as small businesses.

MR. LE: I mean, on that and on the large theoretical end, yes, we want small businesses to continue to work with the Government. We don’t want other --

MS. VALERIE LEWIS: That’s why --

MR. LE: -- preferences to get in the way of that. So generally, when we’ve had questions about UNICOR and AbilityOne, we direct agencies to comply with their small business responsibilities. You still have to meet your goals; you still have to apply the rule of two; you still have to do your market research. So on the general end, yes, we recognize that agencies have multiple responsibilities, and we want them to pay the most attention to small business.

MS. VALERIE LEWIS: So is there something that we can get from the SBA to show support so to help garner the effort?

MR. STUBBLEFIELD: We’re partnering with the American Legion. I was there at their convention, and this was a topic of discussion. And the bottom line is we’re looking at what is the law, and that memo that we
put together, there was a lot of discussion as to how did that even come about, you know, that you would have a number of Congress members sign something that would go to Secretary Wilkie to tell him to break the law. So that’s kind of like basically how we’re looking at it. Like I said, I know the American Legion is all over it, and we’re sitting at the table with the American Legion on this.

MS. VALERIE LEWIS: Right.

MR. STUBBLEFIELD: The law is the law.

MS. VALERIE LEWIS: But the information we’re getting is that Congress is trying to push past veterans. I mean, that’s absolutely unheard of. Who would --

MR. STUBBLEFIELD: Well, you know, it’s a delicate situation because you’re talking about people with disabilities, you know, and no one wants to go out and just -- you know, and completely --

MS. VALERIE LEWIS: Well, we have information on that as well. The people with the disabilities are, you know, some people are reporting back they’re getting paid $3 a week. I mean, veterans are the ones who help veterans and all disabled people. So a veteran company can do just as well with supporting --

MR. STUBBLEFIELD: You know, you’re absolutely
right, and that all -- all of this is on the table. That discussion, we had it in Indianapolis, and I know that I’m probably speaking for the American Legion, but they’re putting together something to go back to the Hill --

MS. VALERIE LEWIS: Good. That’s what I want to hear.

MR. STUBBLEFIELD: -- to counter that. And, again, I’m still wondering for the staffers who got those members to sign something to go to -- well, I’m wondering if they’re still employed.

MS. VALERIE LEWIS: Well, we need to make sure that they’re not.

MR. SHARPE: We’ve already sent a letter to the Hill opposing this new legislation. David Leghorn sitting behind me has been up on the Hill talking to all the Congressional folks to relay our opposition to it. And I know VVA is about to send a letter of opposition to that legislation as well.

MS. THERESA LEWIS: So I’m asking on behalf of Joe. The question is on the limitations of -- on subcontracting. The problem that I found while serving as the OSDBU director at the Department of Health and Human Services was that the language surrounding liquidated damages is -- it gives the contracting
officer too much latitude. And because it said “may,”
oftentimes I found as an OSDBU director that
contracting officers found that the work the contractor
was doing was more important than assessing -- than
subcontracting. And so with the new rule, have you
changed the “may” to mandatory?
MR. LE: No, it’s still a “may.”
MS. THERESA LEWIS: That was -- but, see --
MR. LE: That’s a statutory requirement. Now,
I know there have been talks with folks on the Hill
about whether that “may” is the wisest way to phrase
the statute, but that’s what the law is.
MS. THERESA LEWIS: But, see, now, it is the
law; however, annually, when SBA sends their
legislation recommendations up, I definitely think that
that is something that SBA should consider putting in
that recommendation to the Hill because that’s the only
way they’re going to do it.
MS. VALERIE LEWIS: Right.
MS. THERESA LEWIS: And it’s the only way that
you’re going to bring attention to it. And it’s the
only way that contracting officers are going to do it.
If you don’t make it mandatory, they’re not going to do
it. So everything else you put in really is irrelevant
to that mandatory requirement. And that’s from my
experience as an OSDBU director working directly with contracting officers.

MS. PORTER: I just have a comment about the CMMC.

MR. LE: Yes.

