

Testimony
of
Lisa Shimkat
State Director, Iowa SBDC

June 19, 2019
Committee on Small Business & Entrepreneurship
United States Senate

SBA's Disaster Response in Iowa



Lisa Shimkat
State Director
America's SBDC Iowa

Chairwoman Ernst, Ranking Member Cardin, Members of the Committee,

Thank you for inviting me to testify today. I am the State Director of Iowa's Small Business Development Centers (SBDC). My background includes both SBA and USDA programs. I was raised in Iowa, moved away after college following a path through Chicago, Myrtle Beach, and Atlanta and then we chose to return to Iowa and raise our children.

I am here today to share information about the flooding disaster that has gripped our state in its clutches and does not seem to be ready to leave any time soon. Iowa has been hit with a flood event that started in March of 2019. Our SBDC teams reached out immediately to the economic developers, chambers and other partners to let them know how we are able to help. They encouraged them to make sure to use us as a tool in their toolbox to help their local businesses navigate through the process of cleanup and move toward recovery. The sustainability of these small rural communities depended upon our state working together and working quickly to find information and hopefully solutions for these small businesses. Businesses who were able to clean up in May when the waters receded, were hit by a second round of flooding the first week in June. Roads that had just opened to bring visitors and consumers back to our business communities were closed again. The flood is a different kind of disaster, a different kind of frustration and I hope to be able to discuss how a different kind of defense is needed.

March 23rd was the official press release stating that several Disaster Recovery Centers and Business Recovery Centers were going to open. During this time, we also were communicating with the Office of the Governor, State of Iowa, the Iowa Economic Development Authority, the Iowa Secretary of Agriculture and many of the county and local officials throughout the flooded area.

Businesses were affected in varying degrees. Keg Creek Brewing Company was impacted by fresh water availability and transportation. A boil issue was in effect for their area and they had two choices: either boil their own water or have it trucked in from Red Oak, which was a 30 mile round trip drive. The additional handling of the water and the extended commute time for their employees due to a majority of the roads in the area closed, increased their production costs by approximately 30%. Their distributor is in Nebraska, which is providing some additional challenges as the interstate and main highway are currently closed in multiple locations.

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Several communities have been devastated. Hamburg, Iowa is a community, with a population of just over 1,000 residents. They were still underwater when we toured. We saw homes that were gutted, belongings sitting on the front lawns while the home itself looked like an empty shell. What once held a family, now held emptiness. I have never felt so much hopelessness. Tanya Garfield, the Director of the SBA Disaster Field Operations Center-West, immediately got on her phone and had her team set up a Business Recovery Center in Hamburg.

Businesses lost more than just inventory. The cleanup efforts seem insurmountable. One small business owner, Alicia, owner of Finders Keepers Antique Mall & Coffee Shoppe reached out to her SBDC counselor after mud and debris filled her building. Our Regional Director, Sue, went over to Alicia's place the next day, which was a Saturday, and spent 12 hours helping Alicia scoop mud out of the building. The flood waters came back again in June and Alicia is back under water, she is frustrated that so many of the programs are not designed for those smaller businesses like hers and they aren't designed for victims of flooding. Rebuilding cannot start until the end – but how can you focus on that when you do not even know when the end will occur?

Interstates, highways and local roadways north and south of Council Bluffs along the Missouri River were overtopped and damaged due to the high flow rate of flood waters. Flooding caused the closure of approximately 48 miles of I-29 and three major Missouri River crossings in the southwest Iowa region (I-680, US 34, and Iowa 2). This means that there are 125 miles between open, state highway bridges crossing the Missouri River. The only way for commuters and freight to cross the Missouri River is through bridges in the Omaha/Council Bluffs metro area or at St. Joseph, Missouri. The Iowa DOT estimates that 45,000 vehicles and trucks were detoured per day. In many cases, detours are still in place and will be for weeks and months to come.

Throughout the floods so far, SBDCs have played and continue to play an integral role in disaster response and recovery in Iowa. SBDC counselors and advisors are often first on the scene helping business and communities rebound from the damage. We work closely with state and federal agencies to make sure small businesses, the backbone of the community, are supported. SBDCs offer significant advising to our clients during their response. SBA Disaster Team Leads did a great job coordinating with the SBDC network and the local economic developers.

Disaster recovery is not a one size fits all. We need to find ways to help get businesses back to wealth creation and community prosperity.

In closing, thank you for letting me share my thoughts. I look forward to your questions.

