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United States Senate

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October 13, 2009

The Honorable Karen G. Mills
Administrator
U.S. Small Business Administration
409 Third Street, SW
Washington, D.C. 20416

Dear Administrator Mills:

I write to you regarding the disaster response of the U.S. Small Business Administration (SBA) to Hurricane Ike of 2008. As you know, the Senate Committee on Small Business and Entrepreneurship held a field hearing in Galveston, Texas on September 25, 2009. This hearing reviewed the Federal and State responses to Hurricane Ike, as well as the current status of business recovery in the area. By all accounts, the SBA was better prepared and deployed staff quickly following Ike – a marked difference than its sluggish and ineffective response following Hurricanes Katrina and Rita of 2005. Also, SBA took an average of five days to process home disaster loans and 12 days to process business disaster loans following Ike. This is in contrast to up to 90 days for home loans and 70 days for business loans following Katrina.

While there have been major improvements to SBA's disaster programs since the 2005 hurricanes, I believe that there are key areas that are still in need of improvement. It is my understanding that as of August 31, 2009 out of over 2,100 applications SBA had only approved 536 business disaster loans for Galveston County – disbursing 280 of those for \$21.8 million. This may be due to many outside factors but business owners at the field hearing still complained of bureaucracy and paperwork related to SBA disaster loans.

I also understand that key provisions from the Small Business Disaster Response and Loan Improvements Act (Public Law 110-246) were not implemented by the previous Administration ahead of Hurricane Ike. With this in mind, I respectfully request your attention to the following items which may help ongoing disaster efforts from Ike as well as SBA's response to future disasters:

- **Internal Revenue Service (IRS) Coordination:** Following Hurricane Katrina, one of the biggest frustrations that our Committee consistently heard from business owners was coordination on tax records. In particular, some borrowers signed IRS form 8821 (authorizing SBA to get tax information directly from the IRS) but were later asked to also submit three years of tax returns. I understand that, in some cases, IRS justifications provided to SBA did not adequately cover information needed to review a disaster application. However, this process should be as streamlined as possible for business owners recovering from a disaster. Section 12066(b) required coordination between SBA and IRS to ensure all relevant tax records would be shared in an expeditious manner. I urge SBA and IRS to review ways to better share information on future SBA disaster applications.

- **Regional Outreach and Marketing of SBA Disaster Programs:** Texas businesses and homeowners indicated a lack of awareness of the eligibility and availability of SBA disaster programs. Section 12063(b) required the creation of a marketing and outreach plan, including regional marketing ahead of disasters likely to occur in each area of the country. While SBA disaster loans are universal for every disaster, each disaster impacts regions/businesses differently. Just as disaster victims must prepare differently for each disaster, SBA should tailor its outreach for different disasters that may impact certain parts of the country – **including targeted outreach before annual disaster seasons.**
- **Federal Emergency Management Agency (FEMA) Coordination:** Texas businesses and homeowners indicated at our hearing that ongoing problems continue between FEMA and SBA on disaster loan applications. For example, frustrated SBA applicants contacted my office after Katrina when FEMA employees described disaster options one way, only to have SBA employees refute these options. To address this and other issues, Section 12062 required regulations by FEMA and SBA on a timely and coordinated disaster applications process. I understand that regulations are being finalized between SBA/FEMA so I look forward to reviewing the regulations once they are issued.
- **Disaster Response Plan:** I commend SBA for implementing, at my request, a comprehensive Disaster Response Plan (DRP) in time for the 2007 hurricane season. By all accounts, this plan has greatly improved SBA's preparedness and response to disasters over the last few years. As required by P.L. 110-246, I understand that SBA will be submitting its recent revisions of the DRP to Congress in the coming weeks. In finalizing this plan, below are my recommendations on key areas of the DRP:
 - *Coordination with Federal, State and Local Government Partners:* The DRP should clearly define SBA's role in relation to other Federal disaster partners. SBA should also provide to Congress any recommendations on how it can improve its coordination with these agencies. Similarly, Congress also required that the DRP outline SBA coordination with State and local governments, including on State-administered bridge loan or grant programs.
 - *Administration Review of SBA Response to 2005 Hurricanes:* To my knowledge, although SBA conducted an internal review on 'lessons learned' from the 2005 hurricanes, this review has not yet been submitted to Congress. Please submit that review at the time of your DRP submission.
 - *Regional-Specific Disaster Information:* As indicated above, I am concerned about regional outreach and marketing of SBA disaster programs. P.L. 110-246 required that SBA identify, as part of the DRP, disasters most likely to occur in each region of the country and how SBA will respond to demands for assistance resulting from these disasters. I expect that analysis to be part of your DRP submission as well.
- **Executive Office of Disaster Strategic Planning and Operations (EODSPO):** I applaud SBA for establishing the EODSPO in August 2008 to meet disaster planning requirements from P.L. 110-246. These changes, both administrative and required by Congress, have gone a long way towards ensuring SBA provides more timely and effective assistance to disaster victims. It would be helpful, as part of the 2009 Annual

Report to Congress, if SBA could note in addition to Office of Disaster Assistance (ODA) staffing figures, staffing levels of EODSPO. At the appropriate time, I would also like to receive a briefing on recent SBA disaster operations from EODSPO Chief, Rear Admiral Steven Smith, and the Acting Associate Administrator for ODA.

- **Guaranteed Disaster Loan Pilot Programs:** The President's FY2010 budget request included \$1.7 million to fund two Guaranteed Disaster Loan Pilot Programs (the \$25,000 Immediate Disaster Assistance Program and the \$150,000 Business Expedited Disaster Loan Program). In the FY2010 Financial Services and General Government Appropriations bills, Congress has included necessary funds to test these programs next year with local lenders. I am interested in receiving additional details on SBA's pilot programs as well as the expected timeframe for piloting these programs, reviewing lessons learned, and promulgating final regulations.
- **Reports on Disaster Assistance:** P.L. 110-246 included two additional report requirements which would be of interest to our Committee. First, the bill required for each declared disaster, a report on Federal contract awards made, those awarded to small businesses, and those awarded to women and minority-owned businesses. Second, within six months of enactment, the bill also required a report on improving the SBA disaster loan program. SBA should consider including the required contracting report as part of the annual report to Congress. The second report on improving SBA's disaster loan program would also be helpful to Congress as we continue our work in the coming months to reauthorize SBA's core lending, counseling, and contracting programs.

In closing, I thank you for your consideration of these recommendations to enhance SBA's disaster assistance program. As U.S. Department of Homeland Security Secretary Janet Napolitano and U.S. Department of Housing and Urban Development Secretary Shaun Donovan begin a six-month Administration review of all Federal disaster recovery programs, I believe that SBA has an important role in responding to future disasters. For my part, I remain committed to ensuring that SBA has sufficient resources and tools necessary to provide timely and effective assistance following these disasters.

Sincerely,



Mary L. Landrieu
Chair

MLL:brv

Cc: Secretary Janet Napolitano, U.S. Department of Homeland Security
Secretary Shaun Donovan, U.S. Department of Housing and Urban Development