



**U.S. Senate Committee on Small Business and Entrepreneurship
and
U.S. Senate Homeland Security and Governmental Affairs Ad Hoc Subcommittee on Disaster
Recovery**

A Year Later:

Lessons Learned, Progress Made, and Challenges that Remain from Hurricane Ike

OPENING STATEMENT

Good afternoon. I am happy to be in Galveston today and am touched by the devastation I have just seen – but also pleased by the progress that has been made in one year. I must give credit where it is due, to each and every member of this community who saw the worst, hoped for the best and worked for change.

Thank you to Galveston Mayor Lyda Ann Thomas and Senator Cornyn, who are here with us today. Senator Hutchison and Congressman Paul couldn't attend. They have submitted statements for the record and their staff is here on their behalf. We have also received statements from local groups. I will include these materials in the record along with any statements that we receive following the hearing.

While we are focused today on Galveston's recovery from Hurricane Ike, as many of you know, yesterday was the fourth anniversary of Hurricane Rita. This storm devastated the southwest part of my state and damaged parts of southeast Texas as far as Galveston. It is my hope that some of the lessons learned and challenges that we've seen following Rita can be helpful to recovery from Ike.

Hurricane Ike's 110mph winds blew off rooftops, and saltwater – as much as 20 feet high and flooding up to 75 percent of Galveston Island – ate through more than 17,000 homes and businesses. As of today, about 20 percent of the 58,000 Galveston residents have not returned – 4,000 families are unable to return due to flood damage.

Galveston may never be quite the same. But I believe, with the combined efforts and coordination of the community, the city, the state, and the federal government, Galveston can be better than it was before the storm. That is why we are here today.

I am no stranger to the devastation and suffering that you have seen. We saw it in my home city of New Orleans just over four years ago when Katrina and Rita struck the Gulf Coast and caused more than \$880 billion in damage. But now, New Orleans is again becoming the bustling port city and center for tourism that it always was. There is still work to be done, but in Louisiana we are strong – just as you are here in Galveston. A year later and as a community you have rallied together.

Nelda Knapp Engstrom couldn't have done it without her community. Nelda, owner of Knapp Flowers, had decided to close her flooded flower shop – but the community wouldn't let her. The shop, which opened in 1926 when her grandmother began selling flowers from her garden, re-opened this past week through telephone and internet orders.

Galveston is seeing life again because of this community spirit. While the local chamber of commerce estimates at least 180 businesses have closed for good, 75 percent of businesses have reopened and are seeing business around 70 percent of pre-Ike levels. More than 130 new businesses have opened their doors. The Port of Galveston is open. Cruise ships have returned. Beaches are restored.

A community in crisis cannot do it alone. We must unite as a nation. FEMA has disbursed around \$667 million to Galveston and \$2.5 billion – or \$7 million per day since the storm hit – across Texas. Nearly 13,000 residents in the Galveston area are receiving federal help – either in rent subsidies or temporary housing.

But as residents in my state told me after Katrina, aid is hard to get and slow to come. A senseless bureaucratic maze of paperwork can get in the way, as victims are directed from one agency to another only to find none of the agencies will help.

This was the case Kathy Simmons encountered. Kathy runs the Galveston Alternative Education Center, a school of 42 students who are either not allowed or choose not to attend public school. Many of Kathy's students go from probation to community college with her help.

Ike demolished Kathy's school and washed away the supplies. FEMA turned her away, directing Kathy to the Small Business Administration (SBA). SBA said that they do not loan money to schools. Kathy's school finally found a temporary home in St. Vincent's House, but she's struggling to keep it open.

Kathy represents the essence of what it means to never give up. As she told my staff: How could she give up? This is the last chance for these kids. Everyone else has written them off. I am here today to see why people like Kathy and her students have fallen through the cracks – and why countless others are still waiting for help to pull through.

After Katrina and Rita, the federal response was slow; planning was insufficient, and staff and funding came up short. Following the 2005 storms, it took 90 days to process a home loan and 70 days to process a business loan. I am happy to say one positive result of this woeful performance was that it led to a change in SBA leadership and a change in the way they respond to disasters.

