# U. S. SMALL BUSINESS ADMINISTRATION
# ADVISORY COMMITTEE
# ON VETERANS BUSINESS AFFAIRS

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1 P R O C E E D I N G S

2 MR. VARGAS: Let us start this. I believe
3 that one of our members is going to have to duck out of
4 our meeting here temporarily, and we have a very
5 special guest with us. I want to have a chance to
6 introduce him and to engage in a little dialogue here.
7 We had a very productive session, I think,
8 with some of our colleagues from SBA yesterday. We
9 talked with some of you this morning, and there are
10 some burning issues that we want to continue
11 discussions on.
12 There is a question on the funding for women
13 veterans which came up yesterday, which Meaghan
14 Burdick, the deputy chief of staff, mentioned, which I
15 wasn't clear what the status is of this particular
16 legislation.
17 As I understood it, this is something that's
18 been thought about within SBA, and there's no draft
19 Congressional legislation yet, and that's the
20 impression I got, but in the email that I'm going to
21 send Ms. Burdick, I'm going to ask here that question,
22 where does it stand, what is it, in addition to say,

1 you know, any additional funding for veterans is always
2 welcome. It is very good news.
3 What we want to make sure is that, to the
4 extent possible, that you consult with the advisory
5 committee, that you work with us on this, and shape
6 this, and we want to see -- we don't want to see the
7 veteran community divided on this question of funding.
8 We want to see more funding for veterans, and
9 we want to make sure that the program is administered
10 by the right office within SBA, and that is the Office
11 of Veteran Business Development, in our view, you know,
12 but that's kind of the thrust that we have.
13 Today, we are honored to have Mr. Terry Schow,
14 president of the National Association of State
15 Directors for Veterans Affairs, the key organization
16 that brings the leadership on veterans affairs from the
17 states here.
18 This is very fortuitous. NASDVA is having a
19 mid-winter conference this next week. John Garcia, our
20 key member here -- we're all on board with this notion
21 of working more closely with the states' leadership on
22 veteran issues, and I'd like to, on behalf of the

1 committee, Terry, welcome you here.

2 I don't know much about your background except

3 that you did one thing which is unconscionable, and

4 totally just awesome, that you enlisted to be in the

5 infantry during the time of Vietnam, but perhaps you

6 can tell us a little bit about yourself and whether you

7 received any special treatment for this, and welcome to

8 our committee.

9 MR. SCHOW: Well, thank you. You're most

10 kind, Mr. Chairman. I tell folks that I'm challenged

11 on three fronts: I'm not tall, thin, or smart.

12 But I am rather committed to the cause of

13 veterans, and as you said, back in the Vietnam era, I

14 actually enlisted for the infantry and got into a good

15 unit and even volunteered for Vietnam, and I do

16 veterans work today, if you will, because the military

17 was awful good to me, and it's been, certainly, the

18 singular honor in my life to serve veterans, and I have

19 a special soft spot for our World War II veterans and,

20 of course, you know, the combat veterans, who have

21 obviously given a great deal for this country, and John

22 Garcia, who was our president a couple of years ago,

1 has been a great role model within our organization to
2 advocate for the concept of funding for veteran-owned
3 business, and in my state, Utah, it's linked very
4 closely with our SBA director.
5 We've done a number of workshops. We call
6 them veterans entrepreneur workshops, for veterans who
7 want to start their own business, and even within our
8 organization, the National Association of State
9 Directors of Veterans Affairs, which is basically an
10 organization made up folks like me -- some are
11 cabinet-level, like John; in our state, it's a
12 cabinet-level position -- who are the second largest
13 deliverer of services to veterans in the country,
14 outside of the VA, and we wear many hats.
15 You know, many of us operate cemeteries. We
16 operate nursing homes. We do outreach to veterans and
17 their families to help them get enrolled, apply for
18 their benefits.
19 We provide information on benefit fairs, and
20 this entrepreneur program that we spoke about -- we do
21 those, as well, and as I've tried to link with the SBA,
22 and as I've chatted with John and others, the one

1 challenge that many veteran-owned businesses have is
2 funding.
3 Funding is a real challenge, and the other
4 part, it seems to me, that the SBA probably has a great
5 ability to help with is that many veterans don't know
6 how to navigate the maze of starting up a business, be
7 it getting Federal contracts or those kind of things,
8 and I think many of them just give up, because it is
9 such an onerous task, if you will, and I think the SBA
10 and perhaps this committee, I think, could be a driver
11 behind encouraging the SBA to set up training programs.
12 I know that we've got the Small Business
13 Development Centers and I know there's some funding for
14 the Veterans Small Business Development Centers, which
15 I think, obviously, is a good thing, but helping those
16 veterans -- and sadly, many of the veterans who want to
17 start up business, I've found, are older veterans who
18 have had difficulty finding a job in the job market,
19 and so, they say, you know what, we'd like to start up
20 a business, but we don't have the capital, we don't
21 understand the process, and I think that would be a
22 great way to help things.

1 But I think partnering with other
2 entities -- in my state -- the DAV, the VFW, the
3 American Legion -- they are -- the commanders of those
4 organizations are members of my veterans advisory
5 committee.
6 I don't view the VSOs to be our enemies. I
7 view them to be our partners, and linking with them and
8 other entities, we had a meeting with Secretary
9 Shinseki in December, spent about an hour with him,
10 indicating to him that, you know, we obviously want to
11 partner with the VA to help veterans and their families
12 learn about their benefits, and we certainly would want
13 to partner with the SBA, as well, too, to help them do
14 outreach to our veterans, and certainly with an added
15 emphasis to disabled veteran-owned businesses.
16 So, as I look at the landscape, we've had
17 great success in our state by partnering -- and I'll
18 just give you a little story just because I think it's
19 worthy of demonstrating.
20 From 1978 to 1991, there was no veterans
21 office in the State of Utah. It had been shut down,
22 which I thought was incredibly shortsighted. In 1991,

1 we got the office started back up again, a one-person
2 office under the Department of Community and Economic
3 Development. I got our former speaker to sponsor that
4 legislation.
5 Scan ahead about three years. We got them to
6 elevate it to a division, brought the veterans cemetery
7 from Natural Resources, the veterans nursing home from
8 the Health Department into a Division of Veteran
9 Affairs under the Utah National Guard, did that for two
10 or three years, and then, three years ago, Governor
11 Huntsman, before he left to become the Ambassador to
12 China, agreed to make us a Department of Veterans
13 Affairs, and when we were under the National Guard, our
14 adjutant general was fair to us, but the challenge is,
15 if he wanted an armory and we wanted a nursing home, I
16 think we all know what won, and you know, that's just
17 the reality.
18 His prime mission was a military mission, and
19 we certainly don't begrudge that, but the first thing
20 that happened to us when we became a cabinet-level
21 agency was that we requested funding for a veterans
22 nursing home. We had a Medal of Honor recipient, a

1 gentleman by the name of George Wallen, who our medical
2 center in Utah is named after. He was in the gallery.
3 That passed, and our legislature fully funded
4 the cost to build a veteran nursing home. That's both
5 Federal and state share, because it would have taken us
6 probably six to eight years to get the Federal dollars,
7 and to my knowledge, that's the first time that's ever
8 been done, so -- and I just share that with you to
9 say -- we did that because we partnered with the
10 veterans organizations.
11 In the past, it had been rather disjointed,
12 but I think by unifying everybody under a common
13 purpose, bringing them in as a part of our advisory
14 committee, and going to the legislature with a unified
15 front, I think, made a lot of difference, and I think
16 the same thing is true, obviously, within the Congress,
17 too.
18 I mean, as you're aware, you've got House and
19 Senate veterans affairs committee, and they're pulled
20 in several different directions, and there is a strong
21 tendency to give high credence to the VSOs, and I
22 assume you all know what we're talking about, the

1 American Legion, DAV, VFW, those kind of things.
2 The challenge is for many organizations who do
3 not have a permanent presence in D.C., and the VSOs do.
4 They've all got Washington headquarter staffs so they
5 can go over and meet up with the Congress, and guys
6 like me who fly out here, it's basically a day
7 operation for me to leave Salt Lake, come out here, do
8 meetings, and go back, but you know, you have to if you
9 want to be a player in the process, and I think you
10 folks have all figured that out, as well, too.
11 So, when the opportunity came to come and
12 address this group and talk about our common interest
13 of helping veteran-owned businesses, I was more than
14 happy to do that, and certainly, I pledge anything that
15 our organization can do to help you folks in your goal
16 to assist the veteran-owned business owners. We stand
17 ready to do that.
18 MR. VARGAS: Thank you very much. You
19 certainly hit on themes that echo strongly here within
20 this committee, the question of funding, the challenges
21 that our small business entrepreneurs face on a daily
22 basis, the strong element of communication with the

1 VSOs.

2 We have an active ongoing dialogue, of course,

3 with the SBA, which kindly provides the facilities for

4 us to meet. We agree on many fronts. We respectfully

5 disagree on a few issues with the SBA.

6 We try to work collegially with other Federal

7 agencies on these themes, the VA, Department of

8 Defense, and we try to hold their feet to the fire on

9 this question of support for veteran entrepreneurship.

10 I think it's a win-win if we can work with

11 NASDVA in some way, through some mechanism. I think

12 it's absolutely great that we have a former NASDVA

13 president sitting on our committee, and to have that

14 kind of structural link makes me wonder if it wouldn't

15 be a good idea to think in terms of the future of

16 having a NASDVA representation on this committee.

17 MR. WHITE: Absolutely.

18 MR. VARGAS: So, I'd like to just open this up

19 for discussion here.

20 MR. WHITE: Thanks again for coming, and

21 thanks for your service, too. Do all the states have

22 veterans representation?

1 MR. SCHOW: They do. Some of them, like we
2 used to be, were a unit under the National Guard or a
3 sub-unit of another entity.
4 Many states have cabinet-level -- in our
5 state, our cabinet-level is called an executive
6 director. John, obviously, is the secretary, but I
7 think the vast majority of the states are
8 cabinet-level, and then you have a smattering of some
9 who might be directly under the governor's office or
10 under the National Guard or maybe in some other -- some
11 are even under Human Services.
12 But there seems to be almost a resurgent of
13 elevating positions. I know the Dakotas have expressed
14 interest in maybe elevating theirs. North Carolina
15 has.
16 Now, I'm surprised that North Carolina is not
17 cabinet-level. I mean, with as many veterans as you've
18 got there, Fort Bragg and all of that, Camp
19 Lejeune -- but they are a sub-cabinet agency, and that
20 presents a real challenge in terms of budget, because
21 your agency head is the one who sets the budget
22 priorities, and when we were under the National Guard,

1 the challenge that we had -- I was not allowed to speak
2 at the budget hearing before the legislature, and that
3 makes it a real challenge.
4 But once you revert to cabinet, then
5 automatically, you sit with the governor and you
6 advance your issues relative to veterans, and then
7 that's made -- they'll usually ask each cabinet agency
8 for two or three priorities, and you are able to
9 advance it from there.
10 So, the short answer to your question is yes,
11 and --
12 MR. WHITE: But like anything else, some are
13 better than others.
14 MR. SCHOW: Well, they are, and it is
15 certainly an interpersonal relationship game, to be
16 honest with you, and my good friend, Pete Wheeler, who
17 is commissioner of veterans affairs in Georgia, who is
18 a dean -- he's been the commissioner of veterans
19 affairs in Georgia since 1949, World War II veteran,
20 former general in the Georgia National Guard, and I've
21 talked to him at some length, because I mean, the guy
22 is, you know, just a legend in the veterans affairs

1 arena, and he tells the story of when Jimmy Carter was
2 governor, and Jimmy Carter brought him over, and he
3 says, Commissioner, I'm going to put your veterans
4 agency under the welfare department, I think it's a
5 good idea to kind of consolidate things, and Pete says,
6 no, sir, I don't believe you will.
7 I'm the governor. Yes, sir, I understand
8 that, and I respect the fact that you're the governor,
9 but sir, you might want to take a look at the Georgia
10 code, and the Georgia code says that it takes a vote of
11 the House and the Senate and a vote of the people to do
12 that, and the reason that Pete knew that is he wrote
13 the law.
14 (Laughter.)
15 MR. SCHOW: You know, he obviously -- and he
16 just got appointed for another five-year term, but Pete
17 is a great example, and in my state, the reason I
18 shared with you from the nothing to cabinet story is we
19 did that through partnerships and through linkages and
20 understanding that, you know, if you get the speaker of
21 the house to carry your bill, there's a high likelihood
22 that that's going to carry, because the president of

1 the senate wants to maintain good terms with the
2 speaker, and at times, it became a vice, if you will.
3 The governor supported us, the house supported
4 us, and the senate was stuck in the middle in a vice,
5 with the media and the public pushing down on them, why
6 aren't you supporting our veterans, and if you don't
7 get something done for veterans in the near future, it
8 ain't going to happen, because after Vietnam, when this
9 agency in my state was shut down, because the further
10 you get away from a war, the less people are interested
11 in wanting to help them.
12 Right now, everything's warm and fuzzy, which
13 I think is great. The support for the current folks, I
14 think, is good. I know when many of us came back from
15 Vietnam, we were not treated very well, which is a sad
16 commentary, but as a result of that, the folks treated
17 today, I think, are as a result of us Vietnam veterans
18 and others saying, you know, never again will that
19 happen.
20 MR. WHITE: Absolutely.
21 MR. SCHOW: My son served in Afghanistan, came
22 back in the spring.

1 I've taken a look at the post-9/11 GI Bill,
2 the finest GI Bill to ever come down the road, and so,
3 you know, politicians have a tendency to want to do
4 well with the public, and right now the public loves
5 the military, they love veterans, and in fairness, I
6 have to give the Congress and this President their due
7 for funding for veterans programs, and I've chastised
8 elected officials in my state that they probably needed
9 to work harder towards veterans issues, because the
10 balance becomes the budget versus doing the right, and
11 in my view, you can never go wrong supporting veteran
12 programs, and there's all kinds of ways that you can do
13 that.
14 My world is pretty simple. It starts with
15 veterans and it ends with veterans. If you support
16 veterans, we love you, and if you don't, we have to
17 talk about that.
18 (Laughter.)
19 MS. LYNCH: Speaking of talking about things,
20 what's on the agenda for your meeting next week? What
21 are the issues that are most pressing? Obviously, each
22 state is going to have their own organic local issues,

1 but what are some the thematic issues that are tying
2 all of your membership together right now?
3 MR. SCHOW: Well, I think probably the common
4 one that I mentioned just a minute ago is this issue of
5 partnering, outreach to veterans.
6 As an example, Utah is below the national
7 average percentage of veterans who are enrolled in the
8 VA health care system. We're below the national
9 average percentage of veterans who are receiving
10 compensation and pension for their service-connected
11 disabilities.
12 So, we're constantly striving with the VA to
13 say let us help you outreach, and that's where I think
14 we could help you folks, as well, too.
15 I know the veterans in my state. I mean, I've
16 been from one end of my state -- north, south, east,
17 and west -- dozens and dozens of times.
18 The VA operates medical centers, and they
19 treat veterans and, I think, do a pretty darn good job
20 of it. They will process all the claims for the comp
21 and pen, but they don't do a great deal of outreach.
22 You know, if you notice, they rarely do media

1 campaigns.

2 I do radio, TV, billboards. My outreach

3 program has funding to do those things, and many states

4 are advocating that, and you know, we're trying to

5 persuade the VA that they need to consider maybe even

6 contracting with the states to help do that outreach,

7 and I think, to a degree, I think the SBA could do

8 that, too.

9 Like I say, I've linked up with the SBA in my

10 state, a gentleman by the name of Stan Nakano, who I

11 think does a great job, but the challenge is that the

12 veterans liaison in the SBA office is usually to third

13 and fourth hat.

14 They're doing a bunch of other duties in

15 addition to being the veterans liaison, and it does

16 become a challenge, and I will tell you -- and I think

17 many of you know this -- the SBA has really been cut.

18 The Salt Lake SBA office is a lot smaller

19 today than it was before, so that's a challenge. So,

20 that's a big issue.

21 We'll have the VA secretary in to our meeting

22 on Monday. He'll talk to us for probably about an hour

1 or so. Those are the issues. We will get updates from
2 the Veterans Health Administration, from the benefits
3 side. We're going to talk about rural health.
4 Speaking of committees, many of our directors
5 are on committees that the VA has. I'm on the rural
6 health advisory committee. John, I believe, has been
7 on the VA's minority committee. Some of our state
8 directors are on the selection committee for high-level
9 people within the VA.
10 We're going to hear from the National
11 Personnel Records Center, who are the folks who provide
12 the DD Form 214s. We're going to get an update on CRS
13 or SCRS, combat-related compensation or special
14 combat-related compensation. Those are some of the
15 issues.
16 We invariably always have a best practices,
17 and one of them we're going to do is from Virginia.
18 They're looking at an automated claims processing
19 model, and that's something we're taking a look at.
20 I know the challenges that the VA has.
21 They've had a fair amount of criticism for the
22 timeliness of processing claims, and the challenge that

1 they've had, in all fairness, in addition to some of my
2 other -- I'm also a service officer, so I understand
3 that part of it, but the difficulty they have is the
4 concept of ready to rate, and what that means is if a
5 veteran has a claim -- and let's use a relatively
6 straightforward -- served in Vietnam, diabetic, and so,
7 exposure to dioxin, Agent Orange, if you will, is
8 considered to be presumptive.
9 That claim is relatively simple, if the
10 medical evidence is there, if a copy of the 214 is
11 there proving service, power of attorney, all that kind
12 of stuff turned in.
13 If that claim is ready to rate, the VA could
14 rate that probably within 60 days, but if the
15 appropriate medical evidence isn't there or his
16 confirmation of service isn't there, then it's delayed,
17 and so, many states have looked -- and in
18 Texas -- Texas hired 100 employees to increase the
19 quality of the claims as they go into the VA so they
20 can rate them faster.
21 The other problem that you have is the folks
22 in the current conflict, instead of filing for two or

1 three issues at a time when they file a claim with the
2 VA, they might be filing for a half-a-dozen. So, if
3 you've got multiple issues for multiple health
4 difficulties, it's taking longer to do that.
5 Post-9/11 GI Bill is another good example.
6 We'll hear an update from Keith Wilson, who is going to
7 talk about that. Tremendous delays in that, because
8 remember, the most significant revamp to the GI Bill
9 ever and, in my view, probably the best GI Bill ever,
10 but the Congress gave the VA a relatively short
11 time-line to roll that thing out. They rolled it out,
12 and next thing you know, there were multiple months
13 worth of delays for folks to get their payments. Well,
14 the VA has now hired 1,200 people to process those
15 claims.
16 MS. LYNCH: I heard that that's really
17 improved.
18 MR. SCHOW: It has greatly. When we met with
19 the Secretary in December, he was very concerned about
20 that, and part of the challenge has been -- and here is
21 where the VA partnering with us, I think, really
22 helped.

1 They had pointed out to us that there were
2 documents from schools that were submitted to the VA
3 that were from August of last year that were just being
4 turned in in December. That's why the veteran was
5 being delayed in his payment, not because the VA didn't
6 process it, and so, the Secretary contacted us, we
7 contacted our board of regents in our state, and I had
8 our SAA people in our state contact the colleges and
9 say, look, please turn those documents in in a timely
10 fashion. You get them in in a timely fashion, the VA
11 will get those processed.
12 And so, there was a perfect example of the VA
13 partnering with us, because you know, the commissioner
14 of higher education is a member of our Governor's
15 cabinet, and many of my counterparts around the country
16 have the ability to do that, and I think it worked out
17 fairly well.
18 MS. LYNCH: Does your membership have a
19 specific focus or a specific theme that they're
20 approaching when it comes to issues of veterans
21 entrepreneurship? Does it come often among your
22 membership?

1 MR. SCHOW: Well, it does.

2 MS. LYNCH: Maybe things associated with the

3 TAP program?

4 MR. SCHOW: Well, TAP program -- you know, I

5 don't know that the SBA, at least in my state, is part

6 of the TAP program

7 MS. LYNCH: It's Department of Labor.

8 MR. SCHOW: Yeah. I know that DOL -- I used

9 to be a DVOP, too, so I understand that side of the

10 house, too, but I don't know if, around the country, if

11 SBA does go to the TAP program, which I think obviously

12 is a good thing.

13 I know they have the VA there. They have the

14 work-force agency. They will have employers there.

15 They do try and get a resume out for a veteran as they

16 come out of that process, but John and I, in

17 particular, have pushed this issue pretty strongly

18 through the state directors, and we just feel it's

19 worthwhile to do, and obviously having Felix

20 come -- he's going to come address our group this week.

21 So, we think that ongoing dialogue is

22 important so that we can learn from you guys about

1 issues that you may be aware of that we don't.
2 I'm a pretty good global guy, but I don't know
3 everything that goes on here. But you guys do, and if
4 you ask me about Utah, I can tell you about that in
5 finite detail, and so -
6 MS. LYNCH: I was wondering, with, you know,
7 the economic downturn, if people are seeing
8 entrepreneurship as a benefit for their state
9 versus -- it's a way to recovery, it's a vehicle to
10 recovery.
11 MR. SCHOW: Well, I think it is.
12 MS. LYNCH: I wonder if there's an opportunity
13 to get people excited about it as a road to recovery
14 issue for states.
15 MR. SCHOW: Well, Governor Huntsman, when he
16 was elected, pushed economic development as a major,
17 major issue.
18 Governor Herbert, who is his replacement,
19 emphasizes that, as well, too, and I do believe -- and
20 I think our directors, who are keen on this issue,
21 understand that getting veterans jobs or
22 entrepreneurial opportunities is beneficial, and even

1 under the stimulus funding, you know, there's a lot of
2 money out there under the weatherization programs, and
3 there are set-asides for veteran-owned business,
4 disabled veteran-owned businesses, but as I said,
5 though, part of the challenge, though, is helping the
6 veterans understand how to do it.
7 I mean, case in point, I had a fellow present
8 a white paper to me, got a concept, he wants to do a
9 weatherization program, and he's got several other
10 things he wants to do.
11 So, I sent that information to the governor's
12 economic development office. I sent it to our
13 work-force services department, and I also sent it over
14 to the Department of Community and Culture.
15 Those three are the three pivots on that
16 issue, and I said to them, okay, this veteran wants to
17 do this, what advice can you and your staff offer him,
18 because he wants to bring these opportunities here,
19 wants to give these veterans jobs, and so, that's how,
20 certainly, at mt level, I try and focus that.
21 I think some states are less astute about
22 that, if you will. They have a tendency to get so

1 wrapped up in their little world that they don't
2 understand that it is economic development, but I would
3 also say, though, that having veterans apply for
4 benefits you're entitled to is economic development, as
5 well, too.
6 If you've got a World War II veteran who hurt
7 his leg in 1945, filed a claim, he's drawing 10-percent
8 VA comp for that, which is $100 a month, roughly, and
9 scan ahead to 2010, the guy can barely walk and he has
10 now got -- his knee is secondary to his ankle and his
11 hip and his other leg.
12 So, the guy is probably about 70- or
13 80-percent disabled. He's never filed for an increase.
14 He should be at eight or nine hundred a month and he's
15 getting a hundred. That's a quality-of-life issue for
16 him.
17 In my state, it also entitles you to a
18 disabled veteran property tax exemption.
19 So, part of the thing that I look at is the
20 whole-man concept.
21 Now, in fairness, many disabled veterans do
22 want to start businesses, because sometimes they can't

1 physically go out and do some of the things, but as you
2 folks are aware of, if they own 51 percent of the
3 business, then, you know, they could maybe offer a
4 leadership role, and they could hire younger veterans
5 who may have, you know, obviously, not the same degree
6 of disability issues as they.
7 So, I don't know if I'm making any sense
8 MS. LYNCH: It's great insight.
9 MR. SCHOW: I'd be kind of curious about each
10 of your background and where you're from. I'm always
11 interested in that.
12 MR. VARGAS: Terry, my name is Felix Vargas.
13 I'm a Vietnam veteran, served two tours in Vietnam as a
14 Ranger, Special Forces guy. I went on to serve as a
15 government official in the U.S. Department of State,
16 concurrently serving as a U.S. Army Reserve officer,
17 retired with 33 years of government service in 2001.
18 I got involved with private sector work after
19 that. My first job ever in the private sector was to
20 be marketing sales director for Bell Health in Mexico
21 City for three years; left that and became active
22 within my state, the State of Washington, on

1 international trade.

2 I was honored to be a trade advisor to the

3 Governor, Gary Locke, who is now our Secretary of

4 Commerce, and became active in veterans affairs two

5 years, decided that what was going on at Walter Reed

6 was not a good thing, and I got involved with the

7 health issues, the benefits questions, and that led to

8 the entrepreneurial aspect, and I was honored to be

9 selected to serve on this committee a couple of years

10 ago.

11 So, that's where I'm from.

12 Jeff?

13 MR. LINSCOTT: Jeff Linscott, entrepreneur,

14 small business owner in helicopter aviation services,

15 22 years of service, 4 with the Marine Corps, 12 with

16 the Army National Guard, and 6 with the Air Force

17 Reserve, little confused really where my focus should

18 have been.

19 Anyhow, been on the committee now a year, and

20 really enjoying the chance to serve veterans.

21 MR. SCHOW: Now, where are you from?

22 MR. LINSCOTT: Boring, Oregon.

1 MR. SCHOW: Okay.

2 MR. WHITE: I'm Steve White. I'm a Vietnam

3 combat vet. Got drafted, though. I didn't volunteer.

4 I was a banker and worked for the SBA for a while,

5 started a publishing business, also formed an

6 organization called the Veterans Business Network,

7 where we try to help businesses grow.

8 I share my time pretty much between New

9 Hampshire and New York. I've got a place in Long

10 Island and up in New Hampshire. So, we focus on small

11 business marketing issues, help with banks, and then

12 also tying that in with veteran entrepreneurship.

13 MR. SCHOW: Mary Morin up in New Hampshire and

14 Jim McDonough in New York, a retired colonel, are your

15 state directors there.