MS. PORTER: I feel like this is definitely an issue for small businesses now because draft RFPs that are out there, primes are making their decisions on who they’re going to team with, whether or not they have this here and now because there aren’t a lot of resources. There’s not a lot of information available. And so the sooner you can get small businesses resources so that they can work through this, it’s going to be really helpful because I think there’s going to be a gap where small businesses that don’t have this, they’re not going to be able to team now for businesses, it’s going to hit their books later.

MR. LE: Yeah, that’s definitely true, and as we talked about, SBA is being directed to focus on cybersecurity in conjunction with some other agencies. We’re also looking at the DoD small business office, Shannon Jackson and Acting Director Scott Baum to lead the way since they know which direction DoD is going to -- this is a DoD-specific requirement, so if not -- it’s not government-wide, but who knows, after DoD
1 rolls it out, maybe other agencies follow. You might
2 expect that that would happen since DoD has most of the
3 plurality of the government contract dollars.
4
5 I think the timeline that you’re referring to
6 that -- at least the way the DoD described it, that
7 timeline should not happen because this would only
8 start appearing in RFIs in June of 2020 and then in
9 solicitations -- I guess that would be the next fiscal
10 year, Fiscal Year 2021, so it would not be present in
11 contracts until those solicitations are awarded,
12 because you don’t even know what the certification
13 looks like yet. There’s not a process yet.
14
15 MS. PORTER: Right.
16
17 MR. LE: So that -- even that timeline is
18 probably ambitious.
19
20 MS. VALERIE LEWIS: But they do, ISO.
21
22 MR. LE: So if you’re out and looking at
23 contracts that are out there today, this certification
24 should not be required for that. That’s not to say
25 that it might not be rolled out very quickly and
26 businesses might be strained to get into compliance,
27 but as of today, it’s not there yet.
28
29 MS. PORTER: I think people are anticipating
30 this showing up really quickly and so wanting to go
31 ahead and form their teams around it so they don’t
have, you know, gaps whenever it does appear.

MR. LE: Right. And that’s probably one of the purposes of putting out these draft versions, the .4 and .6, so that you can see what the certification is going to look like.

MR. STUBBLEFIELD: Okay, thank you. Thank you very much, Sam. We are now in the -- I know it’s kind of late, but we’re in the public comment period. I know we have one person there who’s waited very patiently.

MR. GOLDSCHMITT: You asked me to be patient.

MR. STUBBLEFIELD: All right, before I say that, let’s make sure that we capture Brandon and Sean on the record.

MR. GOLDSCHMITT: I had a hot button hit before, which is why I commented, but I’ve been doing the veteran advocacy and particularly around some of the verification and the certification issues for a long time. I was one of the original -- I was doing verification assistance counseling before there was a program. I helped start up the program with the Legion being actually the first group that was approved for verification and assistance counseling.

And I think as some of you have said, it’s been a dark hole, black hole for a lot of information
that’s been out there. And as we’ve gone through, I’ve had the benefit of talking to a lot of attorneys and a lot of small businesses, and the questions that come up usually aren’t my questions that I’m asking but things of why are we doing that, what’s the benefit. And sometimes it’s been what’s the statutory or regulatory basis for doing those things.

So it’s been one of trying to ask those questions, and I think I was very pleased with Tom and Ruby and Cordell that you are now starting to see a questioning of the why are we doing these things. For those of you that are in the military or were in the military, I’m sure you all run across a, well, why are we -- well, that’s the way we’ve been doing it for 20 years. And in a number of cases, they’ve had people go back and look and say, well, why did we do that.

