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June 15, 2010

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

Dear Administrator Mills:

The tragic explosion of the *Deepwater Horizon* took the lives of 11 men and unleashed an uncontrolled torrent of oil and gas into the Gulf of Mexico. This disaster threatens our environment, our economy and the health of America's wetlands, which underpin the way of life and viability of the entire Gulf Coast. With this in mind, I appreciate your visit to Louisiana with me on May 10, 2010 to tour a Business Recovery Center in St. Bernard Parish and meet with local lenders.

As I write to you today, Gulf Coast small businesses continue to struggle with the growing economic impact from the disaster. This is because, in addition to the current six-month moratorium on deepwater drilling, there is a ripple effect of the multiple fisheries closures as well as a slowdown in tourism due to the oil spill. For example in 2008, commercial fishermen in the Gulf of Mexico harvested 1.27 million pounds of finfish and shellfish and generated \$659 million in revenue from these harvests. Depending on the season, up to 40 percent of the nation's commercial seafood harvest comes from the Gulf of Mexico. Louisiana seafood alone is a \$2.4 billion industry and is responsible for more than 27,000 jobs. For every one of these direct jobs in the seafood industry, there are countless other related businesses dependent on them for commerce. Furthermore, in the four impacted states (Louisiana, Mississippi, Alabama and Florida), more than one million residents are directly employed as a result of travel and tourism. There is over \$94 billion spent annually in these four states on tourism-related activities. The tourism and fisheries impacts of the disaster threaten the continued viability of our Gulf Coast restaurants, ice houses, processors, grocery stores, and other small businesses.

On May 27th, my committee held a hearing on the impact of the *Deepwater Horizon* disaster on Gulf Coast small businesses. In this hearing, we heard from the U.S. Small Business Administration (SBA) on your agency's operations in the impacted states. To date, SBA has approved 52 Economic Injury Disaster Loans for \$2.2 million. At this hearing, we also heard from BP on their claims process. BP indicated that they had received over 26,000 filed claims, of which approximately 12,000 have been paid, totaling over \$36 million, mostly in the form of lost income interim payments. Lastly, we

received testimony from individual businesses and SBA resource partners on how small businesses are faring. Our committee learned that many of these same businesses in the parishes/counties threatened by the approaching oil were either damaged or economically impacted by the 2005/2008 hurricanes. It is my understanding that many local businesses are still having trouble navigating the BP claims process and are hesitant to take on additional debt with the difficult economic conditions.

In light of testimony from this hearing and my discussions with local businesses, I respectfully request your attention to the following items which may help ongoing Federal efforts to assist small businesses impacted by the *Deepwater Horizon* disaster:

- **SBA Disaster Loan Interest Relief:** In total, there are over 12,000 disaster loans outstanding from the 2005/2008 hurricanes with businesses who employ about 40,000 people. For this reason, I appreciate the SBA's announcement to allow deferments to loan payments for existing SBA borrowers who have been impacted due to the *Deepwater Horizon* disaster. While this may be helpful to some borrowers, I note that interest still accrues on these loans during the deferment period and they may be hit by a "balloon" payment at the end of the deferment. With this in mind, I was pleased that on May 28th, in Grand Isle, Louisiana President Obama, in discussing SBA's disaster efforts, noted that, "A lot of folks are still loaded up with loans that they had from Katrina and other natural disasters down here, so they may need some additional help." In light of the President's recent comments acknowledging this problem and the growing economic impact from this disaster, I renew my request for the Administration's support for interest relief of up to \$15,000 on outstanding disaster loans from the 2005/2008 hurricanes.
- **Collateral on SBA Disaster Loans:** SBA has indicated that it will accept the 'best available' collateral from businesses seeking disaster loans. This collateral could include personal real estate, equipment, or business property. Following Hurricane Katrina, this meant that many business owners were required to put up their personal homes or commercial boats as collateral for SBA disaster loans. After this recent disaster, many fishermen are rightly hesitant to put up a home or boat as collateral given the possible long term impact on local fisheries. In our recent hearing, your agency indicated that you will work with individual borrowers on a case-by-case basis. I encourage SBA to examine different types of collateral that could be used and to not further burden businesses that are now, in some cases, facing their second or third disaster since 2005. For example, SBA indicated at our hearing that the agency has the authority to accept BP claims as collateral towards SBA disaster loans. I urge SBA to coordinate with BP on borrowers interested in putting up their BP claims as collateral on disaster loans.

- **Reimbursement from BP:** There is a “polluter pays” public policy underlying the Oil Pollution Act. As such, it is my understanding that the Oil Pollution Trust Fund is available to reimburse Federal agencies for operations related to response and compensation provisions after an oil spill. Since the SBA has increased its staff by 125 employees to respond to this disaster and set up 28 Business Recovery Centers in the Gulf Coast, I urge the agency to receive appropriate compensation from BP. Similarly, as the SBA disburses Economic Injury Disaster Loans to businesses and fishermen in impacted states, the agency should also seek reimbursement from BP for these loan amounts. Lastly, Gulf Coast Small Business Development Centers (SBDCs) are currently in Business Recovery Centers assisting businesses with both BP claims and SBA disaster loans. I urge SBA to coordinate with the local SBDCs to be compensated from BP for these expenses.

In closing, I thank you for your consideration of these key recommendations to enhance SBA’s disaster response in the Gulf Coast. For my part, I remain committed to ensuring that SBA has sufficient resources and tools necessary to provide timely and effective assistance for this and other future disasters. Please do not hesitate to contact me if you require additional resources or legislative authority to assist businesses impacted by the *Deepwater Horizon* disaster.

Sincerely,



Mary L. Landrieu
Chair

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Cc: Dr. Anthony Hayward, Group Chief Executive, BP