16 MR. MILLER: I'm Ron Miller, currently from

17 Jonesboro, Arkansas.

18 I worked for 24 years in Atlanta, Georgia, and

19 I'll second your comments on Commissioner Pete Wheeler,

20 because in the early '80s, along with a few other

21 people here, the Reagan administration formed the

22 Vietnam Veterans Leadership Programs, under Tom Pauken

1 over at ACTION, and we ran a very successful employment
2 and small business program for the State of Georgia,
3 but it would not have been successful without
4 Commissioner Wheeler, because he -- you know, we
5 floundered around for a while, and one of our biggest
6 problems was outreaching veterans.
7 It sounds like it should be a slam dunk, but
8 you can't find them without somebody like Commissioner
9 Wheeler, and this is where these state directors could
10 be very, very important, and John has brought this to
11 the forefront in the last couple of meetings, and now
12 it looks like we may be having a good relationship
13 between our committee and the SBA and the state
14 directors.
15 You know Nick Bacon, the Medal of Honor
16 recipient. Dave Fletcher is our current director.
17 I'm going to give you a card. If Commissioner
18 Wheeler is there at your meeting, I hope you will
19 present this to him.
20 MR. SCHOW: I'll give that to him.
21 MR. MILLER: He's 91 years old, by the way.
22 MR. SCHOW: Last September, sadly, his wife

1 Gerry passed away. You may not be aware of that. And
2 Pete did not come to our September meeting, although we
3 did send a representative to his wife's funeral, and he
4 will not be here, but our meeting is going to be in
5 Alabama in September, and Pete has told me he'll be
6 there. I've talked to him several times, just a great
7 man.
8 MR. MILLER: He provided a lot of assistance
9 to me when I returned back to Arkansas, because all he
10 did was pick up the phone and call the director then
11 and said you need to work with these people, and they
12 did.
13 MR. WHITE: As a follow-up to Ron, if you
14 don't mind, the Veterans Leadership Program -- I was
15 asked to start the entrepreneurship program for
16 Manhattan under that guise, and it ran into a lot of
17 business owners that said we want to help get involved
18 with this.
19 So, I said, well, this is a good idea, I'll
20 get the list of the business owners so I can put this
21 out, you know.
22 So, I called the SBA here in D.C., at the

1 time, and said can I get a list of the veteran business
2 owners in the New York metro region, and they laughed
3 at me. We don't have a list of veteran business owners
4 anyplace, much less in New York, right?
5 So, that was in the late '80s. There still
6 isn't one. Although people have tried, there's still
7 no list. SBA estimates. Nobody knows.
8 MR. SCHOW: You've hit on a point that has
9 been a source of some concern to me, and even in the
10 outreach arena, I know that there are 160,000 veterans
11 in my state, obviously one of the smaller veteran
12 populations.
13 I got our legislature to put on the driver's
14 license a question if you are a veteran. If you are,
15 we share your information.
16 Licenses are renewed every four years. I
17 currently have 80,000 names of the 160 in my database,
18 and it will take me a few years till everybody renews,
19 but if you don't know who they are, how do you contact
20 them?
21 I also receive from the VA a list of every
22 veteran who's served since 9/11. They send me address

1 labels, and we send out a postcard to them. First,
2 thank you for your service; whether you're Guard,
3 reserve, active, or retired; please contact us, please
4 register.
5 You can go on my website and register. You
6 can request a 214 on our website. And that's one of
7 the areas that we're trying to reach to the VA on,
8 because as you folks are probably aware, the DD Form
9 214 comes to the state director. I get that document.
10 But it is time-sensitive, because it's only
11 good for a short period of time. Like when I came back
12 from Vietnam, I lived with my mom and dad, then I went
13 out on my own.
14 Now, one of the things that we're working on
15 are -- Tom Kelly, our state director in Massachusetts,
16 knows Admiral Mullen; Admiral Mullen served under him
17 as a commander when Tom Kelly was a captain on active
18 duty -- is the idea of email addresses on 214s, because
19 you know, these days, most of us keep an email address.
20 I mean, there might have been some shifting
21 early on, but nowadays, most people are keeping an
22 email address and they're keeping a cell phone number

1 fairly constant.

2 MR. VARGAS: So, you have a computer.

3 (Laughter.)

4 MR. SCHOW: I just got that last year.

5 MR. VARGAS: One of our younger members, who

6 is not here today, yesterday had the audacity to ask if

7 we had a computer.

8 (Laughter.)

9 MS. LYNCH: It wasn't me.

10 MR. SCHOW: I remember, in the State of

11 Utah -- and I've been with the State of Utah for more

12 than 30 years -- I remember when we got our first

13 computer, probably back around 1977. I was an

14 investigator then. Then we got one per team, then one

15 for every two people, and now, of course, everybody's

16 got a computer and almost everybody has their own

17 printer, and so, the switch -- and back then, all state

18 agencies did not even talk a common language, did not

19 even have common email access. You had DOT who had

20 their own system. You had Social Service who had their

21 own. Now it's unified. And you have some of that same

22 problem at the Federal level.

1 But you know, getting back to your point,
2 which I think is a very valid one, I think that's
3 something that the SBA does need to work on, is getting
4 that, but I think, to a degree, we can help that, too.
5 The other thing I've even started doing is
6 trying to get a list of businesses who will give
7 discounts to veterans.
8 Now, we all know that Lowes and Home Depot,
9 every Veterans Day, gives a discount to veterans and
10 that kind of thing, so I think that's part of our
11 challenge in our states, too, but it is a parody to me
12 that the SBA does not have that.
13 MR. MILLER: The VA just released some very
14 good information recently vis a vis Vietnam veterans
15 and the Agent Orange. They came out with, as you know,
16 findings that included about three other illnesses, the
17 big one being heart disease.
18 MR. SCHOW: Skin cancer and heart disease,
19 yes.
20 MR. MILLER: Do you know when the start time
21 will be for these, and with people who have had
22 previous claims, do they have to go back and ask for a

1 reclaim on these determinations, or can they use the
2 current claims that they have on file to do that, or
3 will there have to be another --
4 MR. VARGAS: Ron, if I might be so bold, I'd
5 just suggest, before answering that question, can we
6 give Courtney a chance to introduce herself?
7 MS. LYNCH: Okay. I'm Courtney Lynch, and I
8 am a Marine veteran, a recent Marine veteran, and I am
9 a new participant on the committee. I came on when
10 Jeff came on about a year ago, and have just been
11 energized and fired up about the issues, veterans
12 issues, in general, but especially veterans'
13 entrepreneurial issues, because I am an entrepreneur,
14 as well.
15 I own a consulting firm, and I had no idea of
16 the resources available for veterans to start
17 businesses, to build businesses, to get guidance in
18 starting businesses, and my business partner, who is
19 also a former veteran, and I -- we bootstrapped the
20 entire thing, and so, I have a strong affinity for
21 helping veterans get the word on how they can start
22 businesses and also how they can add value to their

1 communities with business owners.

2 MR. SCHOW: And where are you from?

3 MS. LYNCH: Virginia. And I would love to

4 know anything you have on -- I heard you mention that

5 Virginia was a pilot.

6 MR. SCHOW: Vince Burgess is your state

7 director there

8 MS. LYNCH: Vince Burgess? Okay.

9 MR. SCHOW: Yes. And of course, you know,

10 you've got a new governor of Virginia, so Vince doesn't

11 know if he'll -- the problem with state directors is --

12 MS. LYNCH: He's a veteran himself.

13 MR. SCHOW: Oh, yeah. Every state that I am

14 aware of, the state director is a veteran. It helps to

15 be a veteran

16 MS. LYNCH: The governor is a veteran, as

17 well.

18 MR. SCHOW: Yes, that's great. But Vince is

19 really a great guy, and I will make this pledge to any

20 of you here, that, certainly through Felix and through

21 John, that I'll be more than happy to share any

22 information I can with you folks, and let me just

1 answer your question.

2 Mike Walcoff, who is the Acting Under

3 Secretary for Benefits, has indicated they are in the

4 process of developing the criteria for those, and the

5 answer on people who filed prior claims, I don't know,

6 but Mr. Walcoff will be at our meeting, and we'll see

7 if we can't get an answer for that question, because I

8 file if you've filed in the past -- but I don't know

9 how long the VA keeps those, and it's like -- as you're

10 probably aware, anyone who has served in Iraq or

11 Afghanistan is entitled to five years' worth of health

12 at the VA, no questions asked.

13 So, one of the first things that I do is I

14 advocate everyone who served in the Middle East to get

15 enrolled in the VA health care system, because they may

16 not be able to ever apply again.

17 MR. MILLER: Can you repeat that again?

18 MR. SCHOW: Anyone who has served in the

19 Middle East, Iraq or Afghanistan, is entitled to five

20 years' health care with the VA, no questions asked.

21 Now, my equity side of me says I have World

22 War II, Korea, and Vietnam combat vets who cannot

1 enroll because they make too much money, because the VA
2 says if you have a service-connected disability -- no
3 problem, even at zero percent.
4 So, you can have an issue that doesn't quite
5 meet the threshold of 10 percent, but if you're rated
6 zero, you can enroll in the VA health care system.
7 Homeless veterans can get care at the VA.
8 If they make more than about $25,000 a year,
9 single vet, about $28,000, married vet, and have no
10 service-connected disability, you cannot enroll. Well,
11 they did increase that for the so-called Priority 8
12 veterans, and that is the difficulty.
13 But the young folks can enroll now, and once
14 you're enrolled and after that initial five-year period
15 is up, they may have to pay a co-pay, $8 for a
16 prescription or $50 for a specialty visit, but this
17 whole health care debate -- one of the suggestions that
18 I've made is that, one, every combat veteran ought to
19 be enrolled, no questions asked.
20 Then if you want to go other veterans beyond
21 that, I'm okay with that, too, because we give health
22 care to all kinds of people out there, and we could

1 have a great political debate on whether some of these
2 folks ought to be getting health care, but anyone who
3 has worn a uniform, no questions asked, in my view,
4 should be allowed to enroll in the health care system,
5 and particularly start with combat veterans and then
6 kind of move your way out from there, because it's
7 created a bit of a schism.
8 I've had Vietnam vets say to me now we're
9 paying a lot of attention to these current vets, and I
10 say yes, that's because they are on the line right now,
11 and I don't begrudge any of that, but I also want the
12 World War II, Korea, and Vietnam combat vets to be
13 treated equally as fair, because they've worn a
14 uniform.
15 MR. MILLER: Felix, after hearing him speak
16 this morning, I think it would be very advantageous for
17 this committee to have a representative of NASDVA on
18 this board, and if not him, then let them appoint
19 someone, and it can be a rotating thing, but he would
20 be an outstanding addition.
21 MR. VARGAS: Absolutely. I concur 100
22 percent. John can carry the water for NASDVA very

1 effectively. I absolutely concur. If we're going to
2 be working together on these common issues -- and
3 there's a lot of -- I've taken a couple of notes
4 here -- there's a lot of ground we could be working on
5 together. It makes sense to have this cross-talk, to
6 have this connection.
7 MR. WHITE: If we looked around the
8 surrounding states, just the meetings here, they would
9 probably have more access to capital issues at the same
10 time, like somebody from Virginia or Maryland or
11 Delaware, you know, if they'd be appropriate for this
12 committee.
13 Obviously, there's got to be a real solid idea
14 for entrepreneurship, that's what we're about here, and
15 business issues, not VA health care issues, as
16 important as that is, but our goal is the business
17 side.
18 MR. SCHOW: Exactly.
19 MR. WHITE: So, you know, if there's
20 someone -- right now, we're stretched for members, we
21 need six new, and if you have -- and working with John,
22 I'm sure we can find somebody whose interests lie in

1 the entrepreneurship side as a state director, who's a
2 member of that, and maybe they could pick someone and
3 recommend them to you, Felix, or even more than one.
4 MR. VARGAS: Sure. We meet once a quarter,
5 and take a couple of days out of your business, but you
6 know --
7 MR. MILLER: It might be very helpful for
8 them, too.
9 MR. SCHOW: Well, I think your point is a
10 valid one. As I said, within the state directors, John
11 and I have kind of taken up the challenge to bring that
12 issue up to them, because we do believe it's important,
13 and you can get kind of focused on health care and, you
14 know, the comp and pen issues, and it is obviously
15 helpful to have, you know, kind of a global view, but I
16 think it would be great if our organization, you know,
17 would have someone, and I don't know what the process
18 is, and I would leave it to you guys to, you know,
19 maybe figure that out. But I think the dialogue is
20 helpful, and having more representation here, I think,
21 is beneficial, as well.
22 MR. WHITE: Within your national organization,

1 has there been any discussion of -- or do you have like
2 an economic committee where you're looking at business
3 issues for vets or entrepreneurship issues for vets
4 from the state point of view?
5 MR. SCHOW: We've combined several of our
6 committees, and we've had veterans' employment and that
7 kind of thing within our committees, and as I'm trying
8 to think of the current list, because we've kind of
9 combined them, I don't know that we have a specific
10 committee for entrepreneur issues.
11 I think it's something we could probably take
12 a look at. You find that some states are more focused
13 on it than others, and as a result, there hasn't been
14 quite the emphasis on it, and it's a challenge.
15 MR. WHITE: But if you knew how many vet-owned
16 businesses were in your state, it would probably make a
17 difference, too, because they are the ones who could
18 also be providing employment for veterans, if you knew
19 who they were, we could concentrate on that, which goes
20 back to my who-the-hell-are-we list, and I brought up
21 the fact -- when they said, well, we've tried and we
22 can't do it -- years ago, the SBA spent millions of

1 dollars on a list, and then nobody updated it, so it
2 was like just thrown away, but -- so, there's only one
3 organization in the Government that would know, and
4 that's the IRS, and if you put on your tax form -- if
5 you said if you've served in the military, check here
6 and take $50 off your -- off your tax bill.
7 So, they laughed at me, and they said, well,
8 we can't afford that. I said, well, how do you know
9 how much taxes I paid this year, if I gave you 5 grand
10 or $150? What the hell difference does it make? You
11 don't know what I was going to pay. So, the 50 bucks
12 is immaterial, but it might very well be worth it,
13 because they said they'd never do it.
14 I said, how the hell -- who's asked them? You
15 know, you're able to put it on the driver's license in
16 the state. Maybe the states that have income tax could
17 do that, I don't know, if they thought it was
18 worthwhile. I never thought about driver's license.
19 MR. SCHOW: Well, it's something that
20 virtually every adult has, and so, it's pretty
21 worthwhile.
22 Let me just tell you two stories that I think

1 demonstrate the challenge that you have.
2 I was on a committee to build a Vietnam
3 memorial in Utah, and we did build that. We went to
4 the VA, and we said we'd like to get a list of the
5 Vietnam veterans. We'd like to identify them, and we'd
6 also like to invite them, if they want to donate or be
7 aware.
8 Sorry, we cannot give that to you because of
9 privacy. So, there is part of the difficulty.
10 The other thing that I would urge this
11 committee to take a look at is when you get your census
12 form, take a look and find out if there's a question on
13 there that asks if you're a veteran. There is not.
14 I'm very troubled by that, and I've made my
15 feelings known to a number of folks, because in the
16 2000 census, Utah had the largest miscount of veteran
17 population in the country. They estimated we had about
18 120,000. We had about 160. Forty thousand may not
19 seem like a lot, but as you know, there are many
20 program dollars that are allocated based on populations
21 of different kinds.
22 I'm told that the way the Census is doing this

1 is they have a community survey -- and I want to
2 emphasize survey -- that is sent out to select
3 households, and then they will ask -- America's
4 Community Survey, ACS -- and so, they use the data
5 obtained from those estimates -- I want to emphasize
6 estimates -- to determine what the veteran population
7 is.
8 That is a real concern to me, because if you
9 can't identify who the veterans are, real problem. Not
10 many people are aware of it. I mean all this hoopla,
11 all kinds of advertising on census.
12 MR. VARGAS: And the irony is that the VA has
13 lost lap-tops with tens of thousands of vets' names on
14 it.
15 MR. SCHOW: Social Security numbers. Yes,
16 they sure have, and you know, I think you hit the nail
17 on the head.
18 At the state level, many of us are able to
19 affect the process, be it registration on driver's
20 license, and I'm also encouraging people to register
21 with me, and once we do get them registered, there's
22 all kinds of things we can do. We can email them and

1 say there's new service-connected issues, there's a new
2 program from the SBA, the Patriot Express program, if
3 you're thinking of doing a business, we can make you
4 aware of that. So, we could do email blasts.
5 We do a newspaper. We publish that newspaper
6 on-line, and then we also send email notifications to
7 folks that talk about those issues, so -- so much to do
8 and so little time.
9 MR. LINSCOTT: There's been some discussion
10 about the new VBOCs, going to be a program coming out
11 with this VBOCs, and I think there's funding for 12
12 VBOCs.
13 MR. WHITE: Veterans Business Outreach
14 Centers.
15 MR. SCHOW: Yes.
16 MR. LINSCOTT: Veterans Business Outreach
17 Center. I think the goal is to have one in every
18 territory and at least one in every state, and the
19 discussion here has been if your organization is the
20 best place to house such a vehicle, and one of the
21 things I think we think is really exciting, and I just
22 have to tell you, you and John, when you say I know

1 where my veterans are, that makes me feel good, and
2 that's one of the strengths that you have, is that you
3 do know where your veterans are.
4 MR. VARGAS: Let me just reinforce what Jeff
5 is saying here, Terry.
6 Over the last year, we've championed the
7 creation of more Veterans Outreach Centers, because
8 existing SBA structure and all that doesn't accommodate
9 veterans business entrepreneurship. You have small
10 business development centers. You have SCORE. You
11 have the SBA offices.
12 They don't have a specific -- they cover small
13 business writ large. That doesn't, in our view,
14 sufficiently address the special issues associated with
15 veteran entrepreneur, you know, the question of how
16 veterans go about raising capital, how you factor in
17 the particular needs in setting up and running a
18 business.
19 What we'd like to do is what the women have
20 very successfully done, which we take our hats off to
21 them. Women have 114 women's business centers set up
22 in the country. The veterans have a total of eight.

1 We would like to see VBOCs, Veteran Business Outreach
2 Centers, set up in every state, if we can.
3 Now, there's legislation that's being talked
4 about to allow the SBA to build up the number of VBOCs.
5 There currently is now, we learned yesterday, a request
6 for proposal that the SBA issued on the 20th of
7 January, due on Monday, for 12 grants of $150,000 each
8 to go to educational institutions, nonprofits,
9 businesses, state and local governments.
10 MR. WHITE: But that also counts the five are
11 in existence already get that, too.
12 MR. VARGAS: I read that yesterday, and there
13 is, from what I read, a distinction between -- it
14 doesn't say that.
15 MR. WHITE: It's going to be a total of 12,
16 including the 5 we've got. It's not 17.
17 MR. VARGAS: This is for projects, not for
18 centers.
19 MR. WHITE: Yes.
20 MR. VARGAS: This is for projects, business
21 development projects, which is different from the 2.5
22 million that is set up to fund five-plus additional

1 VBOCs.

2 So, these are like little grants that are

3 going out to these different organizations that are

4 eligible to do veterans business development projects,

5 which could lead to the establishment or continuation

6 of an existing VBOC.

7 I was hoping that Ray Snyder would be here to

8 kind of shed some more light on this, but be that as it

9 may, we're making good progress. We're going to get

10 more VBOCs set up.

11 We thought we could engage NASDVA on this to

12 work with this, to ensure that we have the funding

13 sufficient to set up VBOCs in every state.

14 Now, some states, given the veteran

15 population, will need more than one. That's fine. We

16 said in our report the idea if we had one per

17 Congressional district. Well, that's perhaps a bit

18 idealistic at this point, but if we could work on a

19 national plan to set up one VBOC per state and we would

20 go to the Hill and justify that, to get the funding,

21 and I'm very confident that we can do it. It would

22 just seem that it would serve our veterans so well.

1 MR. SCHOW: I think that's a great idea. Your
2 suggestion on one per district -- California has got 45
3 congressmen, so you may want to figure out a mechanism
4 where smaller states have one and big states like
5 California have three or four or something like that
6 that.
7 But I do think that's an idea worthy of merit,
8 letting the state directors work with you guys on
9 trying to get this thing up and running.
10 MR. LINSCOTT: As we go forward, I don't think
11 we -- I do not believe, at this time, the VBOC
12 structure -- the shoe hasn't been built yet, and I
13 don't know if it's going to be a one-size-fits-all shoe
14 or it's going to be a very diverse number of other
15 types of shoes. Who knows?
16 But the idea I'm getting at, and where I
17 wanted to pick your brain for a minute, is I think the
18 strength is that you state directors know where the
19 veterans are, and it's obvious up at SBA headquarters
20 they don't have any idea where the veterans are.
21 I think Veterans Business Development Office
22 has a pretty good idea where -- sort of the broad

1 distribution, but the actual SBA has no idea where the
2 veterans are, but you do.
3 MR. GARCIA: Keep in mind, the states
4 collectively put close to $6 billion of state money to
5 do outreach for veterans services. We're the point man
6 for the VA. We're the point man when it comes to
7 business development, I think, for the SBA. They just
8 haven't got it yet.
9 MR. LINSCOTT: Where I'm going with this,
10 John, is the mold hasn't been cut yet, and so, my
11 question was, in your state, specific, how many
12 sub-veteran offices do you have in the state?
13 MR. SCHOW: Well, when you say sub-offices,
14 Utah, as an example, we have a headquarters office in
15 Salt Lake, okay? We have a nursing home in Ogden that
16 we have turned into a satellite office for us for
17 outreach efforts. We requested through the VA one in
18 Utah County and one in southern Utah.
19 MR. LINSCOTT: St. George?
20 MR. SCHOW: Exactly. St. George. That's
21 exactly where.
22 The VA has approved all those, and we're

1 working with our legislature right now to try to get
2 those done, so -- in Utah, 160,000 veterans, 65,000 in
3 Salt Lake County, which is where our office is, 18,000
4 in Utah County, 19,000 in Davis County, and 18,000 in
5 Weaver County. Those are the major population centers.
6 Then you go to southern Utah. There's 10,000 veterans
7 down in that area.
8 So, we do outreach to those guys anywhere from
9 one to four times a month, visiting the work-force
10 offices to help those veterans file claims.
11 Some states have got -- like Maine has six
12 offices, which I think is, you know, very helpful.
13 Different states do it differently. Some have
14 itinerant service officers who travel around and help
15 veterans and their families file for benefits.
16 We have, you know, a benefits fact sheet that
17 lists the state and the Federal benefits and the DVOP,
18 LDR, and we've reached out through the SBA.
19 The problem -- and I think you folks have
20 talked about it here -- the SBA, through the local
21 offices, don't do a great deal of outreach, although we
22 have tried, and each time, you know, the SBA

1 Administrator or the veterans liaison in our area is
2 there, we come and we certainly support the SBA.
3 MR. LINSCOTT: And so, I guess where I'm going
4 is, if we looked at a concept -- it could be any
5 number -- a support concept in the model, but if we
6 looked at a concept where we had to establish an SBA
7 Veterans Business Outreach Center, that would have a
8 certain amount of overhead costs, that would have a
9 certain amount of start-up costs, etcetera, etcetera,
10 and I think the model that I'm going to vote that we
11 lean to is one that augments what you already have with
12 a mission of doing veterans business outreach at those
13 sub-centers, and that would almost achieve the result
14 of having one per Congressional district.
15 MR. WHITE: What you're going to get the
16 support from Congress for is if you already lean on
17 existing structures such as the Small Business
18 Development Centers.
19 They're already in every state, multiple
20 centers. New York has 24. Florida has 34. They're
21 tied into a university system. They're providing
22 entrepreneurship training, ongoing stuff, and many are

1 doing specific veteran training within them, on their
2 own.
3 MR. GARCIA: The SBDCs?
4 MR. WHITE: Yes. That's why the ones that are
5 applying for these grants -- I'll guarantee you it will
6 be Small Business Development Centers.
7 SCORE doesn't -- they have offices. They
8 don't have facilities. They do all their counseling
9 out at different sites or on-line.
10 The Small Business Development Center is a
11 physical plant, operations -- training sessions,
12 workshops.
13 MR. GARCIA: But the SBDCs don't have a
14 veteran business development program. At least the one
15 in my state doesn't.
16 MR. WHITE: No. But that's why one of the
17 things that I applauded them for doing was offering
18 $100,000 grants to centers that would provide specific
19 veteran training.
20 MR. GARCIA: Absolutely. And here is where I
21 think NASDVA can be a key for us.
22 MR. WHITE: Absolutely.

1 MR. GARCIA: This board is the SBA's advisory
2 board. What NASDVA has -- it's kind of this neutral
3 group that's in the middle, dealing with the VA and can
4 also start dealing with the SBA, and can call both of
5 these entities together.
6 I think we can probably pull the VA in from
7 the Center for Veteran Enterprise, or Shinseki, because
8 we have his ear, that we need funding to do this, and
9 also call in the SBA Administrator, we need funding to
10 do that.
11 I honestly believe, Terry, if NASDVA flexed
12 its muscle -- because we represent the governors. The
13 National Governor Association is meeting this week here
14 in D.C., and if NASDVA puts this on their plate to
15 insist that this happens, we can bring the VA and the
16 SBA Administrator and the Secretary together to say
17 this is what we need for our veterans in business and
18 put money into it.
19 We have to leverage that muscle, and there is
20 where I think NASDVA can play a major role if we put
21 that part of our agenda, also, Terry.
22 MR. SCHOW: Let's take the other leg of the

1 three-legged stool. VA, SBA, and DOL.

2 DOL funds DVOP programs in their states, and

3 they are for employment and training. Well, why can't

4 that be, you know, a more veteran business-oriented

5 kind of thing?

6 MR. WHITE: They have a way to do that.

7 They've got that flexibility within it now. It doesn't

8 have to be just a jobs program.

9 MR. SCHOW: Exactly. And that's my point. We

10 are having the assistant secretary for DOL come speak

11 at our meeting.

12 MR. GARCIA: He's a West Point grad, Iraqi

13 veteran.

14 MR. WHITE: Some of them, in some states, have

15 looked at it and even funded entrepreneurial training

16 programs, because they recognize the fact that that's

17 where the jobs are going to be.

