

**EXAMINING SBA'S OFFICE OF DISASTER  
ASSISTANCE AND THE RESPONSE TO RECENT  
CATASTROPHIC FLOODS**

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**HEARING**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP  
UNITED STATES SENATE**

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

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JUNE 19, 2019  
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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP  
ONE HUNDRED SIXTEENTH CONGRESS

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# **EXAMINING SBA'S OFFICE OF DISASTER ASSISTANCE AND THE RESPONSE TO RECENT CATASTROPHIC FLOODS**

**WEDNESDAY, JUNE 19, 2019**

UNITED STATES SENATE,  
COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP,  
*Washington, DC.*

The Committee met, pursuant to notice, at 3:00 p.m., in Room 428A, Russell Senate Office Building, Hon. Joni Ernst, presiding. Present: Senators Rubio, Ernst, Hawley, Cardin, Cantwell, Shaheen, and Duckworth.

## **OPENING STATEMENT OF HON. JONI ERNST, A U.S. SENATOR FROM IOWA**

Senator ERNST. Good afternoon. Today's hearing of the Senate Committee on Small Business and Entrepreneurship will come to order. Thank you all for being here and welcome to our witnesses. I also want to thank Chairman Rubio for letting me take the gavel today.

Today's hearing is titled Examining SBA's Office of Disaster Assistance and the Response to Recent Catastrophic Floods. It will discuss SBA's disaster programs and their footprint in response to the recent flooding in the Midwest. We will also continue our work to reauthorize the Small Business Act, focusing today on the critical role SBA's Office of Disaster Assistance plays in helping individuals and businesses recover after a disaster strikes.

In my home State of Iowa, widespread flooding has had a devastating impact, causing an estimated \$1.6 billion in damage in Iowa alone, with even more damage reported across the Midwest. Although the flooding began in March, this is an ongoing disaster, as a wet spring has led to further flooding in areas where the water was beginning to recede.

To make matters worse, the flooding throughout much of western Iowa is *deja vu* for many of the victims, as some of these same communities were affected by widespread flooding in 2011.

Thankfully, as folks begin to rebuild their homes and neighborhoods they will be aided by the Disaster Supplemental Package that was signed into law earlier this month, which included my amendment for USDA to cover the loss of on-farm stored grain. While this is just one step in the recovery, it will help victims of the flooding to get back on their feet.

During my visits to the disaster areas, I have seen firsthand the devastating impact the flooding had on our small businesses and have met with a number of business owners about the challenges they are facing. Many of these folks were just recovering from flooding this spring before finding their businesses under water yet again this month.

The SBA's Office of Disaster Assistance has played an essential role in the recovery effort by providing services and counseling to our small business owners, but it is important that we continually assess these programs to ensure they are providing effective and timely assistance to the victims.

The disaster assistance programs provided by the SBA allow victims of a disaster to receive direct loans and working capital for physical damage or economic injury. Homeowners, renters, and businesses of all sizes can apply for SBA disaster assistance in presidentially declared or SBA-declared disaster areas.

There are three types of loans that are offered by the Office of Disaster Assistance. These are home and personal property disaster loans, business physical disaster loans, and economic injury disaster loans. Many are unaware that the SBA gives loans to not just businesses but also to homeowners and physical property owners after disasters.

In fact, over 80 percent of SBA's disaster loans are given to individuals and homeowners through home and personal property disaster loans, which contain two categories of loans. The first is personal property loans, which provide up to \$40,000 to uninsured or underinsured individuals to repair or replace their property at their primary residence for items such as appliances and furniture. The second is real property loans, which allow homeowners who are uninsured to obtain up to \$200,000 to restore their primary property to its pre-disaster status.

Next, business physical disaster loans can provide loans up to \$2 million to businesses of all sizes to repair or replace damaged property, equipment, or inventory. Finally, small businesses can receive up to \$2 million in working capital through SBA's economic injury disaster loans to aid small businesses that have suffered economic losses from the disaster.

These programs have helped homeowners and small businesses alike. However, according to the SBA Inspector General, SBA has continued to have issues delivering expedited relief to disaster victims while mitigating fraud and improper payments.

It is important that as we look to reauthorize the Small Business Act we remain focused on ensuring we are protecting taxpayer dollars while keenly assisting our communities. I hope today's discussion will be a productive step toward improving the Federal Government's response to disasters, including these catastrophic floods, and shed some light on how we can enhance the integral role SBA plays in helping survivors get back on their feet and on with their lives.

And with that, thank you again. Senator Cardin, I will turn it to you.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN,  
RANKING MEMBER, A U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Well, Senator Ernst, first of all, thank you for help in putting together this hearing and for your leadership on this Committee. It is always a pleasure to work with Senator Rubio in the Chair but it is also nice to have you in the Chair, so welcome to that.

This is a continuation of our hearings on the reauthorization of programs under the Small Business Administration. This hearing is going to be on disaster assistance programs, which is a critically important part of the SBA toolbox.

Senator Ernst, I know the pain that you have gone through in your community in the Midwest with the continuing flooding, and you have our heartfelt feelings, and we obviously want to come together as a Nation to do everything we can to help the people that have been victimized, and do everything we can to make the circumstances better.

I experienced this firsthand in Maryland, in Ellicott City. Ellicott City experienced two deadly floods in a period of less than two years, where floodwaters came down Main Street, which is basically family-owned-type businesses, what a Main Street used to be and still is in Ellicott City, Maryland. This was a unique flood. We have had flooding before where the river banks just rose. This was so much rain in such a short period of time the flow of the water caused the damage.

I was there. I saw firsthand the damage that was inflicted, the loss of life, the loss of property. Jason Barnes is here from All Time Toys, and we will have a chance for him on this second panel.

But I want to tell you, when I got there I was so impressed to see SBA already there. They were on the ground, working and helping and providing the necessary information to the property owners. I will also acknowledge the SBDCs that were there. Now we anticipated that, in the law that we passed in 2015, the RISE Act, to empower the SBDCs to play a greater role in the recovery process. They provided resources for training, et cetera, and it worked. And it was, I think, the right thing to do, because, quite frankly, the resource partners know the communities best. So the SBDCs, the Women's Business Centers, SCORE, these affiliates can really help with the businesses on the ground to give them firsthand advice on how to keep their businesses going. And I think we need to take a look at the CDFIs to see whether we cannot use them in a better way in disaster relief.

Our focus here is whether we can be more effective in the use of the tools that we have. That is the reauthorization process. Senator Ernst mentioned the tools that are available. I will not go back over them. But let me just tell you the numbers, as I understand it. Forty percent of small businesses cannot survive a major disaster. They never reopen. That is a shocking number. So we need to try to do something better.

One of the things you hear frequently is that they need quick access to capital, and that is why the SBA program for disaster relief is unique. It is direct loans, and it applies not just to small businesses but to property owners, residential property owners. So it is a broader program, and we have made a lot progress in stream-

lining the process so they can get their capital quicker. I think it is about three weeks, on average, in order to be able to get disaster loans from the SBA.

Well, quite frankly, for some businesses three weeks is too long. They need the money immediately in order to be able to keep their doors open. As I understand it, also, we tried to do something about that in 2008, with new bridge loans that did not work. I am not blaming anybody why it did not work. There was no, as I understand it, commercial bank interest. It just did not work. But the need is still there. So are there other things we can do to allow businesses to access capital sooner in order to bridge and stay in existence?

Fifty percent of those who apply for the SBA disaster loans do not qualify for it. So if there is a three-week determination and then they have to go to the next source, which might be through FEMA and HUD, can we coordinate that better so that they have clear direction sooner as to what is available to keep them in business?

The other thing I think we need to concentrate on is to recognize that small businesses need help to be prepared for disaster for a plan of business continuation. You do not think about it until after you are out of business, but you really should be having those discussions, and we should be able, through SBA, to provide those types of services earlier, and obviously we also need to look at, and we do allow funds that are made available through the SBA to deal with mitigation to reduce the risks in the future.

These are all important issues. We have an excellent panel. So I look forward to hearing from our witnesses.

Senator ERNST. Thank you very much, Senator Cardin. And what I would like to remind, for our panels, we have got some wonderful witnesses here today for our panel and for our audience today. We will have a series of votes beginning at 3:30 p.m., so I will apologize ahead of time. We will be coordinating to move back and forth to the floor of the U.S. Senate. But if we need to we may have to take just a short recess to accommodate any movement. But again, I want to thank our witnesses for being here today.

So we are going to go ahead and start with our first panel, and thank you, Mr. Rivera, for being here.

James Rivera is the Associate Administrator in the Office of Disaster Assistance of the U.S. Small Business Administration here in Washington, D.C. Prior to this position, Rivera served as Deputy Associate Administrator of the Office of Disaster Assistance, improving the agency's disaster operations after Hurricanes Katrina, Rita, and Wilma. He has worked in the Office of Disaster Assistance since 1994.

Rivera received his bachelor of business administration degree in finance and economics from Texas Tech University.

Thank you again, Mr. Rivera, for being here today. We will go ahead. If you would please, we will listen to your opening statement.

**STATEMENT OF JAMES RIVERA, ASSOCIATE ADMINISTRATOR,  
OFFICE OF DISASTER ASSISTANCE, U.S. SMALL BUSINESS  
ADMINISTRATION, WASHINGTON, DC**

Mr. RIVERA. Thank you, Senator Ernst and Ranking Member Cardin, and members of the Committee. I appreciate the opportunity to testify today on the agency's current Federal disaster efforts in the Midwest as well as other areas in the country.

Let me start by saying how much we appreciate the support you have provided the agency and our disaster program. Over the years you have been very responsive to our findings and staffing needs, and we are thankful for the working relationship with the Committee and the leadership you provide.

I also want to share how proud I am of the men and women in the SBA's Office of Disaster Assistance. They are a dedicated group who work very hard year-round to help disaster survivors in time of need. Working with our Federal partners and State Emergency Management Agencies, SBA is on the ground soon after the weather events, to begin assessing damage. In coordination with your governor, SBA will help determine if appropriate factors might exist for Federal disaster declarations.

Ultimately, requests for Federal disaster declarations are initiated by the governor's office and fall into one of two categories. A major declaration is submitted to and approved by the President and involves Federal agencies including FEMA, SBA, and HUD. An agency or SBA declaration would involve only SBA resources and is approved by the SBA administrator.

To give you a sense of scale, in fiscal year 2018, SBA responded to a total of 13 major presidential declarations and 35 agency declarations. So far in fiscal 2019, SBA has responded to 13 presidential major declarations and 34 agency declarations. We have current disaster declarations in Iowa, Oklahoma, Indiana, Illinois, and Kentucky. In addition, we continue to provide disaster loan assistance to survivors from Hurricane Florence in South Carolina and Hurricane Michael in Florida.

Senator Ernst, in your home State of Iowa, we continue to serve disaster survivors of severe flooding, and have so far approved over 300 loans for over \$27 million. We will continue to keep you informed of our efforts and we hope you will continue to call on us if we can be helpful in any way.

Just last week, our acting administrator had the opportunity to visit with Governor Reynolds to provide her an update on our activity. We made the same offer to her to please reach out if we can help answer questions, clarify loan status, or simply help disaster survivors to the right contact.

A large part of our success in providing disaster loan assistance to survivors are the improvements we have made in processing and approving loans. Since 2005, we have greatly reduced our cycle times to a current average of 8 days for home loans and 12 days for businesses. In Iowa right now, those numbers are slightly lower, with 7 days for homes and 10 days for businesses.

We also just spent a lot of time expanding our preparedness efforts. Just last week, we conducted a conference for agency personnel involving media training. Additionally, we continue to focus on outreach plans for working with local, State, and Federal offi-

cials, as well as our resource partners. We have focused staff efforts this year on interagency coordination, and on Monday we conducted a conference call with all the governors' offices to refresh them on our role and to share our points of contact.

