

## SOUTHEAST HURRICANE BUSINESS DISASTER RELIEF ACT OF 2011

Ms. LANDRIEU: Mr./Madam President, I come to the floor today to speak on an issue that is of great importance to my home state of Louisiana: disaster recovery from Hurricanes Katrina and Rita of 2005; Hurricanes Gustav and Ike of 2008; and the *Deepwater Horizon* disaster of 2010. Almost six years after these first two devastating storms, our eyes are still fixed on our shores during hurricane season as our communities and businesses in the hardest-hit areas continue to rebuild. The region is also still reeling from the oil spill and subsequent Federal deepwater drilling moratorium. As Chair of the Senate Committee on Small Business and Entrepreneurship, I remain focused on their ongoing recovery efforts and am here today to introduce a bill that I believe will help these struggling small businesses become successful once again and hire new workers.

Charles R. "Ray" Bergeron and his wife's Fleur de Lis Car Care Center in New Orleans, Louisiana, is one of the businesses that need this type of assistance. Small Business Administrator Karen Mills and I toured the Bergeron's business back in June 2009. Pre-Katrina, Fleur de Lis, which opened in 1988, had nine employees. After Hurricane Katrina hit, Mr. and Mrs. Bergeron found themselves having to take out two loans, one for their house and another for their small business. As of our visit that June, the Bergeron's were down to 2 employees, not including themselves, and their business was back at about 40 percent of pre-Katrina sales, due in large measure to the population not returning. Their neighborhood is mostly empty homes, which Mr. Bergeron attributes in part to high flood insurance premiums, high property taxes and high homeowner's insurance.

When I met with them, the Bergeron's had a \$225,000 SBA disaster loan with a standard 30-year term, which Mr. Bergeron says he will not pay off until he is 101 years old. And two years ago now, Mrs. Bergeron contacted my office requesting SBA assistance with their loan repayment after work to repair the flood-damaged roads surrounding their gas station had cut access to their business for even their most loyal customers. Since the project began, Fleur de Lis' sales have been cut almost in half. This latest challenge comes on the heels of the economic downturn, which caused the station to lay off two employees in 2009.

The Bergeron's story is one I have heard from countless businesses. Coupled with their recovery from the 2005 and 2008 hurricanes, and more recently, the *Deepwater Horizon* oil spill and Federal deepwater drilling moratorium, these businesses – the ones that took the initiative to quickly reopen after the storms – are today struggling with one challenge after another. Yet these "pioneer" businesses are the ones rebuilding communities need the most because they serve as anchors. If residents see the Bergeron's gas station, or their favorite restaurant, open, they are more likely to come back to rebuild their homes.

To help ongoing recovery efforts in the Gulf Coast, and to give these struggling businesses immediate assistance, I am introducing today the "Southeast Hurricanes Small Business Disaster Relief Act of 2011." This legislation would provide targeted assistance to as many as 11,000 businesses in Louisiana, Mississippi, Alabama, and Texas. What these particular businesses have in common is that they received SBA disaster loans following the 2005 or 2008 hurricanes. While they have made payments on these loans, I have heard from countless businesses in my state that they could expand operations if they had additional cash flow. This legislation would inject immediate capital into these

hardest-hit businesses by giving SBA the authority to waive up to \$15,000 of interest payments over three years, helping to create or save up to 40,000 jobs.

Under this program, SBA is required to give priority to applications from businesses with 50 employees or less and businesses that re-opened between September 2005 and October 2006 for the 2005 storms or September and December 2008 for the 2008 hurricanes. This ensures that SBA first helps true small businesses and those “pioneer” businesses that were the first to re-open after the disaster. The bill also includes a priority for applications from businesses suffering substantial economic harm from the *Deepwater Horizon* oil spill last year. The program would end on March 31, 2012.

The Southeast Hurricanes Small Business Disaster Relief Act also includes provisions to help reduce the program’s impact on the Federal deficit. First, the bill eliminates a duplicative program at the SBA. This program, the Gulf Coast Disaster Loan Refinancing Program, was created as part of the 2008 Farm Bill. Although it was created almost three years ago, the program has not received any appropriations nor has the SBA utilized the authority to refinance any disaster loans. It is my understanding this is because the program just re-amortizes the same debt of borrowers. Furthermore, any refinancing must not exceed the original loan amount and differ from the original terms of the loan. As a result, this program is not attractive to borrowers, lenders or the SBA. Our bill eliminates this program and creates one that will work better for all stakeholders. Next, the bill allows SBA the authority to get reimbursed by the party responsible for the *Deepwater Horizon* oil spill for any interest relief provided to businesses impacted by that disaster. This ensures that the taxpayers will be reimbursed for interest relief related to the *Deepwater Horizon* oil spill. I also note that this is consistent with the claims process provided for in the Oil Pollution Act of 1990.