18 MR. GARCIA: This deputy secretary, under

19 secretary, is very interested in, of course, veteran

20 business development. That's what he's supposed to be

21 doing. And if we can help veterans secure contracts,

22 go into business, and get them to hire veterans, it's a

1 win-win for him, it's a win-win for us, and it's a
2 win-win for the VA.
3 So, I think, Terry, if we could arrange that
4 meeting where we bring in Jefferson, Shinseki, even
5 Salese, and this Administrator -- I mean, who is going
6 to say no to the state directors that are appointed by
7 their governors, and if they did say no, I'd get on the
8 horn and I'd call my Congressional people to call them
9 into the office and slap their hand. I mean, you can
10 make that work.
11 MR. WHITE: What a nice little thing, to
12 package that up and get that 10 million bucks that they
13 came up with for the little seed money to get this
14 thing started.
15 MR. VARGAS: Were you at the last Wounded
16 Warrior dinner where Ray Jefferson showed up?
17 MR. WHITE: No.
18 MR. VARGAS: At the last dinner, Ray Jefferson
19 showed up, and I engaged him in a side-bar discussion
20 about the committee, and he said I'll speak before your
21 committee, as well, and we were hoping to get him this
22 time around, but schedules didn't coincide. I'm

1 delighted to hear that he's going to be talking to you
2 folks.
3 I talked to Ray about NASDVA. I talked to him
4 about you. He manifested a very strong interest in
5 getting involved with entrepreneurial -- veterans
6 entrepreneurial development, and he said we're going to
7 tie this to the jobs creation initiative, which is the
8 hot topic in Washington, D.C., right now.
9 As was already mentioned, you know, veteran
10 entrepreneurship can be a vehicle for economic
11 recovery, and we've got DOL on our side.
12 So, you make an excellent point, Terry. Let's
13 tie them all together -- VA, DOL, SBA. I think, if you
14 agree, that is going to be a big initiative that we're
15 going to push.
16 MR. SCHOW: I think that's a great idea. Let
17 me add another dimension to the DOL debate.
18 The State of Texas, the Texas Veterans
19 Commission, in particular, owns a DVOP LVER program,
20 the first in the nation.
21 Now, you need to understand, there are people
22 within DOL who did want to see that happen. There has

1 been a battle within the veterans community and the
2 work-force agencies over the DVOP LVER program.
3 The DVOP LVER program came into existence
4 because the VSOs says we believe that these returning
5 service members need help getting employment and
6 training. That's the fundamental purpose of DOL
7 events.
8 The work-force Administrators has another view
9 that, give us the Federal dollars, and we will use
10 these folks to deal with welfare and food stamp and
11 other issues, and the veterans community says not only
12 no but hell no, the job is employment and training for
13 our veterans.
14 There's a case to be made that if those DVOP
15 LVER personnel were within the state veterans agencies
16 within their state, they become an extension of the
17 many outreach efforts that we have, getting back to
18 your point, that if they're north, south, east, and
19 west at the employment offices, DVOP LVER programs are
20 funded 100 percent by Department of Labor for the
21 states.
22 DOL pays for office space. They pay for

1 administrative overhead at the headquarters through the
2 work-force agency. But if those people were part of
3 the state veterans agency, they could also help to
4 advocate for entrepreneur issues. They could say to
5 the veterans, if you're hurt or injured or not enrolled
6 in the VA health care system, a service officer will be
7 out here next week, here's the schedule. So, they'd
8 pull the whole piece together.
9 Right now, they are under the mandate from the
10 work-force Administrators to deal with some of these
11 side issues. Let me tell you just one story that was
12 very troubling to me.
13 We had a Wounded Warrior unit, had veterans in
14 there from several states. One of the vet reps, one of
15 the DVOP LVER personnel, went to that group there,
16 talking to those veterans, and when he reported back to
17 the work-force Administrator, he was chastised because
18 those veterans were not within the EC's geographic area
19 and that he was even helping veterans from other
20 states.
21 I personally don't care what state they're
22 from. I don't care what area of the state they're

1 from. If they're a veteran and need help, then that's
2 what we do. But that's the problem that you have under
3 the work-force agency arena.
4 Work-force administrators, one, aren't
5 veterans. Number two, the DVOP LVER are viewed as
6 cowboys, because they have a tendency to be very
7 veteran-focused, and the Administrators of these
8 agencies don't like that. They like the dollars.
9 And so, it has been a tug of war in the
10 veterans community and within DOL vets, and this is
11 something I intend to talk to Mr. Jeffords when he is
12 at our meeting, because when I spoke to one of the
13 higher-up officials within DOL, I get a sense that they
14 seem to be softening to the idea of those guys being
15 under the state veterans agencies, and the attitude
16 was, is we are not going to resist it.
17 At one time, they were trying to resist it,
18 but if you're looking at the whole veteran concept, I
19 don't care if it's employment or training or
20 entrepreneurship or veteran benefits or veterans'
21 health care, if you've got a focal point -- and most of
22 the time, that's going to be your state veterans

1 agency -- that you can tie all those pieces together
2 and get that veteran in touch with whatever piece of
3 that spoke, if you will, in the wagon wheel they need
4 to go to, I think that solves it.
5 MR. MILLER: One of the main reasons it's
6 probably worked in Texas, the commissioner of Texas
7 work-force is Tom Pauken, the founder of Vietnam
8 Veterans Leadership Program.
9 MR. SCHOW: Yes. That's a great program.
10 They do good things there. Jim Meyers, the head there,
11 former national commander for the DFW, and they've done
12 great things.
13 MR. WHITE: That's the other piece that you
14 need the support of, is get the VSOs involved.
15 MR. SCHOW: Well, we're going to talk to them.
16 I've also invited the executive directors for the DAV,
17 the VFW, the American Legion to be part of the VSO
18 panel. They're going to be there, and at one time,
19 they were talking about putting the DVOP LVER program
20 under the VA.
21 The VSOs were very adamantly opposed to that,
22 because they say you process your claims in benefits

1 and health care, but I think, you know, the VSOs, I
2 think, could be persuaded.
3 MR. WHITE: If you had the VFW, the VBA, and
4 the American Legion, everybody else will follow suit.
5 MR. SCHOW: If you've got the big three,
6 clearly that makes a difference, and I think that's a
7 topic to discuss.
8 Let me give a good example.
9 Many of our states have got veterans nursing
10 homes, and the VA has come out with a ruling on
11 veterans who are rated 70 percent or more in terms of
12 paying for their care. They'll pay for all of their
13 care in the state veterans home. Well, the rule was
14 written, and there are some challenges to the way that
15 it's being implemented.
16 When that was discussed with the VSOs, they
17 did not even realize that issue was there, and therein
18 lies the challenges, and even though I'm a life member
19 of the DAV, the VFW, the American Legion, they do not
20 operate the cemeteries, they do not operate the nursing
21 homes.
22 They've got a good view on, obviously, the

1 claims processing part of it and many of the medical
2 aspects of it, but in terms of the day-to-day
3 operations of veterans programs within the state,
4 getting back to John's point, it's the state directors,
5 are the ones who partner with the VA to help get -- and
6 the SBA and DOL and others, because I have a list of
7 all the work-force agency folks on my benefits facts
8 sheet, and we refer people to them, they refer folks to
9 us, and back and forth. So, there is a natural
10 linkage.
11 I just have this crazy concept of this says
12 veteran on it, as part of the veteran program. There
13 ought to be a focal point in the state.
14 Now, you have another issue, and maybe John
15 has dealt with this, too, but the TAA program. I don't
16 know how many of you are aware of the TAA program.
17 MS. LYNCH: The Trade Assistance Act?
18 MR. SCHOW: No, this is the Transition
19 Assistance Advisors. It's a National Guard program
20 where they have contracted with a company, and every
21 state has at least one, and these are contractors
22 through -- the name will come to me -- and they are

1 assigned to the National Guard units, and they are
2 doing outreach to returning service members. That was
3 their initial mandate.
4 MR. WHITE: It's part of the Transition
5 Assistance Program?
6 MR. SCHOW: Exactly. Not TAP. They're
7 separate from TAP, because TAP is a DOL program, but
8 this is a National Guard Bureau program.
9 National Guard Bureau has put millions and
10 millions of dollars -- they've got family support
11 coordinators, they've got social workers and other
12 folks that they put out in the states.
13 Well, DOD, Office of Secretary of Defense,
14 through the Yellow Ribbon program, has done a pilot in
15 10 states, in mine, and I don't know if John's is one
16 of them, but they have put another person, again a
17 contractor, out there to help do outreach to veterans,
18 and so, I guess my point is that there are a number of
19 pieces of the puzzle out there, and when we are looking
20 to do some things with that program in our state, they
21 were looking to set up their own separate website.
22 Now, that's a challenge. In my view, you have

1 the VA's website, which makes sense, okay? The states
2 have a website, which clearly makes sense.
3 At the end of the day, how long the TAA
4 program will be around, no one knows.
5 So, if you're pushing people to a website and
6 that entity goes away after a while -- but my medic
7 campaigns -- radio, TV, billboards -- all push people
8 to my website and, in turn, will push people into the
9 VA, and obviously can do that through the SBA and other
10 things, as well.
11 MR. GARCIA: One thing I just want to say,
12 Felix, is that I think you can see it's very evident
13 that NASDVA, in my opinion, is key because of the
14 resources available, the support from the legislative
15 body, the governor, the outreach initiatives, the VSOs.
16 It's very key.
17 Now, Terry knows that, a few years ago -- and
18 I've said this before -- when I spoke to NASDVA
19 members, asked how many were doing veteran business
20 development, no hands went up. There's probably about
21 10 states now, and I think if we team up with NASDVA,
22 this group, NASDVA and this group can identify states

1 that would be effective to put that boot print to
2 assist veteran business development, but I think NASDVA
3 can assist us probably a lot faster that even the
4 Administrator will assist us, all due respect. Is that
5 on record?
6 MR. WHITE: Sure. Why not?
7 MR. GARCIA: Okay. They can assist us and set
8 up these meetings with Shinseki. We have Shinseki's
9 ear now. I mean, he's involved, more so than I think
10 the previous guys, but I think, right now,
11 Shinseki -- we've got his ear. Wouldn't you agree?
12 MR. SCHOW: Well, we do, and we now have
13 quarterly meetings with him. We have monthly telephone
14 calls with central office to talk about issues, and I'm
15 really encouraged by this dialogue here, you know,
16 because I just feel like this veterans program has been
17 kind of like -- have you ever been in a fog and you
18 want to grab ahold of a piece of fog? You know there's
19 something out there, but you can't get ahold of it, and
20 I think that the SBA -- let me just tell you a story,
21 if I will, about some of the challenges.
22 There's supposed to be veterans preference in

1 Federal hiring, but there is also the outstanding
2 scholar program. There were Federal agencies that were
3 using the outstanding scholar program to circumvent
4 veteran preference. The Merit Systems Protection Board
5 actually slammed that hands in the drawer of a Federal
6 agency who was doing that, and this is people who get
7 at least a B average, and these students are hired
8 instead of veterans being hired.
9 Well, one of the challenges is that OPM
10 actually disagreed with the Merit Systems Protection
11 Board ruling on that.
12 Now, OPM deals with Federal personnel issues,
13 of which veterans preference has been determined by the
14 Congress, and disabled veterans preference, but therein
15 lies part of the challenge in terms of how forcefully
16 OPM, how forcefully other agencies advocate on behalf
17 of veterans. Sometimes that happens under pressure
18 from within the veterans community or from other
19 organization. Things happen in states by veterans
20 putting pressure upon elected officials and those
21 elected officials saying we need to deal with this.
22 I had a representative tell me one time if he

1 got five phone calls, five phone calls on an issue, it
2 was a pretty hot issue to him.
3 Sadly, many veterans don't even know who their
4 representatives are. They don't contact them, and you
5 know, I think we leave it to activist groups like you
6 folks, who are certainly more astute, more involved
7 than others, to help push the cause through the VSOs,
8 through the state directors entities, and then we, in
9 turn, partner, because I am fairly confident that the
10 VSOs, as you said, I think would be supportive of what
11 we're trying to do here.
12 It's just that, sadly, the SBA is not on the
13 radar of many people, and the SBA's veterans program is
14 just not there. You know, the big -- is mother VA,
15 then maybe DOL, and then SBA down a little bit further,
16 and veterans even a little bit further in a subcategory
17 below that.
18 MR. VARGAS: Let me see if I understand where
19 we're at. We fully concur with the discussion that we
20 have here on being tied at the hip with NASDVA. That
21 is clear. We've discussed this for about six months
22 now. It's time to put the pedal to the metal and make

1 something happen here.

2 A way to do it is to request that the SBA and

3 those people who oversee the appointment of folks to

4 this committee -- that the SBA accept our

5 recommendation that in the future we should have a

6 NASDVA representative on this board.

7 MS. LYNCH: Definitely.

8 MR. VARGAS: Okay. That's one thing.

9 We want to work quite closely with NASDVA on

10 veterans entrepreneur issues. The number one issue is

11 the one of structure, this idea that we have to set up

12 a national veterans business program, and that's

13 something we feel passionate about. It's got to

14 happen, it's got to ramp up, because we've got, what,

15 20,000 veterans coming back per week from conflicts in

16 the Middle East and elsewhere, over 20 percent of whom

17 are saying, hey, I want to be self-employed.

18 So, we owe it to them to help set up a

19 structure that can respond to the needs of these

20 veterans. It's fine for the older veterans, we kind of

21 know our way around, but these younger ones need a lot

22 of help, and this is a way to do it, have a minimum of

1 one VBOC per state set up, and we need to push the SBA
2 to accept this as a recommendation, and we will work
3 with the SBA and with NASDVA to up on the Hill and
4 testify this effect so we can get the funding.
5 MR. GARCIA: Terry, I think NASDVA needs to
6 put it on their plate at the mid-winter conference to
7 reciprocate and support veteran business development,
8 put it as part of the resolution, work closely with us,
9 and to establish these VBOCs.
10 I mean, I really think NASDVA has to be the
11 vehicle that brings all of that to the attention of the
12 Congressional people, to Shinseki, to the
13 Administrators, because NASDVA represents all 26
14 million veterans.
15 MR. SCHOW: I'll tell you what I'll do. If
16 you'll work up a resolution, you know, we could present
17 it to Jim, who is our resolutions guy, and we can do
18 that at our meeting coming up next week if you'll flesh
19 out the details.
20 MR. GARCIA: You can deliver the resolution
21 when you go.
22 MR. WHITE: One of the issues that's going to

1 come out when you start talking about this three-legged
2 stool, which is now probably five or six legs, is that
3 there's still got to be somebody sitting on top of this
4 thing.
5 We're going to have a bunch of different
6 organizations. It's all bureaucratic -- state,
7 Feds -- so that my only concern is where's the -- you
8 know, what's the entity that gets funded, who is
9 responsible for the curriculum?
10 You know, there's got to be something, whether
11 it's all just based on the state directors, that they
12 pull a team that oversees it, whether it's the small
13 business development centers, if they get drawn into
14 this, and I think we need to talk to them to see
15 whether or not they are -- I know that they would be
16 excited about getting involved with us.
17 The facilities, again, are already there.
18 That's the only reason I'm encouraging us talking to
19 the small business development centers, as opposed to
20 building new spots, creating a new one like we did when
21 we were setting stuff up. They already have these
22 facilities.

1 It's adding an additional program to existing
2 stuff, although it's critical that they treat all
3 veterans at the same time, and it's not like two
4 veterans in the middle of the same program.
5 MR. SCHOW: Yes.
6 MR. WHITE: But somebody still has to oversee
7 that if we're talking about funding coming from a
8 variety of sources. Everybody gets a little grabby
9 when money comes around, and somebody has got to
10 oversee that and say, wait a minute, this is how it
11 goes for this program. You have to qualify to do this
12 in our state.
13 The state directors are probably the closest
14 to the game, but I think that it's -- you know, is
15 there -- I hate to think of another entity that does
16 this, but whether it's a team, you know, that it's a
17 loose thing that everybody agrees to and there's a
18 state director representative, an SBA representative,
19 everybody gets one representative on the team, and they
20 agree on how that goes out, and the money would go
21 through, most likely, here, business development.
22 The funds come from Congress. It will go

1 through the SBA and out. They already have a funding
2 source to the small business development centers.
3 MR. VARGAS: We heard yesterday that the SBA
4 would be adding on another person to work in the Office
5 of Veteran Business Development, to have -- who will
6 have as a mission this increase of VBOCs that will be
7 set up and the work related thereto.
8 So, this is something that, when that person
9 is appointed, we can bring him before this committee
10 and say, look, this is what we're talking to NASDVA
11 about, and we want to make sure that you work very
12 closely with NASDVA on this matter and that you do it
13 in a way that's cost effective and efficient and so
14 forth.
15 It makes sense, I think, to the extent that
16 it's permissible to set up the VBOCs in the proximity
17 if not within the confines of existing agencies.
18 MR. WHITE: Are you around next week?
19 MR. VARGAS: I'm around -- yeah, I'm here next
20 week.
21 MR. WHITE: I'm thinking it would be very good
22 for you to sit down with Billy when he's back and get

1 him up to date on this, because I think he's going to
2 be excited about this and would be, I think, very
3 supportive and a key element in making that happen.
4 MR. GARCIA: Terry, we had Ana Ma -- she's the
5 chief of staff for SBA -- yesterday, and then we've
6 spoken to the Administrator before, and it's amazing
7 that, each time, they're just not aware of NASDVA, but
8 when we bring it up to them, they're like, well, yeah,
9 need to work with them. Let's do conference calls.
10 Let's do something.
11 I would suggest, Terry, that we set up a
12 meeting for you or the exec committee to meet with the
13 Administrator and Ms. Ma, to let them know that NASDVA
14 is here to help and assist and to be utilized by the
15 SBA.
16 They keep going back to, as you know, the SBA
17 directors in their state, and as you know and as I
18 know, they have no clue who the veterans are there.
19 They don't belong to VFWs. They don't know any of this
20 stuff. And they're mandated, supposedly, to do vet
21 outreach, but they just don't know how to do it.
22 So, the Administrator, I heard, anyway, and

1 the chief of staff, is we want to do that. We want to
2 reach out to the veterans, and why haven't we reached
3 out to the states before, the state directors before?
4 So, I think it would be best for us and NASDVA
5 to get you or members of your exec committee, along
6 with Felix, to sit down and say here we are, we're
7 ready, and put that olive branch to them, by the way.
8 MR. SCHOW: The 18th of March is when we do
9 our testimony at the House and Senate Veterans Affairs
10 Committee, and -- if it were convenient to do it around
11 that time.
12 The other thing is if there were something
13 that we could insert in our testimony relative to this
14 concept --
15 MR. GARCIA: I think there would be.
16 MR. SCHOW: One of the things that we've done,
17 John, is our past president, Les Beavers -- many of you
18 may not be aware of this, but we also provide the
19 veterans testimony to the NGA, to the National
20 Governors Association, and we also do provide testimony
21 to the House and the Senate Veterans Affairs Committee,
22 to their joint group on state veterans' issues. I

1 think conversations about this is a natural extension,
2 but I have been having Les help me with that.
3 Booze Allen Hamilton actually asked Les to go
4 to work for them, and he declined, because he chose to
5 work with us. Les is really a great guy, and so, Les
6 has been willing to help with that, and you know, this
7 concept that you're talking about on some of these
8 grants, you know, if Les would be willing to do it, I
9 think would be a great guy to consider working with
10 that, because he has no other responsibilities other
11 than working with us on the NGA stuff and on the
12 testimony.
13 MR. GARCIA: We bring our guys together to
14 start moving our agenda.
15 MR. WHITE: I just think that this is the best
16 thing I've heard since we've been here. This is
17 something that we can really push and promote, and the
18 end game is real.
19 MR. VARGAS: Terry, you said 18 March is when
20 you all will be up on the Hill. Is that correct?
21 MR. SCHOW: Correct.
22 MR. GARCIA: Felix, does SBA allow this group

1 to testify, because see, we can get you on the agenda
2 to testify. We work with the staff and get you teamed
3 up with Terry to testify on behalf of this committee.
4 MR. VARGAS: That would be fine. That's a
5 question I'd have to pose to SBA.
6 Let me take this opportunity to introduce
7 Raymond Snyder, who is our deputy associate
8 Administrator in the SBA for the Office of Business
9 Development.
10 We've had an exceptionally productive dialogue
11 here with Terry, who is president of NASDVA, on ways
12 that this committee can work more closely with them,
13 with NASDVA on a common veteran entrepreneurship
14 agenda, and Terry just mentioned that he will be coming
15 back on the 18th of March to testify up on the Hill.
16 John is suggesting that perhaps I or a board
17 member here go up there, as well, and join him in his
18 testimony, and that's something that I would that you
19 check into, any constraints on my being able to do this
20 on behalf of the committee with a fellow veteran to
21 talk about veteran entrepreneurship.
22 MR. SNYDER: Not that I am aware of off the

1 top of my head, but I'll certainly -- give me the
2 particulars, and you know, I can easily run it by
3 counsel, but I don't see any.
4 MR. GARCIA: See, here's the thing, Felix. If
5 there is, Terry can deliver the message.
6 MR. SCHOW: I think that's probably what we'd
7 have to do, because they only give us just a couple of
8 minutes, but what I had in mind is thoughts from you
9 folks relative to this process that we could insert as
10 a part of our written testimony, and then I could make
11 a few comments as a part of the oral presentation.
12 MR. VARGAS: Well, let's see, in the first
13 instance, if the staff would be agreeable to allowing a
14 couple of extra minutes for us, and if not, then we'll
15 just shoot our input to Eric.
16 MR. SNYDER: Which specific staff is this?
17 MR. GARCIA: House Committee on Veteran
18 Affairs and Senate Committee on Veteran Affairs.
19 MR. VARGAS: So, what we're talking about here
20 is a suggestion that John has made that we set up a
21 meeting with the VSB Administrator for Terry to meet
22 and chat a little bit, with Karen Mills and possibly

1 Ana Ma, and the timing would be around the 18th of
2 March, to coincide with his visit here the next time.
3 MR. SCHOW: Actually, I get in about 4:00
4 o'clock on the 16th, and I'm here the 17th, and then I
5 go out on the 17th at 5:00 o'clock in the evening. The
6 testimony is actually on the 18th. I testify at 9:30
7 on the 18th.
8 MR. VARGAS: So, you leave on the evening of
9 the 18th.
10 MR. SCHOW: That's correct.
11 MR. VARGAS: Okay. So, the 17th would
12 probably be --
13 MR. SCHOW: Yeah, the 17th would be good,
14 maybe in the afternoon. I have a meeting with the VSOs
15 from 10:00 to noon, but the afternoon of the 17th would
16 be good.
17 MR. VARGAS: Okay. Very good. All right.
18 Good.
19 We appreciate your generous time here. I know
20 you've gotten about 50 calls as you've been here, so
21 there's a lot of folks trying to get ahold of you.
22 We also have been working closely with the

1 Department of Labor and the VA. The SBA has a channel
2 already to the VA, to Scott Gould, who is the deputy
3 secretary at the VA, on veterans entrepreneurship. So,
4 that's a vehicle we can piggyback on, as well, it seems
5 to me.
6 One other thing I want to mention before you
7 leave, Terry, and that is something, again, that John
8 had brought to our attention and I think there was a
9 lot of sentiment for, and that is that we've talked
10 about this whole question of data.
11 We just don't have the data on veteran
12 entrepreneurs, where they are, how many, where they're
13 located, this sort of thing, and as you look at
14 www.grants.gov, you see these SBA RFPs out there for
15 interesting little projects, you know, how many
16 computers are over here, what do you think about the
17 future.
18 Nothing is as important, I think, as doing a
19 study within the VA on veteran entrepreneurship. So,
20 we can talk about this later, but one of the
21 recommendations that we should make is that the VA
22 commission a study on this, and as part of that study,

1 request that it be closely coordinated with NASDVA.
2 So, I just wanted to give you that kind of
3 heads-up, because I think it goes right to the heart of
4 what we're talking about.
5 MR. WHITE: The problem is you'd still only
6 get a partial list, because not everybody is with the
7 VA.
8 MR. VARGAS: I understand.
9 MR. WHITE: Like I said, the IRS is the only
10 place you'd find out. Probably 95 percent would
11 respond to that, say yes, I'm a vet and I'm in
12 business.
13 MR. VARGAS: Here's the way that we would
14 frame it. We would say this study would be one
15 commissioned by the SBA, led by the SBA, but in close
16 coordination with particular Federal agencies that are
17 involved. That would mean IRS. That would mean the
18 VA. That would be any agency at the Federal level and
19 the state level that has anything to do with veterans.
20 So, they would exercise the leadership, but it
21 would not be limited to just one or two agencies. This
22 would be inter-agency-wide. That's the way I would see

1 this study coming about.

2 So, it would be an attempt to capture some

3 data, as much data as possible, which is currently

4 non-existent, on the community of veteran

5 entrepreneurs.

6 MR. SNYDER: Just off the top of your head,

7 what would you be looking for in such a study, the top,

8 say, three items? Would you be looking for just the

9 number of veteran entrepreneurs, maybe another

10 dissection of the number of veteran entrepreneurs and

11 maybe the number of employees they have? Obviously

12 geographic location.

13 MR. WHITE: You can do it later, once you know

14 who they are, because they you could go crazy. You

15 could survey them for all kinds of information, but

16 until you know who they are and get an email address,

17 you're pounding salt. You guesstimate how many

18 businesses we've got.

19 MR. SNYDER: Pounding salt is the same or

20 worse than pounding sand?

21 MR. WHITE: It depends on where you're at.

22 MR. SNYDER: Okay.

1 (Laughter.)

2 MR. SNYDER: We had asked for money in a

3 previous fiscal year. We were not successful, but

4 knowing that this inter-agency task force is going to

5 be coming together, that would be something I think

6 would be worthwhile and very meaningful.

7 I mean, before you start trying to make

8 corrections to a group so far as outreach and a

9 half-a-dozen broad mission items that this public law

10 and the inter-agency task force will be dealing with, I

11 think it's important that you know the universe of that

12 group.

13 MR. VARGAS: Dick, we would obviously want to

14 work closely with you on that. I think the

15 inter-agency task force can be a good vehicle for

16 continued discussion and elaboration on this, but it

17 really has to be a concentrated effort, someone able to

18 devote, you know, eight hours a day, five days a week.

19 So, depending on how often this iteration of

20 the task force would meet, that may or may not be

21 feasible to do it, although it would certainly have a

22 hand in shaping the outline.

