

WRITTEN STATEMENT  
BEFORE  
THE U.S. SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
HEARING ON  
“Examining SBA’s Office of Disaster Assistance and the Response of Recent Catastrophic Floods”  
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Robin A. Barnes  
Executive Vice President & Chief Operating Officer  
Greater New Orleans, Inc., Louisiana

Chairman Rubio, Ranking Member Cardin, and members of the Committee—including my Senator from Louisiana, Senator John Kennedy—thank you for inviting me to speak with you today about small business disaster assistance.

Today I stand in solidarity with communities around the country that have experienced disasters and are recovering, rebuilding and building resilience to weather their next disaster or market shock. This month, for example, marks the wettest 12-month period in Iowa’s history with catastrophic losses projected for farm income.<sup>1</sup> Because of the confluence of the Missouri and Mississippi Rivers, Louisiana is also feeling the effects of these floods with a record high-water season. Disasters are rarely isolated or discrete and tend to have a ripple effect through and between communities and, sometimes, larger regions.

So many of you on this committee represent districts that have been brought to complete halts by disasters in just over the past decade alone.

Whether you live in Florida and Louisiana or New Hampshire and Washington state or even Illinois and New Jersey or Hawaii, we know, reviving and bolstering the small business ecosystem can be one of the most effective strategies for jumpstarting the recovery after a disaster. Small businesses are fundamental to the economic and social health of their communities: They provide critical services, enhance quality of life, supply major industries, create jobs, generate tax revenues and offer economic mobility opportunities for people of all ages, ethnicities and genders. *Small businesses have generated over 65% of the net new jobs since 1995.*<sup>2</sup>

And that’s why I am honored to be here today with you all for this very important national conversation.

### **Background**

I am the Executive Vice President & Chief Operating Officer at Greater New Orleans, Inc. (GNO, Inc.), but I have worked with small businesses engaged in disaster recovery since 9/11. GNO, Inc. is the regional economic development alliance serving the 10-parish region of Southeast Louisiana that includes

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<sup>1</sup> <https://www.desmoinesregister.com/story/news/2019/06/14/iowa-climate-change-agriculture-flood-rain-farming-environment-weather-precipitation-temperature/1433128001/>

<sup>2</sup> <https://www.forbes.com/sites/jasonnazar/2013/09/09/16-surprising-statistics-about-small-businesses/#63cc3d185ec8>

Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John, St. Tammany, Tangipahoa, and Washington parishes. ***Our mission is to create a Greater New Orleans with a thriving economy and an excellent quality of life, for everyone.*** The ultimate indication of our success will be the presence of a robust, accessible, and growing middle class in Southeastern Louisiana.

As background and relevant to these recent flooding events, flood insurance is an issue GNO, Inc. has engaged deeply on since 2013, when we recognized the negative impacts the Biggert-Waters Act would have on homeowners and business owners around America. In fact, GNO, Inc. formed the Coalition for Sustainable Flood Insurance, which grew to over 300 business, civic, and trade organizations across 35 states. While we originally engaged around flood insurance affordability, we have expanded our focus in recent years to also advocate for improved mapping, increased opportunities for mitigation, and encouraging more homeowners and business owners to purchase flood insurance. We strongly support Senator Kennedy's SAFE NFIP Act, which includes important provisions to improve mapping, like increasing the authorization for the flood mapping program and use of LIDAR technology and providing homeowners and business owners with a premium credit to secure an elevation certificate. Additionally, we are closely monitoring the roll out of Risk Rating 2.0 for both businesses and homeowners and are prepared to respond accordingly. All of these steps will help both communities and individual property owners be more prepared.

In Louisiana, according to 2016 data from the [Census' Statistics of U.S. Businesses](#), 85,918 establishments in Louisiana, or 81% of all establishments/businesses, have fewer than 500 employees. Of that pool, 68,503 establishments (65%) have fewer than 20 employees and 58,802 (55.6%) have 10 or less. Louisiana is higher than the national average for having the smallest businesses (under 10 or 20 employees).

