



U.S. Small Business
Administration

**Testimony of Francisco Sanchez
Associate Administrator
Office of Disaster Assistance
U.S. Small Business Administration**

before the

Senate Committee on Small Business & Entrepreneurship

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Good afternoon, Chairman Cardin, Ranking Member Paul, and distinguished members of the committee. Thank you for the invitation to discuss the U.S. Small Business Administration's (SBA) Office of Disaster Assistance (ODA).

Since January 2022, I have led the Office of Disaster Assistance at the Small Business Administration. ODA serves one of the most important functions of the agency: When disaster hits and business owners are going through the worst moments of their lives, most Americans imagine the Federal Emergency Management Agency (FEMA) racing to the rescue. But for some affected communities, SBA is the first federal contact to help communities rebuild and recover. SBA works in close coordination with FEMA to provide disaster assistance following a declared disaster event.

SBA has a world-class disaster response team that works tirelessly to enhance our programs and resources. These dedicated civil servants ensure that America's 32.5 million small businesses as well as countless homeowners and renters can access the recovery and mitigation resources they need to rebuild stronger, smarter, and more resilient.

I have spent decades in emergency management, working some of the largest security events in the nation from two Super Bowls to three World Series as well as providing local coordination for multiple national special security events. Prior to joining SBA, I served as Deputy Homeland Security and Emergency Management Coordinator in Harris County, Texas. The City of Houston is in Harris County, and during my time in public service, we responded to historic hurricanes including Katrina, Rita, Ike, and Harvey. We dealt with extreme natural events from wildfires that burned thousands of acres to historic flooding and rainstorms that dumped 16 inches of rain on our community in less than 12 hours. Recently, Harris County averaged one presidentially-declared disaster every nine months.

In moments of crisis, ensuring access to financial relief is one of the most important ways to assist disaster survivors get back on their feet. SBA provides critical funding to help rebuild such as affordable loans of up to \$200,000 to aid homeowners when their primary residence is destroyed or damaged. We also provide up to \$40,000 to help homeowners and renters replace damaged or destroyed personal property such as furniture, clothing, appliances, and vehicles. With the increased incidence and magnitude of natural disasters, those limits have not kept pace with the recent increases in home values and construction. SBA is currently exploring steps to address these limits to accurately reflect current conditions.

For businesses of all sizes and private nonprofit organizations, the SBA provides up to \$2 million dollars to repair or replace damaged real estate, furniture and fixtures, inventory, and machinery and equipment. Additionally, the SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private nonprofit organizations that have suffered economic injury caused by a disaster even if they suffered no physical damage. These

loans provide working capital to a business or organization until normal operations can resume following a disaster.

The Biden-Harris Administration and SBA Administrator Isabella Guzman have prioritized helping small businesses prepare for increasing threats of natural disasters by focusing on disaster resilience. Speaking from personal experience, I can tell you that emergency preparedness begins before natural disasters strike. The SBA provides additional loan funds for mitigation and property improvements that help prevent future damage caused by flooding, fires, severe winds, or other natural disasters. These funds are essential to help survivors protect their home and family, business, and employees from repeat property damage and loss. Research shows that for every \$1 spent on hazard mitigation, up to \$6 in future disaster recovery costs are saved. Used wisely, mitigation funds can be used for important upgrades that not only eliminate the risk of future damage, but also save lives.

We are seeing that some communities and small businesses are experiencing disaster activity with a growing frequency. Natural disasters have also become more costly: 2020 was the sixth consecutive year in which there were more than ten-billion-dollar weather and climate disaster events that impacted the United States. The SBA has been a critical federal partner during the Biden-Harris Administration, providing lifelines totaling more than \$2.5 billion to help small businesses, renters, homeowners, and private non-profits recover and rebuild. Our FY2022 SBA disaster aid includes:

- More than \$70 million in loans to help homeowners, renters and businesses following violent and deadly tornadoes that moved across Kentucky in December;
- More than \$100 million for wildfires and straight-line winds that spread across Boulder County, Colorado; and
- Nearly \$2 billion in loans to help more than 37,000 individuals and businesses from Louisiana to New York recover and rebuild after Hurricane Ida.

Increased risk from extreme weather events means that we must continue to dedicate resources to disaster preparedness. The President's budget requests \$179 million in disaster funding to ensure the SBA can deliver its critical disaster relief. Small investments in resiliency can have a big impact when disaster strikes. In order to help small businesses better understand the importance of resilience and mitigation efforts and the options available to them, including outside of SBA, the budget includes \$10 million to help small businesses build greater resiliency ahead of a storm.

As many Americans head to the beach this summer, NOAA experts predict an even more active hurricane season than last year. 2021 was the third most active hurricane season ever recorded, including the first hurricane to hit the northeast in 30 years, killing more than 100 people and causing billions of dollars in damage. No matter how active the upcoming hurricane season may be, it only takes one storm to destroy everything families and small business owners have worked to build. According to FEMA statistics published after the 2017 hurricane season, 40 percent of all small businesses impacted by a disaster fail to reopen, and 25 percent close within a year. That is why it is more imperative now than ever for residents and small business owners to take steps to prepare.

The SBA is actively communicating with the public about essential disaster assistance and preparedness resources. For example, we recently released new hurricane preparedness materials that are available in eight languages and are leveraging our digital engagement. These easy-to-use resources are available to businesses and their communities, as well as SBA resource partners, local chambers of commerce, community navigators, and more to ensure we are ready for hurricane season.

In addition to focusing on resilience, Administrator Guzman has prioritized leveraging the whole of SBA to ensure communities can recover from disasters. SBA is taking the learnings from SBA's COVID relief programs to increase our capacity and streamline our processes, so our teams are ready to once again scale and deliver financial relief to communities with speed and certainty. Administrator Guzman has challenged the agency to optimize disaster programs by unifying lending under the management of SBA's Office of Capital Access, which manages SBA's core lending products, the 7(a) and 504 loan programs, and has been managing disaster lending servicing for many years. Consolidating these programs in a single office ensures that financial relief reaches borrowers as efficiently as possible so that they can begin rebuilding. This transfer will allow better coordination at the SBA and allow the Disaster Assistance program to continue to focus on supporting communities as they recover and build their resiliency.

We appreciate the important partnership from Congress to help support SBA's essential mission to help businesses and communities they depend on prepare for whatever disasters come their way. When disaster strikes, your support is critical to ensure that we have the resources to help communities get back on their feet, rebuild, and recover.

Thank you for the opportunity to appear before you today. I look forward to the Committee's questions and our conversation.