1 MR. SNYDER: What I was thinking of, Felix,
2 was not that the inter-agency task force would take it
3 on themselves but yet, you know, through that working
4 group, that they would, in effect, be responsible,
5 identify the -- you know, the parameters, the issues
6 that you'd be looking for, the results that you hope to
7 achieve and attain from such a study, and obviously,
8 since the administration -- since SBA is the chair of
9 this inter-agency task force, if it's contracted for,
10 we would be responsible for funding.
11 MR. VARGAS: We'll talk about that.
12 Again, I just want to thank Terry for making
13 his morning available to join us.
14 Terry, this has been very, very constructive.
15 I think we're achieving a breakthrough in terms of
16 coordinating with each other.
17 Let me ask you, from your perspective, do we
18 need to have any kind of formal document between our
19 two bodies? Do we need a memorandum of understanding?
20 MR. SCHOW: Well, I don't see any harm in
21 having a formal document. I think that would be very
22 helpful, and I'd just like to add a comment to your

1 discussion a second ago about, you know, identifying
2 veterans.
3 Nobody out there -- and I mean VA,
4 DOD -- knows where these folks are. Unless you are
5 getting GI Bill, enrolled in the VA health care system,
6 VA home loan, comp and pen, VA don't know who you are.
7 In Utah, 20,000 people are receiving VA comp,
8 out of 160,000. So, there's 140,000 of those guys who
9 are not enrolled in terms of comp and pen.
10 The VSOs, 160,000 -- 5,000 DAV, 5,000 VFW,
11 10,000 American legion -- some, like me, are members of
12 all three. So, again, huge numbers are not members of
13 those organizations.
14 That's the reason we came up with the idea of
15 the driver's license thing.
16 The reason I think this inter-agency task
17 force, getting back to what John said, would be wise to
18 involve the state directors in this is because we have
19 some understanding of where the veterans are in our
20 state and how to reach them, and in particular,
21 veteran-owned businesses and those kind of things, and
22 if they were to look at a contract doing something like

1 this, just like we've suggested with the VA, maybe
2 consider contracting with the states to help go out and
3 try and identify who those veterans are, let the state
4 veterans agencies help you with that.
5 MR. GARCIA: Well, one of the easiest ways is
6 like -- if I was contacted by the SBA or the VA to
7 identify all my veteran business owners in my state, I
8 immediately would go across the hall to my secretary of
9 tax and rev and/or the governor, and I would have them,
10 at the next income tax stuff, when they check their
11 forms off, tell me who owns a veteran business, who is
12 a veteran business owner.
13 All that data, then, would come into our tax
14 and rev department. They would sift it out, and they'd
15 send me the report, breakdown of every business in the
16 state that's veteran-owned, how much do they generate,
17 how many employees do they have, what their SIC code
18 is, all that stuff. I can generate that.
19 MR. WHITE: I think you should do it anyway.
20 MR. GARCIA: Well, yeah, I'm thinking about it
21 now, but every one of us could do that, if we sit down
22 with the Administrator -- if they're serious about how

1 we can outreach and work through Raymond's and Bill's
2 office, I think we can really pull this thing together
3 by bringing NASDVA to the table with us. I mean, the
4 sky's the limit if I bring NASDVA on-board.
5 MR. SCHOW: Well, even the IRS doesn't ask if
6 you're a veteran-owned business, and the state tax
7 codes normally don't ask you that, but it would be
8 relatively simple at the state level to add a block on
9 there, are you a veteran-owned business or a disabled
10 veteran-owned business, and just like DMV was resistant
11 initially to my idea to identify if you're a veteran,
12 our legislature helped to persuade them of the merits
13 of doing that. Now we capture that and we have half
14 the veterans in our state registered, and the rest will
15 be upon renewal cycles for your driver's license.
16 MR. GARCIA: I need the guys across the street
17 to tell these people this is what you need to get done,
18 and we need to go champion it to, you know, Filner and
19 Akaka, all those guys, and that's what NASDVA's good at
20 doing.
21 MR. SCHOW: Akaka is getting our advocate of
22 the year award.

1 MR. GARCIA: Is he? Excellent.
2 MR. VARGAS: All right. Ladies and gentlemen,
3 this concludes the morning portion of our discussion
4 here with Terry. Let's take about a 15-minute break
5 and then reconvene, and we'll go over the continuation
6 of procurement goals and achievements.
7 MR. GARCIA: Ray, you mentioned already -- but
8 I just want to reiterate -- can you set up a meeting
9 for Terry or the exec board of NASDVA to meet with the
10 Administrator and your chief of staff?
11 MR. SNYDER: I will speak to Ana about it,
12 yes.
13 MR. GARCIA: Okay.
14 MR. SNYDER: It's a month away, and hopefully
15 the Administrator will be in town.
16 MR. VARGAS: In the minutes that we do on this
17 meeting, the request will be made formally.
18 MR. SCHOW: Before I go, I'd like to make a
19 little presentation to Felix. I've got a little coin
20 here from the state directors, and it's for
21 appreciation in service to veterans, to care for he who
22 shall have borne the battle.

1 MR. VARGAS: Thank you, sir.
2 (Applause.)
3 (Recess.)
4 MR. VARGAS: Let's get started. John is
5 saying goodbye to Terry Schow.
6 That was a great discussion, and I think it
7 points to a lot of potential here on cooperating with
8 the state organizations, and I'll work with John on
9 doing a resolution that we discussed here for engaging
10 NASDVA on the VBOC program, and John will check to see
11 if the staff up on the Hill can allow us some time
12 to -- for us to provide some input to the testimony.
13 Dick will check with the legal guys here to make sure
14 that there's no conflict for me to go up and speak with
15 them.
16 MR. SNYDER: Felix, just shoot Bill and I an
17 email just kind of outlining, you know, what the intent
18 is, and that way --
19 MR. VARGAS: The intent is to tell the Hill
20 what a great guy you are.
21 MR. SNYDER: Don't do that.
22 MR. VARGAS: All right.

1 Ron, I heard you talking to Dick about this,
2 and I've been negligent to just say that I know all of
3 us are -- wish Bill Elmore our condolences for the
4 passing of his mother this last week, I gather, and so,
5 in our minutes, I will make a statement conveying our
6 condolences, but I would encourage you individually
7 also to reach out to Bill and express your personal
8 condolences, as well.
9 We have a short time here before lunch, and
10 we're talking about procurement goals and achievement.
11 Dick, did you have something to present to us
12 on that?
13 MR. SNYDER: I know one of the concerns that
14 the committee had pertained to the goal report and such
15 things as that.
16 The '09 data, which is in the long spreadsheet
17 that has February 17th -- that is preliminary data and
18 has not been certified.
19 So, once that happens, then the next thing we
20 will move to is what you have in front of you, which
21 shows each of the 24 CFO agencies and how they're
22 relative to the goal, what their achievements were,

1 their deficiencies, and that's something, if you've had
2 an opportunity to look at, we can touch on briefly.
3 I don't know if you asked Cal any questions.
4 This document here, which says FY 2008
5 Official SBGR -- that goes with the individual sheets
6 that are by color and showing agencies that are in red.
7 This one is the preliminary.
8 So, you know, moving forward, maybe the best
9 thing to do on that is to look at it at your leisure,
10 and it may be something you want to discuss further
11 with the GCBD folks, specifically Joe Jordan, at the
12 next meeting. He's a pretty busy guy. He's very
13 straightforward, and the gentleman that I got this
14 information from said that his speech that he goes out
15 to the other agencies with -- I mean, he's cracking the
16 whip on it, stressing the importance and a need to
17 achieve these goals.
18 MR. VARGAS: Those of us who have the
19 opportunity to talk to agency small business reps on
20 the ground level, like, say, DOE reps at the national
21 laboratories, like Sandia, Los Alamos, Hanford, see
22 that there's a bit of disconnect between the locals

1 understanding what the goals are in achievements and
2 what the folks in Washington are saying are the
3 achievements, and I see a tremendous need to ensure
4 that, you know, the commitment by the agencies to
5 achieve the small business goals, particularly the
6 veteran-owned small business, service-disabled
7 veteran-owned small business goals are achieved, this
8 whole idea, there needs to be emphasis on ensuring that
9 there's accountability at the local level by the
10 contracting officers, they understand and take the
11 goals seriously, and that they show reasons why they
12 can't be met.
13 I've had people say at the local level, well,
14 we're not under any obligation to achieve these goals,
15 it's solely at our discretion to make these awards, and
16 we want to do it free and open, because that way we
17 ensure we get the best service, the best quality for
18 the best price.
19 So, there's a lot of work to be done there,
20 but I understand this is something we can talk to Joe
21 Jordan about, and I think it's a good suggestion, Dick,
22 for us to --

1 MR. SNYDER: This way you have your
2 information, and you know, we can proceed with this two
3 ways. One of the things I was thinking about -- and
4 again, this is up to the committee as to how they
5 really ultimately want to proceed, but when we have
6 these conference calls coming up with Ana and Bill and
7 myself, from time to time, if you want, say, a guest
8 visitor or a guest participant, that might be another
9 way to go, and again, you're gathering information, and
10 then when you have your meeting, to me, that's fuel for
11 the agenda, to take information, and then once you've
12 had an opportunity to digest it, then pursue it and
13 drill into it deeper, if you deem that appropriate.
14 MR. VARGAS: Any discussion on this, folks? I
15 haven't studied this closely. Maybe I should have,
16 last night. So, I'm not prepared to make any comments.
17 I see a lot of reds there. That's not good.
18 So, why don't we take that as a homework
19 assignment, for us to kind of look at this, study it,
20 develop some -- do an assessment, and be prepared to
21 engage on this at our next meeting in the context of a
22 broader discussion with Joe Jordan, which we will

1 request.

2 MR. SNYDER: Just an aside, in our meetings

3 with the VA, one thing that came out of it, because of

4 the VA's first contracting program and the significant

5 numbers that they were achieving in veteran- and

6 service-disabled veteran-owned contracting -- the

7 percentage, that is -- they were having trouble

8 reaching a couple of goals.

9 One, I believe, was HUBZone and the other was

10 women, and they wanted relief, and they put that in a

11 written request, and I believe it was the second

12 meeting of the VA working group that we had that Joe

13 held his ground and didn't back off, said no, these are

14 goals.

15 We do not see us as having -- we understand

16 what you're saying, and we appreciate the contribution

17 and the manner in which you exceed your goals at the VA

18 for veteran- and service-disabled veteran-owned

19 businesses, but this is also another goal, and we

20 expect you to achieve it.

21 I mean, it's like -- I think he more or less

22 couched it that they would make recognition of the fact

1 that they have made progress in these -- in the goals
2 that they were deficient in and, you know, identify
3 their concentration on veteran- and service-disabled
4 veteran-owned businesses, but he expected them to meet
5 it, and so, with that, I think the same thing is true
6 with other Federal agencies.
7 These are goals. There's not wiggle room, per
8 se. We expect you to achieve them.
9 MR. VARGAS: If one of us or both of us could
10 participate in this, we could defend the rationale for
11 meeting these goals for veteran-owned small business.
12 MR. SNYDER: I'll talk with Bill about that.
13 MR. VARGAS: Okay.
14 MR. WHITE: I sort of sit back when it comes
15 to procurement.
16 MR. VARGAS: Yes. Everybody should be looking
17 at the business owners on the committee, Courtney and
18 Jeff, principally.
19 Now, on the question of parity, where does the
20 whole administration position stand? Are we moving in
21 the direction of achieving parity?
22 MR. SNYDER: Yes. In fact, there was a -- I'm

1 not prepared to answer that question. Well, I already
2 answered that question.
3 (Laughter.)
4 MR. SNYDER: I was just getting ready to get
5 in trouble.
6 MR. JENKINS: Most of you are aware of the
7 fact that there was a GAO protest on a sole-source
8 award to a HUBZone. A HUBZone firm protested a
9 procurement that was being -- that was sole-source, I
10 think, to a service-disabled vet firm, and as a result
11 of that protest, SBA asked the Department of Justice to
12 give them an interpretation of our laws, and DOJ, in a
13 very thorough decision memo, indicated that SBA's
14 interpretation of its laws and its programs -- that
15 there is parity in their programs.
16 They are the ones that say that regardless of
17 what it says in the HUBZone regulation that says that
18 you must award a sole source contract to HUBZone, SBA's
19 interpretation is that there is parity in those
20 programs, and DOJ came in and backed the SBA's
21 decision.
22 That decision has gone out to all of the

1 agencies, and specifically to the Department of
2 Defense, where all this started, and as a result of
3 that decision, the Department of Defense instructed
4 their people to pull back off of doing all awards in a
5 HUBZone, because that's basically the instructions that
6 they were given at one time, and basically, it
7 destroyed, just about, the other program, because it
8 was in that process of taking the wheels off of the
9 8(a) program, the service-disabled veteran program, and
10 the recommendation that awards are made to women-owned
11 firms.
12 So, DOJ mapped it out and says that there is
13 parity among the programs, and the contracting
14 activities are required to look at all the programs and
15 their goals and make the appropriate decisions to
16 achieve the goals.
17 Now, there is some discussion that, if
18 somebody was to challenge that decision in the court of
19 law, then we would be back on round one, but the
20 instructions to the agencies from DOJ said there is
21 parity, and they cannot say that one program is over
22 the other, is over another program. But there is going

1 to be further discussion on this.

2 MR. VARGAS: So, you're saying that this

3 remains in flux.

4 MR. JENKINS: It depends on if a smart

5 attorney comes along and challenges the government.

6 MR. VARGAS: Challenges the government to

7 rescind the DOJ instructions?

8 MR. JENKINS: Uh-huh.

9 MR. VARGAS: One of the recommendations that

10 we made in the report is that the SBA should support

11 issuance of a presidential determination upholding

12 SBA's regulations which give Federal contracting

13 officers substantial discretion to consider and

14 designate Federal contracts for either HUBZone, 8(a),

15 or service-disabled programs without having to

16 prioritize one program above the others.

17 Can we get a presidential determination?

18 MR. JENKINS: I can't say whether you can or

19 cannot, but the way that the Federal bureaucracy works

20 is that if the President's decree is not backed by law,

21 they are not going to follow it.

22 MR. VARGAS: But the SBA regulations already

1 give the contracting officers in the Federal Government
2 discretion.
3 MR. JENKINS: That's right. So, the argument
4 is why would we have the President issue a decree in
5 the first place, since the law is on the books, because
6 right now, our problem is that the agencies are not
7 following the law.
8 MR. VARGAS: The reason you would do that is
9 because of the confusion you're pointing to where, you
10 know, you have DOJ issue a ruling --
11 MR. JENKINS: Right.
12 MR. VARGAS: -- but you have this possibility
13 that smart attorneys can challenge that in court.
14 MR. JENKINS: That's right.
15 MR. VARGAS: So, a P.D. would substantially
16 reinforce the notion of parity.
17 MR. SNYDER: You referred to a Presidential
18 decree, if you will, a determination. Is that
19 analogous to an executive order?
20 MR. VARGAS: Yes.
21 MR. SNYDER: Because I think you had something
22 like that with -- you have the law that supports 3

1 percent contracting, and then you came out with the
2 executive order to reinforce it.
3 MR. JENKINS: Right.
4 MR. SNYDER: We could certainly inquire within
5 about the appropriateness of that.
6 MR. JENKINS: I'm sure it would not hurt, but
7 in a contracting officer's mind, I am not going to sign
8 any document unless I can back it up with law.
9 MR. VARGAS: I think this is a recommendation
10 that we can talk about, but we would hope that we would
11 hear from the Administrator on what she thinks about
12 the recommendations, and this will be on the
13 procurement side.
14 We also recommended, if you recall, that on
15 Executive Order 13360, which is a good executive order,
16 it's just that there is confusion within the
17 veteran-owned small business community that this
18 executive order is valid.
19 Those of us who understand the government know
20 that this is a valid executive order, because it's on
21 the books. What is less clear, however, outside the
22 Beltway, is if this has any real relevant given the

1 fact there's a new administration with a slightly
2 different approach to government.
3 So, what they want to hear is a reaffirmation
4 on the part of the White House, on the part of the SBA
5 Administrator, that this administration intends fully
6 to continue enforcing Executive Order 13360.
7 MR. JENKINS: I'm with you on that, but I need
8 to caution you, okay? Those of us that are military,
9 when the commander in chief issues an order, you'd
10 better watch out. In the civilian sector, when the
11 commander in chief issues an order, then they're
12 looking at how much politics is involved in what he's
13 issuing.
14 MR. SNYDER: The one thing I had heard
15 regarding all the executive orders is that the
16 President and the White House was reviewing all of
17 them, and in particular, in this one, that it was going
18 to be reissued, basically a reaffirmation. That's what
19 I heard.
20 But much like yesterday, when Meaghan was
21 talking about the executive order being signed for the
22 inter-agency task force, I had just inquired the day

1 before of two different sources in the building, and
2 the reply I got was a negative reply, and not even 24
3 hours later, you know, I heard the words coming off her
4 lips that the President has signed this executive
5 order.
6 MR. VARGAS: So, a little bit of confusion on
7 that.
8 MR. SNYDER: Well, it's either that or things
9 move faster than we give them credit for, but that's
10 what I had heard, that this was going to be reissued,
11 and in fact, even beefed up to some degree,
12 strengthened, but we have not seen that, and the
13 particular executive order that we were talking about,
14 that Meaghan made reference to yesterday, that final
15 draft and everything had been vetted for three months
16 before it was signed.
17 MR. VARGAS: This is just another example of
18 where this committee should be afforded an opportunity
19 to provide some input to these important executive
20 orders which impact on veteran entrepreneurship.
21 That's our mandate, to give our assessment, to
22 make recommendations, and I don't think that issuance

1 of the executive orders in a vacuum, in small corners
2 in a building, serves the purpose of this committee.
3 Any other discussion? I see it's getting
4 close to lunchtime, so I know where the focus is here,
5 but I do want to afford everyone a chance to comment on
6 this issue of procurement goals and achievement.
7 MR. SNYDER: Yesterday we were talking about
8 Ana's comment regarding -- there was a comment
9 regarding clusters. There was a comment dismissing
10 Jathan's comment on clusters -- Stephen's. It had to
11 do with a couple of the funding levels, and for
12 example, in fiscal year 2010, the women's centers are
13 funded at a $14 million level.
14 You know that this office, the veterans
15 office, is funded at 2.5. These are the non-credit
16 programs, the cooperative agreements.
17 Then we get to the point that was made about
18 the $2 million that's tied to the clusters and what
19 have you.
20 I'm looking at part of the legislative package
21 that was provided to us regarding the omnibus bill, and
22 in that, it says the conference agreement includes 10

1 million for the administrative entrepreneurial
2 development initiative as proposed by the Senate,
3 instead of 15, and I'm skipping down a little bit.
4 The conferees modified House report language
5 directing SBA to submit a detailed spending plan for
6 the entrepreneurial development initiative within 45
7 days of enactment of this act, and the obligation of
8 funds for the initiative will be contingent upon
9 approval of such spending plan by House and Senate
10 Committees on Appropriations.
11 So, we have an amount identified, but what
12 it's saying is that, before we release those funds,
13 your spending plan has to be approved.
14 Then we go to the next paragraph. The
15 conferees reiterate sent report language strongly
16 encouraging SBA to consider funding veteran business
17 outreach centers that have significant experience
18 conducting outreach to veterans, including those
19 previously receiving Federal funding.
20 And then when we look at the agency's
21 Congressional submission, we're talking about
22 innovation clusters and where they are requesting $11

1 million for public-private partnership, entrepreneurial
2 education initiative that will develop successful
3 public-private partnerships creating regional
4 innovation clusters that create and sustain an
5 environment of small business growth. The funding will
6 be used to establish a competitive grant program that
7 will provide incentives for self-organized,
8 market-driven regional cluster projects. Successful
9 proposals will include public-private partnerships made
10 up of economic and entrepreneurial development
11 programs, business and industry partners, and training
12 initiatives that demonstrates high growth potential and
13 industry-specific collaboration and focus.
14 This is something that's not close to the
15 vest. It's public information, if you'd like a copy of
16 that.
17 MR. VARGAS: Could we have copies of that?
18 MR. SNYDER: Sure.
19 MR. VARGAS: This conference language doesn't
20 say anything about $2 million for --
21 MR. SNYDER: No, it doesn't, and the way that
22 I interpret that is that a decision has been made -- it

1 appears that the decision was made that that was how
2 maybe they were going to dissect it. I don't know. I
3 don't know, beyond that.
4 MR. VARGAS: So, inasmuch as this is in a
5 formative state, would it not be useful to have some
6 discussions on how this $10 mill could be used? What
7 do we think?
8 MR. SNYDER: Because again, when you read the
9 part about the WBCs, the Women's Business Centers,
10 there's nothing mention in there about $2 million in
11 fiscal year 2010.
12 MR. VARGAS: Okay. You know, we talked about
13 this, this morning, Dick, before you came here. It
14 would be generally welcome and useful to have funding
15 for veterans in business development.
16 We'd like to see that channeled through your
17 office, because we think SBA is the most appropriate
18 place, and we'd like to see more money for our efforts,
19 including for women's business centers, but this notion
20 of selecting categories of veterans for earmarked
21 funding is probably not the best thing to do, because
22 what it does is it creates a misunderstanding on the

1 part of other veteran groups.
2 I know that there's a lot of political
3 horsepower on the Hill to be marshalled to support
4 this.
5 So, what it does, it divides us. It pits one
6 group against the other, and that's not the intent of
7 the people who made this recommendation.
8 I daresay that whoever came up with this idea
9 is not a veteran, and thought it would be politically
10 expedient to advance this notion on earmarks and so
11 forth, but that person didn't really assess the
12 ramifications, the impact that this would have among
13 the veteran community.
14 So, I just think it's worth revisiting,
15 talking some more, and seeing if we can't stay on track
16 to get more funding but make it for all veterans.
17 MR. WHITE: I totally agree. I think it was a
18 poor decision on their part, and I think they sort of
19 jumped the gun. Probably the poorest decision was to
20 announce it yesterday in front of us.
21 So, what makes sense from us as a board, to
22 voice those concerns -- an email to Meaghan, saying is

1 this already etched in stone? It looks to me like, you
2 know, that comes from a pool, and as your veterans
3 advisory board, we recommend that the money is focused
4 on all veterans and not try to divide the veteran
5 community.
6 MR. VARGAS: What we said is it was a two-step
7 approach. We would first send an email to Meaghan to
8 get some additional background -- she is the one who
9 raised this issue yesterday -- and get some additional
10 background and then follow that up with a letter to the
11 Administrator.
12 I was toying around last night with the idea
13 of sending an email. I'm glad I didn't.
14 I'm glad I held off, because there's some new
15 elements of information, EEI, which has just come to
16 the fore here, and that is that nothing is set in
17 stone, that the Congressional conference report makes
18 no mention about subdividing $2 million of the
19 additional monies that would come for veterans business
20 development.
21 There's no written requirement that this be
22 done. There's no draft legislation of any sort.

1 MR. WHITE: Is this specifically targeting
2 veterans?
3 MR. VARGAS: No.
4 MR. LINSCOTT: My understanding is it reads
5 it's for $10 million for business development.
6 MR. WHITE: It doesn't say veterans, does it?
7 MR. LINSCOTT: No.
8 MR. WHITE: That's within the SBA?
9 MR. GARCIA: It's for an entrepreneurial
10 development initiative, and that initiative has a
11 veteran component? Outreach centers. That's over and
12 above that?
13 MR. VARGAS: That's over and above that.
14 MR. GARCIA: That's that 10 million that was
15 in my mind, that Bill was telling me about. I think
16 what Bill was saying is that that's the pot of money he
17 was saying that we can try to create this thing
18 nationally to fund it.
19 MR. VARGAS: And from meetings that he was in
20 that I was not in but we discussed afterwards, the
21 indication was that that money was -- maybe not in
22 total but that a significant portion of it was coming.

1 MR. GARCIA: To your office.

2 MR. SNYDER: Yes. But apparently somewhere

3 along the line, things changed.

4 MR. GARCIA: But they took a piece of that and

5 put it in the women's department?

6 MR. VARGAS: Here's what I'm guessing. I'm

7 guessing that people within SBA, probably including

8 Meaghan, probably including the Administrator, probably

9 including Ana Ma, have come together and said, look,

10 within the veteran community, there is -- there are

11 these 1.8 million women veterans who should receive

12 additional funding in the context of Veterans Business

13 Outreach Centers

14 MS. LYNCH: I don't think that's the case. I

15 don't think that's the case at all. I mean, I think,

16 honestly, veterans' issues are not on the agenda of

17 these folks that you just mentioned, and that's just

18 saying, just because they're women, they're thinking

19 women veterans.

20 I don't think that's the case at all. There's

21 an external lobby going on. There's a strong external

22 lobby for spouses and family members of veterans. Blue

1 Star is the name of the organization. I think it's
2 externally motivated.
3 MR. VARGAS: I accept that.
4 MR. WHITE: We can go back in and say, hey,
5 we've got a plan here that we're going to bring in all
6 these people together to form a national organization.
7 MR. VARGAS: You make an outstanding point. I
8 agree with you.
9 I will tell you, however, that how this is
10 perceived -- how this will be perceived within the
11 veteran community -- we want to, to the extent
12 possible, to defuse that or to correct that perception,
13 but I'm saying, you know, having it issued like this
14 does not help, does not help the understanding within
15 the veteran community.
16 MS. LYNCH: I'm an advocate of dollars go to
17 veterans. Dollars don't go to green veterans, blue
18 veterans, red veterans. It doesn't matter. Dollars go
19 to veterans. But I really, again, firmly go back to
20 let's not speculate on intent. I think there are
21 bigger forces at play here --
22 MR. VARGAS: You're right.

1 MS. LYNCH: -- and let's get educated so we
2 can advocate for it to all go to --
3 MR. VARGAS: That goes back to what we said we
4 should do, and that is find out the facts. Let's
5 request some additional information on this, and at the
6 same time, why don't we consider offering to provide
7 input, to provide some thoughts, some recommendations
8 on how this money, in light of what we know, the
9 language in the conference report reads, you know, how
10 that money should be spent.
11 Any other comments on that?
12 MR. WHITE: This advisory board, if anybody is
13 listening, you would think that would be the first
14 place that they come and say, look, we've got a pot of
15 money that's coming in, how would you recommend that we
16 do this, give us your ideas on it. I mean, that's what
17 we're here for, I thought.
18 MR. VARGAS: Right. Correct.
19 MR. LINSCOTT: I second that. My comment in
20 the overview of the whole matter is I don't recall
21 anybody coming to us asking us for any input on how 10
22 million bucks should be spent in any direction.