In my almost 30 years of working at SBA, most of it has been in the disaster program. I have learned that every disaster event is unique. The agency has come a long way and we have made numerous improvements to address the challenges we face in every disaster. The SBA team will continue to be there for disaster survivors and we hope you will continue to call on us when disaster events impact your State.

Thank you again for the opportunity to testify and for your ongoing support.

[The prepared statement of Mr. Rivera follows:]



**Statement of James Rivera  
Associate Administrator  
Office of Disaster Assistance  
U.S. Small Business Administration**

**before the  
Senate Committee on Small Business and Entrepreneurship**

**Hearing on “Examining SBA’s Office of Disaster Assistance”**

**June 19, 2019**

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**Statement of James Rivera**  
**Associate Administrator**  
**U.S. Small Business Administration**

Thank you, Chairman Rubio, Ranking Member Cardin, and members of the committee. Thank you for inviting me to discuss SBA's Disaster Loan Program. I am James Rivera, the Associate Administrator for SBA's Office of Disaster Assistance (ODA). On behalf of Acting Administrator Christopher Pilkerton and the entire agency, I want to start by thanking you for your continued support of the agency's disaster assistance mission and your commitment to ensuring that the federal government is ready to help our communities prepare and recover from disaster.

This is my thirtieth year of service at SBA. I began my career with SBA's Office of Disaster Assistance in 1989 as a disaster loan specialist in Ft. Worth, Texas after working in the private sector as a commercial loan officer. I served in several leadership positions throughout the agency before entering my current role in 2009. As the Associate Administrator of ODA, it is my responsibility to oversee the SBA's Disaster Loan Program.

ODA's mission is to provide affordable, timely, and accessible financial assistance following a declared disaster to businesses of all sizes, private non-profit organizations, homeowners, and renters. The SBA offers low-interest, long-term direct federal loans for disaster losses not covered by insurance. Since SBA's inception in 1953, it has provided over 2.2 million disaster loans totaling more than \$65 billion dollars. During my tenure at SBA, the agency has responded to at least seven disaster events totaling over \$1 billion, including Hurricanes Katrina, Rita and Wilma in 2005 for \$10.9 billion; Hurricanes Harvey, Irma and Maria in 2017 for \$7.3 billion; and the Northridge Earthquake in 1994 for \$4 billion. SBA disaster loans help to rebuild homes and businesses, increase resilience, preserve jobs and spur economic recovery. This financial assistance forms a critical part of the Federal government's disaster response and recovery effort.

SBA disaster assistance is directed at long-term economic recovery rather than first response. SBA staff are present on the ground in the aftermath of a disaster as part of a recovery effort coordinated with other federal, state, local, and tribal partners. SBA's focus is on providing affordable disaster loans for privately-owned property loss to homeowners, renters, businesses, and private non-profit organizations. SBA disaster loans can only be used for uninsured, underinsured or uncompensated losses.

The SBA and the Federal Emergency Management Agency (FEMA) partner to ensure disaster survivors obtain the maximum amount of assistance for which they are eligible; the two agencies use integrated technology to confirm eligibility and expedite the delivery of disaster assistance. For Presidential disaster declarations including Individual Assistance, disaster survivors first register with FEMA on [DisasterAssistance.gov](https://www.disasterassistance.gov), and are then referred to SBA based on eligibility.

As part of a broad effort to get disaster survivors back on their feet, SBA provides affordable loans of up to \$200,000 to help homeowners repair or replace their damaged or destroyed

primary residence. We also provide up to \$40,000 to help homeowners and renters replace damaged or destroyed personal property such as furniture, clothing, appliances, and vehicles.

For businesses of all sizes and private non-profit organizations, SBA provides up to \$2 million dollars to repair or replace damaged real estate; leasehold improvements; furniture and fixtures; inventory; and machinery and equipment. Additionally, SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private non-profit organizations that have suffered economic injury caused by a disaster even if they suffered no physical damage. These loans provide working capital to a business or organization until normal operations can resume following a disaster.

SBA provides additional loan funds for mitigation – up to 20 percent of the total physical loss verified by SBA – to help prevent or reduce damages from future disasters.

Since I last appeared before this committee in September 2017, SBA has provided disaster assistance in all fifty U.S. states and had staff on the ground within 48 hours to coordinate federal, state and local recovery efforts in response to major disasters including 2018 Hurricanes Michael and Florence, and the 2018 California wildfires. ODA staff were exempt from the 2019 January furlough and were able to assist disaster survivors and service disaster loans without disruption throughout the lapse in appropriations. This was particularly important given that SBA was able to continue to provide assistance to survivors of more than 200 events, and SBA disaster field offices remained opened in eleven disaster areas.

These past two years have been SBA's most active since Hurricanes Katrina, Rita and Wilma struck the Gulf Coast in 2005. In response to 2017 Hurricanes Harvey, Irma, and Maria, SBA processed over 340,000 loan applications and approved over 145,000 loans totaling \$7.3 billion. SBA met this need, processing home loans in an average of 16 days and business loans in an average of 23 days. Even as we approach the two-year anniversary of Hurricane Maria, SBA still has a presence on the ground in Puerto Rico, where we currently operate 24 community recovery centers with 97 SBA disaster assistance staff. In response to 2018 Hurricanes Florence and Michael, SBA processed over 46,000 applications and approved nearly 26,000 loans totaling more than \$1.1 billion. We further reduced processing times to 7 days for home loans and 11 days for business loans. Additionally, we approved over 3,700 loans totaling \$414 million for the California wildfires of 2018.

While responding to these major events, the SBA also assists communities recovering from more localized disasters that I know are familiar to many of you. Since 2018, we have approved more than \$9.9 million dollars for Florida businesses and homes affected by algal blooms, in addition to the 12,640 loans totaling more than \$638 million approved for victims of Hurricane Michael in that state. In Iowa, we opened seven centers staffed with 21 SBA employees in the immediate aftermath of the recent floods, and we still have 8 staff on the ground at three different field locations to assist survivors.

SBA continues to improve our technology and processes to reduce loan cycle times and enhance customer service. As part of SBA's recent modernization efforts, our office now utilizes a cloud-based system and the enhanced Disaster Credit Management System (DCMS) 2.0 to streamline

loan processing. Our new desktop loss verification process reduced verification times from an average of 10 days during 2012 Superstorm Sandy to 5 days during the 2017 Hurricane season. Since 2017, ODA also completed a number of updates to make our online Disaster Loan Assistance Portal faster and easier to use, including options to electronically upload documents and receipts and electronically sign applications. As a result, ODA can support a higher volume of loan processing and offer a better user experience, reflected in our most recent customer satisfaction score of 78%, one of the highest scores across the federal government.

As of May 31, 2019, we have a total staff of 1,371, but we carefully monitor our staffing numbers so we can respond effectively and efficiently to the needs of disaster survivors. During major presidential disaster declarations, our staff co-locates on the ground at FEMA-State Disaster Recovery Centers to assist disaster survivors in person, one-on-one, with their SBA disaster loan application. SBA also opens Business Recovery Centers throughout the disaster-affected area to provide assistance to business owners. SBA works closely with its resource partners to go beyond disaster loans and connect businesses with free technical assistance and business counseling services.

Since I last appeared before this committee, ODA has redoubled its efforts to increase national disaster preparedness. In August 2018, ODA signed a two-year co-sponsorship agreement with the Insurance Institute for Business and Home Safety (IBHS) to work jointly on a Disaster Preparedness Campaign and distribute materials focused on disaster preparedness, business continuity, and structural mitigation resources. In January 2019, ODA opened an Office of Preparedness, Communication, and Coordination that staffs interagency working groups dedicated to disaster preparedness, recovery, and mitigation. Active collaborations with our resource partners, federal agencies, and private sector partners enable us to respond quickly to survivor needs and foster resilience among our communities.

Let me also speak to a few legislative related items. This committee has been very responsive to the agency's funding needs, through annual and supplemental appropriations. You have also helped to identify and address issues related to disaster loan eligibility and loan disbursement. Passage of legislation offered by Chairman Rubio in 2018 helped to clarify eligibility for different categories of federal assistance, and legislation from Senator Kennedy last November helped ensure that disaster survivors are able to receive an equitable level of initial loan disbursement to help them with their immediate recovery efforts. We thank Senator Kennedy for sponsoring, and Senators Booker, Rubio, and Hawley for cosponsoring, a bill to make this provision permanent, and we appreciate the committee's action in April in passing the bill.

In closing, I appreciate the opportunity to update this committee on SBA's disaster assistance program and current work. We believe that our program data demonstrates that our recent process and policy improvements have already enhanced our capacity to meet the needs of our nation's disaster survivors. Thank you for your support of the agency and our program. I look forward to our continued work together.

Senator ERNST. Thank you very much. I really do appreciate that, and I would like to echo what Ranking Member Cardin had said as well, during the Ellicott City flooding, that you saw SBA there right away. And I would say that with the flooding in southwest Iowa, SBA was there right away as well, so I do appreciate that.

We will go ahead and start our round of questions for you, Mr. Rivera. I will go ahead and start and then we will pass it off to Senator Cardin.

To receive SBA disaster assistance, folks must go through a pretty convoluted process. At least that is the way it seems to the folks back home. For example, I have received feedback that many disaster victims are unaware that you have to be denied by FEMA in order to receive the SBA assistance.

What can we do to better educate the folks that are going through a very stressful time, to make sure they understand what that process is?

Mr. RIVERA. Thank you for the question. "Convoluted" is not the word I like to use. We like to use the word "streamlined."

We refer everybody to FEMA, DisasterAssistance.gov. From every Administration I have worked for, the face of presidential declarations is FEMA. So if you go through the DisasterAssistance.gov portal, when you register with FEMA, what we have done from a streamlining perspective, 30 of those data points, when they get referred to—actually get transferred, so the disaster survivor, when they are filling out our application, do not have to go through that same process with those 30 data points, from that perspective.

We continue to work closely with FEMA. We are trying to make the process as simple as possible, but that is the current process that we are currently working through. But we continue to try to maximize any sort of efficiencies we can get with FEMA, to the SBA process.

Senator ERNST. Okay. So would it be fair to just simply say then, everything needs to start with FEMA? Everything needs to start with FEMA.

Mr. RIVERA. So we are covered by the Disaster Recovery Framework, the broad interagency coordination between 25 Federal and State agencies, so the first point of contact is Disaster Assistance. What a lot of disaster survivors do not realize is that they may not be eligible for SBA assistance on the front end, so FEMA will filter out those individuals and will refer them to their unmet needs program, which is another FEMA program. So we have tried to simplify the process from that perspective.

Senator ERNST. Okay. Thank you very much. And on a similar note, what we have heard from folks going through some of these disaster loans, there have been improvements, and you did mention some lower days to actually get those disaster loans. And there have been improvements on the issue by moving to things like desktop verifications, and maybe you can talk a little bit about that, versus the on-the-ground inspections. We know that more progress is always needed. If there is a way that we could assist with that, we want to do that.

I have heard from some folks who have been flooded out of their homes and attempted to purchase other homes in the community, using SBA financing, but they were unable to meet closing dates because of certain SBA delays.

So what can SBA and Congress do to ensure that the folks are receiving their assistance in a timelier manner? So while they may be approved, there are certain delays.

Mr. RIVERA. If I can start back with Katrina-Rita-Wilma, I know 2005 is a long time ago. We used to take every disaster survivor through the entire experience, and up front we knew a lot of these individuals would not qualify for a loan, but we went ahead and put them through the credit score, the verification process, the full processing. And that is why it took us 74 days to process a home loan back then.

Since we have actually started streamlining the processes, we know, up front, that individuals with a lower credit score will not qualify for an SBA loan. That is approximately 30 percent that we call get automatically declined.