Appendix & Supporting Documentation

Iowa Department of Transportation

Iowa DOT 2019 Flood Impacts & Recovery – Southwest Iowa

March 2019 Event

- In March 2019, widespread flooding extended beyond the Missouri River to include other tributaries and rivers – primarily the Platte and Elkhorn rivers in Nebraska. This event was caused by a catastrophic combination of frozen ground, rapid snow melt, ice jams on the rivers and heavy rainfall.
- 51 levee Breaches along and throughout the system contributed to the long-term nature of flooding in 2019. River levels were well above what the levee system was designed for. The flood caused substantial overtopping and ultimately failure of the system resulting in widespread flooding of nearly 60,000 acres*. This area spanned a 50+ mile stretch of the Missouri River. All told, federal disaster areas were declared in 71 counties in Iowa.
- Thousands of people who live, work and travel in the region have been devastated by flood impacts. It is estimated that 44,000 acres of cropland* have been lost for the 2019 growing season and potentially the 2020 season as well. This represents an estimated \$25M loss in commodity value*. This represents crops that won't be planted and lost income for area farmers who still have mortgages to pay. The business, personal, agricultural and economic impacts continue to be assessed. The flood event is not over. Communities and livelihoods remain at risk.

**based on flood inundation limits in Iowa along the I-29 corridor from Council Bluffs, IA to the Missouri border and current USDA commodity prices*

Transportation Impacts

Interstates, highways and local roadways north and south of Council Bluffs along the Missouri River were overtopped and damaged due to the high flow rate of flood waters. Flooding caused the closure of approximately 48 miles of I-29 and three major Missouri River crossings in the southwest Iowa region (I-680, US 34, and Iowa 2). This means that there are 125 miles between open, state highway bridges crossing the Missouri River. The only way for commuters and freight to cross the Missouri River is through bridges in the Omaha/Council Bluffs metro area or at St. Joseph, Missouri.

- I-29 is the main segment of the National Highway system connecting the Omaha-Council Bluffs metro area (population 980K) and the Kansas city metro area (population 2.1M). The posted I-29

detour between the Omaha - Council Bluffs metro area's 1 million residents and Kansas City requires travelers and freight to use I-80 to Des Moines and I-35 to Kansas City. This detour adds 130 miles to a typical 180 mile trip. What once took less than 3 hours, today takes nearly 5 hours costing users nearly \$200,000* per day. At 83 days and counting, costs have surpassed \$16M.

- In addition to interstate travel, local roadway users have been particularly impacted to reach places of employment, schools, health care and other services. The Iowa 2 detour is particularly problematic. This roadway typically carries 8,000 vehicles and 1,700 trucks each day. That volume is now detoured to Interstate 80, adding 90 more miles and 1.5 hours to a typical 10 minute trip across the river.
- As a result of widespread closures, the Iowa DOT estimates that 45,000 vehicles and trucks were detoured per day. In many cases, detours are still in place and will be for weeks and months to come. Each month, commuters and trucks spend an additional 230,000 hours on the road due to these closures.
- While delay and costs continue to mount, the total estimated impacts of detours today include:
 - Vehicles are on the road for an additional 7000 hours each day, equating to more than \$175,000 in lost time, and almost \$2,000 in additional operating costs (such as fuel and wear on the car).
 - Trucks are on the road for an additional 350 hours each day, equating to more than \$10,000 in lost time, and more than \$2,000 in additional operating costs (such as fuel and wear and tear).
 - In the case of trucks, delays represent additional costs to move freight. The additional cost of truck transportation has a secondary impact on productivity of the industries that use trucks as a primary mode of transportation. This secondary impact was estimated to represent a reduction on output of almost a quarter of a million dollars.

**User costs based on delay, provided by the Iowa DOT, specific to the I-29 segment*

Flood Recovery

Iowa DOT District teams, leadership, contractors, consultant partners and countless others worked tirelessly to restore connectivity and mobility to flood ravaged areas. Accelerated repairs and innovative design and construction solutions were used to restore mobility as quickly as possible. A temporary roadway grade raise was used at Iowa 2 that provided a surface for vehicles to travel across and allowed flood waters to flow beneath. Improvements were made to I-680 during reconstruction to improve resiliency and minimize future damages from flood events. Flooding began on March 13, 2019 and on March 15 all roadways closed in this region. On Thursday, May 23, 2019 – just prior to the Memorial Day Holiday – mobility had been restored on all major interstates and state highways in the area.

May 2019 Flooding - Round 2

A combination weakened and breached levees, heavy rainfall and increased releases from upstream dams resulted in ALL roadways becoming overtopped with water, once again, by Friday, May 31, 2019. DOT and the traveling public are once again waiting for waters to recede. Debris will need to be cleared. Repairs will need to be made. Businesses that had been repaired and reopened are suffering more damage and prolonged closure. Businesses, commuters, agriculture, freight and railroads are all feeling the strain as traffic is once again being detoured. One truck stop owner along Interstate 29 near Iowa 2 suffered \$2M in damages in March. They were set to resume business when the May event occurred - causing an additional \$700,000 worth of damage and additional lost revenue.

