



Testimony before United States Senate Committee on Small Business and Entrepreneurship

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Impact of Hurricane Harvey on Texas Businesses

Thank you Chairman Risch, Ranking Member Shaheen and honorable members of the committee, it is an honor and a privilege to be invited to testify before you today. I am here today representing America's Small Business Development Centers (SBDCs). The SBDCs are on the business front line, every day helping America's small businesses start, grow and succeed. We are a key resource partner of the SBA. Our Texas and Florida SBDCs have not only been continuing to provide business support services to every day clients but have also been providing extra-ordinary support and help to those businesses that have suffered from and in some cases have been devastated by hurricanes Harvey and Irma. Today I'd like to share with you a little bit about what we at the Texas SBDCs do every day, and what our response has been during this disaster, along with our SBA partners, in helping our small businesses begin the long and slow recovery from Hurricane Harvey. This recovery for Texas and Florida will undoubtedly require years of compassion and financial support from Congress. And of course our hearts and prayers are with our SBDC partners in Puerto Rico and the U. S. Virgin Islands.

SBDC Services

The two SBDC networks contained within the declared disaster area are the University of Houston Texas Bauer College Gulf Coast SBDC Network with 15 centers located over 32 counties, and the University of Texas at San Antonio South-West Border SBDC Network with 13 SBDC and specialty centers located over 79 counties. Texas SBDCs have more than 30 years of experience working with Texas entrepreneurs. SBDCs have helped thousands of clients start and grow their businesses through assistance in business planning, operations management, financial management, marketing, capital formation, market research, procurement, and exporting. Free, professional, one-on-one consulting and advising is augmented by low cost training on a variety of business topics, including writing business plans, marketing, accounting and finance, leadership, and business growth, among many others. A 2016 survey of our clients indicated that with SBDC assistance, clients of the two SBDC networks combined created approximately 10,500 new jobs and gained access to over \$423 million in capital.

SBDCs have routinely worked with the SBA's disaster program, helping small businesses in communities affected by natural disasters with information about the SBA's disaster-related services, assisting those businesses in applying for SBA disaster loans and helping them reestablish their business services.

Actions to Date

On Saturday August 26th, while still in the middle of Hurricane Harvey, SBDC staff from the University of Houston Bauer College of Business, Texas Gulf Coast SBDC Network, led by our Deputy Director Sue Rhodes, and the South-West Texas Border SBDC Network, reached out to our respective SBA district offices in order to begin the process of establishing business recovery centers, or BRCs. While the BRCs are fully the responsibility of the SBA disaster assistance offices, we wanted to ensure that we were proactively providing any help and support that we possibly could.

Working with the SBA's Office of Disaster Assistance in Sacramento, CA, and with the University of Houston and Bauer College's full support, approximately one week after the storm hit the Texas Gulf Coast, the first BRC was opened in mid-town Houston, co-located with our Houston SBDC regional offices. In the following days, BRCs were quickly opened in Rockport and Port Aransas, Beaumont and Missouri City, all areas heavily impacted by the hurricane. Our BRCs are staffed 7 days per week.

Texas SBDCs are continuing to work with the local district SBA offices and the SBA Office of Disaster Assistance, both of which are doing an outstanding job for us in Texas. Five additional SBDC offices are prepared for co-location with future Business Recovery Centers, forming one-stop shops for business recovery assistance for the small businesses impacted by this historic natural disaster.

As we open these BRCs our efforts are focused on helping the small businesses, both current clients and disaster victims who are only just discovering what the SBDC can do to help them, work their way through the recovery process. In addition to typical SBDC services, they'll need help restoring their financials, estimating losses and future potential, developing strategies to restore their customer base and attract new customers.

Impact on our Clients

Until very recently, the storm's devastation had greatly impeded the SBDC's ability to communicate with clients. Throughout the affected counties, many of our small business owners have been displaced from their homes as well as their businesses, and have been overwhelmed with clean-up, evaluating losses, and dealing with the extreme trauma of this experience..... while at the same time trying to determine not only how to survive this disaster but how to pay for that survival. They come to us for assistance in not only restoring their businesses but also in restoring their lives.

Some of our clients who were flooded, like the well-known Three Brothers Bakery in Houston, who have survived being flooding four times, are open on a limited basis despite the extensive damages, and are still in the process of seeking funding with the SBA. Owner Janice Jucker says that the SBA is really working hard to help small businesses and she is most impressed with their quick response and their attention to her needs. They are lucky. Many, like Arena Designs and Femme Fitale Fit Club, are just beginning to work through the process of applying for disaster recovery funding and cleaning up their businesses while having little or no income.

Arena Design is a textile, wall covering and fine art design firm located in Northwest Houston. Opened in 1988, owner Rusty Arena developed a trade secret method of creating silk-screened textiles. He became an SBDC client in 2012, seeking help with financing to purchase textile printers and computer systems to help reduce the labor-intensive process of creating his hand-made designs and to expand his current product lines. The SBDC helped him with new financing and restructuring existing debt. Just prior to the hurricane, he had just negotiated a deal to become a supplier for a national high-end home furnishing store, and orders had been placed and fabric received.