We experienced—if I can take you to 2012, during Superstorm Sandy—it took us 10 days, on average, to get a loss verifier, one of our staff on the ground to do a physical inspection on the ground. So since that period of time—we started doing this during Harvey, Irma, and Maria—we actually do a desktop verification. So what we get is we get similar to a footprint of a Realty.com that shows the home or the business, and we have Marshall & Swift standards that can say, based on three feet of water you cut sheet-rock up to four feet, and so forth and so on. And we can estimate what it costs to repair or replace that home or that business. So that actually cut five days off of our processing time.

We continue to have these rigorous internal controls in place to make sure that we are not jeopardizing any taxpayer funds, from that perspective. But those are a couple of examples that we have used over the years that have accelerated the processing times.

Senator ERNST. Okay. And you said that the process now, we are down to 8 days in Iowa for homes?

Mr. RIVERA. Yes, ma'am. We are running 7 days for homes and about 10, 11 days for businesses. And I always caution everybody that will listen to me, our goal is two to three weeks, just based on volume. We do not really know how much volume we are going to get. But we are able to successfully get most applications in that 10-day time frame.

Senator ERNST. Okay. Wonderful. Well, I appreciate that, and thanks for moving to that desktop verification. That sounds like it has helped. I appreciate it.

Ranking Member Cardin.

Senator CARDIN. Thank you, Madam Chair. Thank you very much for your dedicated service. You have done this for a long time and we appreciate it very much.

Let me tell you the confusion that I see in the system, the way it is designed. A business owner who has not had experience with a disaster or how to keep a business open all of a sudden finds that they are in a crisis situation. They need to get capital quickly if they are going to be able to stay in business, if they are going to

pay their creditors. They may have critical employees that they have to deal with.

And the SBA gives a loan, and you can make that decision kind of quickly, but you have to qualify for it. But through FEMA and HUD you could get a grant. So if I am there the day after a flood, it seems to me I have choices to make, and it does seem like it is set up with challenges to figure out where I should go. If I go through the FEMA route and wait that time I might be out of business before they qualify me for a grant. If I go through the SBA you could do it quickly, but I have to qualify for a loan, and that means if I would have qualified for HUD I may not have qualified for SBA.

So how do we make this easier for people to understand?

Mr. RIVERA. The current process that we have everyone follow is start with FEMA. Even if you are a small business you probably have employees that may have been impacted by the disaster. FEMA does a real quick referral on businesses. They provide minimal assistance from that perspective to businesses. Once they come to us we will process the application in that two- to three-week time frame.

In larger presidential declarations, HUD, with their Community Development Block Grant, DR funds do come into the scenario, but usually it is further behind us, from that perspective.

From a Federal response perspective, you know, we are probably the only player in town when it comes to disaster businesses that play.

Senator CARDIN. So you are saying HUD is not a player in this?

Mr. RIVERA. They are in some cases. It is dependent on how the grantee for the specific State is set up. We have seen where some businesses are eligible for grants, but that is after it has filtered through the SBA loan program.

Senator CARDIN. Okay. And I understand you are not responsible for that. I fully understand that. But if I am going to qualify for a HUD grant my income has got to be pretty low, and I am the most vulnerable to be out of business before we get to that point, aren't I?

Mr. RIVERA. Yes, sir.

Senator CARDIN. All right. We have identified a problem. How do we fix it?

Mr. RIVERA. That is always the challenge we have, is just how quickly we can provide the service from that perspective. We encourage lenders out there that have a current existing base to borrow. I was a commercial lender in the private sector before I came to SBA. We would not make those loans. Or we would ask them—we would ask—you know, I had a portfolio of road contractors. That is how I became familiar with SBA disaster lending. They flooded, and I was asked to lose a relationship as a desk officer. And here comes SBA to make the loans, from that perspective.

We do not—we are not—I wish we could help everybody, but, on average, our approval rate is in the 50 percent range, so that is the best we can do from that perspective.

Senator CARDIN. All right. I will ask one final open question for you. We are looking at reauthorizing and changing laws to make them work better. So from the SBA point of view—we will leave

HUD and FEMA aside right now—but from the SBA point of view, do you have any priorities for us to consider to make your job a little bit easier and to give easier time for those who have been victimized, businesses that have been victimized?

Mr. RIVERA. Right. Well, one of the big items that we would like to make permanent is the reauthorization of the RISE Act as far as the insecure threshold. It sunset last year—it did not sunset last year. It got extended last year to Thanksgiving of this year. What that means is for an unsecured loan we can make an initial disbursement up to \$25,000. Without that authority, when it sunsets, it will go back to \$14,000. So that is an additional \$9,000 worth of capital we can provide through a low-interest, long-term loan. That is one of the bigger items.

Money is always an issue, even though we closely watch the taxpayer funds. We have spent close to \$200 million this year as a result of Florence and Michael earlier this year. So I know that is a part of the appropriations staff, but those are probably the two major things.

Senator CARDIN. And we can weigh in with appropriators. I appreciate that.

How about the CDFIs? Could they play a stronger role?

Mr. RIVERA. We have not dealt with CDFIs in the disaster arena. That is a really good question. I mean, we can go back and do some due diligence on that, from that perspective, but I have not—we have not dealt with the CDFI community. You know, we have dealt with—very few banks have been interested in the program, because of the risk associated with a disaster loan.

Senator CARDIN. We will follow up on that, but as you know, the RISE Act did empower certainly the development centers, so we will take a look at that. Thank you.

Mr. RIVERA. Thank you.

Senator ERNST. Senator Hawley.

Senator HAWLEY. Thank you, Madam Chair.

Mr. Rivera, can I just—I want to go back to Senator Cardin's line of questioning about loans versus grants, just to make the point again that often those who have been impacted by, for example, flooding like we have experienced here in the State of Missouri, or my State of Missouri, are not in the best situation when it comes to their credit, and yet SBA's disaster relief is currently centered around loans.

So I am just wondering, is there space for more grant programs to assist both homeowners and small businesses?

Mr. RIVERA. From my perspective, the Small Business Act is only, under 7(b), from the Disaster Loan Program, we can only provide loan assistance. We have never been given the opportunity to provide business grants.

Senator HAWLEY. Should we change that?

Mr. RIVERA. That is really your call. We will acquiesce to whatever it is from that perspective. There has been some grant assistance down the road, but historically we have just been a direct lender.

Senator HAWLEY. Sticking with just the topics of flooding and recovering from it, to date, no Federal dollars have yet been spent in response to the terrible flooding we have experienced in Mis-

souri, partly because, in the first weeks of flooding, we did not qualify under the Stafford Act guidelines, for the extent of the damage required before a State qualifies for aid. We do now, and appeal is under consideration, and I believe—I have every indication from the relevant agencies that we are going to get that aid as soon as possible.

However, while we are going through this process, there are hundreds of Missouri families and businesses who are struggling, and it prompts me to ask, do you think that the Stafford Act and other guidelines, as currently structured, are maximizing our ability to get timely relief to folks who need it?

Mr. RIVERA. The choice of how a declaration is declared, is at the governor's—you know, at the governor's hand. Presidential declarations include—Stafford Act declarations include other types of assistance—individual assistance, public assistance—I am sure you know all of this—mitigation, and so forth and so on. Ours is a very narrow disaster loans only. So the governor does have the ability to go presidential, and we stand behind the President, and, you know, we sit and we wait until the President declares, or if they decline it then what we can do is we can proceed forward with our regulatory criteria.

We have two different types of disaster declarations. They are in our Code of Federal Regulations. If there is a governor certification, if there are five small businesses have sustained substantial economic injury, we can do an Economic Injury Disaster Loan Program. On the flip side, if 25 homes or businesses sustained 40 percent or more uninsured loss, we can provide an agency declaration for physical loss. But we stand down until the decision through the presidential process has been finalized.

Senator HAWLEY. Thank you, Madam Chair.

Senator ERNST. Thank you. Do you have any other questions.

Senator CARDIN. No.

Senator ERNST. Okay. Well, since we do not have other members present we appreciate the time and the information. If we do have other members that have questions for the record we will submit those to you, Mr. Rivera, but again, I want to thank you very much for being here today and representing the SBA and the disaster loan program. So thank you.

And at this time we will go ahead and move forward to the second panel.

Senator CARDIN. So that the members of the second panel understanding, I am leaving only so I can cast a vote so we can keep the hearing going as long as possible, but I will be back in time to drill you in questioning. Don't worry.

[Pause.]

Senator ERNST. Thank you to the members of our second panel. We will go ahead and get started. We will start with opening statements from each one of you. First I will go ahead and make the introductions of the members of our panel, and again, I want to thank you very much for being here today.

So a very special welcome, of course, from me to our first panelist, Lisa Shimkat. She is the State Director of the Iowa Small Business Development Center. Shimkat has worked for the Iowa Small Business Development Center since 2007, and received the

National State Star Award in 2010, commending her performance as an SBDC.

Ms. Shimkat received her MBA from Iowa State University, which is the finest of institutions known to man—thank you so much—and is a Certified Business Advisor from University of Toledo, and obtained an Economic Development Finance Professional Certification through the National Development Council.

We are incredibly lucky to have Ms. Shimkat in Iowa. She is a tremendous asset for small businesses across our State, and she and her staff have played a critical role in helping our flood victims get back on their feet this year. So, Lisa, thank you very much for being here.

Next we have Robin Barnes. Thank you very much, Ms. Barnes, for being here. She serves as the Executive Vice President at Greater New Orleans, Inc., the Regional Economic Development Organization for Southeast Louisiana, and oversees several major initiatives designed to create and protect jobs in the region.

She has a deep knowledge of disaster resilience strategies, having served on the Hurricane Sandy Rebuilding Task Force in 2013, and as the Director of the Louisiana office of Seedco Financial, a national nonprofit community development financial institution, where she ran the organization's emergency business and economic recovery response to Hurricanes Katrina, Rita, Gustave, and Ike, and the Deepwater Horizon oil spill. She also opened the Seedco Financial Southeast Louisiana Fisheries Assistance Center in Belle Chasse, Louisiana, the first business assistance center for commercial fisheries. Following 9/11, she managed small business recovery programs for Seedco in New York.

Thank you very much, Ms. Barnes, for your efforts.

And Jason Barnes, our final panelist today, thank you very much, sir, for being here. He is the owner of All Time Toys, which has been in business since 2006, and was formed by a group of friends. In the summer of 2016, their store in Ellicott City was hit by a major flash flood, which left the company in shambles. However, Mr. Barnes worked with the Maryland Small Business Development Center for two years to re-establish his business, and laid the groundwork for a second location in Eldersburg, Maryland.

When another flood hit Ellicott City in 2018, All Time Toys' original location was completely destroyed yet again, this time beyond repair. But thanks to his efforts in the two years between disasters, his business was able to survive and has actually continued to grow in a second location.

Thanks for your perseverance. Thank you for being here.

Again, welcome to the members of our second panel, and Ms. Shimkat, we will go ahead and start with you.

#### **STATEMENT OF LISA SHIMKAT, STATE DIRECTOR, AMERICA'S SBDC IOWA, AMES, IA**

Ms. SHIMKAT. Thank you, Chairwoman Ernst, Ranking Member Cardin, and members of the Committee. Thank you for inviting me to testify today. I am the State Director of Iowa's 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, Atlanta, and then we chose to return to Iowa to raise our children.

I am here today to share information about the flooding disaster that has gripped our State in its clutches, and it 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 local businesses navigate through the process of clean-up and move toward recovery.

The sustainability of these small, rural communities depended upon our State working together and working quickly to find information, hopefully solutions, for these small businesses.

Sadly, 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.

On March 23rd, it was announced that the several Disaster Recovery Centers and Business Recovery Centers were going to open. During this time, we were also communicating with the Office of the Governor, Iowa Economic Development Authority, the Iowa DOT, Secretary of Ag, and many county and local officials.