Beyond

The fight is far from over. The Iowa DOT continues to prioritize innovative project delivery and design solutions in efforts to restore mobility as quickly and safely as possible. All are moving forward with measured optimism in the face of fluctuating river levels and lack of levee protection. While the water may go down, this area remains at constant risk.

The US Army Corps of Engineering is continuing accelerated, emergency repair the levee system. A 1300' levee breach that was directly impacting US 34 has been closed, and another major levee breach will be closed in a matter of days, cutting off the floodwaters that are impacting 20 miles of interstate I-29. While significant progress has been made – full repair of the levee system to get back to the level of protection before the March 2019 flood event will require considerable funding and years to rebuild. Until the levee system is fully repaired, this area remains vulnerable to additional, future flood impacts. River levels experienced in the 2019 flood event were much greater than the levee system was ever designed for.

Not all Disasters are Created Equal

Flood events are different than other disasters. Hurricanes, tornadoes and fires occur. They end and communities can recover. The people and businesses of Iowa have yet to recover from a flood event that occurred in March. Massive amounts of infrastructure along with countless businesses and homes had been cleaned up and repaired, only to be flooded again in May. There will be no crops this year. Grain stored in bins is unusable. The people and businesses in this region are not protected. As snow pack continues to melt and if heavy rainfall once again descends on the region, lives and livelihoods remain at risk.

Personal Stories

- **Chiropractor who lives in Hamburg, IA and has his practice in Nebraska City, NE**
 - His typical commute is 15-20 minutes one way, today it is over 2 hours. He has been forced to open a home office one day a week to treat Iowa patients so they don't have the hardship of traveling to Nebraska City. He is incurring long-term, cumulative hotel

costs to avoid daily commute. Traffic on his detour route (HWY 75 in NE) is heavy and slow going as a result of the volume of diverted traffic.

- **Local Farmer and Fremont County Supervisor**

- He has estimated that 2,200 acres of their 2,500 acre family farm have been, or are currently under water this year. Many people from his community and the surrounding area are staying in hotels or at camp sites in Nebraska to avoid the daily commute of two hours, each way.

With his corn and soybean crop decimated, he has been forced to find alternative work as truck driver. The local economy has been devastated as truck stops, truck service centers, and hotels have been closed for extended periods of time on Iowa 2 and I-29. Many people are out of work.

In his role as county supervisor, he noted that the impact of missed revenue from hotels along I-29, will also have repercussions. As traffic continues to be diverted, local and county roads are deteriorating at a rapid pace.

Other Resources:

Photo Gallery: <https://floods2019.iowa.gov/images.aspx>

Damage Assessment Map: https://floods2019.iowa.gov/IADOT_2019FloodMap.pdf

Repairs Underway: <https://floods2019.iowa.gov/Repair-status.pdf>

Historic 2019 Midwest Flooding

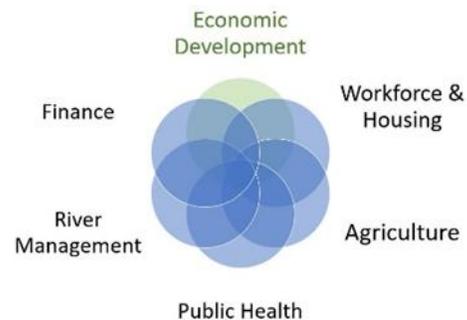
- Major disaster declarations cover 121 counties in Iowa and Nebraska
- Declarations cover nearly half of the population in Iowa.
- Of the 3.3 million people living in one of the designated disaster counties in 2017, over 37 percent (1.2 million) lived in rural areas.
- In 2017, Iowa and Nebraska were the second- and fourth-ranked States, respectively, in agricultural cash receipts.
- Iowa also ranked second in total agricultural exports and was the top exporter of soybeans, pork, corn, and feed grains.
- Based on the 2017 Census of Agriculture, designated disaster counties produced 66 percent of the market value of agricultural products sold in Iowa and 75 percent of those sold in Nebraska.
- Together, the designated disaster counties accounted for 9.2 percent of the total U.S. market value of agricultural products sold in 2017.

*Data from the USDA, ERS State Facts Sheet data product, updated March 2019, as reported by AgriMarketing
<https://www.agrimarketing.com/s/123450>

Flood Advisory Board

The Governor's Flood Advisory Board has six committees: finance, economic development, workforce & housing, agriculture, river management & infrastructure and public health.