In 2006, a new SBA Administrator – Steve Preston – took over and, at my request, implemented a new SBA Disaster Response Plan in time for the 2007 hurricane season. Last year, as part of the 2008 Farm Bill, Congress passed legislative reforms to SBA's disaster programs.

These reforms included:

- Increased SBA loan limits from \$1.5 million to \$2 million;
- New tools such as bridge loans or private disaster loans following catastrophic disasters;
- Better coordination between FEMA, SBA, and the IRS;
- Allowed nonprofits, for the first time, to be eligible for SBA economic injury disaster loans.

My committee has heard from local officials in southwest Louisiana that SBA was better prepared and more responsive following Gustav and Ike. It took 5 days to process a home loan following Ike, compared to the 90 days after Katrina and Rita. Business loans averaged a little over a week to process, compared to the 70 days in 2005.

While agencies have seen improvements since the 2005 storms, these agencies are certainly not perfect. I am interested to hear today if Galveston found these agencies, including SBA, to be helpful.

To discuss the experience of local business owners following Ike, we have two small business owners testifying today: Frank Dryden, owner of Island Flowers and Nefertiti Boutique and Sharon Gillins, owner of Y'Bon Village Coffeehouse. I look forward to hearing about the challenges you have faced and ways that Washington can help for the future.

Also during Katrina, coordination between agencies was lacking to the point where one agency didn't know what the other was doing. Since then, interagency coordination seems to have improved but remains a problem. It is maddening to hear that federal agencies are fighting over who should rebuild this city's roads or bridges or provide loans to struggling victims like Kathy Simmons.

We have with us today representatives from SBA, FEMA and the Department of Transportation: Manuel Gonzalez, the Houston District Director for the SBA; Brad Harris, the Federal Coordinating Officer for Hurricane Ike in Texas with FEMA; Al Alonzi, the Texas District Director for the Federal Highway Administration. I look forward to their testimony.

Going forward it is important that the federal government remain involved. I am told that FEMA is preparing to close its local office in Texas City. There are still hundreds of projects not completed in this city so, in my view, we have some work to do before the federal agencies can move on.

I also understand that hospitality workers and local residents are unable to return in part because FEMA will not place temporary housing in areas that are highly susceptible to flooding from another storm. In Louisiana we have been frustrated by similar regulations on this V-zone issue ("high velocity flood zones").

At the same time that temporary units are not being deployed in sufficient numbers, FEMA has made minimal use of a program that authorizes the repair of existing rental units, having utilized it for just one building. If workers cannot find decent, affordable housing in the area they cannot return. This hinders reconstruction efforts and contributes to labor shortages.

To speak on some of the challenges of the local workforce, we will be hearing from David Callendar, President of the University of Texas Medical Branch (UTMB) – Galveston's largest employer. UTMB had to shut down after the storm and lay off a third of its workforce. It is back up and running now but is having trouble finding qualified doctors and nurses.

Mayor Lyda Ann Thomas, I am also looking forward to your testimony. You perhaps know best the challenges this city has seen in the last year and the obstacles Galveston must still overcome. I'd like to hear from you what Washington can do to help further, what additional changes need to be made to improve the federal response to disasters, and what role the state of Texas has played in recovery efforts – including their engagement in the FEMA Public Assistance process and their methodology and efforts in allocating \$3 billion in Community Development Block Grant (CDBG) funds for housing infrastructure and economic development.

One positive bit of news from Washington I can bring to you today is progress on the issue of 2008 CDBG funds not being allowed to be used as a local match for other federal programs.

Last week the Senate unanimously passed an amendment to the FY2010 Transportation, HUD (THUD) Appropriations bill, which I worked on with the Texas and Midwest senators, that allows local communities to use these grants as a match for other federal programs that restore schools and fire stations, fund elevation or relocation of vulnerable homes, and support beach restoration projects.

This is the type of change we in Washington should be bringing to devastated areas like Galveston – commonsense, community-focused solutions. The federal aid process needs to be simpler and quicker, and we must have better coordination among federal, state and local agencies. Getting help to Galveston’s homeowners and businesses should not take as long as it has, nor should it be as difficult as it has been.

I now turn to my colleague Senator Cornyn for his opening statement.