1 We wouldn't have known it existed if it wasn't
2 for the comment yesterday, and so, I'm not quite sure
3 how appropriate it is for us to suggest to anybody that
4 this new 10 million for entrepreneurial business
5 development --
6 MR. GARCIA: The only recommendation would be
7 a friendly recommendation to Raymond and to Bill
8 Elmore, is that when you see stuff like that, utilize
9 this committee.
10 MR. LINSCOTT: Absolutely.
11 MR. GARCIA: He is bringing it to our
12 attention now, so let's make hay with this thing, you
13 know, and as other things pop into the system here, you
14 know, let us know, and maybe we could, you know, make
15 this wheel squeak a bit.
16 MR. LINSCOTT: Absolutely. Nobody has asked
17 for the input, but where I was going was I think this
18 is an opportunity to give it.
19 MR. VARGAS: I know that Bill champions this
20 committee very much. He does provide our thoughts at
21 the appropriate meetings.
22 MR. GARCIA: Well, we can say things they

1 can't.

2 MR. SNYDER: Just one comment. When it was

3 revealed yesterday about $2 million -- that's the first

4 I've heard of it. Obviously I was aware of the 10, and

5 obviously I was aware of the plan, but what the plan

6 was, as we sit here right now --

7 MR. GARCIA: You're in the system here.

8 MR. VARGAS: This is one of the things that

9 provides gridlock sometimes, creates gridlock, I should

10 say.

11 MR. SNYDER: It's like when I worked in the

12 IG's office, there was always a term that was bounced

13 around. It was "need to know," so --

14 MR. VARGAS: Yeah, need to know.

15 Looking at the afternoon schedule, before we

16 break for lunch, we have a presentation at 1:00 o'clock

17 on the 2010 update.

18 MR. SNYDER: What I want to do is -- I'm going

19 to touch on two things, our -- just our internal plan

20 as to what our objectives and moving forward in 2010

21 are as an office, aside from the VBOCs, and the other

22 thing, I have some reports on just more or less

1 production metrics as to what the Office of Veteran
2 Business Development and the initiatives, the
3 leveraging that we have done over several years but,
4 more importantly, this most recent fiscal year, as to
5 counseling, outreach, and things like that, that I
6 think will be -- provide some insight and rationale as
7 to, well, if you had more money, if you had more
8 resources, could you do more? I think the answer is
9 obviously yes.
10 MR. VARGAS: Excellent. Look forward to that.
11 MR. SNYDER: I got an email early this morning
12 from Zanikow. He has a conflict. If you remember, I
13 think it was Meaghan or Ana said something about -- in
14 a conversation -- something relative to what you said,
15 Steve, about credit unions and another financial group
16 that was coming into the building. So, he's not going
17 to be here.
18 However, there are two individuals, two
19 representatives that he is sending, and I reiterated
20 back to them, you know, a couple of the points that
21 were touched on yesterday so far as the TARP, focus on
22 how that might goaled towards veterans coming up, the

1 Patriot Express, what might happen with that, so that
2 they are prepared for that.
3 MR. VARGAS: Excellent. And we have a session
4 with Holly Schick from SBA Entrepreneurial Development.
5 MR. SNYDER: I mentioned to Ron that,
6 certainly, if there are some general questions, Holly
7 can be able to respond to them.
8 MR. VARGAS: Okay. Let's adjourn for lunch
9 and come back at 1:00, please.
10 (Whereupon, at 12:00 p.m., a luncheon break
11 was taken.)
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1 A F T E R N O O N S E S S I O N

2 MR. SNYDER: We had requested over a million
3 dollars to fund outreach and different initiatives that
4 we have. They have preliminarily come back, and it
5 looks like our operating budget for the office is going
6 to be $550,000.
7 Now, with that $550,000, one of the things
8 that we -- that funds Bill and the office participation
9 in different veteran speaking engagements, VFW, Legion
10 events, the VA event out in Las Vegas, and we actually
11 also subsidize some of the district offices so far as
12 their outreach.
13 The example I used yesterday was Elmira. They
14 do several things throughout the year, and the district
15 office operating budget doesn't accommodate it. So, we
16 look at it, evaluate it, and when we can support and
17 have the money, we do so.
18 The other thing that this supports is -- aside
19 from the regular, you know, routine supplies and office
20 equipment, which is minimal in this budget, supports
21 $75,000, is what we budget for this committee a year,
22 getting you guys in here, your travel and the requisite

1 recording services.

2 This year, we're also funding the cooperative

3 agreement with Syracuse, the EBV program, to the tune

4 of $150,000. Ours is a back room support function, if

5 you will. We are not involved in the evaluation, the

6 assessment of which universities come into the program

7 or any of the -- any of the veterans that come into the

8 program.

9 MR. VARGAS: What does the 150 cover? What

10 does it fund?

11 MR. SNYDER: We're really supporting their

12 administrative operations for that consortium of

13 universities, because heretofore, everything -- their

14 operating budget was basically through donations.

15 There were no appropriated funds, you know,

16 through the respective universities or anything like

17 that. It was strictly donations.

18 MR. VARGAS: So, as I understand it, these

19 universities listed here will have an EBV program set

20 up?

21 MR. SNYDER: Yes. And I believe -- there are

22 two more than have come on. Okay. Connecticut. All

1 of them are listed here, all six of them, and there are
2 still a couple of others that are being considered.
3 Connecticut and, I believe, Texas -- those were the
4 ones that were the recent additions to the program.
5 MR. VARGAS: How much money do these schools
6 get individually, and for what? Syracuse is running
7 the program, right?
8 MR. SNYDER: Right.
9 MR. VARGAS: Syracuse administers 150,000 --
10 MR. SNYDER: Right.
11 MR. VARGAS: -- and they give a portion of
12 that money to the different schools?
13 MR. SNYDER: I don't know that. I don't know
14 that answer.
15 MR. VARGAS: Okay.
16 MR. SNYDER: We also fund our district office
17 outreach initiative.
18 This is something that we put out -- we've
19 done every year at least for the last half-a-dozen
20 years, whereby we go out to the district offices, and
21 with a procedural notice, you know, saying this is what
22 we would like you to respond to in terms of veterans

1 business outreach events in your respective district
2 office, so -- and typically, the money that we transfer
3 to the district offices might be in the neighborhood of
4 1,500 up to 5,000 dollars to put on a particular event.
5 Last year, I believe we funded about 24
6 district offices, and it was, I think, about $70,000
7 that went out to the district offices. Again, we give
8 them the parameters of what we would -- the types of
9 events that we want them to be engaged in, and they
10 pick and choose and organize their own events.
11 The interesting thing that has happened from
12 this is -- Bill likes to refer to it as his chumming
13 initiative whereby we have put this -- made available
14 these funds, but through the success, more success in
15 some district offices than others, those participants,
16 those business, private sector participants have
17 engaged, and some of them -- the amount of money that
18 now we have to contribute has diminished, because you
19 have the private sector involved and the private sector
20 contributing in-kind materials, maybe in some cases
21 actually footing the bill for different aspects of
22 these initiatives, and that's something that we hope to

1 expand and grow every year.

2 I mean, ultimately, you'd like to have every

3 district office participating, but that's the -- that's

4 the goal.

5 Another thing that these funds will be used

6 for is $100,000 to fund this independent study that is

7 required by Public Law 110-186, and as I mentioned to

8 Felix, that public law, if you're not familiar with it,

9 is the public law that made this committee a permanent

10 SBA advisory committee.

11 The particular section that I'm referring to

12 in that public law is section 106, and this study is to

13 assess -- an independent study to assess and evaluate

14 the gaps in availability of outreach centers for

15 veterans.

16 When I make reference to 110-186, it's about 8

17 pages long. It's not something that -- unlike most

18 public laws -- is overwhelming and something you don't

19 want to get involved in. It's pretty easy reading.

20 MR. VARGAS: This will be for the Veterans

21 Business Outreach Centers.

22 MR. SNYDER: Yes. Yes.

1 MR. VARGAS: And is this study going to be
2 looking at some of the things that we've been talking
3 about, the demographics, the database, knowing what the
4 target audience is?
5 MR. SNYDER: We have not finalized that RFP
6 yet, so I don't think that the parameters have been
7 completely spelled out. If the committee would like
8 to, you know, look at 106, it's not a -- I think it's
9 about a paragraph or so long, and -- average size
10 paragraph, and if there are issues, items for
11 consideration that you think would be warranted to
12 consider and include into this study, just send us an
13 email.
14 MR. VARGAS: What do we think about this?
15 MR. SNYDER: Before anyone answers, the way
16 that I look at this is that, while we've had a lot of
17 back-and-forth on VBOCs, the funding, how many we need,
18 and things like that, to me this is an opportunity to
19 independently assess and provide some insight to that,
20 and I think that, as you go through -- I mean, it's
21 like, well, how many veteran business centers do you
22 need, where are the gaps, what are they?

1 Well, that can be anything from the services
2 that they are providing to the number of centers, but
3 if you get into the number of centers and the services
4 that you're provided, to me, part and parcel to that
5 is, well, how many veterans are we serving?
6 MR. VARGAS: I think that this is an
7 opportunity to get at that data that we have long been
8 expressing interest in getting. How can we make a
9 determination on the number of VBOCs if we don't know
10 how large the community is and where it lives and other
11 vital information.
12 MR. SNYDER: We have that information. I
13 mean, for example, just coincidentally, the centers
14 that are -- that have been funded thus far are in the
15 top 10 of population demographics of the veterans, but
16 the VBOCs are not going to be focused on just serving
17 all of the veterans.
18 It's the veteran entrepreneurs, the veteran
19 small business people, and that's back to the question
20 and the answer that we really don't have good data on
21 that.
22 MR. WHITE: Where does VA get that when they

1 don't ask the question if you're a vet on the survey?
2 MR. SNYDER: I don't know.
3 MR. WHITE: Do you have any idea?
4 MR. MILLER: Probably they compile it from a
5 lot of different sources, but I don't know the exact
6 answer to that. But they have -- they have it broken
7 out by county.
8 MR. WHITE: And by age and, you know,
9 ethnicity and all this stuff, and I don't even remember
10 them asking it on the census that you're a veteran,
11 though, and they don't.
12 MR. VARGAS: I think that's what Terry was
13 saying earlier.
14 MR. WHITE: Where the hell are they getting
15 that information about -- all this detailed information
16 on veterans?
17 MR. VARGAS: The other mystery is why they
18 won't share that information. I mean, to argue that
19 this violates the Privacy Act is a cover.
20 MR. MILLER: They'll share numbers with you,
21 but they won't share names and addresses and stuff.
22 MR. VARGAS: We don't need names and

1 addresses. What we need to know is the basic data, how
2 business entrepreneurs we have.
3 MR. SNYDER: They just have numbers.
4 MR. VARGAS: So, this independent study gives
5 us an opportunity to get as good a handle on this data
6 as we could possibly have. We're talking about an RFP
7 that will be coming out, a study that will be
8 commissioned by SBA and funded to the tune of $100,000,
9 and it comes out of Bill's 550K, and the study would
10 assess and evaluate gaps in availability of outreach
11 centers.
12 What we're suggesting is maybe this committee
13 can express an interest in helping establish the
14 parameters for the RFP that's coming out, and I say
15 that's a great opportunity, if folks here in the SBA
16 are open to it, for us to provide a thought or two on
17 that.
18 Any suggestions, idea, thoughts?
19 MR. WHITE: I don't think it's even close to
20 the amount of money you'd need to go ahead and get the
21 list of veteran business owners, but it might be
22 someone that could -- you know, that might be able to

1 come up with a methodology for doing it. Like John
2 says, he can do it with the state.
3 Not every state -- most of them have an income
4 tax but not everyone does. You know, the IRS is the
5 one that could do it, and they probably won't even talk
6 to us. I think that's a waste of time, although that's
7 the quickest way to get it, of businesses,
8 because -- do you have a business profits tax or
9 something there?
10 MR. JENKINS: Excuse me?
11 MR. WHITE: Do you have business profits tax?
12 Do businesses have to file?
13 MR. JENKINS: Yeah.
14 MR. WHITE: So, most states have that. Even
15 New Hampshire has no income tax, but they've got a
16 business profits tax. You have to file anyway. But
17 there's obviously no question of your veteran status.
18 I don't know how big a deal that would be. I can
19 certainly find out. I can ask.
20 MR. VARGAS: The question before us is should
21 this committee express an interest in
22 providing -- helping provide the parameters for this

1 study? Does everyone agree?

2 MR. SNYDER: It probably would cost a lot more

3 than the money that we have budgeted, $100,000, to get

4 into a veteran business database, if you will, but

5 certainly, even identifying a methodology -- because

6 it's like there are a lot of -- to me, as Bill and I

7 talked through this, there are a lot of places, a lot

8 of sources that come to mind, but as you start drilling

9 down, then you hit a brick wall.

10 MR. VARGAS: These are issues that we can

11 address, and we can talk to the folks commissioning the

12 study. I mean, I look at, for example, the chambers of

13 commerce. Some of them have good data on members who

14 are veterans. Just to give an example, the U.S.

15 Hispanic Chamber of Commerce, the national one, has

16 considerable data on it.

17 So, working collegially with organizations

18 that do compile some data would be helpful, I think, to

19 the people who conduct the study. They don't have to

20 reinvent the wheel.

21 MR. SNYDER: The last item -- John, what I was

22 doing is just going through the highlights of projects

1 and initiatives that we are pretty sure we're going to
2 be funded for, and the last thing is $25,000 to develop
3 a multimedia kit focused on assistance to
4 service-disabled veteran-owned small businesses. It's
5 basically an outreach material kit, and would update
6 and revise a lot of what we already have in place.
7 I touched on the $150,000 we're doing with the
8 EBV program and funding for this committee and such
9 things as that.
10 MR. VARGAS: I think it would be good if we
11 could all get a copy of that.
12 MR. SNYDER: Okay.
13 MR. VARGAS: Discussion? Questions?
14 The figure of 550,000 -- is that a reduction
15 over what he had the year before?
16 MR. SNYDER: It's actually an increase. Last
17 year, we were -- aside from the funding for the
18 centers, we were at less than $200,000.
19 MR. VARGAS: So, that's good news. All right.
20 Well, thank you very much, Dick. This is
21 very, very good information, and we appreciate your
22 sharing that with us. If we can get a copy of what you

1 have before you, that will be good, also, for our
2 minutes. We'd like to include some of that information
3 in our minutes.
4 All right. So, we're moving on here
5 to -- right on time -- with the next topic on SBA
6 Capital Access.
7 MR. SNYDER: This is Dick Blewett. He is with
8 the Office of Capital Access.
9 MR. BLEWETT: I thought Christine was coming
10 down. She's the special assistant to Eric, and she is
11 a little more up to speed on the legislation, because
12 she spends a lot of time on Capital Hill. I work for
13 the Grady Hedgespeth. He's the director of financial
14 assistance which has all of the loan programs.
15 MR. VARGAS: And your title, Dick?
16 MR. BLEWETT: I'm the national customer
17 service manager, fancy title. Basically, I deal with
18 most of the nation's largest lenders that deliver our
19 loan products.
20 MR. VARGAS: Customer service manager within
21 the Office of Capital Access?
22 MR. BLEWETT: Yes.

1 MR. VARGAS: All right.

2 MR. BLEWETT: Dick had sent us some questions

3 that I think you had sent on to him.

4 MR. SNYDER: We can wait a few minutes for

5 Christine to come down.

6 You've been in front of this committee before,

7 haven't you?

8 MR. BLEWETT: No, this is the first time.

9 MR. SNYDER: Just briefly -- and I'll let

10 Felix fill in the details, but this is a permanent

11 advisory committee, one of many, to the SBA, and it

12 provides advice on SBA programs and other issues that

13 impact veterans, service-disabled veterans,

14 entrepreneurship, ways to -- obviously, to improve

15 opportunities, and each year, they produce a report

16 that goes to every member of Congress, the President,

17 and the Administrator.

18 MR. VARGAS: Dick, this used to be a committee

19 that needed to be re-authorized Congressionally every

20 year. With the passage of 110-186 now, we're a

21 permanent committee, and we meet as often as possible

22 and as resources permit, but at a minimum three times a

1 year.

2 I daresay that we could stand to meet six

3 times, eight times, because there just isn't enough

4 time to get a good handle on some of these themes and

5 be able to craft a report that makes sense, that's

6 going to be read by the White House, by the Congress,

7 and you know, we know that this report is read by the

8 Administrator.

9 Over the last several months, there's been a

10 lot of discussion on access to capital, and so, we've

11 got some former bankers here. We have a war horse who

12 is not with us today, who knows SBA lending forwards

13 and backwards.

14 As we look at the whole economic situation in

15 the country, as we look at the effects of the

16 recession, the contributions that veteran-owned small

17 businesses can make to get us out of the recession, we

18 can't help but think that there has to be more

19 creativity that goes into making lending more available

20 to small business owners, and I know the Administrator

21 has been hearing this all over the country from

22 different groups, different business groups.

1 For us, of course, we're concerned about
2 veteran-owned small businesses, and we note that the
3 President has expressed his desire to see $25 billion
4 of the unused TARP money to go to community banks for
5 the purpose of lending to small business, and a
6 question we would have is what is being done to make
7 sure that veteran-owned small businesses get their fair
8 share of this lending?
9 There's other questions and other issues.
10 There are other concerns we have, as well.
11 MR. WHITE: Could you just give us an idea of
12 the activity levels? I mean, they were way down in the
13 past. Have they come back up?
14 MR. BLEWETT: Well, that's why I'm really
15 waiting for Christine, because just before we were set
16 to come down here, she had one of our analysts go ahead
17 and pull all of the loan levels over the last couple of
18 fiscal years, so that we could answer that specific
19 question.
20 MR. WHITE: Now, you're dealing with banks
21 that are doing the lending. You've got to have a feel
22 for whether or not they're doing any SBA lending or

1 not.

2 MR. BLEWETT: Well, there's kind of two

3 answers. I think what we've tried to do and what we've

4 seen especially in this economy is -- you know, all of

5 our major lenders -- and when I say "major lenders,"

6 we're talking about Bank of America -- all of those, by

7 and large, use the Patriot Express program.

8 In fairness, though, I think what this economy

9 has shown us is that a lot of what we look at as our

10 niche programs -- veterans would be one, our Community

11 Express program would be another, our rural program

12 would be another.

13 Those, I think, were designed almost from the

14 outset to be a little more of a small community

15 regional bank program than some of the huge multi-state

16 banks, even though they do take part in our programs.

17 What we have been trying to do recently -- and

18 Patriot Express and Community Express are both still

19 pilot programs -- we had been very interested in

20 working with some of the community banks and some of

21 the regional banks to see how we could increase the

22 lending in both of those programs, and we've been

1 working very hard so far this year in trying to figure
2 out are we hitting the right markets, are the right
3 lenders delivering the program, are they delivering it
4 in ways that we think we get maximum outreach, and
5 that's the information that we would like to be able to
6 have by the end of this year so that we could either
7 take those programs into a permanent program or we
8 could modify them so that we felt that it would be
9 delivered better and we could get more volume in the
10 loans.
11 MR. WHITE: I know you addressed some of the
12 problems that we had seen, talking to banks, how to
13 crank up SBA lending more, and you got rid the fees,
14 which was an issue. The 90-percent guarantee is
15 certainly positive. But now I understand that the
16 Patriot Loan Express is about to run out.
17 MS. KORONIDES: I'm Christine Koronides. Eric
18 Zanikow, who is the head of Capital Access, had a
19 last-minute scheduling conflict, so I'm here in his
20 place, and I'm happy to answer any of your questions
21 about the lending program.
22 The Recovery Act provision that lowered the

1 fees for 7(a) programs and 504 programs on the borrower
2 fees and increased guarantees up to 90 percent -- those
3 are funded by Recovery Act funds, and those provisions
4 are temporary. So, those are going on now.
5 They're available through the end of February,
6 and you know, we're managing the money that Congress
7 has approved to fund those programs.
8 So, that goes across the board, including
9 Patriot Express, including the loans to veterans, and
10 then -- were you asking about the Patriot Express pilot
11 program?
12 MR. WHITE: Patriot Express, I understand, is
13 a pilot program.
14 MS. KORONIDES: Yes, it is a pilot program.
15 MR. WHITE: So, is it going to continue?
16 MS. KORONIDES: Yes. We have, I think, in the
17 fall, re-authorized it to continue through the end of
18 December 2010, and that's kind of what we do every
19 year, is re-issue -- we have to, every year, renew our
20 program guide around continuing the pilot program, and
21 this year, like in years previous, we've extended that
22 program for a year, and we continue to evaluate the

1 loans in the program, the kind of uptake and use of the
2 program, as we do for all of our pilot programs, and
3 you know, look at how we can make those permanent in
4 the coming year.
5 MR. WHITE: So, at the end of February, are
6 you going to start charging fees again?
7 MR. BLEWETT: Unless we get an additional
8 appropriation.
9 MR. WHITE: And the guarantee amount will drop
10 back?
11 MS. KORONIDES: Unless we get additional
12 authority from Congress and funding from Congress.
13 MR. WHITE: When you drop the guarantee
14 portion back and you start charging fees again, it's
15 certainly not going to spur any lending.
16 MS. KORONIDES: The funding for those programs
17 expired initially in December, and we had lending
18 continue in the few weeks where funding wasn't
19 available, definitely not at the highest rates that
20 we've seen in the peak of the recovery, but there was
21 still credit available for small business, continued
22 lending and funding, and then Congress did step in and

1 appropriate further authority and money to those
2 programs, and we're very thankful for that, and those
3 have kind of gone on through the end of this month, and
4 the President has definitely called for it and Congress
5 is looking at now ways to extend this authority
6 further. But it does kind of take appropriations and
7 legislation from Congress in order to extend that.
8 MR. BLEWETT: But there's no question -- I
9 mean, the real quick answer -- there's no question that
10 the fee issue and the increased guarantee definitely
11 has spurred an increase in the small business loan
12 volume, and you know, as Christine said, it never
13 dropped back to zero.
14 There still was some lending out there, and
15 especially, we think it was lending that the
16 application process has started and suddenly they ran
17 out of money and people wanted the loans and didn't
18 want to wait to see if it was going to be extended so
19 they went ahead and closed them.
20 We are very hopeful. We've got a lot of trade
21 association groups -- hopefully you're one of
22 them -- that are making your thoughts known on the

1 increase or the extension of that appropriation, which
2 would allow that.
3 Obviously, we would like to see the economy
4 much stronger before that's dropped, because right now,
5 you know, borrowers really need the fee relief, and the
6 guarantee helps a lot of banks that are very poorly
7 capitalized, and so, the difference between a
8 75-percent guarantee and a 90-percent guarantee with
9 their regulators definitely makes an impact on their
10 books, and so, we see a lot of benefits, but once
11 again, as Christine said, it's an appropriation issue.
12 That money has to come from someplace, and
13 they're looking at TARP. They're looking at a number
14 of other vehicles. You know, to be candid, we don't
15 really care where the money comes from. We would like
16 to see it come our way.
17 MR. SNYDER: Dick or Christine, a thought just
18 occurred to me. Has there been any discussion as
19 to -- I kind of think of this as like the Christmas
20 sales that started years ago, and now we've all come to
21 expect it.
22 So, now we had this Recovery Act. We know it

1 can't continue, but how do you wean the customer, the
2 small business person, you know, tapering back, at the
3 same time going forward and hopefully achieving, you
4 know, the lending volumes that we had, you know, prior
5 to this.
6 Obviously, you can't -- it doesn't seem to me
7 that you can do it cold turkey where you just say
8 stimulus is out, we're back to normal. I mean, that's
9 shock treatment. But has there been any discussion as
10 to how you wean back and get to so-called normalcy?
11 MR. BLEWETT: I think you have to look at what
12 happened to the access to capital, and there's really
13 two answers.
14 One, there was definitely a decrease in
15 demand. We have substantially fewer people that want
16 to start businesses or expand businesses, for a lot of
17 obvious reasons. A lot of our startups used part
18 credit card money and then part small business money,
19 and those credit card -- basically, those credit card
20 lines have dried up completely, and so, consequently,
21 we've got less people that are just out there on the
22 streets looking for money.

1 At the same time, we've got a substantial
2 number of banks that really have a capitalization
3 problem, and they have to be very careful of what types
4 of loans they do, or if they do lending at all, and as
5 we've seen over the past 6 to 18 months, some banks
6 have gotten out of lending altogether. Some have
7 tightened up their credit boxes so that only the best
8 of the very best loans they put on the books.
9 I think one answer, though, Dick, is we are
10 hoping that the stimulus money takes us into a
11 situation where we have increased demand and we have an
12 increased number of lenders that are willing to do
13 small business loans regardless of what that guarantee
14 is.
15 MS. KORONIDES: Let me jump in. There is the
16 reduced demand, the capitalization issues.
17 Now, the capitalization issue for
18 banks -- that's really a gap that TARP and the Office
19 of Financial Stability and kind of this new program
20 that has been recently announced for creating
21 incentives to help smaller banks have more capital to
22 lend will -- are designed to address, and our

1 90-percent guarantee really addresses the risk aversion
2 and the continued tightening of credit standards in
3 this environment.
4 So, the 90-percent guarantee, allowing SBA to
5 take on more risk, is designed as a tool to help in an
6 environment where the lending standards have tightened
7 to such a degree, and as they begin to loosen
8 or -- we've seen in the latest senior loan officer
9 surveys from the Federal Reserve Board that there's
10 kind of an ease in the tightening, which isn't saying
11 very much.
12 They're not tightening as much from quarter to
13 quarter anymore. They're starting to kind of maintain
14 the credit standards where they're all. Still a very
15 big problem for small businesses, but you know, we are
16 working with our resource partners, with the Small
17 Business Development Centers, through our field offices
18 and through -- really just driving the message home
19 with the administration and with Congress on what kind
20 of tools small businesses need.
21 MR. GARCIA: What I see that, you know, the
22 banks have made so many bad loans, they're afraid to

1 make some good loans now, but Mr. Culbert is from our
2 state, and he's experienced what you're talking about.
3 I'd just like him to articulate what he's seeing, if he
4 can.
5 MR. CULBERT: Good afternoon. Clarence
6 Culbert, CEO of Global Technology Solutions, LLC, based
7 out of the Albuquerque, New Mexico, area. I'm a
8 premier staffing agency for Lockheed Martin, but that
9 contract just started -- just ramped up -- just ramping
10 up in the last few weeks.
11 Trying to get access to capital -- I mean, I
12 have super good credit on the personal side, but what
13 I'm running up against is, well, you have a contract,
14 but you're not generating any revenue right now.
15 So, therefore, you know, I've got to
16 basically, in a sense, give away the farm, leveraging
17 my own house or whatever the case will be, just to get
18 access to capital.
19 I mean, I just don't understand why all of
20 this bureaucracy, and I understand what happened, okay,
21 from a financial standpoint, but the small guys didn't
22 screw up, okay?