Well, that’s because we had some rule at the time and we couldn’t go left on this street and we couldn’t go right on that street. Therefore, we did these things, and that’s always been -- so you go back and look for the class in the Army -- I got to pick on the Army -- was the five-man battery, I guess, for the artillery. Why did they have that? Well, it turned out that the fifth man had been there forever, and he was the one that held the horses or held the mules. So
1 you start looking at these things and why did we do it.
2 That’s a true story.
3 MR. O’FARRELL: Then he got the coffee.
4 MR. GOLDSCHMITT: And I don’t want to tell too
5 many other stories, but it really came back and looking
6 at it and going back from the business side, and from
7 the attorneys’ side -- I’m going to pick on the
8 attorneys a little bit, there’s a lot of stuff in VA,
9 in SBA, other than just the Small Business Act or
10 109.461 and 8127. And there’s a lot of pieces, and as
11 I get into some of these different issues, it becomes
12 extremely, extremely nuanced and complex for some of
13 the impact of the other laws and regulations.
14 And what can be done, what can be collected,
15 how can you use things? Why do you need things, what
16 are you doing? I think it will be a good time from the
17 group here to start looking at -- for verification, and
18 I think for SBA, too, on a combined effort to start
19 looking at why the heck are we doing these things.
20 I’ve had the privilege or the pain, whichever
21 one you want to call, of going through the 8(a)
22 program, the HUBZone program, and the SDVOSB program,
23 SBA’s Emergent Leaders course, the Veteran Institute
24 for Procurement and a few others, and there are some
25 good lessons learned in there that combat issues of
control and how do I run my business and what makes good business sense.

And sometimes things that people know make good business sense are excluded because of some of the interpretations, and maybe unintentionally. And like I said, Liz, before, I could talk for a long time on this, I’m not going to because fortunately for you I have to get to another meeting.

MS. O’BRIEN: Are you done?

MR. GOLDSCHMITT: I’m never done, but I will be silent.

MR. O’BRIEN: Was there one -- someone else for public comment? Okay, go ahead.

MR. FOWLER: Hey, it’s Charles Fowler. I’m with the American Legion Small Business Task Force. Issue, and I’ll make this short. I’ve got some papers I can pass out with the background on it, but this has been an issue going on for decades now, is the sales tax issue. It’s come to a head in the last few months with the Wayfair decision. It has a -- well, is and will continue to have crushing effect on small business. That’s all small business, whether it’s veteran-owned, SDVO, or any other small business trying to engage in national sales through e-commerce or any other platform.
This is something that I think that SBA is going to have to take a lead on to force the issue on the Hill and make this have a national discussion and policy on this issue. I mean, the bottom line is you’re looking at the necessity to file up to 50 states income -- or excuse me, sales tax returns on a monthly, quarterly, or annually basis. If you sell a single product in a state once a year, you got to file a tax return. You got to -- first, you got to get a sales tax certificate to be able to do it, collect the tax, pay the tax. There are softwares out there that help calculate the taxes at the state and local levels. The minimum on these are $15- to $30,000 in cost. This is -- this is not something that is conducive to growing small business.

When we talk about the rural initiative, this kills that before it even gets started. Anybody who is living, manufacturing, or coordinating sales in a rural area on a multistate, interstate, or national level will never get started. The startup capital just to get the software to be able to collect and pay the taxes is prohibitive.

So, anyway, that’s what I got. I’ll pass the information out so you can take it with you and take a look at it, but this thing, again, it’s been cooking.
for 15 years at least. We’ve been talking about it, but with this latest Wayfair case, it has accelerated. I’ve had requests for a half-dozen new states tax certificates just in the last three months with my own company. So -- and I expect them every week for the next several months until I get all 50 of them, so...

MR. JENKINS: Okay, thanks for the opportunity to speak. I’m Billy Jenkins, retired SBA senior contracting officer and procurement liaison, and I now serve as the chairman of the American Legion Small Business Task Force. James O’Farrell, you hit on a point recently that dealt with the fact that small businesses are receiving less contracts, and, yes, they are. And the reason that they’re receiving less contracts is because the procurement community, their strategy is to award bigger contracts to small businesses, and as a result of that, you have fewer small businesses receiving government contracts.

Now we’re reacting to the phenomenon with a Runway Extension Act because those small businesses are becoming larger faster. Now, the other problem that we have is a diminished SBA. The Small Business Administration is shrinking every year, and has been shrinking, gosh, since the Carter -- the Clinton Administration. Each and every one of you should be
complaining to your representatives and saying, look, you need to give us the resources so that we can succeed.