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 added another 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 percent. Their distributor is in Nebraska, which provides additional challenges because many of the roads across the Missouri River are closed.

Several communities have been devastated. Hamburg, Iowa, is a community with a population of just over 1,000 residents. They were still under water when we toured. We saw homes that were gutted, belongings sitting on the front lawns while the home itself looked like just an empty shell. What once held a family now just held nothing. I have never felt so much hopelessness. Tanya Garfield, Director of the SBA Disaster Field Ops immediately got on her phone and had her team set up a Business Recovery Center in Hamburg.

Businesses lost more than just inventory. The clean-up efforts seemed insurmountable. One small business owner reached out to her SBDC counselor after mud and debris filled her building. Our regional director went over to her place the next day, which was a Saturday, and on her own time spent 12 hours helping Alicia scoop mud out of the building. The flood waters came back in June, and that business owner is under water again, and will not be reopening. She is frustrated that the programs were not designed for smaller businesses like hers.

Interstate 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 Interstate 29 and three major Missouri River crossings in Southwest Iowa. 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 is through bridges in the Omaha/Council Bluffs area and St. Joseph, Missouri. The DOT estimates 45,000 vehicles and trucks were detoured per day.

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 businesses and communities rebound from the damage. We work closely with State and Federal agencies to make sure that small businesses, rural small businesses as well, the backbone of our community, are supported. SBDCs offer significant advising to our clients during the response. SBA disaster team leads did a great job coordinating with the SBDC network.

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

In closing, thank you for letting me share my thoughts and I look forward to questions and sharing ideas for how to address this problem.

[The prepared statement of Ms. Shimkat follows:]

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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 23<sup>rd</sup> 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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State Director  
America's SBDC Iowa

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.

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Lisa Shimkat  
State Director  
America's SBDC Iowa

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

## Appendix & Supporting Documentation

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### 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

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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**

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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

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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](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>

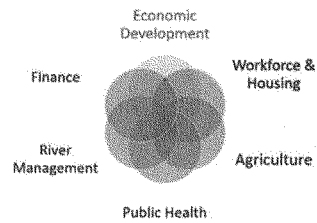
Lisa Shimkat  
State Director  
America's SBDC Iowa

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### 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/>.

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### FLOOD RECOVERY TESTIMONY

**COMPANY:** Finders Keepers Antique Mall & Coffee Shoppe

**CONTACT:** Alicia Chrastil

**CONTACT PHONE:** 402-499-8147 (cell)

**CONTACT EMAIL:** [fkantiques@yahoo.com](mailto:fkantiques@yahoo.com)

**DATE OF INTERVIEW:** 6/12/19

**PUBLICITY RELEASE SIGNED:** yes

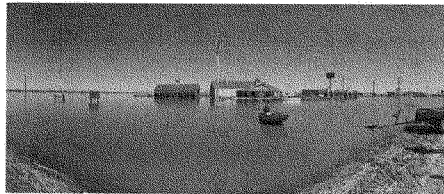
Lisa Shimkat, SBDC Iowa State Director, has been asked to testify to the US Senate Committee on Business & Entrepreneurship on June 19<sup>th</sup>. She is seeking information about how your business was impacted by the flood, what hurdles you've faced, and your plan going forward. She is presenting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



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State Director  
America's SBDC Iowa

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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L. Shimkat  
6/19/19

Lisa Shimkat  
State Director  
America's SBDC Iowa

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 approve.

**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](mailto:romensra@aol.com) & [randyr@kegcreekbrewing.com](mailto:randyr@kegcreekbrewing.com)

DATE OF INTERVIEW: 6/13/19

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 19<sup>th</sup>. 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.

**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.

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L. Shimkat  
6/19/19

Lisa Shimkat  
State Director  
America's SBDC Iowa

**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?**

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L. Shimkat  
6/19/19

Lisa Shimkat  
State Director  
America's SBDC Iowa

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.

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## 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](mailto:john.fuller@iowa.gov)

Phone: 515-318-8854

Date: Tuesday, March 19, 2019

\*\*\* UPDATED MARCH 26, 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, Kosciusko, Lucas, Madison, Mahaska, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, O'Brien, Pella, Palo Alto, Plymouth, Pottawattamie, Shelby, Sioux, Tama, Union, Webster, Winnebago, Winneshiek, Woodbury, Worth, and Wright.

State law authorizes Iowa Department of Revenue Director Craig 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>

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## 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.

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6/19/19

Chairman RUBIO [presiding]. Thank you very much.  
Ms. Barnes.

**STATEMENT OF ROBIN BARNES, EXECUTIVE VICE PRESIDENT  
AND CHIEF OPERATING OFFICER, GREATER NEW ORLEANS,  
INC., NEW ORLEANS, LA**

Ms. BARNES. Chairman Rubio, Senator Ernst, 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. I am Executive Vice president at Greater New Orleans, Inc. I have worked with small businesses engaged in disaster recovery from 9/11 to Katrina and beyond, and I also served on the Hurricane Sandy Rebuilding Task Force.

Today I stand in solidarity with my colleagues here and with communities around the country that have experienced disasters and are recovering, rebuilding, and building resilience to weather their next disaster or market shock.

So many of you on this Committee represent districts that have been brought to complete halts by disasters. We know reviving and bolstering the small business ecosystem can be one of the most effective strategies for jump-starting 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, generate tax revenues, and offer economic mobility opportunities for people of all ages, ethnicities, and genders. Small businesses have generated over 65 percent of net new jobs since 1995, and that is why I am honored to be here today with all of you, for this important national conversation.

GNO, Inc.'s mission is to create a greater New Orleans with a thriving economy and an excellent quality of life for everyone. Since Hurricane Katrina, Greater New Orleans is creating new and supportive road maps for small business growth. Some key examples include our Louisiana Small Business Recovery and Grant Program, a \$230 million multi-pronged effort, funded by HUD CDBG after Katrina, that enabled 4,500 small businesses, including restaurants, commercial fisheries to reopen.

The New Orleans Startup Fund is a CDFI that has created 1,400 jobs through its investments and serves as the investment arm for Propeller, a nonprofit incubator that grows and supports entrepreneurs to tackle social and environmental disparities.

The post-Katrina recovery process revealed critical gaps in the small business ecosystem that prevented full participation of local small businesses in the rebuilding. New infrastructure and new tools have been established to ensure full participation moving forward. For example, the City of New Orleans revamped its DBE program, piloted a mobilization fund, and organizations like the Urban League of Louisiana, Launch NOLA, Good Work Network, and the New Orleans Business Alliance identified niche opportunities to better serve entrepreneurs. I believe that these innovations in my community can be replicated and scaled to benefit small businesses nationwide.

After most disasters, small businesses first 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 forms of grants and technical assistance are critical to economic recovery.

I commend Congress for the passage of the 2015 RISE Act, which has catalyzed several improvements in the process of helping small businesses recover from disasters.

When considering additional small business disaster recovery solutions, I would ask the Committee members to include the following three components:

One, access to capital. Quick access to small loans and grants is key to small business survival, and that is a fact. 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 there are other sources of funding, like grants, to be considered, and that technical assistance is provided to support the businesses before, during, and after the loan is made. Community development field can play a great role here with organizations such as CDFIs.

Two, technical assistance and information about resources and services. After a disaster, businesses need immediate, direct, and consistent communication about resources available to them and how to access those services. The SBDCs are key providers of this sort of assistance. But also there are other community-based and economic development organizations in communities that know how to engage the most vulnerable populations and can accommodate language and literacy barriers. And, frankly, sometimes what is needed is for someone to go out into the field, open up an iPad, and walk someone through a loan application process.

Three, building business resilience. Building business resilience means not only anticipating near-term disasters but also planning for the long-term future. Making businesses aware of the need for, and availability of flood insurance is key, but furthermore, including businesses in a broader conversation about climate adaptation, long-term planning, and how businesses can consider adapting their business model to accommodate the severe weather patterns and transition their businesses to other opportunities.

In conclusion, I thank you for this opportunity and I offer myself and my organization, GNO, Inc., as a resource to you in the future.

[The prepared statement of Ms. Robin Barnes follows:]

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”  
June 19, 2019  
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 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

<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*

<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

<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

<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.

Senator ERNST [presiding]. Thank you very much.  
Mr. Barnes.

**STATEMENT OF MR. JASON BARNES, OWNER, ALL TIME TOYS,  
ELDERSBURG, MD**

Mr. BARNES. Thank you, Senator Cardin and Senator Ernst for having me. I am the owner of All Time Toys that was located in Ellicott City, Maryland, until the May 2018 flash flood. I am now located in Eldersburg, Maryland. I was employed by the company in 2005, and worked my way up to the operations manager and then, on June 1st, 2016, I bought the company, only two months before the July 30th, 2016, flood.

The 2016 flood completely devastated my business and caused a complete system failure across the board. I lost about 75 percent of the total company, including most inventory and the back-end systems needed to support the business.

Several days later, I was sitting in the Disaster Assistance Center, completely drained. I was emotionally and physically beaten and was looking for answers about what to do next. I approached the Maryland SBDC help desk and met with its consultants, Craig Panos and Garrett Glover. From that point forward, with their continued support and knowledge and resources, I was able to rebuild my business and restore my company.

I first met with Garrett a few days after that fateful day in August, and we came up with our first plan for recovery, the first of many ongoing strategic plans. The first priority was to start selling product and generate revenue. We started by selling what merchandise was left online and did everything else that was needed to get the brick-and-mortar back up and running, from grants to displays to staffing, and Jan. 20th, 2017, we reopened in record time.

What a massive success the reopening was, with some of the highest sales the company had ever seen. From that point forward, I met with Garrett on a weekly basis on a recovery plan. Together we worked on everything from the basics of merchandising to financing to advance business tool and systems, like diagnostic P&L formats for tracking sales and analyzing expenses. We created a differentiating brand ID, enhanced customer experience, human resource, and employee development procedures. We created a unique company culture where we could expand the company and allow it to keep growing. And so we did. By the winter of 2018, we started working on and were succeeding with plans to launch a second location within the year.

Then, disaster struck again. May 2018 brought in another flash flood to Main Street. The second one was even more devastating than the 2016 flood. But, because of the work and lessons learned from the previous flood, we had the skills, systems, and confidence to rebound smartly and quickly. Within a month, working continuously with the SBDC, we were selling online, and within five months we were able to reopen again, but this time bigger and with a more mature operation.

At this point our store has been open for eight months, and again, we are still setting new sales records, greater customer satisfaction, and repeat business, and, in the process, we have re-

tained and created jobs. And yes, we are even now back on track scouting for a second location.

In August of 2016, I was a new, clueless business owner facing one of the greatest disasters a business can face. And when I bought the company, I knew how to make money selling toys, but I knew nothing about being a business owner. All I knew is what I did not know, which was a lot. I knew I had a passion for toys, game, and collectibles but zero about running a business. But working continuously with the Maryland SBDC, and even after a few weeks, I was able to start learning how to run a business.

The SBDC did more than just help me find financing and put things back together to recover. They taught me how to analyze and improve every aspect of my business so that I did not just survive but, more importantly, I could thrive moving forward. The lessons I have learned are too many to count and too many to say in any sort of time frame that would not take hours.

You have to understand that the lessons and resources Garrett and Craig provide are tailored to the individual needs of each business. What I needed and learned might not fit what others needed and that is what makes them so special. Because of the individualized action plans and one-on-one meetings, they were able to find out what my business is, what my business needs, what I wanted my business to be, and how best to move forward in my disaster recovery effort.

The greatest gift that the Maryland SBDC has given me is a true passion for business, which now outweighs my love of toys, games, and collectibles. This love of business has truly driven me after multiple disasters, and I am consoled knowing that the SBDC will always be there to help with recovery and growth, moving forward. I have talked about that fateful day in August 2016, when I first started working with the SBDC, but that is not the one day that stands out most in my mind.