1 So, why should they have to suffer because of
2 the larger idiots, basically, in a sense, that made
3 these type of things, and now everybody is suffering,
4 and you want the small business, who basically
5 generates a lot of the most jobs in America, and all of
6 the bureaucratic maze and the stumbling blocks are in
7 place right now, and they say we're going to get to the
8 point of easing. That does not make any sense to me.
9 MR. BLEWETT: Well, there's a technical
10 answer, which I think -- which we got this week. We
11 met with one of the nation's largest lenders, and they
12 brought their analysts in, and several of their senior
13 members, and we talked specifically about the lack of
14 access to working capital, because of all the things
15 that we hear kind of day to day, people say we need
16 working capital.
17 We've got contracts, but we need to buy
18 inventory. We've got contracts, we need to hire
19 people.
20 MR. CULBERT: I can't even hire anybody,
21 because I mean I've already gone through -- I need to
22 hire folks to help me execute this contract, so you can

1 be more competitive. I've gone through -- I've already
2 selected my folks, but I can't even get access to
3 capital just to even hire these folks.
4 MR. BLEWETT: There is a partial solution, and
5 to give you some ideas of what the SBA is attempting to
6 do, what we've heard from, you know -- I hate to
7 mention names, but all of the major ones, is part of
8 the problem is in looking at the financial statements
9 of the businesses and the individuals over the last,
10 you know, 12 to 24 months, there's almost a decline in
11 every case.
12 Even if they have not missed making payments,
13 their personal credit and sometimes the business credit
14 really has suffered because of the economy.
15 MR. CULBERT: Right.
16 MR. BLEWETT: Most of the major banks and a
17 lot of the smaller banks have restrictions in place as
18 far as putting new money on the street where you've got
19 a declining balance sheet, and so, what we are
20 attempting to do and what we did with two of our
21 largest lenders over the past -- basically the past
22 month -- is we have tried to get them to look at

1 loosening up that credit box so that if they are making
2 decisions based upon just financial statements and
3 credit scores, if they open that up a little bit, we
4 are hoping that they, in the very near future -- right
5 now, as a matter of fact -- that they will start to see
6 that they can actually do some increases in working
7 capital that deal with situations like that.
8 MR. VARGAS: According to my schedule, we only
9 have you folks until 2:30, unless there's some
10 flexibility, and then the next speaker, but I know that
11 the committee has a lot of concerns, and we're not
12 going to have enough time.
13 I wanted to ask you, Christine, did you have a
14 presentation to make?
15 MS. KORONIDES: What I brought for you
16 all -- and I'm happy to, you know, let you just go
17 through it at your leisure. I just brought for you
18 our -- we do a monthly report card on the agency's kind
19 of Recovery Act lending and other initiatives, and so,
20 you can just go through this at your leisure, and we're
21 happy to spend our time answering your questions
22 instead.

1 If you would like me to go over what the
2 lending statistics are to date through the Recovery
3 Act, I'm happy to do that, as well, and I have some
4 numbers around the numbers of veteran loans and Patriot
5 Express loans we've done in that time, as well.
6 MR. VARGAS: Why don't we look at this report
7 card at our leisure, and we can come back at our next
8 meeting and maybe tackle some of these things.
9 MS. KORONIDES: Okay.
10 MR. VARGAS: But let's continue the
11 discussion. Obviously, if we have some additional
12 time, we can get back to Mr. Culbert.
13 MR. BLEWETT: Before we move on, let
14 me -- take this down. My email is
15 richard.blewett@sba.gov, and we would invite any of
16 you, if you have further questions or if you would like
17 further information, obviously we feel we are a
18 resource for all of you, just let us know, and we'll
19 try to provide whatever you need.
20 MR. LINSCOTT: SBDC surpassed their annual
21 capital infusion goal?
22 MS. KORONIDES: This is a measure that our

1 resource partners, the Small Business Development
2 Centers, use, and SBA makes grants to a network of
3 Small Business Development Centers across the country,
4 and those centers counsel and train small businesses
5 and help them find financial resources, as well as
6 other resources that they need.
7 So, what this metric here is showing is that
8 the SBDCs have successfully coached small businesses in
9 obtaining over $3.4 billion in loans so far this year.
10 So, they kind of goal -- base goal on like
11 numbers and dollars of financial assistance to their
12 clients.
13 MR. LINSCOTT: So, this is the 112 centers,
14 just those SBDCs?
15 MS. KORONIDES: Yes. There's a network
16 of -- this is from the entrepreneurial development
17 division, so -- I think Holly might have been here
18 earlier. I'm like mildly familiar with them, but I
19 might give you the wrong --
20 MR. LINSCOTT: If the SBDCs did 3.48 billion,
21 how much was -- what was the total number?
22 MS. KORONIDES: The total SBA lending -- now,

1 whether or not the SBDC -- the SBDC is not a bank,
2 right? They're resource partners.
3 MR. LINSCOTT: Well, I understand that, but
4 through those SBDCs, the way I read it is --
5 MS. KORONIDES: It may or may not be an SBA
6 loan. So, let me go through the numbers really
7 quickly.
8 MR. LINSCOTT: Okay.
9 MS. KORONIDES: So far, to date, through the
10 Recovery Act -- and that's been about a year -- we've
11 done about $14 1/2 billion in SBA-approved lending,
12 which leverages, when you look at the 504 program, to
13 about $20 billion in loans to small businesses, and
14 we've had over 1,000 lenders come back into the SBA
15 programs during that time and strengthen our secondary
16 markets and the sales that are taking place there, and
17 I can just give you the veterans numbers, as well. I
18 know that you all were interested in that.
19 About 4,000 of the Recovery-funded loans went
20 to veteran-owned small businesses, and 2,350 Patriot
21 Express loans are made with the Recovery Act funds, and
22 that was for about 172 million.

1 MR. WHITE: 2,300 loans?
2 MS. KORONIDES: Yes, 2,300.
3 MR. LINSCOTT: Recovery Act.
4 MS. KORONIDES: Recovery Act, in the past
5 year.
6 MR. LINSCOTT: I'm just trying to understand
7 it.
8 MS. KORONIDES: Sure.
9 MR. LINSCOTT: If there was 14.8 billion, you
10 would call that 14.8 billion capital infusion? If I'm
11 thinking of the term correctly, that's new. That's
12 extra operating capital. That's capital that's
13 infused.
14 MS. KORONIDES: This metric you're looking
15 at -- 14.8 billion SBA guaranteed loans. This capital
16 infusion language for the Small Business Development
17 Centers -- it's from another division, and I can't
18 really speak to what their language is.
19 MR. LINSCOTT: That's okay.
20 Sir, have you been to an SBDC?
21 MR. CULBERT: Yes, I have but not for a loan
22 situation at this juncture.

1 MR. LINSCOTT: It looks like about a third of
2 their -- there's a large percentage of success through
3 going through a SBDC.
4 MS. KORONIDES: It's a great resource. We've
5 found that, especially during these troubled times,
6 it's really helpful for businesses to have additional
7 support from business counselors that help them
8 understand how to obtain credit in this environment.
9 MR. BLEWETT: We're not talking about a direct
10 lender. We're talking about a resource that leads to a
11 direct lending channel.
12 MR. LINSCOTT: No, I understand that. As a,
13 years go, recipient, my big shortcoming was I could
14 speak Marine and I could speak Army and I could speak
15 Air Force, but I could not speak SBA, and unless you
16 speak SBA and you're on the outside of this wall out
17 here on the sidewalk, unless you know how to speak SBA,
18 you get no SBA, and that's a fact.
19 Until you succumb to speak SBA, there will be
20 no help from the SBA.
21 MR. BLEWETT: Okay. Let me address that real
22 quick issue. I'll try to do it as quickly as possible.

1 One of the major things that we started under
2 the last administration that we have carried over is
3 electronic processing, and it especially works well in
4 smaller balance loans.
5 The term, in case you want to write this down,
6 because it is SBA-speak, is ETRAN. It's electronic
7 transmission, and when I say especially for the smaller
8 loans, delegated lenders, we have built our business
9 rules for these different loan programs into an
10 electronic interface.
11 So, whether you're a large lender or a small
12 lender, if you have delegated authority from us and you
13 enter your application into ETRAN, if it meets the
14 business rules, you get a loan number back immediately.
15 It's on the old FHA/HUD system where, you
16 know, if you want a guaranteed loan, you put it in, you
17 get your loan number back. That's basically what
18 we -- we lifted the platform.
19 More and more of our lenders, we are forcing,
20 cajoling, begging, pleading to get them onto ETRAN.
21 One, it's a cheaper way to do loans, but secondly, it's
22 especially good for the niche loan programs like

1 Patriot Express and Community Express, because in most
2 cases they don't have full-time SBA-trained SOP
3 experts.
4 But if we can get them to understand just the
5 basic business rules of ETRAN, you enter it, you fill
6 in the boxes, you get a loan number, you can fund the
7 loan. So, that's one of the real improvements over the
8 past 12 to 18 months. We have really seen an upsurge,
9 and to a certain extent, the reason we did that was
10 specifically to answer the point that you raised, and
11 that is so many people don't do SBA speak.
12 So, this way, if you do ETRAN speak and you
13 can enter the application correctly, you don't really
14 need to know page after page after page of SOPs. You
15 need to be able to understand the process to get you
16 that loan number.
17 MR. LINSCOTT: That sounds like a huge
18 victory.
19 MR. BLEWETT: Let me tell you another huge
20 victory.
21 The other thing we are trying to do is we are
22 trying to reach out to non-traditional lending sources,

1 and the biggest one that we are working with now are
2 credit unions.
3 The reason credit unions are important -- and
4 I can tell you one of our success stories. One of our
5 lenders of the year last year was the Randolph Brooks
6 Credit Union. Their portfolio was almost exclusively
7 Patriot Express loans. Why? Because their clientele
8 was almost exclusively Air Force personnel and spouses.
9 MR. LINSCOTT: Randolph Air Force Base Credit
10 Union?
11 MR. BLEWETT: Randolph Scott Air Force Base in
12 Texas.
13 MR. LINSCOTT: Okay.
14 MR. BLEWETT: So, what we are attempting to do
15 is open up the channels of communication with as many
16 of the credit unions nationally, because most of them
17 are tied specifically to kind of a captive audience. A
18 lot of those captive audiences, especially here in
19 Washington, are around military installations.
20 So, especially for our Patriot Express
21 program -- and this is one of the things that we looked
22 at when we extended the pilot, was if you're looking to

1 expand access to capital, who is going to make the
2 ultimate loan? Who is going to be the end lender?
3 And what we looked at was, we've got thousands
4 of credit unions that are sitting basically steps away
5 from a captive audience of military personnel. What
6 better way to deliver Patriot Express loans?
7 So, that's a big thing that we are looking at
8 to do this year, to get us up to next year when we've
9 got to make a decision to either, you know, close down
10 or expand or take permanent the Patriot Express
11 program.
12 MR. LINSCOTT: Is USAA a player?
13 MR. WHITE: They don't have a credit union.
14 MR. LINSCOTT: Well, they're a bank. Is USAA
15 a player?
16 MR. WHITE: They don't do business loans.
17 They won't even open up a business account as of right
18 now.
19 MR. LINSCOTT: That's sad.
20 MR. VARGAS: I know our time is evaporating
21 here.
22 As I understand it, the authority to continue

1 the no fees and to continue the 90-percent guarantees
2 and the continuation of the Patriot Express loans are
3 things that are on your radar screen.
4 MS. KORONIDES: Yes.
5 MR. VARGAS: You're advancing them, you're
6 discussing it with the Congress, and it would be
7 helpful if this committee supported, obviously, the
8 common goal here. Thank you.
9 The $30 billion -- how does that play into all
10 of this? What role will you have in shaping that, and
11 what assurance can you give us that veteran-owned small
12 businesses will benefit from it?
13 MS. KORONIDES: We've been working very
14 closely with the Treasury Department on the small
15 business lending facility program that the President
16 announced, that you're speaking of, the 30 billion,
17 reprogramming some money from the TARP program to help
18 really focus on smaller community banks, banks with
19 assets of less than $10 billion, increase their small
20 business lending across the board.
21 So, that is really a Treasury program. We've
22 been working very closely with them to help make sure

1 that our programs are complementary to that, and that
2 program really focuses on -- I think Dick and I both
3 mentioned before there are kind of three segments to
4 the problem here, right?
5 There's the demand problem from small
6 businesses, there's a capital problem at some banks,
7 and there is a risk aversion problem.
8 So, our 90-percent guarantee gets at the risk
9 aversion, the fee elimination gets at the demand issue,
10 and this capital program that the President announced
11 is really getting at the banks' issues with capital and
12 liquidity.
13 This program would be designed similar to the
14 capital purchase program at the TARP, but it's not a
15 TARP program, doesn't come with any of those
16 restrictions. The idea is really that it's not for
17 banks that are in trouble; it's for small banks that
18 right now want to and can be expanding their small
19 business lending portfolios.
20 So, it would work -- Congress still has to
21 define all the rules around this. The legislation
22 hasn't really come out yet. I know the basic concept

1 is to provide an incentive to provide reduced rate
2 capital to these small banks in return for seeing a
3 measure of growth in their call report balance sheets
4 on small business loans.
5 MR. BLEWETT: Let me take the last 30 seconds
6 of that answer.
7 The other thing we are doing in anticipation
8 of possibly money flowing into the community banking
9 system is -- we have 68 district offices in every state
10 of the union, and our folks basically are out on a
11 daily basis working with -- especially the smaller
12 banks, because we deal with most of the major money
13 center banks here in headquarters, but the regional
14 banks and the smaller banks are the specific
15 responsibility of our district offices.
16 They are working with the banks, the smaller
17 banks, especially, on a daily basis, trying to figure
18 out what their problems are, whether it's a supply
19 problem, a demand problem, a capitalization problem,
20 and if this money starts to flow, as Christine said, it
21 won't be specifically SBA money.
22 Where we're hoping to get our piece of it,

1 though, is through our field offices, if we can
2 continue to deal with that capitalization issue and say
3 we can definitely cut your risk in using this new TARP
4 money with our guarantee, whether it's 75, 85, or 90
5 percent, that's the sales job that we're trying to do
6 on a daily basis.
7 If you're going to get back into lending,
8 don't do 100-percent bank financing and use up your
9 capital quickly. Use our guaranteed loan programs,
10 because basically it mitigates your risk and it expands
11 your access to capital, because you only have to set
12 aside in reserves anywhere between 10 to 25 percent.
13 So, that program is ongoing. I mean, that's
14 really what the district office network was set up to
15 do, and we are doing it, I promise you.
16 MR. VARGAS: The Small Business Investment
17 Company program -- what role do they have in promoting
18 greater lending to small businesses?
19 MS. KORONIDES: The Small Business Investment
20 Company program has continued to operate and has kind
21 of seen some growth through the Recovery Act, as well.
22 I'm sorry, I didn't bring the numbers on that with me

1 here.

2 They are -- they're focused on kind of

3 mid-stage funding for business.

4 So, it's not early stage venture investments.

5 It's not a term loan or a working capital loan, meeting

6 those needs. It's really meeting like mezzanine debt.

7 MR. BLEWETT: It's almost mezzanine venture

8 capital. You know, if you're looking at kind of a

9 term, it's almost that venture capital issue, where we

10 step in.

11 MR. WHITE: It's not even almost like it, it

12 is.

13 MS. KORONIDES: So, that program, right now,

14 is, I think, very important in this economy. We've

15 seen a real increase in the number of firms applying

16 for licenses to become small business investment

17 companies and to participate in this program.

18 I know that those companies, like the banks

19 that are having issues with capitalization, those

20 companies are having a hard time raising private funds

21 that we match through our guarantee, but they're really

22 focusing on these businesses that are growing in this

1 economy, that are really going to be the next wave of
2 big employers in the future.
3 MR. VARGAS: I assume that you work very
4 closely to ensure that these receive the licenses?
5 MS. KORONIDES: Yes. The new head of that
6 department, that division, has put in a fast track
7 program to accelerate the decision-making process
8 around the licensing, which has been -- which has taken
9 many months in the past, and now they've gotten down to
10 one to two months.
11 So, they're really working to get more
12 partners on-board quickly and to better service those
13 partners.
14 MR. VARGAS: Who is the head of the program?
15 MS. KORONIDES: Sean Green. He is the new
16 director of investments, associate administrator for
17 investments.
18 MR. BLEWETT: I'm going to ask the lady in the
19 back if I can steal 30 seconds, because Christine
20 mentioned a term, and I think you folks are looking for
21 positive signs that we are seeing, and probably one of
22 the most positive signs we've seen in the last six

1 months is the return of our secondary market, and it is
2 not back to the volume that it was, obviously, but over
3 the past 45 days, we have seen premiums back in the 1-7
4 to 1-10 range, and the reason that that's important for
5 veterans as well as anybody else is, especially a lot
6 of small- to mid-size banks do not keep these on their
7 portfolios. They originate the loans specifically to
8 sell them into a secondary market.
9 When our secondary market shut down, there
10 were no premiums, and so, banks had one of two options.
11 They could either make a loan as a portfolio loan and
12 keep it for just servicing income or -- well, at the
13 time it was closed down, that was the only thing.
14 Those require more capital than if you
15 originate them and then sell them into the secondary
16 market and retain a small piece in the servicing
17 income.
18 With the secondary market becoming more
19 robust, we are convinced that that will solve one of
20 the problems we talked about, and that is it will open
21 up access to capital, because banks that can't
22 portfolio these loans can begin to originate, knowing

1 that there is a very robust market, and in fairness,
2 the premiums of 1-7, 1-8, 1-9 are very comparable with
3 what we saw prior to the credit crunch, and like I say,
4 the volume grows every time we have a sale.
5 It's not where it should be, but it's -- every
6 month, it's increasing, so that's a very positive side.
7 MR. CULBERT: On your various loan programs,
8 we'll say for working capital, we'll say for an
9 entrepreneur, what are those loan ranges, and also,
10 too, just elaborate shortly on the main requirements
11 that you have to have to be able to get these type of
12 loans.
13 MS. KORONIDES: Well, we have a number of
14 different programs. I think, on the detail for those,
15 we might be better served by following up off-line,
16 because I don't want to eat up too much into Holly's
17 time.
18 In general, very quick, high level, in our
19 7(a) program, the limit right now is $2 million. We
20 have a working capital program called the Express Loan
21 program which caps out at $350,000 and our 504 loan
22 program, our piece of that can be 2 million to 4

1 million, depending on the project, and that leverages
2 up into about a $10 million project.
3 One important thing to talk about is the
4 President has called for and Congress is considering
5 now some proposals to increase the maximum size of SBA
6 loans, and that's really important in this environment,
7 as we've talked about how small businesses are seeing
8 deterioration in their own credit qualifications.
9 Some of the larger businesses that were once
10 served by the conventional market, which we're not
11 trying to displace at all, are now really better served
12 by SBA programs or they can't get the financing from a
13 bank on their own and need kind of the government
14 guarantee, and we're kind of locked out of that market
15 right now with our $2 million cap on the 7(a) program.
16 So, the President has called for increasing
17 that cap to $5 million. I know that's an idea that's
18 been going through both houses of Congress right now,
19 and increasing the size of Express Loans, our working
20 capital program, from 350,000 temporarily to a million
21 dollars and then on a more permanent basis, to
22 $500,000.

1 So, those are the ideas that are out there
2 from the administration and kind of floating through
3 Congress right now to really help adapt SBA's programs
4 to creating jobs in the coming years.
5 MR. BLEWETT: And your support on that would
6 also be very much appreciated. I mean, any constituent
7 groups that we feel have kind of an inroad to Congress
8 where they can talk about the benefits of doing some of
9 these things -- I hope you realize how important that
10 is, because the agencies can talk until they're blue in
11 the face, and we're government. It's you people that
12 their votes mean a little bit more.
13 MR. CULBERT: My wife is a legislator in the
14 New Mexico House of Representatives, in her fourth
15 term, but she has the national as well as the
16 international flavor, because she's in and out of
17 Washington all the time. So, she has access to that.
18 Coming to this, okay, this has opened my eyes
19 on various things, and I know when I talked with your
20 deputy administrators this morning for the SBA, I got
21 their side, okay, but they also heard my side, and I
22 know that from Secretary Garcia's standpoint, there are

1 things that we can do to help spawn -- to at least
2 remove some of these political obstacles, because
3 that's basically what they are, to try to change some
4 of these policies that are anti-business, and that's
5 basically what they are, anti-business, and they're not
6 working from the standpoint of generating jobs.
7 How can you generate jobs when you've
8 implanted a bureaucratic maze that's going to stop
9 spawning business? And that's what's happening, okay?
10 MR. BLEWETT: A lot of the rigidity in our
11 programs is statutory. I'm not saying all of it, but a
12 lot of the requirements in our programs initially came
13 out of legislative language that became regulations
14 that now our loan programs have to work around.
15 MR. GARCIA: And that's the problem that we're
16 finding, is that it's not a lack of a spirit of
17 entrepreneurship or anything, but it's that we're
18 dealing with archaic statutes that is binding your
19 all's hands.
20 If this situation of stimulating the economy
21 is serious and small business is the engine to get this
22 economy going, then you've got to revisit those

1 statutes and change them to allow for that
2 entrepreneurship spirit to emerge, and it's not
3 happening, and so, that's the obstacles I think that
4 we're coming across.
5 MR. BLEWETT: And in fairness, when I
6 mentioned ETRAN to Mr. Linscott, that was something
7 that we looked at that was kind of a work-around to
8 actually asking all of our lenders, big and small, to
9 hire SBA experts that did nothing but sit around on a
10 daily basis and learn about our loan programs, because
11 the economies of scale, basically, in this economy,
12 most of the small banks can't do it. They just can't
13 afford it.
14 MS. KORONIDES: So, we're always interested in
15 simplifying our programs and keeping them as relevant
16 as possible.
17 So, if you have any ideas or suggestions,
18 we're very open to that.
19 MR. VARGAS: You draw a lot of attention,
20 because obviously, this is close to the core of small
21 business survival. I think this discussion should be
22 continued at a later time. Maybe we could make it a

1 little longer time, but there's many other questions,
2 many other things to talk about.
3 I gather that direct lending is not yet on
4 your radar screen?
5 MS. KORONIDES: That is something that has
6 been talked about, I think, in the House, in
7 particular, in Congress. There isn't a decision from
8 the administration yet. You know, there are some real
9 serious things to think about there. I know some
10 people think it sounds great.
11 I think you have to consider the
12 implementation hurdles and the capacity of SBA to do a
13 brand new program. We haven't done direct lending in
14 years on the business loan side.
15 So, there are some things being kicked around.
16 We're definitely part of the conversation, but there
17 isn't an official position on that yet.
18 MR. BLEWETT: To be honest, with limited
19 dollars at stake, if we were to have to build a sale or
20 build a origination processing capability within SBA
21 and have that money not go into appropriations,
22 guarantees, fee relief --

1 MS. KORONIDES: Those are decisions of
2 Congress.
3 MR. BLEWETT: Yes, that's right.
4 MS. KORONIDES: They're not decisions for us
5 to comment on.
6 MR. VARGAS: Thank you very much.
7 MS. KORONIDES: Again, I'm happy to answer any
8 follow-up questions.
9 MR. VARGAS: Holly, thank you so much for
10 being so patient with us.
11 MS. SCHICK: Oh, my pleasure. It's Friday
12 afternoon. My time is yours.
13 MR. VARGAS: We're very interested in hearing
14 your presentation, and I know that we'll have a lot of
15 questions particularly with respect to SBDC.
16 MS. SCHICK: I didn't really prepare a formal
17 presentation, because as I talked with Dick and the
18 staff in the office, I understand that you have very
19 specific questions about very specific items. So, I
20 want to make sure that we have enough time to, you
21 know, let you vocalize that and then let me respond to
22 that.

1 I think the one that I would like to lead with
2 is that this administration -- and in working with the
3 Administrator and Penny Pickett, who is our AA, and
4 Bill Elmore and Dick -- one of the things that we have
5 realized -- and I think that we've always known that
6 it's a challenge, but I think the Administrator really
7 gets it in terms of how, within the agency, our
8 programs operate in silos, you know.
9 It's kind of like veterans are here,
10 entrepreneurial development is here, government
11 contracting is here, and I think more than what we've
12 seen before, there is an emphasis to try to get rid of
13 that, and so, there is a commitment on behalf of Penny
14 and myself in entrepreneurial development and Bill and
15 Dick to really begin working more informally and
16 formally together to try to figure out how can we best
17 reach the veterans constituency, what kinds of
18 resources do we need to invest in, what models work
19 well, what models aren't working so well, and I think,
20 for the first time, there is real incentive for us to
21 begin doing that.
22 I think Bill and Dick and I had conversations

1 several months ago about something as simple as
2 beginning to start using the same tracking mechanism,
3 you know, between the veterans' centers and our SBDCs
4 and whatever, and that may seem very simple, but you
5 know, on a larger scale, it helps us when we put
6 numbers out there -- it helps us from a agency-wide
7 entrepreneurial development perspective kind of compare
8 apples to apples and get all the numbers kind of framed
9 up in the same language, so that when we're going to
10 the Hill, when we're talking to different folks, that
11 we have a framework, a baseline, so that we really can
12 know and understand what one another's programs are
13 doing, how we define certain things, such as counseling
14 and training and on-line services, and again, I know
15 that sounds very basic, but in my years in state
16 government and here in the Federal Government, you
17 know, the numbers are very, very important, and we kind
18 of make or break our arguments to Congress and to other
19 constituencies based upon our numbers, both outputs and
20 outcomes, what's the result of what we're doing, and
21 therefore, it's really important that we have good
22 consistent data, and we have not had that in the past.