This program makes a difference because for some businesses, depending on the loan term and loan amount, their total principal/interest payments could run as high as \$1,000 per month. For example, for a \$114,000 disaster loan with a 4 percent interest rate and a 25-year term, a business could be paying as much as \$400 in monthly interest. In one year, this adds up to \$4,800 and almost \$14,500 in three years. While this is not a lot of money for Wall Street banks or Fortune 500 companies, \$15,000 makes a major impact for a gas station with two employees, like Fleur de Lis, or a neighborhood restaurant with ten employees. These businesses have seen their bottom lines shrink as others on Wall Street received extravagant bonuses. I, for one, believe it is time to help these Main Street businesses as they are the backbone of our communities.

My legislation also follows legislation approved by a previous Congress. The prior bill came after Hurricane Betsy devastated Florida, Louisiana and Mississippi in September 1965. According to Red Cross reports at the time, between 800,000 and 1 million people were adversely impacted by the hurricane. Before this storm, the only previous disaster of that magnitude was the 1937 Ohio-Mississippi River floods which forced more than a million people from their homes. In total, Betsy destroyed more than 1,500 homes, damaged more than 150,000, and damaged more than 2,000 trailers. Hurricane Betsy also destroyed 1,400 farm buildings and 2,600 small businesses. At the time, the Senate Committee on Public Works noted in Committee Report 89-917 that, “The overwhelming magnitude of the vicious storm, surprising even to experienced

disaster workers, was more apparent every day as storm victims continued to register for long-term recovery help in rebuilding their lives and homes.”

As part of the review to provide Hurricane Betsy victims appropriate assistance, including a field hearing in Louisiana, Congress determined that the massive scale of this disaster required targeted, disaster-specific programs. In particular, Congress approved the Southeast Hurricane Disaster Relief Act of 1965 (Public Law 89-339). This bill authorized various business, homeowner, and agricultural disaster assistance, including loans and temporary rental assistance. In its committee report on the legislation, which is referenced above, the Senate Committee on Public Works wrote, “This bill contains what the committee believes is needed and necessary to give further aid to the disaster-stricken areas....including special measures to help these States in the reconstruction and rehabilitation of devastated areas.” Among other provisions, Section 3 of the bill authorized SBA to waive interest – for loans above \$500 – due on the loan over a period of three years, but not to exceed \$1,800 in interest. The bill was signed into law in November 1965 and Congress later approved \$35 million to implement provisions in the Act.

Just as with Hurricane Betsy in 1965, in 2005, Mississippi and Louisiana again saw a catastrophic disaster hit their businesses, farms, and homes. Everyone now knows the impact Hurricanes Katrina and Rita had on the New Orleans area and the southeast part of our state. Images from the devastation following these storms, and the subsequent Federal levee breaks, were transmitted across the country and around the world. Katrina ended up being the deadliest natural disaster in United States history, with 1,800 people killed – 1,500 alone in Louisiana. Katrina was also the costliest natural disaster in U.S. history, with more than \$81.2 billion reported in damage.

In Louisiana, we had 18,000 businesses catastrophically destroyed and 81,000 businesses economically impacted. I believe that, across the entire Gulf Coast, some estimates ran as high as 125,000 businesses impacted by Katrina and Rita. Many of these businesses, for various reasons, have not returned or re-opened. By mid-2007, Orleans Parish was still down 2,000 employers, or 23 percent of its pre-Katrina business level. Nearby St. Bernard Parish – which had up to 80 percent of its homes damaged – had the largest percentage decline of 48 percent fewer businesses open, according to Louisiana State University and the Louisiana Recovery Authority. These disasters were followed by the 2008 hurricanes that hit the same areas in Texas and Louisiana. With this mind, on September 25, 2009, I chaired a committee field hearing in Galveston, Texas. At this hearing, we received a progress report from Federal, State and local officials on the recovery from Hurricane Ike in 2008. We also heard from individual business owners in Galveston who were still struggling a year on from the hurricane.

These Galveston business owners, the Bergeron’s Fleur de Lis gas station, and many other “pioneer” businesses did choose to re-open and are now struggling to stay alive. As is clear from the Bergeron’s story, these businesses have suffered from not one disaster, but three: Hurricane Katrina/Rita in 2005, Hurricane Gustav/Ike in 2008, and the *Deepwater Horizon* disaster. I believe the special program implemented following Hurricane Betsy in 1965 would today greatly benefit businesses in these four states hardest hit by Katrina, Rita, Gustav, Ike, and the *Deepwater Horizon*. While I recognize that these are the hardest hit states, I am also interested to hear from my other Gulf Coast colleagues on whether this program would benefit their impacted businesses as well.

In closing, I would like to note that Congress has been generous in providing essential recovery funds following the 2005 and 2008 storms. However, as we approach the sixth anniversary of the 2005 disasters, we must now ensure that impacted businesses can make it past this anniversary – preventing thousands more workers from being unemployed or additional defaults on SBA disaster loans. One important way that this Congress can ensure that these workers remain employed and that these businesses survive, and even grow, would be to relieve some of the interest on these SBA disaster loans. For this reason, I urge my Senate colleagues to support this commonsense legislation which would make a difference for up to 11,000 Main Street business owners and their estimated 40,000 employees in the Gulf Coast.

I thank the Chair and ask that my entire statement and a copy of the legislation appear in the Record.