The one most memorable day came the morning after the devastating May 2018 flood. My store manager and I were picking up our new IDs for access and survey what was left of our business on Main Street. When we pulled up, we saw two familiar faces. Both Garrett and Craig were standing there, and I knew from this point they were in it with us for the long haul, and so they have been.

To say my business would not be standing today without the Maryland SBDC is an understatement, and with their help I am no longer just surviving disaster. I am looking to a brighter future where long-term success is possible.

Thank you.

[The prepared statement of Mr. Jason Barnes follows:]

Jason Barnes  
Owner – All Time Toys

My name is Jason Barnes, I am the owner of All Time Toys that was located in Ellicott City MD until after the May 2018 Flash Flood. I am now located in Eldersburg MD. I was employed by the company in 2005, worked my way up to become the operations manager and then, on June 1<sup>st</sup>, 2016, I bought the company from the previous owners. Only two months before the July 30<sup>th</sup> 2016 in Ellicott City. The 2016 flood completely devastated my business...a complete system failure across the board. I lost about 75% of the total company including most of my inventory and the back-end systems needed to support the business. Several days later, I was sitting in the Disaster Assistance Center completely drained. I was emotionally and physically beaten and looking for answers about what to do next. I approached the Maryland SBDC help desk and met with its consultants, Craig Panos and Garrett Glover. The relief and hope I got from that talk with Garrett and Craig was miraculous! From that point forward, with their continued support and knowledge and resources, I was able to rebuild my business and restore my company.

I met with Garrett a few days after that fateful day in August and together we came up with our first plan for recovery, the first of many ongoing strategic plans. The priority was to start selling product and generate revenue. We started by selling what merchandise was left online and did everything else that was needed to get the brick-and-mortar back up and running, from grants to displays to staffing and Jan. 20<sup>th</sup>, 2017, we reopened in record time.

What a massive success the reopening was, with some of the highest sales the company had ever seen. We were looking at a sales growth of over 100%, year over year with in the first few months alone. From that point forward, I met with Garrett on a weekly basis on a recovery plan. Together we worked on everything from the basics of merchandising to financing to advance business tool/systems, like diagnostic P&L formats for tracking sales and analyzing expenses, We created a differentiating brand ID, enhanced customer experience tactics, human resource and employee development procedures. We also created a unique company culture where we could expand the company and allow it to keep growing. And so we did! By the winter of 2018, we started working on and were succeeding with plans to launch a second location within the year.

Then, disaster struck again! May 2018 brought in another flash flooding of Main Street. This second flood was even more devastating than the 2016 flood. But, because of the work and lessons learned from the previous flood, we had the skills, systems, internal resources and confidence to rebound smartly and quickly. Within a month, working continuously with the SBDC, we were selling online again and, within five months, were able to reopen again...but this time with a bigger and more mature operation.

At this point our new store has been open for eight months and again we are still setting new sales records, greater customer satisfaction, increased referrals and repeat business and, in the process, we retained and created jobs. And, yes, we are even now back on track scouting for a second location. All good news and looking back only to reflect on how far we've come.

In August of 2016, I was a new, clueless business owner facing one of the greatest disasters a business can face. I knew when I bought the company, I was able to make money selling toys but knew nothing about being a business owner. All I knew is what I didn't know, which was a lot. I knew I had a passion for toys, games & collectibles but zero about running a business. But working continuously with the Maryland SBDC, even after a few weeks, I was able to start learning how to run a business.

The SBDC did more than just help me find financing and put things back together to recover. They taught me how to analyze and improve every aspect of my business so that I didn't just survive but, more importantly, I could thrive moving forward. The lessons I have learned are too many to count and too many to say in any sort of time frame that wouldn't take hours. You must understand that the lessons and resources Garrett and Craig provide are tailored to the individual needs of each business. What I needed and learned might not fit what others needed and that is what makes them so special. This is what allowed them to not just help me but Ellicott City in whole. Because of the individualized action plans and

one-on-one meetings, they were able to find out what my business is, what my business needs, what I wanted my business to be and how best to move forward in my disaster recovery effort.

The greatest gift that the Maryland SBDC has given me is a true passion for business which now outweighs my love of toys, games & collectible. This love of business has truly driven me after multiple disasters, and I am consoled knowing that the SBDC will always be there to help with recovery and growth moving forward. I have talked about that fateful day in August 2016 when I first started working with the SBDC. But that's not the one day that stands out most in my mind. The one most memorable day came the morning after the devastating May 2018 flood, my store Manager and I were going to pick up our new ID's for access to survey what was left of our business on Main Street. When we pulled up, we saw two familiar faces. Both Garrett and Craig were standing there, and I knew from this point on they were in it with us for the long haul ... and so they have been. To say my business wouldn't be standing today without the Maryland SBDC is an understatement. With their help I am no longer just surviving disaster.... I am looking to a brighter future where long-term success is possible.

Senator ERNST. Very good testimony from everyone. Thank you very much.

We will start with our questions now, Senator Cardin and I, so we will—what did you say, you were going to grill them? Is that—okay.

[Laughter.]

Okay. Well, and this is for the entire panel. But according to FEMA, roughly 40 to 60 percent of small businesses never reopen their doors following a disaster. I believe that Ranking Member Cardin had mentioned something to that effect.

What are some of the obstacles that prevent businesses from reopening after a disaster, even if they are finding the services you have to offer. What stops them from reopening?

And maybe, Mr. Barnes, you might be able to speak to that first. What were some of the obstacles that you faced?

Mr. BARNES. Financing was first. That was the biggest thing. I only had two months, previously to opening, you know, my shop. I put everything in to buy the company. I was sitting with like maybe \$500. Financing was the biggest problem. There was a good chance that by September I was not going to be able to reopen. Everything was just gone. On top of that it is just clean-up, getting the—you know, everything up and running, moving forward.

But financing was the number one, and luckily, with our Ellicott City, that was not as much of a problem. There were a lot of options available from the DHCD to SBA that people could tap into, depending on what happened. So we had a 90 percent success rate, but even after 2018, a lot more shut down because it just got harder to, you know, sustain.

Senator ERNST. Okay. And then, Ms. Shimkat, now Jason was able to get back on his feet, utilizing some of these different programs and tools. So what barriers would folks face where they would not be able to receive assistance through those programs, and reopen their businesses?

Ms. SHIMKAT. Some of the barriers that we have seen is, specifically even with a flood, it just keeps happening. And with the inability to know when the end is, and to try to recover, you lose hope. When you do all this clean-up, you spend this money, of your own money to clean up, because you cannot wait many times. The inventory could get ruined. You need to make sure that you are also providing for your employees.

So the clean-up and then the rural aspect. In many of those rurals—Hamburg, Pacific Junction—you had folks that lost their homes, their employees lost their homes, and those were folks that were also buying from those local small businesses, the mom-and-pop stores, those Main Street businesses.

And then the third part, as a clean-up rule, and then to the employees, we have very low unemployment in the State, which is a great thing, but it also can be a barrier as well for these small businesses. When the Missouri went over its banks and we lost Interstate 29, we lost Highway 34, we lost a lot of employees. There are a lot of employees that go across the State there, where maybe they worked in one and lived in another. What we ran into then is the commute time goes from five minutes to an hour and a half. And maybe in larger communities, you know, the Coast,

that is not a big deal, but it is when they can find another job closer to where they are for about the same pay, with a five-minute commute. So they struggled then, as well, keeping those employees. Those are some of the challenges.

Senator ERNST. I understand. And so then they would make that choice not to reopen their business and perhaps seek other employment elsewhere.

Ms. SHIMKAT. Absolutely.

Chairman RUBIO. Okay. Thank you. And Ms. Barnes, did you have any thoughts on that?

Ms. BARNES. Absolutely. I think sometimes we tend to start from the time that the disaster happens and look at all the things that are going to make it challenging for the business to come back and reopen, when what we really need to do is take a step back and look at sort of the situation with small businesses.

First of all, most small businesses in this country are tiny. They are under 20 employees, or 10 employees, or less. And they are particularly vulnerable to disasters because they have small profit margins, they lack revenue diversity, and they cannot sustain extended business interruption.

Small businesses lack adaptive business management models, and I want to be very careful about that, because I think small businesses are really incredible in terms of adapting as neighborhoods change and things change over time. But when there is a catastrophic event and something happens, it is particularly hard to immediately adapt your business model when you do not know who is coming back, what customers are going to be around, and that sort of thing.

They tend to be uninsured and they tend to depend on generating revenues from customers and clients who have also been impacted by the businesses.

All of these things are amplified then, when there is a disaster. And so starting the process of recovery from the time of the disaster is almost too late, because what we really need to be thinking about is how do we help them prior to the disaster, really build that capacity in anticipation that there probably will be a market shock or a disaster at some point.

Senator ERNST. Very good. Well, thank you very much. I am out of time but I think we will have time to bounce back and forth.

Senator Cardin.

Senator CARDIN. Well, thank you very much.

Mr. Barnes, you defy the odds, first, to survive a flood, being in business for such a short period of time, not having any cash to deal with that, not knowing what to do next, because you had never thought you would have to go through this. You were still on a learning curve being a business owner. And then 20 months later, to go through a second experience.

But in the second experience, you already understood how to keep a business open, because you went through it the first time. And it seems to me the SBDC, the Small Business Development Center, really was your lifesaver, really was your lifeline to understand how you could stay in business.

That was exactly what we intended when we passed the RISE Act, to have help on the ground that understood the community

and had the confidence of the community, that could be there on a continuing basis.

So I really do appreciate your courage. I was on the ground and saw the devastation, and I must tell you, the courage of the shop owners on Main Street is unbelievable, because it was a frightening situation after the first, and the second was worse than the first. So good work.

Mr. BARNES. Thank you.

Senator CARDIN. Mrs. Barnes, you are reinforcing Senator Hawley's point about grants, which is interesting. We had not really given that a lot of attention, because SBA does not have the capacity right now to deal with how they would deal with grants. But it is something we should consider, since there are grants available through HUD. And that takes a long time and it does not really work to keep you in business. So it is an area that we do have a gap that we really need to concentrate on.

You did mention, though, the CDFIs. How could we enhance their ability to help us in a disaster?

Ms. BARNES. Well, CDFI's are a very interesting organization, and I do want to also broaden it to the idea of community banks and community development, credit unions, because I believe that there are a lot of organizations that are on the ground that have the capacity to make financial transactions—that is what they do—that can be activated if they are incentivized to do so.

I worked for a CDFI after 9/11 and after Katrina, and what we were able to do, as an organization, was pull together resources. So we identified the Federal resources that were available, we looked to philanthropy, and we really started to put together a comprehensive program, which is really, I think, what is most needed, where you have grants, loans, technical assistance, and such.

In New Orleans, after Katrina, we relied on the SBDC to partner with us. So we operated a program for fishermen, and we had a Fisheries Assistance Center. We had the SBDC sitting in our office doing intake with the fishermen.

We actually, by the time of the BP oil spill, SBA was sitting in our office as well, because we talked to SBA and we said we have vulnerable populations, and this is the thing that CDFIs know about. They know about their community and they know about the population in their community, so they know how to think about the services.

And so, basically, we were able to sort of aggregate all these services under one roof. Everybody had different resources that they were using, right. We were not necessarily pooling resources. But we were able to, through the smart intake of the SBDCs, and then referrals that we were able to make to other resources, grants that we had through HUD CDBG, we were able to really activate a very strong program.

Senator CARDIN. And I think Mr. Barnes would agree that the partnerships that were available in Howard County, in Ellicott City, the County Exec was incredibly open to all the county resources, that you had the reinforcement of community organizations. You had neighbors helping neighbors. All of that was coordinated through the county and State, with the Federal partners,

and it made a real difference with the confidence level to get back into business.