Since Hurricanes Katrina and Rita and even the BP Oil Spill, thanks to a significant focus on and investment in small business recovery, access to capital for startups, business incentives, new procurement practices and loan funds for contractors, Louisiana, and Greater New Orleans in particular, is creating a new and supportive roadmap for small business growth. Some key examples of this progress include:

#### **Louisiana Business Recovery Grant and Loan Program**

- Funded by the State of Louisiana and HUD Community Development Block Grants – Disaster Recovery (CDBG-DR) and launched in 2007
- A \$230m business recovery grant and loan program that served 4,500 businesses impacted by Hurricane Katrina including main street businesses, commercial fisheries, restaurants, arts and culture organizations and more
- Payments helped establish \$90m Louisiana Revolving Capital Fund for redistribution to support economic growth

#### **New Orleans Startup Fund**

- Certified Community Development Financial Institution (CDFI) evergreen seed fund established by business and financial leaders to accelerate the growth of early-stage, innovative businesses into venture-ready companies

- Funded by the State Small Business Credit Initiative (SSBCI), U.S. Economic Development Administration, the State of Louisiana and HUD Community Development Block Grants – Disaster Recovery (CDBG-DR) and private investment
- Startup Fund companies have raised \$78M in follow-on funding, created 1,397 jobs, and generated \$28M of revenue in 2018 alone
- Also, the Startup Fund serves as the investment arm for Propeller, a nonprofit incubator that grows and supports entrepreneurs to tackle social and environmental disparities

Here's the good news: I believe the innovations in my community can be replicated and scaled to benefit small businesses nationwide.

My background includes, prior to moving to New Orleans in 2006, running small business recovery programs following the 9/11 terrorist attacks where I worked for Seedco in New York City. Seedco innovated the Lower Manhattan Small Business Recovery and Retention Program, a \$45 million grant, loan, technical assistance and wage subsidy program that was credited with saving 6,000 jobs at 4,500 small businesses in Lower Manhattan. Funded by CDBG-DR, U.S. EDA and private philanthropy, this initiative provided the framework for small business recovery programs in Louisiana.

Following Hurricane Katrina, I relocated to New Orleans to open the regional Seedco Financial Services office (SFS). SFS was the CDFI spinoff of Seedco and is now called TruFund. SFS amassed over \$30 Million in federal and private funding to support small business recovery, working primarily with commercial fisheries, restaurants and arts & culture businesses after Hurricanes Katrina and Gustav.

I joined GNO, Inc. in 2010 to manage GNO, Inc.'s strategic response to the BP Oil Spill, which included, among other things:

- Analyzing the economic impact of the disaster on commercial fisheries, an analysis that would inform subsequent small business compensation and assistance programs
- Communicating the disproportionate impact of the Federal Moratorium on Deepwater Drilling on small business suppliers to the energy industry

In 2013, I joined the Hurricane Sandy Rebuilding Taskforce as a Senior Policy Advisor where I authored the chapter of the ***Hurricane Sandy Rebuilding Strategy*** entitled, ***Supporting Small Businesses and Revitalizing Local Economies*** which informed the Recovery Improvements for Small Entities After Disaster Act of 2015 (RISE Act).

Next year—2020—will be the 15-year anniversary of Hurricane Katrina (August 2005), and the 10-year anniversary of the BP Oil Spill (April 2010). The Greater New Orleans Region has experienced impacts from 10 federally declared disasters since 2005. The BP Oil Spill had no federal declaration. However, the disaster triggered an SBA Economic Injury declaration.

Louisiana's perspective on small business disaster recovery is grounded in our own personal and technical experience with disasters and disaster recovery and the actions we have taken and policies effected to build long-term economic resilience. Furthermore, Louisiana has contributed to national disaster recovery and resilience policy and disaster recovery efforts around the country. Currently, Louisiana professionals and firms are implementing disaster recovery solutions in response to hurricanes and wildfires in Puerto Rico, the US Virgin Islands, Houston, Charleston, California and other communities.