<https://floods2019.iowa.gov/flood-recovery-advisory-board.aspx>



Links are provided for both individuals and communities. Past best practices are being reviewed to find additional resources that may be made available for communities. The main website link may be found here: <https://floods2019.iowa.gov/>.

FLOOD RECOVERY TESTIMONY

COMPANY: Finders Keepers Antique Mall & Coffee Shoppe

CONTACT: Alicia Chrastil

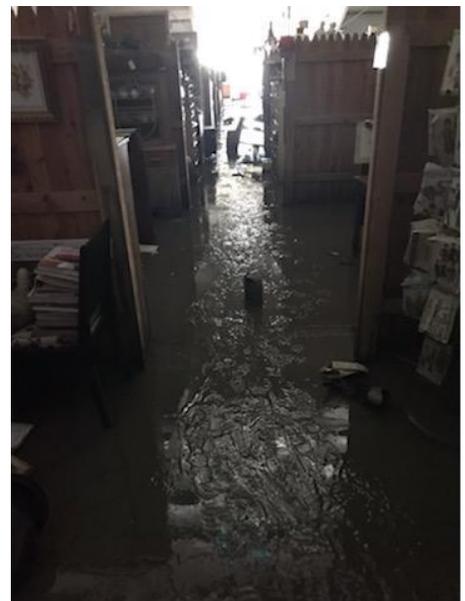
CONTACT PHONE: 402-499-8147 (cell)

CONTACT EMAIL: fkantiques@yahoo.com

DATE OF INTERVIEW: 6/12/19

PUBLICITY RELEASE SIGNED: yes

Lisa Shimkat, SBDC Iowa State Director, has been asked to testify to the US Senate Committee on Business & Entrepreneurship on June 19th. She is seeking information about how your business was impacted by the flood, what hurdles you've faced, and your plan going forward. She is presenting the case that rural Iowa needs help to recover, and how the Committee can help move assistance forward.



May we use this interview your comments for the Senate hearing? Yes



INTERVIEW:

When did the flood impact your business?

We have had 3 floods: June 2011, March 2019, and May 2019 which is ongoing.

What's your story of how the flood has impacted your business?

The floods have been devastating to us. We are presently completely closed down, engulfed and surrounded by an active river system and I'm not sure we can even recover this time. I'm unsure if we have the strength – we are physically, emotionally and financially strained. We have lost all of our vendors.

We worked 15 years building this business. I am 60 years old so flooding has impacted our ability to retire too. We made an investment of \$650,000 in this property and business. I had previously worked in Real Estate and had projected the property would be worth more than \$1,000,000 when we were ready to sell at retirement. It is now worthless.

How have your employees been affected?

Yes, we had 3 part-time staff members. Plus we had 75 vendors, as this is an antique mall. They have all been financially impacted, as well.

How have your customers been affected?

Our business is closed, so they are directly affected.

Have you received any assistance? What was that experience? What was good/what could improve?

I called everyone I could possibly think of – government agencies, non-profit agencies, AmeriCorps, churches. I called at least 50 organizations asking for help for businesses. (Alicia has the lists of organizations she called). Everyone just said I'm sorry – we can only help residential properties and not commercial properties or businesses.

Sue Pitts, of the Iowa Western SBDC, actually came out to my business and helped me with the clean-up. That was so awesome of her to help! Friends gave us money to help feed the volunteers helping us.

The government only has loans to help. How can I repay them if I don't have an open business? We have to continue to pay property taxes and insurance on our property. I have almost \$200,000 of debt left to pay on my property that was supposed to be a part of my retirement plan. It's so frustrating.

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I found out the State of Nebraska has legislation that provides for immediate real estate tax relief on properties devalued by the March floods. Iowa doesn't have anything similar. We went to our County Board and asked for a reduction in our property tax assessment. It has not been approved.

Do you have continuing struggles?

Yes. My business is closed, I continued to incur overhead expenses, don't know how much money and hours of work it will take to repair and restore the damage, feel it may not be a wise business decision to reopen after the third flood in 8 years as flooding probably will happen again and I feel my property does not have any value. Who would buy it? I don't know what's going to happen next.

Any other comments to share?

It feels like no one cares, like we are forgotten. We're still struggling and have nowhere to turn. We don't need loans we can't pay back. We need assistance with the costs to recover from this huge financial loss otherwise we may not come back.