Mr. BARNES. Oh yeah. The 2016 flood was—you know, the difference between 2016 and 2018, you know, 2018 took the wind out of a lot of stuff. But definitely the 2016, all the resources and everything were set up and it made a huge difference. Howard County, I always said, was the petri dish of how to survive a flood the best way possible, between the SBDC, the SBA, FEMA was there. I mean, the Disaster Center was just a wealth of knowledge and resources to get everyone back up and running.

I think after the 2016 flood they had a 90 percent retention rate. That is huge. And I think only two businesses went under completely.

Senator CARDIN. Right. A couple relocated, but you are correct. It was a very high percentage that stayed in business after the flood.

Mr. BARNES. Yeah. It was unheard of numbers after a disaster.

Senator CARDIN. Thank you.

Senator ERNST. Yes, and Ms. Shimkat, we have had a good discussion about the partnerships that exist out there, and from you I know that the work that you and your colleagues at the Iowa SBDC have done in helping Iowans recover. I have heard a lot of those stories.

And as you and our other panelists have pointed out, the SBDC counselors are not only serving as mentors to those that are going through a very stressful experience and helping them in navigating government resources, but you are all the volunteers on the ground that are helping the small businesses actually clean up their properties, whatever needs to be done.

We know that you work in tandem with SBA and their Disaster Field Office. Can you go ahead and walk us through your work together and what resources, if any, SBA does provide to you to aid communities with their disaster recovery.

Ms. SHIMKAT. When a disaster happens—and every disaster is a little different—let's say a tornado. When a tornado comes through, the first thing we do is we get one of our folks over there immediately, on site, with the local people. And in Iowa we are already partnering with everyone, so many times it is a quick phone call right after an events happens, so we can get started.

In this most recent instance, it was a great example of they reached out to us. We already were there. We were reaching out to all the economic developers, and they said, "Where should we locate? Help us get those names." And I thought that was excellent because we were able to get them where the core offices needed to be, where, "Hey, here are some ideas. Here are some people to reach out to immediately." That was very beneficial.

When the head of Disaster Operations West, Tonya Garfield, came to town the first time, she reached out, or had her team reach out, and they said, "We need to get together. Why don't you come with us as we tour as well." And then we could add, "Hey, here are some things we are running into," and then they could also be that arm to get those services immediately where they needed to go.

I was very impressed. I was around in 2008, as we were just kind of starting down the road of some of these things. So I have

seen a huge difference in what is working. I know that puts more pressure on them, the timetable to get things more quickly.

The other part is they were also in constant contact. They also made sure that they were available at every town hall meeting, and if there was somebody that maybe was upset, I instantly got a phone call from their lead person here in the State, and said, "Hey, get somebody over to this person right away. Let us know how we can help." So that was another way too.

One of the questions you asked earlier of SBA was how can we get the information out. Sometimes people may not be ready to hear when the disaster is so overwhelming, and by repeating the message, and repeating "here is who is available," that is key. And then also having all of the partners understand there are no silos here. "Hey, you know what? You are the one that can help them better. Let's get you over there." That has been very, very beneficial, that we can really reach out quickly and handle problems efficiently.

Senator ERNST. That is very good and very helpful. And I appreciate that. It is important that we are sharing that word back and forth between various agencies and communities to make sure that we are getting the right people to the right organizations.

Ms. SHIMKAT. Absolutely.

Senator ERNST. So thank you.

I am going to focus a little bit on our farmers, and we do have some great farmers in Maryland as well.

Senator CARDIN. Absolutely.

Senator ERNST. In your testimony, Ms. Shimkat, you discussed that designed disaster accounted for 9.2 percent of the total U.S. market value of agricultural products in 2017. Can you provide insight on how our farmers are recovering and how can Congress assist to expedite that recovery?

Ms. SHIMKAT. Absolutely. One thing, if I may add, when I first started bringing up that the egg and the business side are interconnected, people were a little confused at first. But I reached out to Secretary Naig, and some of the flood damage—1.9 million bushels of corn lost, 482,000 bushels of soybeans lost, and that is just what we have so far. We have the bins, that as the moisture got into those bins and the bins expanded, the corn expanded, and all of that lost. So you are looking at the 2018 crops that were in the bins lost; 2019—many of them have not gotten in the fields, so now the 2019 crop is lost. And if we cannot get the debris cleaned out of those fields, the 2020 is going to be lost.

So helping with the lost grain that was stored is tremendous. Also, being able to look at the clean-up side, and if there are recovery loans that they more so fit what traditional loans for the agricultural industry are. They are the seasonal side. Here is when they are given. Here is when we can follow up with them.

As far as the payments, deferred payments. And then also, some other things that we are looking at is you have many of the business owners are also farmers at the same time, and looking at if there could be, you know, tax deductions or tax credits when it comes to disaster, that can be applied to current or even, over an extended period of time, future tax years as well.

Senator ERNST. That is fantastic information, because oftentimes we do not think about the farmers. We think about, you know, businesses and Main Street. But we have to understand there are other types of businesses that exist out there, farming being one of those.

Senator Cardin.

Senator CARDIN. I am going to sort of wrap up for this, because we do have some votes that are on right now. I want to thank all three of you.

Ms. Barnes, I want to just underscore the point you said about adaptation and resiliency. I think that is very important, that before there is a disaster you get as much preparation as possible, including flood insurance and information about that.

So as we look at information that is made available through the SBA generally, there should be more preparation for the unexpected, because, unfortunately, it happens. So I think that was a good point and I think it is something else that we need to take a look at as we move towards the reauthorization of these programs.

But I want to thank all three of you for your testimony, and we really do look forward to strengthening these tools, and we are proud of the work that is done at the SBA.

Senator ERNST. Thank you so much, Ranking Member Cardin, and I do appreciate our distinguished panel for being here today and sharing your experiences and your expertise. It is imperative that this committee stays focused on making sure that the Small Business Administration is supporting small businesses and our individuals in a timely and efficient manner as they recover after the devastation of a disaster.

So the hearing record will stay open for two weeks, and any statements or questions for the record should be submitted by Wednesday, July 3rd, at 5 p.m.

Again, our thanks to the panelists, and with that this hearing is adjourned.

[Whereupon, at 4:08 p.m., the Committee was adjourned.]



## **APPENDIX MATERIAL SUBMITTED**

**Senate Committee on Small Business and Entrepreneurship Hearing  
June 19, 2019  
Follow-Up Questions for the Record**

Questions for Mr. James Rivera

Questions from:

Senator Inhofe

SBA's Role in Disaster Recovery

Since 2016 the Small Business Administration (SBA) has approved over 100 loans for a total of \$8.7 million in disaster assistance for the state of Oklahoma. The recent flooding has caused houses to be pushed from their foundation and water levels reaching up to the second floor of individuals' homes across the state. Almost 1000 individual assistance applications for a total of \$9M have been approved by FEMA, SBA has approved 43 loans for a total \$3.4M. SBA, hand in glove with FEMA and the Oklahoma Department of Emergency Management have opened three Disaster Recovery Centers (DRCs) in Muskogee, Tulsa, and Wagoner counties.

**QUESTION 1:**

Can you describe the role the Small Business Administration plays in disaster recovery?

SBA RESPONSE: The SBA provides low-interest disaster loans to homeowners, renters, businesses and non-profit organizations for disaster damages not covered by insurance or other agencies and organizations that provide Federal disaster assistance. In addition to providing disaster loans for physical damages, the SBA also provides Economic Injury Disaster Loans to small businesses and most non-profit organizations to assist with working capital needs through the recovery period. Another role that the SBA plays in disaster recovery is to help coordinate the access of business counseling services and technical assistance provided by SBA resource partners such as Small Business Development Centers, SCORE, Women's Business Centers and Veterans Business Outreach Centers.

**QUESTION 2:**

What type of assistance can businesses and homeowners from my state expect to receive at these DRCs?

SBA RESPONSE: A Disaster Recovery Center (DRC) is an accessible facility or mobile office where survivors can go and meet face-to-face with case workers to receive information about available disaster assistance programs or to ask questions related to their situation or disaster assistance case. Local and state officials are often present in the DRCs, as are representatives from FEMA, SBA, volunteer agencies or programs, and other non-profit and support organizations. DRC staff are available to answer questions about disaster assistance, low-interest disaster loans for homeowners, renters and businesses, specific opportunities for disaster survivors, or help survivors apply for federal disaster assistance.

SBA representatives are available in all Disaster Recovery Centers to work one-on-one with disaster survivors, including businesses and homeowners, to answer questions about the SBA Disaster Loan Program and help them apply for assistance. In addition to staffing Disaster Recovery Centers, SBA also opens Business Recovery Centers to assist businesses one-on-one with their business recovery needs.

#### Combatting Fraud and Abuse

Unfortunately, after times of tragedy, there can be bad actors who attempt to scam those impacted. I understand SBA has been working to combat these fraud and abuse scandals, to ensure every dollar spent is utilized for its intended purpose

#### **QUESTION 3:**

Can you describe the changes SBA has made to combat fraud and abuse?

**SBA RESPONSE:** The SBA Disaster Loan Program has many internal controls in place to help prevent the occurrence of fraud. There are several steps that applicants must navigate before receiving disaster loan funds and those steps provide opportunities for SBA to identify cases of attempted fraud. During the application phase, SBA checks the information provided by the applicant against a major credit bureau report and tax transcripts obtained directly from the IRS. Additionally, the SBA determines loan eligibility using information from third party resources, conducts damage assessments, and does not rely solely on information provided by the applicant. SBA also provides training to staff on how to identify discrepancies that could reveal attempts to commit fraud.

SBA cautions disaster survivors to be on the lookout for scams and fraud with the following tips: 1) government employees do not charge for assistance and will always have photo identification; 2) notify the state's Office of Attorney General if you suspect price gouging; and 3) only use state licensed contractors, get estimates in writing from several contractors, ask for references, ask to see proof of general liability insurance, insist on a written contract, and do not pay the contractor in full before work begins or is finished.

In addition, the RISE After Disaster Act of 2015 provided SBA authority to increase the total amount of disaster loan assistance the SBA can provide to borrowers who become victims of contractor malfeasance. SBA is able to provide homeowners up to an additional \$200,000 to replace lost repair funds due to contractor malfeasance.

#### **QUESTION 4:**

What are some things Oklahomans should be aware of as they apply for assistance?

**SBA RESPONSE:** Your constituents should be aware that although the application deadline for physical damage loans expired on August 14, 2019, SBA may still accept applications. Anyone who has not yet submitted an application, but would like to, should contact 1-800-659-2955.

Applicants should be aware that it could take SBA up to 2-3 weeks to approve a loan request, and another 5 days to make an initial disbursement after receiving the signed loan closing documents, so disaster survivors are advised to not wait until they have an urgent need for the funds to begin the loan application process.

Questions from:

Senator Hirono

Challenges Following Disasters

Mr. Rivera, based on what we know from the Federal Emergency Management Agency (FEMA), around 40 percent of small businesses close permanently following disasters.

**QUESTION 1:**

Can you elaborate on some of the main challenges small businesses face following disasters?

**SBA RESPONSE:** Small businesses face many challenges following a disaster. Many small businesses do not have a disaster preparedness plan so when an event occurs, they are caught off guard. SBA has an agreement with the Insurance Institute for Business and Home Safety (IBHS) to leverage SBA's network of resource partners, and regional and district offices, to promote disaster preparedness tools. SBA encourages small businesses to assess their risks of various types of hazards, create a business preparedness plan, and to exercise that plan with staff on a regular schedule, at least annually, so everyone knows their role when an event occurs.

Most small businesses are not able to survive prolonged periods of downtime without financial assistance. SBA has made considerable progress in expediting the delivery of business disaster loan funds, including increasing the unsecured loan amount up to \$25,000 for physical losses and \$25,000 for economic injury (working capital), which results in a potential initial disbursement of \$50,000 for small businesses within 5 days of signing their loan closing documents.

