

**CONGRESSIONAL TESTIMONY DELIVERED TO  
U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP**

**CONGRESSIONAL TESTIMONY FROM  
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Chairwoman Landrieu, Ranking Member Snowe and distinguished members of the U. S. Senate Committee on Small Business and Entrepreneurship Committee. Thank you for the opportunity to testify today on the topic of “Disaster Recovery: Evaluating the Role of America’s Small Business in Rebuilding Their Communities”.

My name is Mindy Nunez Airhart, and my family owns a small business right outside of New Orleans, Louisiana, in St. Bernard Parish. Our company, Southern Services & Equipment, Inc., is involved in the heavy construction and metal fabrication industry. In 2005, our parish was decimated in the floodwaters caused by Hurricane Katrina and the resulting failure of the federal levee protection system. No building was spared in St. Bernard Parish. My parents, myself, and every single one of our employees lost their home. Our offices and workshop were destroyed. We lost \$1 million in uninsured machinery, as well as priceless data and files. Since then, our family has persevered and has rebuilt our entire business from the bottom up, with much help from the federal government. I would like to present our

testimony to you, this esteemed committee, so that you may have a clearer picture of what happens to small businesses after a disaster.

In the weeks after the flood, my father, Marc Nunez, commuted daily from Baton Rouge, LA, where we were living in a hotel, to our devastated workshop, cleaning and salvaging what machinery he could. Much of his days were spent helping neighbors and friends attempt to open their businesses and salvage what they could of their property. Since there were no utilities, my father hauled water in 55-gallon drums, and used a generator for electricity. In November of 2005, my parents purchased a small travel trailer, on credit, and moved it back to St. Bernard Parish. We hooked up the water, electric and sewerage connections ourselves. Our family both lived and operated our business out of this trailer.

Making the decision to reopen our business in devastated St. Bernard Parish was not an easy one, but it was the only option we felt that we had. We did not know that the Government would turn out to be our biggest customer in the impending years. First, some background on our company: In 2000, our company was certified in the SBA's 8(a) program for socially and economically disadvantaged small businesses. Our first sole source contract for the Corps of Engineers was a small one, fabricating a wire wheel in August of 2000. This led to progressively larger projects, and within one year, we grew out of our first office. We purchased our current land and building in May 2001. For the next four years, we continued to do business with the Corps of Engineers and other government agencies, and cultivated a portfolio of private clients in Southeast Louisiana. After the 2005 flood, because we were certified as an 8(a) company, the USACE was able to sole-source emergency construction contracts to our company for the vital rebuilding effort. As Corps personnel learned that our

company performed tasks on time and on budget, we earned their trust and began to get a larger share of the hurricane recovery contracts. We competed with other 8(a) heavy construction companies to be included in a Multiple Award Task Order Contract (also known as a MATOC) for levee reconstruction contracts, and later that same year we also won inclusion in a MATOC for pump station reconstruction. Although the 8(a) program is not designed to funnel work to small businesses in disaster situations, it certainly had its advantages for both our company and the USACE. The Corps of Engineers benefited from the ability to quickly sole-source contracts to capable small businesses, without the delay of putting them out for competitive bid. This was especially important for the type of emergency projects crucial to rebuilding New Orleans after the flood. Our company benefited from the opportunity to make a good name with USACE contracting officers and government personnel. It was a win-win situation. Also, the USACE was quick with payment, often paying invoices in less than 14 days after presentation. This is an important detail for small businesses who often do not have the cash flow to wait 30 to 60 days for payment.

However, federal regulations need to be reexamined regarding the SBA 8(a) guidelines for disaster-impacted businesses in their own community's recovery. FAR regulations state that any firm that does not meet its "applicable competitive business mix target" for the program year will be ineligible for sole source contracts. In the event of a disaster of this magnitude, government contracts are often the only work available to open and functioning 8(a) businesses. In our case, out of over 100 clients, only ONE was in operation in the months after the storm. The majority of our revenue was earned from emergency government contracts. Nonetheless, the SBA penalized us for this by deeming us ineligible for sole source government contracts on July 17, 2007. This was because our competitive business

mix target was too heavily weighted with revenue from federal contracts. We were not the only 8(a) company affected by this regulation, and we felt unjustly punished by the SBA. We would like to propose that 8(a) companies located in devastated areas be given a waiver for the business mix requirement for the remainder of their 8(a) term. This would ensure that these businesses could continue fulfilling an important role in rebuilding their own communities, employing local people who were also affected by the disaster.