During Harvey, Rusty's entire 20,000 square foot warehouse took on more than 4 feet of water, damaging all of his fabrics, design materials, and computing equipment, along with all of his financial records. Two 7,000-pound printing tables were floating in the floodwater like toy boats. Fifty-eight years of his life's work of sketch books and art journals, along with much of his personal original artwork, was destroyed. The SBDC is now working with Rusty to help recover financial records, develop restoration strategies, review cash flow options, debt restructuring, and further streamlining operations. After years of renting and finally buying a building, Rusty's dream of 30 years has been devastated by the storm, along with four full-time jobs. He told me on Friday that he couldn't even talk about his business until just last week, because he was so distraught over the losses. He said that if it weren't for the commitments that he made to customers for his fabrics, he wouldn't even bother re-building his business. Despite this, and because of those commitments, Rusty now says that "walls are optional" as he gets his business restarted. (SHOW SAMPLE) This brochure is Rusty's only remaining sales material.

The SBDC will be there to provide emotional and mental support while we help Rusty rebuild and regrow his business.

Femme Fitale Fit Club, a women-owned business, is located in Dickenson, TX, servicing the smaller communities on the mainland just north of Galveston Island. Opened just 9 months prior to Hurricane Harvey, owner Jenny Flinn, a fitness trainer, had finally realized her dream to provide a gym for women who wanted to work out in a typical progressive gym setting but were hesitant because of a variety of inhibitions. Jenny and her husband Eric invested most of their life savings to start this business. They also secured a local bank loan, as well as investments from a few friends and family members.

During the storm, Jenny's gym was flooded by 16 inches of water. She watched via security cameras off-site until power went out, as all of her fitness equipment was destroyed: treadmills, elliptical machines, a Stairmaster, sauna, tanning bed, all computers and the security system. This also has meant the loss of one full-time and eight part-time jobs. Her husband Eric also lost his job as a result of the hurricane, which destroyed the company where he worked as well.

Jenny came to the SBDC a month before the storm for help with strategies on how to best take advantage of her rapidly increasing clientele and business growth. The SBDC will now help her find a new location for the gym, secure new capital and restructure her debt, re-launch her business, and develop a new marketing strategy to reconnect with her clients.

Geographic and Small Business Impact

The Governor and local emergency managers have designated 59 counties along the Texas Gulf Coast as eligible for disaster assistance due to the direct impact to property or economic injury.

According to the U.S. Census Bureau, Texas is home to 569,091 businesses and of those, 567,358 or 99.69% are small businesses according to the SBA's definition of a small business. Those small businesses employ 8,065,019 workers, or 78.76% of all paid employees in the state of Texas. There are 362,512 small businesses within the 59 affected counties, which constitute 63% of all small businesses in Texas. Those small businesses employ 5,373,599 paid workers.

To try to understand the magnitude of the impact that Hurricane Harvey has had on these small businesses in Texas, as of 9/25/2017, the SBA had issued 82,805 business disaster loan applications within the declared disaster areas. While most of those have not yet materialized into completed loan applications, over 82,000 businesses have at least considered beginning the loan process due to either physical damage to their business or suffering economic injury only 4 weeks after the hurricane made landfall. As history has shown, this number will continue to rise over the coming weeks. We don't know the full impact this soon after the disaster but we know it is big.

A widely publicized FEMA statistic is that nearly 40% of small businesses never reopen their doors following a disaster because just a few inches of water can cause tens of thousands of dollars in damage. Our objective is that through post-disaster assistance from the SBDC, this statistic will be greatly reduced for the Texas Gulf Coast small businesses.

Recent Disaster Funding for Small Business Technical Assistance

We want to thank Congress, and particularly this committee, for passing the RISE Act (Recovery Improvements for Small Entities) in 2015 after Superstorm Sandy devastated the east coast and in particular, the State of New York in 2012. The Act provides that the SBA Administrator may provide financial assistance to SBDCs and other resource partners to advance and improve the disaster recovery and growth of small business concerns located in an area in which the President has declared a major disaster. We will be seeking SBDC funding under the RISE Act as provided by Congress, to help our small businesses in this long-term recovery.

Proposed SBDC Small Business Disaster Assistance

This will be a prolonged recovery, taking years of effort to restore and rebuild our small businesses along the Texas Gulf Coast. We are asking for your support as we not only continue our core SBDC services to the small business community throughout our service areas, but also provide extra-ordinary SBDC relief and support to those devastated by the storm, like Rusty. We need to be aggressively reaching out to small businesses and we need additional SBDC resources to do that.

The affected SBDCs are preparing to submit RISE Act proposals for the federal financial resources needed to support the short and long-term business advisory and consulting services our businesses will need to rebuild their markets and revenues and put them back on track for continued growth.

Due to the large number of businesses impacted and the urgent need for assistance, additional advising, publicity, and administrative personnel are needed to provide the level of frontline services required. The additional assistance would help businesses assess their economic injury and business models, develop cash flow projections and manage their budgets, and re-establish facilities and operations. SBDC advisors would be placed at SBDC centers throughout the impacted areas.

We greatly appreciate America's prayers and support. We thank this committee and Congress for their help and support. Thank you for your time.