1 So, what you will see from us moving forward
2 internally is a concerted effort to try to really
3 bridge that gap and do a better job of program planning
4 and a better job of supporting one another so that
5 we're not running crossways with each other and doing
6 things that, you know, perhaps could be done better,
7 more efficiently, or whatever, if we collaborated.
8 Maybe there are things that could be best
9 served, you know, out of Bill and Dick's office or best
10 served out of our office.
11 We really kind of don't know that, and so, I
12 think that's the one thing I wanted to put out there,
13 because even when it gets down to management and
14 technical assistance in this agency, and even on the
15 Hill, there is not a clear understanding of what that
16 really is, and we find that all the time with the
17 different committees, you know, on the Hill, is that
18 education is really, really important, and with folks
19 changing, the staff changing on the Hill, it's kind of
20 an ongoing thing that we need to keep building those
21 relationships, and one of the things that we need to be
22 doing is making sure, at least from an entrepreneurial

1 development perspective, that we, in our constituency
2 and in our avenues, talk about the veterans' business
3 programs, to make sure that people understand that
4 although it is, you know, toward a specific
5 constituency with specific needs, it is still an
6 entrepreneurial development program of this agency that
7 provides counseling and training and special outreach
8 for entrepreneurs and folks who want to start and
9 operate a small business.
10 So, we're kind of redefining how we operate
11 and what we're doing here.
12 That doesn't mean, formally, that anybody
13 reports to anybody differently.
14 It means that we're talking on a more regular
15 basis and beginning to do the planning, and I think our
16 SBDC office has done a good job in working with Bill
17 and Dick's office in terms of, you know, their RFPs and
18 the things that they're doing to try to get input and
19 to get help with scoring and all of that so that that's
20 just kind of where we've begun the dialogue.
21 So, that was really the first thing that I
22 wanted to get out there.

1 The second thing is, I know some of the areas
2 that you have general questions about.
3 So, rather than me just kind of talking and
4 talking, I'm going to turn it over to you guys, and you
5 hit me with your questions, and I'll respond, and then
6 that way we can kind of maximize our time here.
7 So, Mr. Chairman, I'll turn it back over to
8 you.
9 MR. VARGAS: Thank you.
10 MS. SCHICK: Sure.
11 MR. VARGAS: I'd like to just invite
12 commentary at this point.
13 MR. MILLER: I believe you have five current
14 state veteran programs up and running with the SBDCs?
15 MS. SCHICK: We do, that's correct.
16 MR. MILLER: And are they -- I think probably
17 their yearly contract is either up or just about up.
18 MS. SCHICK: Uh-huh.
19 MR. MILLER: What's the plan to look at those?
20 And I think there may be some additional --
21 MS. SCHICK: That's correct.
22 MR. MILLER: When will we know on the five,

1 and how many new ones will be --
2 MS. SCHICK: Okay. They are in the process of
3 reviewing the applications now, so it's imminent --
4 MR. MILLER: Follow-on?
5 MS. SCHICK: -- for the follow-on. For the
6 new RFP that went out, it's imminent, like within the
7 next week or so. So, we'll know.
8 The existing five ask for renewal or continued
9 funding, and so, that's being considered in the midst.
10 MR. MILLER: Are the monies available for
11 those five to you right now?
12 MS. SCHICK: That's correct.
13 MR. MILLER: Okay.
14 MS. SCHICK: But that would be out of the pot
15 of money that we have.
16 The first year, we had 500,000, and each
17 awardee got 100,000.
18 Now there is a million dollars, and so, what
19 we want to do is, you know, all things being equal and,
20 you know, good performance, which we believe they have,
21 I really couldn't see any barrier to, you know, giving
22 them a renewal year, but like I say, that's in the

1 process.

2 I think, in general, what we're trying to

3 avoid is putting money out there and creating something

4 and then moving on to something else, and that

5 really -- if you're trying to pilot something, that, in

6 my experience, is a really tough way to prove the

7 viability of a pilot, if you just kind of put it out

8 for a year, and you know, people -- it takes time to

9 ramp up and, you know, do whatever.

10 So, I think, in general, our philosophy would

11 be to try to, you know, renew those folks for another

12 year so that we could really see.

13 MR. MILLER: And five more new ones, so you'll

14 end up with 10?

15 MS. SCHICK: Potentially.

16 MR. MILLER: Okay.

17 MS. SCHICK: Potentially. The maximum award,

18 I think, this time, is 150.

19 So, I think they're looking through, you know,

20 what the projects are. You have it there in front of

21 you.

22 So, I think, again, we would like to, all

1 things being equal, continue the ones that are out
2 there. I think they've had some good success, and
3 anxious to see -- and I know the folks that are
4 evaluating the proposals -- there's some interesting
5 things on the table.
6 So, we'd like to get a good mix, you know,
7 kind of some new ideas and, you know, give the other
8 ones, potentially, a chance to really, you know, see
9 how they do.
10 MR. VARGAS: Holly, what we're talking about
11 are these five SBA-funded Veteran Business Outreach
12 Centers?
13 MS. SCHICK: We're talking about the SBDCs.
14 MR. VARGAS: SBDCs.
15 MS. SCHICK: That's correct. It was an
16 initiative that targeted X amount of money off of the
17 SBDC line item and said you will take this amount of
18 money and direct it to here, and we had the same
19 directive for energy, and so, that's where it's coming
20 from, and it's out of the entrepreneurial development
21 budget, which has the SBDC line item.
22 It is separate from how the veterans office

1 gets their funding.

2 MR. LINSCOTT: There's word that there's 10

3 million proposed for entrepreneurial development

4 forthcoming.

5 MS. SCHICK: Yes.

6 MR. LINSCOTT: Can you share with us what the

7 plan is for that?

8 MS. SCHICK: As best I know, of course.

9 We started -- Entrepreneurial Development

10 started working on a general plan and a proposal for

11 the $10 million probably a year-and-a-half, two years

12 ago, and with the Federal budgeting cycle, you know, if

13 you're familiar, you know, we start very early in

14 preparing documents.

15 We did our first 2011 budget, you know,

16 probably 18 months, 2 years ago, and so, you begin

17 preparing and putting things out there, and there is a

18 negotiation process with OMB, and I'm just giving you

19 this background so you understand kind of the evolution

20 of it.

21 So, there is kind of negotiation with OMB, and

22 we keep our language as general as possible, and

1 provide, I think, enough information for them to be
2 comfortable that they will support, you know, the ask
3 on the Hill.
4 Initially in our budget, we asked for 20
5 million, and veterans was a portion of that. A
6 variation on clusters was a part of that, and some
7 other technical upgrades to our data collection
8 mechanism.
9 When the ask got to the Hill, fair enough to
10 say that they were a little nervous, because the 20
11 million was actually not a line item or not set aside
12 off of one of the programs, it was actually in our
13 operating budget, and that was a huge amount to be
14 adding onto a standard office operating budget.
15 So, what you had in the Congressional budget
16 was the Office of Entrepreneurial Development that
17 normally has an operating budget of around a million
18 dollars who now was requesting $21 million as an
19 operating budget.
20 So, you can imagine that the Hill was kind of
21 like, okay, you know, this is really out of the
22 ordinary, what are you asking for, what are you doing?

1 That then, I think, through all of the
2 committee process and whatever, they agreed that they
3 would fund it, one time, for $10 million, and that we
4 weren't able to do grants, we had to do contracts, and
5 we were not able to get special grant authority for
6 that money, and suffice it to say the agency was a
7 little disappointed that we could not get the special
8 grant authority to operate or put that money out the
9 door.
10 So, it needed to be contracted, and one of the
11 other things that Congress said is, you know, we're
12 going to give you this money, we want you to contract
13 it, and we also want, within 30 days of the passage of
14 the budget, a detailed operating plan of how you're
15 going to spend the money, okay?
16 So, where we are at this point is we are days
17 outside of that 30-day window in terms of providing
18 that specific plan back to Congress, and of the 10
19 million right now on the table -- and this is internal
20 to SBA -- there is $2.6 million set aside for veterans'
21 initiatives and outreach.
22 I understand that Meaghan mentioned something

1 yesterday about that.

2 Where we are currently is OED -- Penny and I

3 have spoken with Bill, and we have some ideas or a

4 strategy that we put forth, that we would like to do

5 with the money.

6 Currently, that is being reviewed and

7 negotiated with the Administrator, and so, we are

8 passing it back and forth internally here to make sure

9 that what we're sending back to Congress as our report

10 is, of course, blessed by the Administrator, and we are

11 still in that back-and-forth process.

12 As a matter of fact, when I leave here, I have

13 a discussion with Meaghan in that regard.

14 So, I can't really tell you where the money is

15 going to be directed, because we're still negotiating

16 that internally, and I know, you know, kind of the

17 things that we would like to see happen, you know.

18 We would like to see, you know, some very

19 specific curriculum built.

20 We would like to see some very specific things

21 done for spouses and some other kinds of things that

22 maybe we haven't done in the past.

1 I think that the Administrator has ideas of
2 what she would like to see done, and we agree on most
3 of them but not on all of them.
4 So, that's just a normal process that we go
5 through in the agency.
6 So, what you will see probably within the next
7 week or so is a detailed spending plan going back to
8 the Hill, to the appropriators.
9 They're going to review it, and by no means is
10 it a done deal until they bless it, because they put in
11 the legislation that they had to bless it.
12 We will have to trot over to the Hill to
13 defend it, and at this point, I am not even sure what I
14 would be defending, and so, that's just kind of where
15 we are with it.
16 MR. LINSCOTT: Well, Meaghan's comment
17 yesterday was that a women's veteran program --
18 MS. SCHICK: Uh-huh. That was part of the
19 philosophy in our original proposal, dedicated toward
20 women's business, again, spouses, families.
21 There were several other components in it, and
22 she's in the Administrator's office, so maybe she can

1 speak a little bit more, with more confidence than I
2 can, but those were generally the areas that it
3 entailed.
4 MR. VARGAS: I think she said women veterans.
5 MS. SCHICK: Women veterans, absolutely. It's
6 veterans, yes, absolutely.
7 MR. LINSCOTT: It's the consensus of this
8 committee and all -- I think I could speak even for all
9 veterans -- we're all the same, and so, it was really
10 kind of a setback yesterday that we would have a
11 sub-class of veteran designated -- any assistance to
12 veterans is good.
13 MS. SCHICK: Okay.
14 MR. LINSCOTT: But we just thought that was
15 kind of odd. So, I just want to clarify that that, in
16 fact, is in your planning.
17 MS. SCHICK: Okay. Let me ask you. Is that a
18 position that this group has kind of issued or said
19 before, that, in general, we don't like to pull out
20 those special groups, that we prefer mainstreaming all
21 services to veterans?
22 MR. VARGAS: In the first instance, what we

1 thought useful to do was to get some background, get
2 some information, because we thought perhaps we were
3 missing something here in this equation that we weren't
4 aware of, you know, maybe there were some particular
5 issues related to women entrepreneurs, women veteran
6 entrepreneurs, as opposed to male veteran
7 entrepreneurs, and we couldn't really see, when you're
8 talking about entrepreneurial development, business
9 development, that there would necessarily be any
10 difference in the types of programs or requirements.
11 So, we wanted to get some information -- we
12 wanted to just get this information.
13 Secondly, what we wanted to do was support
14 what the Administrator is trying to do, and that is get
15 more resources for veterans.
16 MS. SCHICK: Absolutely.
17 MR. VARGAS: We're on board. I mean
18 2.6 -- let's go for 3.6.
19 MS. SCHICK: Hey, I started at 20 million, and
20 the veterans' part of it was 5.
21 MR. VARGAS: We're with you, Holly, and God
22 bless you. You're doing the right things, and we

1 welcome it.

2 The only cautionary note that we have at this

3 point is whether we would be well served, whether the

4 veteran community would be well served if you pick out

5 a class of veterans, if you single them out for some

6 special earmarking, and our concern is as follows.

7 We are concerned that this may create some

8 misunderstanding within other veteran groups who aren't

9 beneficiaries to this, and this could risk creating

10 some misunderstanding between and among veteran groups.

11 Why you? And why not the Hispanic veterans, you know?

12 How about African-American veterans?

13 We all have our constituencies. We all feel

14 very strongly that the communities have to be served

15 equally and fairly. That's one of the things that

16 drives our passion for parity among the different

17 categories. You know, veterans should never be

18 second-class to 8(a)'s and to HUBZones. We should be

19 on the same level.

20 So, it was with that thought in mind that we

21 said, well, let's fully support the Administrator in

22 going for additional funding, but just put this little

1 cautionary note out there to say that it would be
2 helpful if you don't single out -- by all means, any
3 monies we get necessarily have to include women
4 business owners, but that was one concern.
5 The other concern we had was how is -- what
6 office within SBA is going to administer this program
7 or administer the funding? We, of course, are very
8 close to Bill Elmore and Dick Snyder here, and we think
9 that the Office of Veteran Business Development is
10 probably the logical place for the funds to be looked
11 at, overseen, accounted for, this kind of thing, and we
12 weren't sure if the thinking, internal thinking within
13 SBA was to keep it within this office or to take it out
14 of this office and put it in another office. In our
15 view, it should remain with this office
16 MS. LYNCH: Is there any specific intent? I'm
17 just curious as to kind of the genesis of the idea of
18 the specific program for women veteran entrepreneurs.
19 MS. SCHICK: Some of that I'd really have to
20 defer, because I am not quite sure of the statistics,
21 but I know that Anna Harvey, who is the director of our
22 Office of Women's Business Ownership, has really tapped

1 into, I think, one, the WBC network, and I believe that
2 that was what she was aware of in terms of wanting to
3 build this initiative, and I think Penny, the AA, I
4 think, as well, had been involved in dialogue and
5 talking with folks from around the country that that
6 specifically would be a welcome targeted initiative.
7 Anymore specific than that, I'm more than
8 happy to go back.
9 MS. LYNCH: I'm happy, too, to volunteer as a
10 resource, too. I'll give you my card, as well, because
11 I feel I'm plugged into the women veteran community.
12 Women veterans are very focused on being veterans
13 first.
14 MS. SCHICK: So, from your perspective, in
15 agreement with the chairman here, that, you know, why
16 target -- it would make more sense to kind of do the
17 general veterans community and let women -- or market
18 for women to participate in that.
19 MS. LYNCH: Yes, especially when -- taken in
20 the context of the general veterans community is so
21 under-funded to begin with, it just seems that it would
22 pit group against group, and why not stand united? We

1 all served united.

2 With that said, I definitely would -- I mean,

3 that's why I asked you questions of intent, just

4 because I'm curious. I wouldn't want to make a quick

5 judgement without understanding where is the

6 groundswell coming from?

7 MS. SCHICK: Exactly.

8 MS. LYNCH: I'm just more like a seat at the

9 table if you want a woman veteran's perspective.

10 MS. SCHICK: Well, I would love more dialogue

11 with you, because like I say, right now, our plan has

12 not -- we're still working here internally to try to

13 firm up what that plan is going to be to get back to

14 Congress.

15 So, we still have an opportunity here

16 internally to massage that a little bit.

17 MS. LYNCH: And the context I'm looking at it

18 is Dick's budget now, I think, is about 2.1 million a

19 year.

20 MR. SNYDER: The operating budget is a

21 half-a-million. The funding that goes to our VBOCs, to

22 our centers that we're putting the outreach, the

1 counseling, training, etcetera, that type of
2 assistance, this year is 2.5 million.
3 MS. LYNCH: Okay. It's such a substantial
4 influx, to have it earmarked for a narrow
5 lane -- again, I am a woman, but I look at the
6 percentages and I wonder if everyone is best served by
7 the population being served as a group.
8 MS. SCHICK: Right. Well, I think one of the
9 things that I could do is, when I leave here, like I
10 say, I'm going to talk to Meaghan a little bit more
11 about this.
12 If it's okay with you folks, I'll have this
13 dialogue with her, to just say -- you know, kind of
14 raise the flag and say let's think about this, let's
15 talk about it more before we shoot something over to
16 the Hill and look at kind of what the back side of that
17 would be in terms of, you know, kind of the public
18 scrutiny and what might ignite in regard to that.
19 MS. LYNCH: Again, though, I mean, ultimately,
20 dollars for veterans is dollars for veterans.
21 MS. SCHICK: I understand.
22 I think, kind of back to your question about

1 where the money is going to be administered, as part of
2 this budget evolution for this 20 million, then this 10
3 million and whatever, it was initiative that came out
4 of Entrepreneurial Development, and it was in our
5 budget, kind of in our lane of traffic, but as the
6 budget and the dialogue and the negotiation has gone
7 on, the cluster initiative, which initially was
8 developed in Entrepreneurial Development, is now being
9 driven out of the Office of Government Contracting, in
10 Joe Jordan's shop, and some other folks in the policy
11 shop.
12 So, we're having the dialogue about, you know,
13 well, this is in our budget, however we're not driving
14 the ship.
15 So, we're trying to figure out, internally,
16 how are we going to manage that, should we transfer the
17 money, what should we do, because we're kind of on the
18 hook for the money but we're not actually delivering
19 the program.
20 The same being said with the veterans, and it
21 goes back to my opening comments about, you know,
22 working more closely with Bill and Dick in terms of

1 collaboration and all of those things.
2 I think that even though this was driven and
3 asked for out of Entrepreneurial Development, it's
4 something that we cannot do and should not do without
5 their involvement and guidance, and what the
6 constituency should see once it leaves the agency is
7 kind of one face.
8 They shouldn't see an Entrepreneurial
9 Development face, nor should they see just a veterans
10 business face. They should see a common face on this
11 that is a veterans initiative that Entrepreneurial
12 Development is supporting.
13 One of the things -- I think part of the
14 strategy, too, is that in aligning a little bit more
15 the veterans office with Entrepreneurial Development
16 programs -- and again, that's not organizationally,
17 that's not reporting, that's not anything like that,
18 but one of the benefits is that, on the Hill, our
19 programs like SBDCs and SCORE and Women's Business
20 Centers -- they enjoy a great deal of support and
21 grassroots kind of -- you know, they've been around for
22 a while, you know, and so, it's an easy argument, if

1 you will, when we want to say let's do this or let's do
2 that or -- Congress is very quick to say, well, we want
3 to do this special program, let's put it in the SBDC
4 budget and let them deliver it or whatever.
5 So, the Hill is seeing our network as a good
6 delivery system and distribution system for some of the
7 programs that it's wanting to do, and I think that
8 that's why maybe -- I mean, I'm not sure really whose
9 idea the veterans and the energy things were, but I
10 think that's, frankly, what they were trying on for
11 size, is that -- could that happen and what would that
12 look like?
13 It is our desire and, I know, the
14 Administrator's desire that the veterans program and
15 the VBOC centers, whether they expand or not, enjoy
16 that same good -- I think good P.R. and an
17 understanding that that is part of the agency's
18 entrepreneurial development distribution system, that
19 like Women's Business Centers, they target women's
20 business constituencies, veterans' business centers
21 target veterans, and I read in your report that that's
22 something that, you know, you feel strongly about in

1 terms of, you know, kind of paralleling that, you know,
2 the women's business program.
3 So, we're really trying to explore how we can
4 do that, because we feel, even like -- I'll liken it to
5 our Native American programs.
6 I mean, the Native American program used to be
7 part of OED, and then it wasn't, and now we're trying
8 to kind of fold it back into the family again, not from
9 a reporting standpoint but just from information
10 sharing, because we would like that program to enjoy
11 some of the same positive reputation that our other
12 programs do.
13 The Native American programs, as a matter of
14 fact, because of some of our new partnerships -- I
15 don't know how many of you are familiar with the E200
16 program that we do, but it was an initiative targeted
17 for inner city businesses, not startups but kind of
18 second-stage businesses that were ready to take off and
19 grow.
20 This year, we launched an initiative, E200, in
21 cities that had a very large population of Native-owned
22 businesses, not reservation-owned businesses but

1 Native-owned businesses.
2 That would have not happened or would have
3 been much harder to have, you know, made that happen
4 had we not been having the regular dialogue, and Clara,
5 who is the director of that office, said, you know
6 what, I think that, you know, we have some
7 concentrations in cities where we feel that we could
8 actually fill a class of Native-owned businesses who
9 could really benefit from this.
10 So, those are the things that we're trying to
11 move forward to do, and again, whether more VBOCs are
12 in the offing or not, that's not at my pay grade.
13 I mean, that's policy that -- you know, that's
14 coming from the administration here.
15 Our goal is to do the best job we can with the
16 resources we have, you know, to make sure that
17 everything is kind of running in parallel, and I'm
18 going to talk for me personally.
19 I think it's very, very important that the
20 veterans business program be seen as an entrepreneurial
21 development, economic development program, and again,
22 that doesn't mean that, again, it's part of OED or

1 whatever, but it means that it's part of the continuum
2 of the services that we offer and that it is seen as a
3 counseling and training and outreach and information
4 community focal point, just like some of our other
5 centers are, and we feel that we can help maximize that
6 and try to bring -- help bring the program and carry
7 Bill's message more into the mainstream by doing that,
8 and so, a lot of times when Penny gets called to talk
9 about different things, she will talk about the
10 Veterans Business Office and kind of -- you know, so
11 that folks understand that that's an initiative and an
12 outreach to a special constituency that, one we value,
13 and two, that it's part of the development landscape in
14 SBA, and it's not just this program over here for
15 veterans and this program over here for Native
16 Americans and whatever. That serves no one, you know,
17 to do that. So, that's kind of how we're moving
18 forward.
19 The management of this program, whatever ends
20 up getting negotiated back and forth -- I think that
21 that's something that folks will probably, unless we
22 move it, expect it to be managed out of OED, because

1 it's in our budget, but that doesn't mean that we won't
2 collaborate with Bill and Dick to kind of figure out,
3 you know, what to do with it.
4 I know, again, we have some ideas of what we
5 would like to do with that, but that's not a done deal
6 yet.
7 MR. VARGAS: Holly, thank you very much.
8 MS. SCHICK: You're welcome.
9 MR. VARGAS: This is very, very useful.
10 We would encourage you to work with this
11 committee, and we know that you work with Dick and
12 Bill, but we have a lot of expertise here.
13 As an example, going back to the $10 million
14 and how you present your spending plan, may I encourage
15 you to include a representative of ours in your
16 discussions?
17 I would ask, in my capacity as chairman,
18 Courtney to be our representative. If you could invite
19 her to participate in this, she would provide our
20 input, our suggestions, our thoughts, for your
21 consideration as we put the spending plan together,
22 because we're talking about the same thing -- that is,

1 veterans business development.

2 MS. SCHICK: How do I do that? We're here now

3 today, and you know, I've come before the group a

4 couple of times, you know, when you've had your

5 meetings, and this is an excellent opportunity, but

6 between then and now and the next meeting, how do I

7 work with the committee? Is it through Dick and Bill?

8 How do I ask for that?

9 MR. SNYDER: I think the answer, Holly, is,

10 yes, working through Bill and I, and at the same time

11 making sure that while we're sitting here in a room

12 having a collegial discussion, that we can actually do

13 that.

14 MS. SCHICK: Yeah.

15 MR. SNYDER: So, question one is asking, and

16 question two is making sure that there are not any

17 impediments to allowing that.

18 MS. SCHICK: Okay. Thank you. I appreciate

19 that greatly.

20 MR. VARGAS: We're saying two things. One,

21 the appropriate mechanism here within the SBA is the

22 OVBD, but I think the committee would also be very

1 comfortable if you can, you know, maintain a dialogue
2 with the committee directly itself, and our
3 representative would be Courtney.
4 MS. SCHICK: Sure. You know, those guys can
5 guide me, you know, in how to do that. What is really
6 imminent is the women's business thing, and your
7 input -- I know that -- I think Meaghan would be
8 interested in hearing that.
9 So, if that's something that we need to move
10 forward with like yesterday -- you know, because I just
11 want to make sure, now that I know you're here and it's
12 expressed, that that particular concern -- it's not
13 that, hey, don't give us the money, but be aware that
14 if you do the money and you do it this way, that there
15 is going to be some, you know, other things that we
16 need to kind of deal with, so I appreciate that a lot.
17 MR. VARGAS: All right. So, why don't we
18 leave it that you will let Courtney know when the
19 appropriate time is to do that, if you want to do it
20 through Dick or you want to do it directly.
21 MS. SCHICK: I would very much like to do that
22 directly with her, because that's something that's

1 imminent. It is like more than imminent, and I just
2 really, you know, want to take advantage of that so we
3 can get that in the mix.
4 MR. GARCIA: I was just kind of curious as to
5 why funding would go through that agency for veterans
6 and not straight to them.
7 MS. SCHICK: I think it's not going straight
8 to them because it's just as simple as we asked to put
9 it in our operating budget, and again, it goes to a
10 little bit about how you get the money and who listens,
11 and I think that, again, my observation is that Bill
12 and Dick are righteous soldiers, you know, and
13 represent you guys and the constituency very well, but
14 in terms of a voice, it's something that
15 Entrepreneurial Development -- we would like to support
16 that voice, and our operating budget, again, is a
17 million-something, you know.
18 Theirs is half of that. We would like to see
19 that increased.
20 I mean, there's no reason why, you know, that
21 isn't something that we would want to support.
22 The issue is, I think, that when we come to

1 putting forth proposals and whatever, Entrepreneurial
2 Development has a bigger club, you know. It's
3 just -- because of SBDC and because of what we operate
4 and all of that, and so, we would very much like to use
5 that to help support these guys, and you, and so, it
6 was in our budget just because we could ask and we felt
7 that we could make the argument to do that.
8 So, it had nothing to do with, you know, are
9 we trying to take over or are we trying to do anything
10 else. It's not that.
11 MR. SNYDER: The irony, Holly, in what I'm
12 hearing you say is that, back when -- and actually,
13 when I met with the transition team -- Karen was the
14 leader of the transition group, along with Fred
15 Hockberg. I didn't know she was going to be the
16 Administrator at the time.
17 We're in there together, and she's asking me,
18 why aren't you with ED, because there was a time that
19 this office, the Office of Veterans Business
20 Development, was within the Office of Entrepreneurial
21 Development.
22 Then, because of the recognition that Congress

1 thought was being diminished and not being seen, you
2 know, for the veterans, 106-50, we have a
3 separate -- we're broken out, we report directly to the
4 Administrator, but yet, then it comes back to hearing
5 about the bigger club, and there's obviously merit to
6 what you're saying so far as ED having that presence,
7 if you will.
8 MS. SCHICK: Exactly. And so, again, we're
9 still trying to, truthfully, find our way with that,
10 because we feel that all management and technical
11 assistance in the agency should have kind of a common
12 platform, and regardless of who it's targeted to, it
13 gives us a more sound database on which to kind of say
14 these things work, these things don't, you know, that
15 kind of thing, and it kind of puts us all on a level
16 playing field.
17 We feel that that is something that would very
18 much help, you know, the VBOCs in terms of if they
19 used -- considered using our system, because we
20 generate regular reports out of that system, and we can
21 tell what kind of in-depth counseling is going on, how
22 much time is spent with customers, you know, what kind

1 of outcome are we seeing, did they create a business,
2 did they get a loan, all of those things, and so, it
3 is, it's kind of a Catch-22.
4 You want to have access to the Administrator
5 and folks want to, you know, see it as a prime
6 initiative, but on the other hand, I think there's
7 pro's and con's to that.
8 The same happened with Office of Native
9 American Affairs. It was in development, and I
10 actually ran that the first year I was here, and then
11 they pulled it out and made it separate, and so, now,
12 operationally, they're finding that it's better, you
13 know, to at least have the dialogue on a regular basis.
14 The budgets are still very separate, but it
15 is -- we're still trying to figure that out, because
16 it's a complicated thing, and I know that the Hill
17 sees, you know, the reporting structure as, you know,
18 if you report directly to the Administrator, then
19 that's more visible, you know, you have more access and
20 whatever, and I think that, you know, that might be
21 true, but like I say, there are pro's and con's to
22 that.