## **Small Business Disaster Recovery Challenges**

Disasters and market shocks may have environmental or manmade causes. The physical manifestation of the disaster may vary from depending on the nature of the disaster (e.g. flood, fire, earthquake). The disaster may be discrete or catastrophic. However, the experiences of small businesses are far more consistent, from disaster to disaster, than we may think. Small businesses share several attributes:

- Small businesses are particularly vulnerable to disasters because they often have small profit margins and cannot sustain extended business interruption
- Small businesses lack adaptive business management models, tend to be underinsured, and, often depend on generating revenues from customers and clients who have also been impacted by the disaster
- Disasters amplify existing economic issues and launch long-term recovery trajectories for small businesses and entrepreneurs
- Small businesses can and do play a role in recovery and rebuilding after a disaster:
  - Businesses, such as grocery stores, pharmacies, and gasoline stations provide services in their communities
  - Small business contractors may contribute to economic recovery by taking on government contracts for rebuilding and long-term resilience and by hiring a local workforce to do the work
- Small businesses increase equity and inclusion by providing opportunity to vulnerable populations. Of small businesses nationwide, nearly one-third (7.8 million) are owned by women and nearly one-fourth (6.1 million) are owned by minorities. More than 60 percent of workers with a disability are employed by small businesses, and more than 60 percent of workers with less than a high school education are employed by small businesses.<sup>3</sup>

I commend Congress for its passage of the 2015 RISE Act, which has catalyzed several improvements in the process of helping small businesses recovery from disasters. For example, SBA disaster loan processing times have greatly improved:

- Hurricanes Katrina, Wilma, and Rita (2005): 74 days for homeowners, 67 days for businesses
- Hurricane Sandy (2012): 25 days for homeowners, 42 days for businesses
- Hurricanes Harvey, Maria and Irma (2017): 17 days for homeowners, 24 days for businesses

## **Small Business Recovery and Resilience Opportunities**

After most disasters, small businesses rely on their insurance, if they have insurance, their reserves, and the help of neighbors to get up and running. After the worst disasters, they require the help of the federal government. SBA loans and other federal resources in the form of grants and technical assistance are critical to economic recovery.

The solutions for small business recovery are not complex. And the cost is relatively low compared to infrastructure and housing. However, because the needs of small businesses are not always visible, and in the form of revenue losses, they are not “front page news” and can sometimes take a back seat to other impacts. A recent survey published by the Federal Reserve Bank of San Francisco—*New Data on*

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<sup>3</sup> <https://www.hud.gov/sites/documents/HSREBUILDINGSTRATEGY.PDF>

*Small Business Recovery after Natural Disasters*, finds that revenue losses outweighed asset losses for small businesses in disaster-affected areas (FEMA-designated disaster areas) in 2017.<sup>4</sup>

When considering small business disaster recovery, I would ask the Committee members to include the following three components in any small business recovery strategy: Access to Capital, Technical Assistance and Information about Resources and Services, Building Business Resilience.

### ***Access to Capital***

*Quick access to small loans and grants is key to small business survival, and that's a fact.* The recent Federal Reserve of San Francisco survey revealed that for the 2017 disasters:

- 61 percent of small businesses had revenue losses ranging from \$1-\$25,000, and 35 percent had revenue losses over \$25,000.
- 45 percent had asset losses ranging from \$1-\$25,000, and 19 percent had asset losses over \$25,000.
- 27 percent sought financing of \$25,000 or less and 35 percent applied for financing of \$25-\$100,000.

While larger amounts of capital is needed by some small businesses to cover asset losses and for investments over time to adapt businesses models to accommodate a changed market, it is clear that the sooner a business can access resources, the sooner that business can reopen, provide employment and services, and generate revenue. This ripple effect can jumpstart disaster recovery!

However, there is one caveat here, based on my experience working at a CDFI that made loans to small businesses after Hurricane Katrina. Many of the small businesses that borrow funds after a disaster, are first time borrowers. And, as you can imagine, a disaster is not necessarily the best time to take on debt for the very first time. Therefore, it is imperative that other sources of funding, like grants, be considered, and that technical assistance is provided to support the business before, during and after the loan is made.

*The community development field can play a role in helping small businesses recover and become more resilient in the face of natural disasters.* Lenders [Community Banks, Community Development Credit Unions (CDCU), Community Development Financial Institutions (CDFI)] can help make small dollar loans and grants available quickly after an event. These lenders know their communities, borrowers and potential borrowers.

