



**SENATE COMMITTEE ON
SMALL BUSINESS & ENTREPRENEURSHIP**
Senator Mary L. Landrieu

Opening Statement for
Hearing entitled: “*Oversight on the Small Business Administration Disaster
Assistance Program*”
May 19, 2010 at 11:00 a.m.
Room 428A of the Russell Senate Office Building

(As prepared)

I would like to call to order this hearing of the Senate Committee on Small Business and Entrepreneurship. Today’s hearing is titled “Oversight on the Small Business Administration Disaster Assistance Program.”

I would like to begin by thanking our witnesses for being here today.

I would like to welcome SBA Associate Administrator for Disaster Assistance James Rivera, William Shear from the Government Accountability Office, and Mrs. Jaimie Bergeron, owner of Fleur de Lis Car Care Center in New Orleans, Louisiana. The Bergeron’s are a shining example of a “pioneer” business that returned home shortly after a disaster and tried to be an anchor for their neighborhood. I talk about them and their business very often when I am looking to send relief for businesses to the Gulf Coast.

Today’s hearing focuses on the Disaster Assistance program of the U.S. Small Business Administration (SBA). As Chair of this committee, and a senator from a state hard hit from disasters, I believe that one of the most important responsibilities of this committee is to ensure SBA is fully staffed, better prepared, and ready to quickly assist businesses following future disasters.

Following Hurricanes Katrina and Rita, the SBA response was slow, at best; planning was insufficient, and staff and funding came up short. Following the 2005 storms, it took 90 days to process a home loan and 70 days to process a business loan. Even longer for a disbursement of disaster funding. SBA also demanded disaster victims supply mountains of tax records when SBA, the Federal government, should have been able to get that information themselves from IRS. These same disaster victims had, in many cases, just lost everything – they did not have a house to live in; a restaurant to eat in; and a church to pray in.

As we sit here today, we are less than two weeks away from the start of the 2010 Atlantic Hurricane season. Also, earlier this year, Mother Nature has shown us that disasters can happen without warning in any part of the country. Rhode Island and Tennessee have seen unprecedented

floods, tornadoes have also hit states in the Midwest and Gulf Coast. There also is a manmade disaster in the Gulf Coast for which the SBA is providing assistance to impacted businesses. For this reason, I am pleased that we have a “new and improved” SBA responding quickly to these disasters. This is due to the leadership of former SBA Administrator Steve Preston and the hard work of this Committee, which implemented significant disaster reforms in 2008.

In particular, I note that these reforms included: increasing SBA disaster loan limits for businesses from \$1.5 million to \$2 million; new tools such as bridge loans or private disaster loans following catastrophic disasters; better coordination between SBA, the IRS and FEMA; allowing nonprofits, for the first time, to be eligible for SBA economic injury disaster loans.

Our committee has heard from local officials in southwest Louisiana that SBA was better prepared and more responsive following Gustav and Ike. It took 5 days to process a home loan following Ike, compared to the 90 days after Katrina and Rita. Business loans averaged a little over a week to process, compared to the 70 days in 2005.

While SBA has seen improvements since the 2005 storms, I recognize that there are still areas for improvement. For example, SBA needs to do more to assist “pioneer” businesses that re-open immediately after a disaster. Also, in 2008, Congress increased SBA disaster business loan limits (from \$1.5 million to \$2 million), but the SBA disaster home loan limits (\$40,000 for personal property and \$200,000 for repair/replacement of primary residences) have not been increased since the 1990’s. Lastly, following the 2005 hurricanes and again after the 2008 hurricanes, Gulf Coast businesses experienced major gaps between SBA and USDA disaster assistance. These industries included horse-related businesses, tree farms, aquaculture and fish farms, and seed producers to name a few. They were told they were “too agricultural” for SBA but “not agricultural enough” for USDA. I believe that Congress needs to address these and other issues so that SBA can continue improving the assistance it provides to disaster victims. It is my hope that, following this hearing, our committee can pull together a bipartisan package of commonsense reforms to be reported out later this summer.

In closing, I want to highlight one major change which I believe has led to SBA’s improved performance over the past few years. Here I have the SBA operating procedures that were in place when Katrina struck. It is 358 pages, bulky, and overly bureaucratic – one can understand why the agency had problems. Now here is the Disaster Response Plan that was implemented, at my request, ahead of the 2007 Hurricane season. This plan has 72 pages, is more accessible, and provides clear guidance for SBA disaster staff and SBA resource partners. Now here is the 2009 Disaster Response Plan that was submitted to this Committee last November. The new plan is 53 pages and incorporates many of the new programs and requirements from the 2008 disaster reforms. I believe that, unlike the pre-Katrina plan, this new plan is definitely “worth the paper it is printed on.” That is because it ensures that SBA is clear on its roles and responsibilities and has backup plans for

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disasters large or small. Today's hearing will focus on SBA's progress in implementing disaster reforms like this and also identify areas where the agency can improve further.

I would now like to turn it over to our Ranking Member Olympia Snowe, for her opening statement.