Additionally, most small business owners and employees live near where the business is located which means there is a greater likelihood that the disaster event is also impacting the owner, employees, customers and supply chain, which can compound the impact on the business. Some businesses can make repairs and rebuild quickly; however, full recovery could still be a challenge if there are supply chain disruptions, the workforce is adversely affected, or customers are not able to return to purchase goods and services.

**QUESTION 2:**

What are these challenges, and how has the Small Business Administration (SBA) worked to address them for small businesses?

**SBA RESPONSE:** SBA is working to address these challenges by partnering with federal, tribal, state, local and nongovernmental stakeholders to promote business disaster preparedness tools and the availability of disaster loan assistance. We are also working closely with our resource partners, such as Small Business Development Centers, SCORE, Women's Business Centers and Veterans Business Outreach Centers, to provide business counseling services and technical assistance to businesses following declared disaster events. SBA will often open a Business Recovery Center and co-locate with one or more of our resource partners to provide businesses with a variety of resources.

Additionally, SBA participates in the Economic Recovery Support Function (RSF), one of six RSFs called for under the National Disaster Recovery Framework. The Economic RSF has as its mission to coordinate federal resources in support of economic recovery from disasters. In larger or unique events, the Economic RSF is actively engaged with partners and federal agencies to identify challenges such as those mentioned above and develop outcome driven solutions. The RSF coordinates and leverages available federal resources, including those from the Economic Development Administration, which is the lead coordinating agency, SBA, USDA, and the Department of Labor, among other participating agencies.

**QUESTION 3:**

What more does SBA plan to do to address these challenges for small businesses?

SBA RESPONSE: SBA plans to increase outreach efforts in two critical areas – preparedness and mitigation. The small businesses with the most successful recovery experiences are usually the best prepared. The SBA Disaster Loan Program also provides post-disaster mitigation assistance that is an opportunity for businesses to build back stronger and more resilient in order to prepare for the next event and reduce their risk of damage. SBA is working to promote the benefits of mitigation and the use of the Disaster Loan Program as a funding resource for protective measures by working with industry experts like the Insurance Institute for Business and Home Safety (IBHS). SBA's agreement with IBHS increases outreach using social media, webinars, marketing materials and targeted messages to SBA disaster loan applicants and borrowers.

**QUESTION 4:**

What should small businesses know in the immediate aftermath of disasters?

SBA RESPONSE: Businesses should visit [DisasterAssistance.gov](http://DisasterAssistance.gov) to search for and learn about different types of assistance that may be available. Businesses are also encouraged to file an insurance claim. They are also encouraged to apply for SBA disaster loan assistance early. They do not have to wait for an insurance claim to be settled. SBA can approve and disburse disaster loan funds even if the insurance claim is still pending. SBA will take an assignment of the insurance proceeds and if any funds received are determined to be a duplication of loan funds provided by SBA, they will be applied to the principal balance of the loan.

Disaster Loan Process

Mr. Rivera, over the last decade SBA has worked to improve the disaster loan process for businesses and homeowners, including by moving toward an online platform for individuals interested in applying for SBA's disaster loans.

**QUESTION 5:**

Can you elaborate on some of the other changes SBA has made to improve the process for businesses and homeowners?

**SBA RESPONSE:** SBA has implemented various changes that have streamlined disaster loan processing and improved customer service for disaster survivors.

- Desktop verifications for initial damage estimates;
- Online disaster loan application status updates;
- Separate processing tracks for home and business applications;
- Increased unsecured loan limit to \$25,000 for physical damage loans and \$25,000 for economic injury disaster loans;
- Increased mitigation eligibility to 20 percent of all physical losses (up to a total of \$200,000), as verified by SBA;
- Expanded mitigation eligibility to include construction/purchase of safe rooms and storm shelters;
- Expedited loan processing based on credit scoring;
- Standard 15 and 30-year loan terms, based on borrower's ability to repay.

**QUESTION 6:**

What more does SBA plan to do to improve the process?

**SBA RESPONSE:** SBA is working on modernizing its Disaster Credit Management System to increase our disaster loan processing bandwidth during periods of high volume that follow large scale disaster events.

Follow-up: For many businesses in rural communities like we have in Hawaii, readily-available access to the internet—and, as a result, SBA's online platform—may be limited following disasters—especially for disasters where power and communication lines may be down, as we recently experienced with Hurricane Lane.

**QUESTION 7:**

In addition to being available at FEMA's Disaster Recovery Centers, like the one I visited last summer on Hawaii Island, what other outreach does SBA conduct to individuals on the ground?

**SBA RESPONSE:** Depending on the amount of disaster loan activity, SBA will also open Disaster Loan Outreach Centers (DLOC) and Business Recovery Centers (BRC) throughout the declared disaster areas. In some cases, FEMA Disaster Recovery Centers will transition to a DLOC because disaster survivors may still require help applying for loans and signing loan closing documents. SBA's public affairs specialists do a lot of outreach in the community and will look for opportunities to partner with community leaders and organizations to ensure that disaster survivors are aware of the SBA disaster loan program benefits and how to apply.

**QUESTION 8:**

How does SBA conduct outreach to individuals in rural communities following disasters?

SBA RESPONSE: All disaster recovery starts and ends with local efforts, so SBA works with community leaders and organizations to ensure that disaster survivors have access to SBA disaster loans. For example, SBA may partner with chambers of commerce, community centers, churches or civic organizations to help connect survivors with the SBA disaster loan program. Outreach on the ground is largely carried out by SBA's public affairs specialists who have many roles, including media relations, congressional and intergovernmental affairs liaisons, and public speaking.

#### General Availability of Disaster Loans

Mr. Rivera, as you acknowledged during the hearing SBA would like to provide assistance for more businesses and homeowners, but currently only approves somewhere in the range of 50 percent of loans. Based on SBA's underwriting standards, many of these loans are likely directed toward relatively "better off" disaster victims.

#### **QUESTION 9:**

What changes do you think would be necessary to increase the number and percentage of loans SBA approves so that more businesses and homeowners can receive assistance?

SBA RESPONSE: SBA evaluates loan applications based on the following criteria: 1) eligibility, 2) credit history, and 3) repayment ability. A change in SBA's minimum standards for credit history or repayment ability would likely increase the number and percentage of loans approved. However, any change to increase the approval rate can also have increased risks of early loan defaults due to more approvals for applicants with less repayment ability.

#### **QUESTION 10:**

FEMA and the Department of Housing and Urban Development (HUD) currently have grant programs to provide assistance for disaster victims. In your opinion, should SBA consider grant programs—or other changes—to provide more businesses and homeowners with assistance following disasters?

SBA RESPONSE: SBA is responsible for providing affordable, timely and accessible financial assistance in the form of loans to businesses of all sizes, private non-profit organizations, homeowners, and renters following a declared disaster. SBA disaster loans are the primary form of federal assistance for the repair and rebuilding of disaster losses for privately-owned property. We are always open to hearing from stakeholders and Congress on potential ways to improve SBA disaster assistance.

#### **QUESTION 11:**

With respect to small businesses, FEMA has found that around 40 percent close permanently following disasters—in many cases likely due to limited access to capital. In your opinion, should SBA consider changes to provide more businesses with assistance following disasters? If so, then what could these changes include?

**SBA RESPONSE:** SBA is an aggressive lender and we try to approve as many disaster loans as we can. The RISE After Disaster Act of 2015 increased the unsecured loan limit to \$25,000 for physical damage loans in all disasters, which helps small businesses obtain needed capital very quickly. This change was set to expire in November 2018 but was extended for 12 months. SBA is hoping that the committee will make the unsecured loan limit a permanent change because quick access to capital is critical to businesses recovering from disasters.

#### Small Business Development Centers (SBDCs)

Mr. Rivera, SBA has also worked to improve the disaster loan process for businesses by referring them to local resource partners like Small Business Development Centers (SBDCs), who, in many cases, can provide faster assistance for those businesses. Locally in Hawaii this means Hawaii SBDC, which played an important role last year as a “first stop” for businesses navigating the disaster recovery process. When I met with Hawaii SBDC earlier this year, they expected to see an increased caseload for 2018—in part, because of last year’s disasters.

#### **QUESTION 12:**

What kind of additional support, if any, does SBA provide for resource partners like Hawaii SBDC when they experience increased caseloads following disasters?

**SBA RESPONSE:** SBA’s Office of Disaster Assistance works hard to strengthen partnerships with SBDCs, SCORE, Women’s Business Centers and Veteran’s Business Outreach Centers. The SBA disaster team provides continual support to resource partners, even after the on-the-ground presence has ended, so they can provide business counseling services and technical assistance to businesses still recovering.

#### **QUESTION 13:**

In your opinion, should SBA be doing more to support these resource partners following disasters?

**SBA RESPONSE:** SBA’s Office of Disaster Assistance has strong partnerships with our resource partners, and we support each other to coordinate disaster recovery efforts for businesses. SBA is frequently a featured speaker at SBDC, SCORE and WBC conferences and workshops to educate resource partners on business preparedness, disaster recovery, and mitigation. Even though we already work closely with the resource partners, we could always do more and I welcome any suggested ideas on how the Office of Disaster Assistance can better support our resource partners, who play a critical role in business recovery.

#### Mitigation

Mr. Rivera, borrowers who receive SBA’s disaster loans can reserve a certain percentage of their loans (20 percent) to mitigate against similar disasters in the future.

**QUESTION 14:**

In cases where borrowers are recovering from natural disasters like volcanic eruptions like we recently experienced in Hawaii, what steps can businesses and homeowners take, if any, to mitigate against future disasters?

SBA RESPONSE: SBA does provide additional assistance for mitigation, up to 20 percent of the total physical losses as verified by SBA, or a maximum of \$200,000. However, I am not aware of any mitigation measures a homeowner or business can take to prevent property damage from possible volcanic eruptions in the future.

**QUESTION 15:**

What other options are available to individuals in these situations?

SBA RESPONSE: Aside from mitigation, another option is relocating to a safer property. This can be a difficult decision for homeowner or business to make, but SBA disaster loan eligibility can be used to relocate if the property owner chooses or is unable to repair/rebuild the disaster-damaged property.

Questions from:

Senator Kennedy

Duplication of Benefits

In 2016, nearly 6,000 Louisiana homeowners were impacted by flooding. These families are suffering from slow recovery efforts due to an issue called duplication of benefits (DOB). These homeowners obtained loans from the Small Business Administration (SBA), and were previously denied access to grant dollars because of it. I've been working to help these flood victims who were denied recovery assistance if they applied for SBA loans.

**QUESTION 1:**

Can you speak to SBA's collaboration with HUD to resolve this issue? Why did it take so long to issue the necessary guidance?

SBA RESPONSE: HUD did consult with SBA when drafting the Updates to Duplication of Benefits Requirements Under the Stafford Act for Community Development Block Grant (CDBG) Disaster Recovery Grantees Notice, which was published on June 20, 2019. SBA provided HUD extensive information about the SBA disaster loan program, our processes, and loan data that we can share with CDBG-DR grantees that will help them to implement HUD's new DOB notice. Both HUD and SBA are ready to support grantees to implement the new DOB notice. On July 31, 2019, SBA's Office of Disaster Assistance provided a briefing on the SBA disaster loan program at HUD's CDBG-DR Problem Solving Clinic in Overland Park, Kansas, and met directly with grantees to answer questions on how to obtain SBA disaster loan data to help implement the new DOB notice. SBA will continue to engage directly with HUD and CDBG-DR grantees to support disaster survivors.

**QUESTION 2:**

What impact has the delayed implementation of this legal guidance had on the recipients?

SBA RESPONSE: CDBG-DR grantees are in a better position to explain the impacts on recipients (i.e., disaster survivors) since they administer the recovery programs using CDBG-DR funds.