I would encourage the Committee to work closely with local lenders in disaster-impacted communities. These lenders are the boots-on-the-ground who can collaborate with SBA and other federal agencies, explore challenges and opportunities for creating access to capital, and inform incentives for activating a nimble local lending capacity.

Of note, recent changes to the treatment of loans under the Stafford Act for disasters declared between January 1, 2016 and December 31, 2021 offer additional flexibility to borrowers so that their loans are no longer a Duplication of Benefit.<sup>5</sup> This offers greater flexibility to small businesses in terms of

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<sup>4</sup> <https://www.frbsf.org/community-development/blog/new-data-on-small-business-recovery-after-natural-disasters/>

<sup>5</sup> Department of Housing and Urban Development, Docket No. FR-6169-N-01, Updates to Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grants

navigating and maximizing federal resources. I want to thank the leadership of the Louisiana Federal Delegation, including Senator Kennedy, for addressing this issue.

### ***Technical Assistance & Information about Resources and Services***

*After a disaster, small businesses need immediate, direct, and consistent communication about resources available to them and how to access those services. Frankly, sometimes what is most needed, in vulnerable communities, especially, is for someone to go out into the neighborhood, open up an iPad and walk a small business owner through a loan application process.*

Furthermore, technical assistance in the form of business counseling is often inconsistent or not easily accessible. Small business owners cite specific services needed in the short-term, such as completing loan applications, business planning, legal counseling and assistance with landlord-tenant issues. Also, businesses have asked for help with business continuity and risk management, marketing, and strategies to build resilience and mitigate losses from future disasters.

Thankfully, Small Business Development Centers provide a vast array of technical assistance to small businesses and aspiring entrepreneurs through professional business advisors. Services provided by SBDCs help small businesses thrive: they include the development of business plans, manufacturing assistance, financial packaging and lending assistance, and procurement and contracting aid. Women Business Centers represent a national network of nearly 100 educational centers designed to assist women in starting and growing small businesses. And the SCORE Association is a non-profit association comprised of 12,000 volunteer business counselors throughout the U.S. and its territories. These services are offered at no fee as a community service.<sup>6</sup>

In every community there also are community based and economic development organizations that are or could be excellent sources of information about federal and other programs, providers of technical assistance or providers of referrals to SBDCs, for example. These organizations often know how to engage the most vulnerable populations and can accommodate language and literacy barriers.

### ***Building Business Resilience***

The Federal Reserve of San Francisco survey reported that few small businesses had insurance to cover their losses from having to close during or after an event or to cover damage from the particular kind of disaster they experienced. Among affected firms:

- 65 percent cited loss of power or utilities as the source of their losses. Only 17 percent, however, had business disruption insurance at the time of the disaster.
- Flood damage (38 percent) and wind damage (36 percent) were also common sources of losses, but only 16 percent of affected firms had specific flood insurance coverage, and only 21 percent had wind insurance.

*Flood is the costliest natural disaster for the federal government!* While National Flood Insurance Program (NFIP) reform is not in the purview of this committee, it could direct SBA to coordinate with the Flood Insurance Mitigation Administration (FIMA) to work with the US Chamber of Commerce and

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<sup>6</sup> <https://www.hud.gov/sites/documents/HSREBUILDINGSTRATEGY.PDF>

other business organizations to raise awareness of the need for insurance, the availability of NFIP and the importance of mitigation measure by building owners.

*Building business resilience means not only anticipating near term disasters, but also planning for the long term...the future.* Organizations and agencies that already have relationships with small businesses can help them prepare for the next disruptive event. For example, helping small business owners assess their insurance needs and move their records online can minimize disruption to their operations when the next event occurs. Furthermore, by including small businesses in broader conversations about climate adaptation and long term planning, small businesses can consider how to adapt their business model to more severe weather patterns and/or transition to other opportunities.

### **Conclusion**

Thank you for the opportunity to provide this testimony. Please consider GNO, Inc. and myself to be a resource in the future. For example, we would be happy to convene a listening session for the Committee, SBA and/or other federal agencies with Community Banks, CDFIs, CDCUs and small businesses in Louisiana to discuss our experiences and ideas for lending and other programs.