

United States Senate

WASHINGTON, DC 20510

December 6, 2012

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

Dear Administrator Mills:

We write to you regarding the disaster response of the U.S. Small Business Administration (SBA) to Hurricane Sandy. By all accounts, the SBA was better prepared and deployed staff quickly following Sandy – a marked difference than its sluggish and ineffective response following Hurricanes Katrina and Rita of 2005. As of November 30th, your agency had already deployed over 369 staff to the impacted states. The SBA has also begun opening 31 Business Recovery Centers (BRCs) run by the local Small Business Development Centers (SBDCs) and State/local officials. These centers provide a wide range of services to assist businesses impacted by the hurricane.

While there have been major improvements to the SBA's disaster programs since the 2005 hurricanes, we believe there are key areas that still require attention. These areas are critical to ensuring SBA's disaster programs are efficient and responsive to the victims of Hurricane Sandy. With this in mind, we respectfully request your attention to the following items which may help ongoing disaster efforts from Sandy as well as the SBA's response to future disasters:

- **Disaster Funding:** As of November 26th, the SBA had approximately \$100 million in administrative funding and \$330 million in subsidy for the disaster loan program. We encourage the SBA to work closely with the Congress to ensure there is appropriate funding for these disaster accounts as well as for Small Business Development Centers in the disaster area.
- **Coastal Barrier Resources Act Prohibition:** The *Coastal Barrier Resources Act* prohibits Federal financial assistance, including SBA disaster loans, to applicants located in the Coastal Barrier System. We appreciate the SBA's ongoing coordination with relevant Federal agencies, such as the U.S. Fish and Wildlife Service, to establish clear guidance and maps for distribution. This coordination and aggressive outreach needs to continue as the vast majority of disaster loan applicants resulting from Sandy do not live in Coastal Barrier areas.
- **Aquaculture Business Assistance:** The *Small Business Jobs Act of 2010* (P.L. 111-240) included a provision that allowed aquaculture businesses to apply for SBA Economic Injury Disaster Loans (EIDLs), so long as disaster assistance is not provided by other Federal agencies. We encourage the SBA to review its ability to provide disaster assistance to small aquaculture businesses impacted by Sandy.

- **Duplication of Benefits:** After Hurricane Katrina, the SBA deducted Louisiana Road Home recovery grant proceeds (funded via U.S. Department of Housing & Urban Development Community Development Block Grants) before they were awarded to borrowers. According to the SBA, these actions were taken to address “duplication of benefits (DOB)” between Road Home grants and SBA disaster home loans made to the borrowers. Deducted grant proceeds were used to pay down balances on SBA disaster home loans. In many instances, this left disaster victims without sufficient funds to rebuild their homes or to address needs that arose subsequent to the disaster (such as contractor fraud, increases in building costs, or additional damage to partially repaired homes). We understand that late last year HUD and the SBA signed an agreement that improves agency coordination on this issue. Please provide us with an update on this agreement and how it includes provisions ensuring assistance for borrowers with unmet disaster needs.
- **Regional Outreach and Marketing of SBA Disaster Programs:** *The Small Business Disaster Response and Loan Improvements Act of 2008* (P.L. 110-246) 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, the SBA must tailor its outreach for different disasters that may impact certain parts of the country – including targeted outreach before annual disaster seasons. We request that the SBA provide an update on regional disaster outreach in the East Coast this year and prominently feature hurricane-related information in future agency disaster outreach in this region.
- **Guaranteed Disaster Loan Pilot Programs:** *The Small Business Disaster Response and Loan Improvements Act of 2008* (P.L. 110-246) also created two Guaranteed Disaster Loan Pilot Programs (a \$25,000 Immediate Disaster Assistance Program and a \$150,000 Business Expedited Disaster Loan Program). In subsequent Appropriations cycles, Congress has provided the SBA with the necessary funds to test these programs with local lenders. In the event that these programs may be activated for Hurricane Sandy, we request an update on the SBA’s piloting of these programs, its review of lessons learned, and the promulgating of final regulations.

In closing, we thank you for your consideration of this request. For our part, we remain committed to ensuring that the SBA has the sufficient resources and authority necessary to effectively respond following Hurricane Sandy and future disasters.

Sincerely,

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