1 MR. VARGAS: This happens every four years,
2 Holly.
3 MR. WHITE: I get confused when I come down
4 here, because there's 20 million and 10 million and 1
5 million and there's a lot of millions floating around
6 when you get down here, you know, and we're just trying
7 to do a little --
8 MR. VARGAS: Before you know it, you're
9 talking real money.
10 MR. WHITE: Yeah. But I thought this -- I
11 don't know if I was dozing when I heard it, but I
12 thought somebody was reading something about this 10
13 million, that Congress sort of suggested that they
14 would like to see that, the majority of it, go toward
15 the Veterans Business Outreach Centers, or was I
16 dreaming that?
17 MS. SCHICK: Not for this part.
18 MR. WHITE: Which $10 million was that?
19 MS. SCHICK: I'm not sure.
20 MR. WHITE: Is there another $10 million
21 floating around, or was I taking a nap?
22 MS. SCHICK: What happens is that there are a

1 lot of reports and a lot of things issued that says
2 this is our sense or this is our recommendation, and
3 that all gets published, but the fact is, what
4 ultimately comes down in the appropriations committees
5 and what goes to the conference committee --
6 MR. WHITE: So, they gave up on suggesting
7 that it would be a good thing for the Veterans Business
8 Outreach Centers?
9 MS. SCHICK: I guess they did. I mean, I'm
10 not sure where -- because they were recommending kind
11 of to themselves and to the conference committee that
12 you consider doing this, and so, by that time, our
13 request had already been over there, we had been cut in
14 half, and we were still struggling to keep the 10
15 million on the books, you know, because there were some
16 folks that were just wanting to take it away altogether
17 and that was that.
18 So, we were arguing, and so, if someone was
19 saying that it's our sense that we would recommend that
20 you consider putting it into this, that was between
21 themselves, and that really didn't come to pass, if
22 that's what you're talking about.

1 MR. VARGAS: Here's what I understand
2 happened. At some point, there was thought given to
3 using these $10 million to stand up new VBOCs.
4 As discussions involved internally and with
5 the Hill, that changed, the dynamic changed, with the
6 result being that standing up VBOCs is no longer
7 necessarily part of the mission of this $10 million.
8 Now it's going to be subjected to an operating
9 plan that SBA will submit.
10 MS. SCHICK: Right. And the 10 million or the
11 20 million or whatever, because we initially put in
12 20 -- when it got to the Hill, they were like, oh my
13 goodness.
14 The 10 million was never all targeted toward
15 veterans. There was probably 7 million of that, or
16 some percentage, that was always seen to be going to
17 the cluster initiative that was being developed by the
18 administration.
19 So, we never had a handle on all of it for
20 veterans in the beginning, and so, we were just
21 fighting for -- you know, to continue with a piece of
22 that.

1 The cluster initiative has been a primary
2 objective of the Administrator. It's one that the
3 National Economic Counsel supports, and it's an
4 administrative thing. So, you know, that money, kind
5 of, we never had, really, our hands on.
6 So, we fought for the piece that we
7 thought -- you know, for the veterans -- that we would
8 be able to do, and right now it's 2.6 that we're
9 discussing back and forth.
10 MR. MILLER: On the women's veteran effort,
11 what's the plan to administer that? Are you going to
12 have a request for proposals for someone to administer
13 that out in the field, or are you going to administer
14 it from here?
15 MS. SCHICK: We won't administer it from here.
16 We don't have the capacity. There will not be an RFP
17 like you're familiar with, you know, for the VBOCs or
18 for SBDCs, because we don't have grant authority.
19 So, it's actually going to have to be a
20 contract. We're going to have to actually either put
21 it out to an 8(a) firm, a small business firm off the
22 GSA schedule --

1 MR. MILLER: Can you contract with SBDCs?
2 MS. SCHICK: We can, but $2.6 million, then,
3 will go against our agency meeting its small business
4 set-aside, and so, I get in the cross-hairs with Joe
5 Jordan if I contract to a nonprofit or a university.
6 MR. MILLER: My thought was, is let your
7 current SBDC people who are under contract now split
8 the money out between those and the existing VBOCs, and
9 then you've got the money out quickly. All they've got
10 to do now is identify and target women veterans, which
11 they can do easily.
12 MS. SCHICK: They could do easily.
13 MR. MILLER: And you could get it out the door
14 ASAP.
15 MS. SCHICK: Yes. And I think that's a great
16 strategy. What we have to do is, once the Congress
17 says, okay, go ahead, do this, we have to sit down with
18 Joe Jordan and our contracting folks to figure out if
19 they are comfortable with us doing that, because those
20 are educational institutions, they're nonprofits,
21 they're different groups that don't count against our
22 small business set-aside.

1 MR. JENKINS: They're considered large
2 businesses.
3 MS. SCHICK: They are considered large
4 businesses, absolutely, and so, we've got to have that
5 debate to see if the agency is comfortable and I get
6 the blessing of contracting with these larger groups if
7 the 2.6 million is okay and not going to put anybody in
8 jeopardy.
9 When we were originally talking about 20
10 million, they were like, hell, no, that's way too much.
11 2.6 million -- you know, that might be something that I
12 am able to do, and if they bless it and say yes, go
13 ahead and do that, it's not going to hurt us, then that
14 would definitely be a consideration, because we'll need
15 to get it out the door pretty quickly.
16 MR. VARGAS: Is this something that the
17 committee wants to champion, overlooking veteran-owned
18 small business, in the interest of expediency, to give
19 it to SBDCs?
20 MR. MILLER: They've got a contract.
21 MS. SCHICK: We have a grant.
22 MR. MILLER: I mean a grant. They have a

1 grant right now to outreach the veteran community.
2 MS. SCHICK: It's a complicated thing.
3 MR. SNYDER: I don't think -- and I'm speaking
4 from experience, not just pure contractor grant
5 knowledge, but the grants that the agency has are
6 competitive grants.
7 MS. SCHICK: They are.
8 MR. SNYDER: So, in other words, if I have a
9 VBOC right now that I wanted to give another $100,000
10 to, I couldn't do it. I would have to put something
11 out competitively. I could restrict it to existing
12 VBOCs, but there would have to be a competition.
13 MS. SCHICK: Right. And if it has to be a
14 contract, which it does, then all the contracting rules
15 come into play, and at the very beginning, you know, we
16 were kind of like if they don't get grant authority,
17 this is going to be like a monster to try to do, and
18 you know, Congress didn't see fit to give us the grant
19 authority, and they said do it through contracting. We
20 were like okay.
21 So, I've spent hours and hours with the
22 procurement folks, trying to figure out, if and when we

1 get this, how we're going to do it and get done what we
2 really want to do.
3 MR. JENKINS: If we were to restrict it to
4 service-disabled vets, it would narrow the playing
5 field and it would actually make that procurement a lot
6 easier to do, and then we would end up having people
7 that are sensitive to the issues of the veterans
8 community that would administer that contract.
9 MS. SCHICK: So when we do the competitive
10 RFP --
11 MR. JENKINS: -- you restrict it.
12 MS. SCHICK: -- restrict it to
13 service-disabled veteran firms.
14 MR. JENKINS: Yes.
15 MS. SCHICK: Great idea, because any other
16 way, it's not going to be --
17 MR. JENKINS: Every year, SBA, you know,
18 struggles to meet its service-disabled veteran goals,
19 and it's widely known that the year that I came out of
20 the contracting department, we went down to zero
21 percent for service-disabled vets.
22 MR. MILLER: Are you talking about giving

1 grant money --

2 MR. JENKINS: We're not talking about grants.

3 MR. MILLER: -- I mean contract monies to

4 service-connected disabled firms or companies?

5 MR. JENKINS: Yes.

6 MR. MILLER: That's a great idea.

7 MS. SCHICK: It is a great idea.

8 MR. WHITE: Can they just, in turn, figure out

9 the best way to deliver the goods is go through the

10 Small Business Development Centers?

11 MR. JENKINS: No.

12 MR. WHITE: Why not?

13 MR. JENKINS: Well, we don't take competitive

14 money and give it to Small Business Development

15 Centers.

16 MR. WHITE: But that might be the best way to

17 deliver the services.

18 MR. JENKINS: GAO has already come in here and

19 investigated this type of process. We don't even want

20 to go through that.

21 MS. SCHICK: You know all about that.

22 MR. WHITE: I would think that you would have

1 a lot more bang for the buck by doing that.
2 MR. JENKINS: Our community is a very strong
3 community when it comes to this type of service.
4 MS. SCHICK: That's a great idea, and we will
5 check that out. We have to be careful. You can't just
6 turn around and pass something through. So, it has to
7 be done very carefully.
8 MR. JENKINS: Our folks up in government
9 contracts -- they have a system that they're putting in
10 place where you go out and query every existing
11 contract, because other agencies are using these type
12 of services. You know, we do not have to reinvent the
13 wheel.
14 MS. SCHICK: When we write, you know, the
15 request for proposal or whatever, we can talk about the
16 services that are already out there, and kind of
17 encourage and say these are folks that you might want
18 to partner with, but we can't direct it. We can't
19 direct the subcontracting.
20 MR. JENKINS: We can give them the problem and
21 they give us the solution.
22 MR. VARGAS: All right. Holly, thank you so

1 very much.

2 MS. SCHICK: My pleasure.

3 MR. VARGAS: We're delighted that you're open

4 to work with this committee in a very direct way,

5 through Courtney, and we look forward to seeing --

6 MS. SCHICK: This was a very pleasant

7 surprise, you know, and truthfully, the timing of this

8 was very good, you know, because you raised a point

9 about, you know, the narrowing of the field here and

10 kind of what the back side of that would look like in

11 your constituency, and I'm not sure that folks, you

12 know, were thinking like that.

13 MR. JENKINS: They did not get that, Holly,

14 and what they're not understanding is that we are

15 unified group regardless of what color are, the gender,

16 and we take care of each other, and so, to put that

17 money in a place where the individuals are sensitive to

18 the need is the best choice. I think that would be the

19 best decision.

20 MR. SNYDER: I just want to make one 15-second

21 comment.

22 Earlier, before you arrived, Holly, I passed

1 out some stats on veteran business outreach, and there
2 are two sheets, and it looks pretty automated, it looks
3 like a nice compilation and everything, but this
4 information we got from working with Bruce, Kim
5 McClellan did, and so, there were a lot of automated
6 feeder systems, but there's a lot of manual input that
7 went into this report.
8 So, it may look like, oh, you've got a system
9 that generates this, so -- no.
10 So, when you get back to us bringing our
11 system in, then you can alleviate a lot of the manual
12 input that went into this data compilation.
13 MS. SCHICK: Okay. Exactly. Because in our
14 tracking system, it ultimately involves the counselor
15 or an administrative staff person at 900 locations
16 around the country, you know, sitting down and entering
17 in the data in terms of the client, how much time you
18 spend, and once you get them into the system, it
19 doesn't take long, you know, to kind of update it, but
20 we rely upon that as a feeder system up into our data
21 so that we can produce this, and it's not without
22 error.

1 Like, for example, I'll tell you, before I
2 came up here, I asked for a printout on the stats for
3 the five grantees that got, you know, the veterans
4 special program, and knowing that a lot of them or most
5 of them were supposed to do on-line, you know, portals
6 and all of that, and that they have been very, very
7 successful, I'm looking at this report and it shows me
8 that the number of on-line clients was five.
9 Now, I know that's not right, and so,
10 something that we're going to have to go back and talk
11 to Antonio and our grantees about is, you know, I don't
12 think we have the right metric, because we're probably
13 wanting to look at web hits and other kinds of things
14 that show the usage of the website and how many people
15 as a portal came into the counseling from that.
16 So, you know, for as good as our system is,
17 there's still, you know, some issues that we're trying
18 to stay nimble with it, and clearly, these stats off of
19 this are not anything I'm going to hand out, because
20 it's only as good as the data entry, but it's also only
21 as good as the metric we assign to measure it, and so,
22 we need to do some adjusting there, for sure.

1 So, we are going to check that out before we
2 release that.
3 MR. VARGAS: Well, again, thank you very much
4 for joining us.
5 MS. SCHICK: Thank you so much, and I will be
6 back in touch with you, Courtney.
7 MR. VARGAS: This brings us pretty close to
8 the end of it. If you agree, we'll just push forward
9 and wind this down, as opposed to take a break and then
10 coming back.
11 I think we've accomplished a lot. I will take
12 it upon myself to do a basic draft of the key points
13 that came up, and would greatly welcome your input to
14 add what I missed or delete what I misrepresented.
15 I'll do the best job I can, but I will welcome
16 your support, and then we'll get the minutes out.
17 There's a lot of action going on. I'm going
18 to be at the NASDVA. I think the discussion we had
19 with Terry this morning was, as they say in Britain,
20 spot on, discussion about how we can work together, and
21 I look forward to continuing the discussion on Tuesday.
22 I think, John, you're going to suggest a

1 resolution there or do a draft, whatever you want.
2 I'll be happy to present it.
3 In terms of an MOU, as a formal document to
4 enable us to work closely with NASDVA -- I'd like to
5 accommodate Terry's interest in having an MOU with
6 them. So, if you can tell me how to proceed on that --
7 MR. SNYDER: The first thing I would do is put
8 together the points and the objective of the MOU, and
9 obviously, as I understand it, there's not going to be
10 any transfer of money or anything like that. So, it's
11 just -- it's going to be that, just a memorandum of
12 understanding and cooperative working.
13 So, just a general introduction as to what the
14 intent of the agreement is, what the objective is, the
15 goals, what our outcomes are, and the expectations of
16 the participating parties, and then once I have that, I
17 can actually -- we have a template that we can use.
18 It has to go through clearance and everything,
19 but those are pretty simple.
20 MR. VARGAS: Okay. Good.
21 MR. SNYDER: I'm working on the Economy Act
22 agreement now, and that one is just -- it's going to

1 gray the rest of my hair.

2 MR. VARGAS: Okay. Good.

3 On meeting dates for next time around, we have

4 agreed that we'll, as a first option, come together on

5 the 25th and 26th of May. Should that, for some

6 reason, not be possible because the facilities are not

7 available, then we would go to Plan B, which be 8 and 9

8 of June.

9 We need to focus on the agenda for the next

10 meeting. What I would like to suggest is that we ask

11 Raymond Jefferson, Assistant Secretary of Labor for

12 Veteran Enterprise and Training Services, to join us.

13 He's a very sharp young man who is -- aside

14 from being an excellent veteran -- is a person who

15 shares our passion for seeing that veteran

16 entrepreneurs have all the support they need. So, I

17 know he's speaking before NASDVA next week, and that's

18 a wonderful thing.

19 I'd like to get him on our schedule next

20 meeting, so I'll work with Dick about how we formulate

21 the invitation there.

22 If you think of someone else who we should

1 bring in here, let me know. I think the capital people
2 should probably come back to continue the discussion
3 with us.
4 MR. MILLER: I think Holly would be a great
5 one to bring back in, too, to update us on what's
6 happening.
7 MR. SNYDER: If I could interject, Felix, I
8 think that -- like I mentioned yesterday, you know,
9 moving forward with the committee, if you haven't
10 talked among yourselves, I think it's certainly
11 appropriate as to what the committee's focus might be
12 for this year.
13 Maybe it's too soon. Maybe after this
14 meeting, maybe it's not too soon, maybe it's very
15 appropriate, and then, whether it's, you know, finding
16 ways to develop -- to expand this agency, to develop
17 and implement a grassroots initiative, for example,
18 with the State Association of Veterans
19 Affairs -- that's just a for instance -- then so be it.
20 But once you identify a big project, a little
21 project, a large initiative, a smaller initiative,
22 assemble the people that we need to expand and further

1 refine and develop that focus, so when we get to
2 September and we're writing our report, we've got the
3 facts, we've got the data that we've been working on
4 all year to formulate that.
5 MR. VARGAS: I appreciate that. The report
6 was done -- the recommendations were done with the
7 thought in mind that this would be sort of a blueprint,
8 you know, that there are things that have been standing
9 on the table for the longest time -- this report has
10 gotten, for lack of diplomatic terminology, lip service
11 in the past. Recommendations haven't even been
12 responded to in the past.
13 MR. SNYDER: I will talk with Bill next week,
14 when he gets back, as to a way to follow up on that. I
15 mean, to me, it's much like a board of directors
16 meeting. The first thing you do, typically, is bring
17 up old business, and you try to close things out, and
18 then you move forward.
19 Sometimes some of the unfinished old business
20 becomes your new business.
21 MR. VARGAS: As far as projects are concerned,
22 keep in mind that we have just a limited time that we

1 come together. So, realistically, there is not that
2 much that we can achieve in terms of projects.
3 Now, what we can do is provide input to
4 ongoing development, I mean, this whole question of how
5 $10 million is going to be spent and what portion of
6 that should go to veteran-owned small businesses.
7 I think we have the mandate and we have the
8 authority and I think we have the desire to provide
9 some input into the parameters of that. So, that's a
10 project.
11 Another key project is working with NASDVA to
12 see how we can strengthen the mechanism so that we have
13 them and we marching in lock step, and we talked this
14 morning about the utility of having a NASDVA official
15 be a member of this committee from here on out.
16 So, I'll propose it again at the Tuesday
17 conference, that it would be great if NASDVA could say,
18 look, the state director of state such-and-such would
19 be willing to sit as a member of your advisory
20 committee, and so, that's a project. I think we need
21 to strengthen that mechanism.
22 The third project is we need to work very,

1 very quickly and hard on getting this committee up to
2 speed, up to strength, full strength. We're less than
3 50-percent strength, and we can't operate as
4 effectively if we have a team of 8 or 9 when we should
5 be having 15 people.
6 So, we need to request that the current group
7 of people be vetted -- and that we get to address them,
8 to see if they've been vetted and considered for
9 membership.
10 MR. SNYDER: Well, it's not a matter of if
11 they can be vetted. Obviously we'll vet them
12 internally, and then, you know, once that package is
13 complete, it goes to the White House, and like we've
14 done in the past, I mean there were some that, for
15 whatever reason, you know, may not pass the internal
16 SBA vetting process, but I would say, you know, like
17 last year, there were -- of a group of almost 30, there
18 were only 1 or 2 that didn't make it for whatever
19 reason.
20 MR. MILLER: Felix, why don't we talk to the
21 Iraqi-Afghanistan Veterans Association -- they're
22 pretty active -- and see if we can get a

1 representative -- I don't believe we've got anybody, so
2 why don't we do that to sort of represent the current
3 crop of new veterans.
4 MR. VARGAS: Yes, they're excellent, and they
5 should be considered for having a person here. Many of
6 them remain as active reservists. That's a good point.
7 And a VFW guy, I think, would be critical to have here.
8 The closer we're linked to the VSOs, the stronger we're
9 going to be. I think everyone agrees on that.
10 I'd love to see Joe Sharp attend our meetings,
11 and I just don't know when that's going to be possible.
12 Does anyone know? We need someone from the American
13 Legion here, as well.
14 Any other comments?
15 MR. GARCIA: I just want to say thank you to
16 the committee for allowing me to bring some veteran
17 business owners up from New Mexico, because it gave
18 them an opportunity, one, to listen but also to meet
19 with some face-to-face contacts here. But they will
20 also be able to go back with me to also advocate on
21 what's going on within the SBA. You know, I think it's
22 good.

1 So, appreciate the patience of the committee
2 on allowing them to sit in on that.
3 MR. VARGAS: I think this is an open
4 committee, so they're very welcome.
5 You're very welcome. We want you to know
6 that.
7 I would just simply encourage other committee
8 members, if you wish, to bring someone here, let them
9 see the process. We want to make this as transparent
10 as possible, and we benefit, also, from the input and
11 the ideas that they bring.
12 Let me just close with one issue. I'm a
13 little disappointed, also, that our understanding on
14 how the 10 million would be used to stand up VBOCs is
15 now changed dramatically and we're now talking about
16 2.6, of which only a portion could be used for VBOCs.
17 So, we're back to square one on that. We'll
18 have to think of a strategy on how we put that back on
19 the table and how we work with our friends on the Hill,
20 work with Dick and Bill to keep this requirement before
21 the appropriators, before the authorizers to achieve
22 our objective of seeing more VBOCs. That's a project

1 that we should take on.

2 So, I'll just leave you with that thought.

3 We'll continue talking about it via email, and we'll

4 add it onto our discussion for next time around.

5 Any final comments?

6 MR. CULBERT: I want to also reiterate what

7 Secretary Garcia was saying. Thank you for giving me

8 the opportunity to speak. What you provided to me

9 really opened my eyes on various veteran actions and

10 issues that your guys are currently trying to tackle

11 and work on, and I'm thankful, also, for Billy Jenkins,

12 meeting him, and meeting Calvin Jenkins and LeeAnn.

13 Thank you, and I appreciate it.

14 MR. WHITE: On the same note, I think,

15 obviously, it's become apparent -- you brought it up

16 before -- new and startup businesses that get a

17 contract, there is this huge gap in funding, in working

18 capital. So, this has got to be a much bigger problem.

19 MR. CULBERT: It's a huge problem.

20 MR. WHITE: Maybe this is an issue that there

21 is some way that we can work with the lending

22 institutions, not just SBA but with banks, to say, you

1 know, if you have somebody who really understands
2 contracting --
3 MR. JENKINS: As a contracting officer, if you
4 tell me that you're having a funding problem --
5 MR. WHITE: That's a big no-no.
6 MR. JENKINS: Well, as a small business
7 contracting officer with the Small Business
8 Administration, then I'm going to recommend that you do
9 an assignment of proceeds.
10 MR. WHITE: But not everybody is going to
11 accept that and fund it, though, are they?
12 MR. JENKINS: Well, the banks are very open to
13 that, because it reduces their risk.
14 MR. WHITE: Sure. But they're still
15 risking -- okay, you've still got to complete this
16 contract before I'm going to get paid, right?
17 MR. JENKINS: No, the company has the
18 contract. See, a lot of the contracting officers are
19 not really looking at those financials before, you
20 know, they make the award, and in our community, I've
21 noticed that a lot of contracting officers are giving
22 our folks a break. We're getting contracts.

1 I've got a guy that called me about two weeks
2 ago, said I just won a $6 million contract, but I can't
3 fund it. So, I told him to go right back to that bank
4 and tell them that they want to do an assignment of
5 those proceeds.
6 He's happy. Everybody's happy.
7 MR. WHITE: I just think that this is maybe
8 one of the issues that we want to address, because it
9 keeps popping up, the capital issue.
10 MR. JENKINS: The capital issue is a big
11 problem.
12 MR. VARGAS: I just wondered if you would be
13 open to our inviting a bank or lending institution to
14 talk to us. I think the more we understand the
15 position of lenders, the better we're going to be able
16 to assess it and recommend advice.
17 MR. WHITE: Someone mentioned credit unions.
18 In the past, the reason that they haven't been involved
19 with SBA lending is because the banks made sure that
20 they couldn't use the guarantee portion as part of
21 their capital.
22 So, now they've made a loan. All that loan

1 was put towards the capital base, when a bank is
2 taking -- selling 90 percent and they only have 10
3 percent out against the capital base.
4 So, these guys were even smaller, but they
5 didn't have the capital to make loans, because it
6 wasn't -- they finally changed that regulation.
7 So, credit unions now are under the same bag
8 as banks as far as the capital regulations go.
9 So, it just opened up a whole new bag for
10 them. Overnight, it gave them 90 percent more capital
11 to lend if they go through SBA.
12 But they don't know what they're doing yet
13 with that. There's companies on the side saying we'll
14 do everything for you, you just line them up. We'll do
15 all the back office stuff, we'll do all that stuff,
16 because they weren't set up.
17 But those credit unions -- Navy Federal Credit
18 Union is the biggest credit union in the world, and
19 they just opened it up to Federal employees, they
20 opened it up to all branches of service, Guard and
21 reserves, veterans and active duty. They've got a
22 small business division.

1 MR. VARGAS: Would it make more sense to
2 target one of these credit unions to invite to this
3 meeting, as opposed to, say, a Bank of America or Wells
4 Fargo?
5 MR. WHITE: I think we do both, but I'm saying
6 that one of the big sources of credit could be credit
7 unions, and we're not even thinking about it.
8 MS. LYNCH: That's surprised me.
9 MR. WHITE: It's because they just legally are
10 able to get into it.
11 (Whereupon, at 4:05 p.m., the meeting was
12 concluded.)
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