Regarding the FEMA trailers: they were absolutely vital to the recovery of small businesses after the flood. Although they were aesthetically unpleasant, they allowed residents to live nearby while working on their homes and businesses, thus avoiding costly and time-consuming commutes. Determining how to get them in the early days after the storm, however, was often a case of "the squeaky wheel gets the grease". In late October 2005, my mother and I attended a business recovery seminar in New Orleans. At this conference, we spotted Senator David Vitter and resolved that we would do what we could to talk to him. My mother, Cheryl Nunez, a brave, intrepid woman, marched over to Senator Vitter and introduced us. She explained that our business had work and employees, but no place to house them. "We need trailers, please, Senator," she said. Senator Vitter, with the assistance of Louisiana State Rep. Mike Futrell, contacted the Louisiana Dept. of Economic Development on our behalf and in two weeks, we received four FEMA travel trailers. I'd like to take this opportunity to personally thank Senator Vitter for helping us that day. It probably meant more for the future of our company than he realizes. We eventually lined up eight FEMA trailers on the long, narrow swath of land on which our business is located, creating a community for our employees to live and work. We fondly referred to it as "The Compound".

Looking back on 2005 and 2006, insurance proceeds, loan payments and SBA loans were hot topics of conversation among residents of our area. In our case, we had flood insurance on our homes, but not on our business. We applied to the Louisiana Association of Business Industry for disaster grant money for property losses and employee housing, but were denied. We applied for an SBA Disaster Business Loan on November 28, 2005. Coincidentally, SBA Administrator Hector V. Barreto made a promotional tour of the devastated areas of Louisiana on December 8. He visited our business with top Louisiana SBA executives, and asked my parents, "What has the SBA done for you?" My mother, anxious to demand answers from a top government official, quickly answered, "Nothing!" Mr. Barreto was shocked, but listened intently as my parents explained that two months after the flood, they still had not received any business assistance from the SBA. Mr. Barreto promised that someone from his office would be in contact with us. Two days later, a loss verifier contacted us and we began the loan process. We believe that if Mr. Barreto had not visited our business, we would have waited even longer for our application to be processed. 121 days after our SBA loan application, we received a \$10,000 advance on our loan proceeds of \$1,191,800.00. It was another three weeks before we received any significant money (\$200,000 on April 20, 2006). We did not receive the remainder of the loan proceeds until October 11, 2006. In the meantime, we had to make other arrangements to finance the business and ensure cash flow. In January of 2006, with our SBA loan still pending, we borrowed \$100,000 from a line of credit secured by both our personal and business properties. This ensured that we were able to make payroll for ourselves and the 12 employees determined to rebuild our community.

I would be remiss if I did not mention the appreciation we have for the Louisiana Procurement Technical Assistance Center, and especially the efforts of Ms. Sherrie Mullins and Mr. Robert "Bob" Dempsey, for their role in our success as a small business. They have been invaluable resources for us by providing advice on procurement, federal contracting regulations, and marketing. They also have provided free training to us and thousands of other Louisiana businesses on the topic of doing business with the federal government.

While our company owes a debt of gratitude to the government for the opportunities they have provided, of course there is always room for improvement. The most important thing the U.S. Government can do to spur the economy in disaster-ravaged communities is to forgive commercial SBA loans. In our case, we used our SBA business loan to buy new machinery and equipment, office furniture and computers to replace those ruined by floodwaters. However, this loan must be repaid, and to have to make a loan to repurchase everything you have already paid for is financially devastating. It is a significant drain on company resources that was not there before the storm. The monthly payment on a loan of this magnitude is \$6,182 per month, which is a huge factor in our financial security and the financial health of our company. On top of the astronomical taxes small businesses already pay, these loan payments are a huge burden that we did not factor into our initial business plans. To forgive commercial SBA loans relating to the failure of the federal levee system of 2005 would be not only an ethical deed, but a smart economic move as well. It would spur business growth in the decimated areas, where it is needed the most. We also fully support Senator Landrieu's Gulf Coast Disadvantaged Business Relief Act of 2011 bill, which would extend 8(a) eligibility to firms in Katrina- and Rita-impacted areas. This would greatly assist businesses in our region who are still struggling, six years later.

In summary, it is important to note that while the Government is vital to helping communities recover after disasters, the American small business owner will use sweat, tears, and cold, hard cash to rebuild their own companies. Our story is not unique: it unfolded thousands of times throughout the Gulf Coast region, and continues today. It was through the hard work, persistence and dedication of the people in Southeast Louisiana and Mississippi, people like our family, that companies were able to return after the storm and become stronger and more successful. We only ask that the Government be considerate and fair in realizing that small business owners carry a heavy burden in normal circumstances, and deserve a helping hand while rebuilding their communities after a disaster.

Madame Chairwoman, thank you for the opportunity to deliver my testimony to this panel. I would be pleased to answer any questions you may have.