As a result of this diminished agency, people that are living in rural communities are being overlooked because the resources are not there for the SBA to help those communities. Thank you.

MR. O’FARRELL: Can we make sure we -- Joe -- thank you for those comments. And I just want to say, we want to make sure we include in our report again this year, as we’ve included in past years, that funding for the SBA needs to be a priority. It has been shrinking over these past years. That’s all.

MS. O’BRIEN: Is there any -- are there any other public comments at this time?

(No response.)

MS. O’BRIEN: All right, thank you for attending -- you have something, Stan?

MR. KURTZ: Yeah. Great points brought up today. In going back to the VA, I want to thank Jim and Mike who submitted questions right after the meeting. That was very helpful, so that way the VA got started on answering those questions. They had to do a lot of research.

So I know we are on the record with some
questions, but by the time we get the record back, I’d rather get the questions as soon as possible so we can get either Sam or the VA looking at and answering those questions. We’ll get them out to you, and then we’ll get them to the meeting next time. So I think the quicker you can do that, it’s still fresh in your mind, send them to us, we’ll send them to the appropriate people and make sure they’re at the next committee meeting to answer those specific questions. That’s all I’ve got to say about that.

MR. O’FARRELL: So, Stan, thank you. Thanks so much for all that you’re doing and Larry are doing and not to steal any of Liz’s thunder, but we are really are feeling the momentum in this meeting today. I think most of us, all of us, would agree.

One of the things that I noticed that happened with the VA folks and being very transparent is for me a bit of a wake-up call was the transparency is leading to them actually revealing that -- and I’m sorry, you guys, Navy guys, I’m a little slow on the uptake, but you all have probably figured this out years ago, the acquisition side. So what I felt them doing a little bit was, well, you know, we’re the CVE verification and we’re the SADBU (phonetic) and we advocate on behalf of you guys.
But over here you have this acquisition group, and they’re doing contracts in a different way now and that’s been shifting and all that. So I really think that we need to get -- we need to put them on the hot seat in the meetings coming up. Okay, thanks, Stan.

MR. STUBBLEFIELD: All right, so I guess I will officially close the meeting, but before I do, I just want to -- oh, I’m sorry, Sean, you had something?

MR. GWINNER: I was just going to say, didn’t me and Brandon have to --

MR. STUBBLEFIELD: Oh, say their names. Yeah, we want to make sure you’re on the record.

MR. SHELTON: Brandon Shelton, TFX Capital.

MR. GWINNER: Sean Gwinner, Bunker Labs, for the record.

MR. STUBBLEFIELD: Okay, I was saying before I close out, I just wanted to turn to Liz here for a minute and just thank you, you know, for your work as the Chairperson. You know, I know you’re passionate about support for the military spouses and our veteran business owners. This has been a fantastic year, I reckon a great year. We’re trying to get our policy changed, if you will, where the Chairperson can be two years because once you get up and running, then all of a sudden it’s time for an election.
So we’ll have that out here real soon, hopefully, but it’s going to have to go through the legal process and so forth, but it’s been a great year, and I just want to thank you for everything you’ve done for this committee and for our veteran small business committee.

(Applause)

MS. O’BRIEN: Well, I appreciate the opportunity. One of the things I felt strongly about was that this Chairperson should be two years, 18 months to two years, so I’m glad to hear that that’s going to be an opportunity potentially moving forward. And thank everybody on the committee for their hard work. There’s some really passionate, driven people in here who I firmly believe aren’t just making a difference here when we’re meeting but are making a difference in their communities across the country.

And I think as we’re starting to rebuild this committee, too, that the additional folks bringing their passion and drive and learning from people that have been here, I can tell you folks that have been in this fight for many years have learned a tremendous amount from you, so now having the opportunity for that to continue on. So thank you for the opportunity.

MR. STUBBLEFIELD: All right, I guess it’s on
to lunch. On behalf of -- again, thank the American
Legion for all their support. We’ve off the record
now.

(Whereupon, at 12:11 p.m., the meeting was
adjourned.)
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