FLOOD RECOVERY TESTIMONY

COMPANY: KEG CREEK BREWING COMPANY

CONTACT: Randy Romens

CONTACT PHONE: 712-310-5243

CONTACT EMAIL: romensra@aol.com & randyr@kegcreekbrewing.com

DATE OF INTERVIEW: 6/13/19

PUBLICITY RELEASE SIGNED: Yes

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INTERVIEW:

When did the flood impact your business?

March 18, 2019 – that is when the City shut off the water and we were under a boil order.

What's your story of how the flood has impacted your business?

For our business of beer brewing, we were greatly impacted by water availability and transportation. We typically can turn on the faucet and use the water to produce the beer. Once the boil order was issued, we couldn't use the water. We had to either boil water or haul it to our facility. We chose to haul it from Red Oak, and then Taber, which was a 30-mile round-trip drive. We had a 450-gallon tank that we had to keep refilling with water that was 15 miles away. We use about 20,000 gallons of water a month, so that is a lot of trips at 450 gallons per trip. We were very inconvenienced.

We also had to handle the water 3 times before we could use it for brewing. First we had to use our 1,500-gallon beer storage tank as water storage. Then we had to pump the water out of the tank. And finally we had to use a water purification system to pump the water through. The extra steps slowed down our production by approximately 30%.

How have your employees been affected?

We have 9 full-time employees that brew, and 7 part-time employees that work in the taproom. Because of the extra commute time to get the water for brewing, that has affected our cost/barrel. We have increased costs, but the production is down.

How have your customers been affected?

Our business has decreased by about 30% since the flood. Our facility is about 6 miles from the river. We have definitely seen a decline in regular customers that came from towns across the river. What was usually a 15-20 minute drive to get to the brewery, now takes 90 minutes one way. The interstate has either been closed or is very congested. The bridge across Hwy 34 is closed, as well as the Plattsmouth (NE) toll bridge.

Have you received any assistance? What was that experience? What was good/what could improve?

We reached out to SBA about a business loan and our options. We're kind of old school and we don't want to take on extra debt. We're still deciding if a loan is the right thing for our business. We struggle with getting a loan, or can we just get by?

We hope we'll be OK and bet by on our own. It's frustrating and we should have to be considering this.

Do you have continuing struggles?

Yes, transportation costs are high, business is down due to the roads.

But we also are thankful for our location being 1.5 miles from the bad flooding.

What do you think is next for your business?

We're doing OK right now. We'll see what happens.

Our distributor in NE – it's hard for them due to the roads.

Any other comments to share?

The road conditions on the back roads/secondary roads are bad. They need money to be fixed, as they are not used to the increase in traffic from all the road and bridge closures.

Also, how they are addressing fixing the levies does not make sense to me.

Iowa Department of Revenue

The Iowa Department of Revenue extended the deadline for tax filings for individuals and businesses within the declared areas. Here is the link to all of the press releases. <https://tax.iowa.gov/news-releases>

IOWA DEPARTMENT OF REVENUE EXTENDS TAX FILING DEADLINE FOR FLOOD DISASTER AREAS

Contact Email: john.fuller@iowa.gov

Phone: 515-318-8864

Date: Tuesday, March 19, 2019

*** UPDATED MARCH 29, 2019 ***

In response to Governor Reynolds' disaster declarations for many Iowa counties, the Iowa Department of Revenue has granted a 30-day extension and suspension of any penalty or interest for taxpayers whose principal residence or business is located in the disaster areas and whose payment or return is due on or before March 31. This includes all tax types.

The governor has issued declarations for 58 counties impacted by the recent flooding: *Adair, Appanoose, Audubon, Black Hawk, Bremer, Buena Vista, Butler, Carroll, Cass, Cerro Gordo, Cherokee, Chickasaw, Clay, Clayton, Crawford, Dallas, Davis, Delaware, Dickinson, Emmet, Fayette, Franklin, Fremont, Greene, Guthrie, Hamilton, Hancock, Hardin, Harrison, Howard, Humboldt, Ida, Iowa, Kossuth, Lucas, Madison, Mahaska, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, O'Brien, Page, Palo Alto, Plymouth, Pottawattamie, Shelby, Sioux, Tama, Union, Webster, Winnebago, Winneshiek, Woodbury, Worth, and Wright.*

State law authorizes Iowa Department of Revenue Director Kraig Paulsen to extend the period of time for filing tax returns and making associated payments. This includes the suspension of any penalty or interest associated with those returns or payments.

<https://tax.iowa.gov/news-release/idr-extends-deadline-for-flood-disaster-areas>

SBA Disaster Statistics

Loan approvals example for business loan applications versus number of applications submitted data pulled from SBA Disaster Statistics Report for IA 15898 as of 06/07/2019.

Lisa Shimkat
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