Rebuilding Small Businesses After Disasters Act (S.862)

I have legislation that would will allow the Small Business Administration (SBA) to permanently increase the ceiling on loans for disaster victims from \$14,000 to \$25,000. The new limit would apply to physical damage loans under a SBA disaster declaration. This program has received an extension through November 25, 2019; however, absent legislation, this increase will expire.

**QUESTION 3:**

In your opinion, how will small businesses benefit from permanently increasing the ceiling on physical damage loans to \$25,000?

SBA RESPONSE: Permanently increasing the unsecured loan limit to \$25,000 for physical damage loans enables SBA to make a larger initial disbursement quickly, which can help a small business that needs access to funds as soon as possible in order to recover.

Questions from:

Senator Rosen

Flooding in Nevada

In Nevada, flash floods can happen any time and within minutes. Given the arid conditions of the Nevada desert, the rain is not absorbed quickly in the hard, dry Nevada soil. In Northern Nevada, the melting of the snow of the Sierra Nevada Mountains causes the Truckee River to overflow and flood downtown areas in Reno. In many cases, it causes power outages, flooding, loss of homes and businesses, and the economic loss can be devastating to communities. In order to learn how to better address floods, non-profits such as the Desert Research Institute study hydrology to develop tools and technologies for flood damage reduction and channel restoration in Nevada and other western states. In Southern Nevada for instance, local flood control agencies have invested \$100s of millions to construct flood control channels and detention basins.

**QUESTION 1:**

How does the SBA partner or work with non-profits and local governments to inform them about potential impact in funding needs for floods in Nevada and other states?

SBA RESPONSE: SBA works with many federal, tribal, state, local and non-profit partners to promote disaster preparedness, recovery resources and mitigation. For example, this year SBA was a featured speaker at the Association of State Floodplain Managers (ASFPM) Annual Conference in Cleveland, Ohio where we spoke with hundreds of state and local floodplain managers about the benefits of the SBA disaster loan program and ways individual property owners can fund mitigation projects using disaster loan funds following a declared disaster event.

As stated in a prior response, SBA is a primary agency within the Economic Recovery Support Function (RSF), called for under the National Disaster Recovery Framework. The Economic RSF is a coordination entity that supports state, local, tribal and territorial governments and private sector by facilitating outcome driven solutions and helping to leverage federal programs that may be applicable to the given situation.

**QUESTION 2:**

Given the recent higher incidence of flooding and other natural disasters, potentially as a result of varied climate patterns, does the SBA have a long-term strategic plan to address future funding for disasters?

SBA RESPONSE: SBA is modernizing our Disaster Credit Management System (DCMS) to increase our disaster loan processing bandwidth during periods of high volume that follow large scale disaster events.

**QUESTION 3:**

The SBA only approves 50 percent of applicants for disaster loans. In cases where a small business owner does not qualify for an SBA disaster loan, what other resources or referrals does the SBA provide to assist the small business owner?

SBA RESPONSE: SBA also refers businesses to Small Business Development Centers, SCORE, Women's Business Centers and Veteran's Business Outreach Centers to receive business counseling services and technical assistance. SBA disaster loans provide access to funds at an affordable rate, but businesses can also benefit from meeting one-on-one with business counselors who know the local business community.

**QUESTION 4:**

Do you have statistics on the disaster loan approval ratings for woman and underrepresented communities?

SBA RESPONSE: SBA does not track race, ethnicity or gender data for disaster loan applicants. While we do not currently have any statistics on SBA loan approvals for underserved or underrepresented communities, we could cross reference SBA loan approvals with a list of cities, counties, parishes or zip codes if you need this information.

Wildfires

This past August, the South Sugarloaf Fire scorched over 230,000 acres in northeastern Nevada, prompting the evacuation of about 300 people and threatening infrastructure such as State Route 225, multiple power lines, and numerous cellular and radio towers. The fire destroyed private and public lands, affecting ranchers, recreation, and wildlife.

Despite this devastation and despite my Nevada colleagues and the state fighting for funding, FEMA denied the State of Nevada's request for a Fire Management Assistance Grant.

In our rural communities, many Nevadans rely heavily on the land for their income, whether it be through ranching, outdoor recreation, or energy development.

**QUESTION 5:**

Given that FEMA denied the State of Nevada a Fire Management Assistance Grant, does SBA provide any loan assistance to Nevada ranchers? If not, why not?

SBA RESPONSE: By statute, SBA disaster loans cannot be used for agricultural enterprises, which includes farms and ranches. However, a rancher could be eligible for SBA disaster loan assistance to repair a damaged primary residence or replace personal property destroyed as a result of a declared disaster event. A governor can send a request directly to SBA for an SBA Agency Declaration if there are 25 or more homes or businesses with major uninsured damaged within a county or jurisdiction. The state emergency management office typically initiates the process by requesting SBA's Office of Disaster Assistance to conduct a preliminary damage

assessment to determine the number of residences and businesses that are destroyed or have minor or major damage.

**QUESTION 6:**

In your view, do you think we should make any changes to the eligibility standards for SBA loan assistance programs so that rural communities impacted by wildfires can receive the assistance they need after devastating fires?

SBA RESPONSE: SBA's criteria for making an Agency declaration is 25 or more homes or businesses with major uninsured damage within a county or jurisdiction. SBA also uses the same criteria for loan approvals as it does in all disaster declarations: 1) eligibility, 2) credit history, and 3) repayment ability. SBA will attempt to approve as many disaster loan requests as possible; however, we have to ensure that loan borrowers are able to repay the loans and we are not setting them up to fail by burdening them with additional debt they cannot afford.

Climate Change

Climate change is a constant and growing threat throughout our communities. In Nevada, we have seen more flooding and wildfires in recent years, and our country can no longer ignore the scientific consensus that the increasing number and intensity of natural disasters are linked to climate change.

**QUESTION 7:**

Has the number of disaster loan applications risen in recent years?

SBA RESPONSE:

**# of SBA Disaster Loan Applications Processed by Fiscal Year**

FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FYTD19*
40,400	43,000	44,100	115,100	13,800	31,500	66,200	89,600	355,100	91,300

\*FYTD19 as of August 1, 2019

**QUESTION 8:**

If so, what do you attribute that to?

SBA RESPONSE: The number of SBA disaster loan applications is directly related to the number of homeowners, renters, businesses and nonprofit organizations that suffer disaster losses not covered by insurance or other Federal disaster assistance. SBA receives more disaster loan applications following large scale events that affect a greater number of property owners who do not have adequate insurance coverage, if at all, and are located in areas with outdated building codes. A tropical storm considered to be "low intensity" can still have devastating effects if the communities are not prepared; the best way for any property owner to prepare for a

disaster event is to have adequate insurance and to implement stronger building standards and mitigate.

**QUESTION 9:**

How is the SBA preparing for the future as climate change and other factors contribute to this pattern we are seeing of stronger and more frequent natural disasters?

SBA RESPONSE: SBA is increasing its marketing and outreach efforts to promote disaster preparedness before events occur and use of the disaster loan funds for mitigation after the event.

**QUESTION 10:**

What can Congress do to help you prepare for these future disaster threats as they emerge?

SBA RESPONSE: SBA appreciates your continued support of the Office of Disaster Assistance and the disaster loan program. Making sure the disaster loan program is adequately funded through federal appropriations is a top priority so that SBA can respond quickly to future disasters.

Questions from:

Senator Duckworth

Mr. Rivera, I am concerned that the existing Federal disaster response framework is leaving some communities behind. For example, while I appreciate that SBA has already designated certain Illinois counties as disaster-eligible, there are additional counties in my State that are also suffering as a result of storms and flooding.

The impact on the growing season alone prevented an Illinois farmer from planting 85 percent of his intended corn acres. Fortunately, SBA can help small agricultural cooperatives and small businesses recover from this hardship.

**QUESTION 1:**

Mr. Rivera, will you commit to conducting a thorough review of Illinois counties that experienced flooding damage, and in every case where it is appropriate, provide an Economic Injury Disaster Loan declaration?

SBA RESPONSE: I have instructed SBA's Field Operations Center – East, which covers Federal Regions I-V, to work directly with the Illinois Emergency Management Agency (IEMA) to discuss the process for requesting an EIDL declaration.

On Monday, August 12, SBA joined FEMA, state, and local officials for a Preliminary Damage Assessment (PDA) in the following nineteen counties in Illinois: Carroll, Whiteside, Rock Island, Henry, Mercer, Knox, Peoria, Woodford, Henderson, Hancock, Adams, Pike, Calhoun, Jersey, Madison, Randolph, Jackson, Union, and Alexander. The damage was caused by severe storms and flooding that occurred February 24 through July 3, 2019. Once the PDA is complete, the Governor's office will determine if they plan to request a FEMA or SBA disaster declaration depending on the survey results.

**QUESTION 2:**

If SBA is unable to act on this request due to limits under existing authority, would SBA support the Committee enhancing the agency's authority to ensure SBA disaster recovery efforts are executed in a more timely and proactive fashion?

SBA RESPONSE: Under our existing authority, SBA is prohibited from providing disaster loans to agricultural enterprises (i.e., farmers and ranchers). USDA can provide such assistance. Currently, SBA is able to provide disaster loan assistance to small agricultural cooperatives and farm-related businesses not directly engaged in agricultural activities. The SBA would respond accordingly should there be any statutory changes to our authority.

Mr. Rivera, as you know, individuals and businesses impacted by a disaster are encouraged to apply for relief immediately following the event. However, FEMA staff deployed to the disaster

area may not fully understand the complex eligibility issues between SBA's disaster loans and other Federal disaster assistance grants.

**QUESTION 3:**

Mr. Rivera, we have discussed this at a prior hearing, but I would like an update: what is SBA doing to make sure that FEMA staff at disaster areas have all the information they need to get disaster victims the best information possible for the assistance that is right for them?

SBA RESPONSE: SBA works closely with FEMA and other federal, tribal, state, local and nongovernmental partners to ensure that disaster survivors are receiving accurate information about the SBA Disaster Loan Program. SBA public affairs specialists are co-located with FEMA and state external affairs teams in the Joint Information Center at the Joint Field Office and DRCs for all major presidential disaster declarations to ensure that all messaging shared with the public is accurate. Additionally, SBA partners with FEMA to keep information about the SBA Disaster Loan Program updated on the DisasterAssistance.gov webpage, which is typically a disaster survivor's initial access point to all federal disaster assistance programs.

**Senate Committee on Small Business and Entrepreneurship Hearing**  
**June 19, 2019**  
**Follow-Up Questions for the Record**  
**Responses submitted by Robin Barnes**  
**July 22, 2019**

Questions for Ms. Robin Barnes

Questions from:

Senator Kennedy

Deploying capital quickly to disaster victims should be SBA's first priority in the aftermath of a disaster; however, the integrity of the program should not be sacrificed by rushing through the approval process.

**QUESTION 1:**

In your opinion, what can we do to achieve maximum efficiency with processing disaster loan applications, while not compromising the quality of the program?

*SBA should continue to improve the Disaster Loan application process as it has been doing heretofore. Continuous improvements require ongoing evaluation and monitoring that can reveal potential bottlenecks or hurdles. For example, the Hurricane Sandy Rebuilding Task Force analyses revealed, after disasters, that homeowners overflowed the loan application system first and consequently had processing priority over business-owners. Therefore, the Task Force recommended in the Hurricane Sandy Rebuilding Strategy that SBA create separate approval tracks for homeowner vs. business loans.*

*Furthermore, additional technical assistance and supports should be provided throughout the loan application process to vulnerable populations and to small businesses for whom a disaster loan may be its first loan. Language, literacy and/or cultural barriers, or limited experience/connections with financial institutions, should not hinder the speed by which small businesses are funded.*

**QUESTION 2:**

On average, what do you think is a reasonable goal for the SBA to maintain that is timely and would maintain the integrity of the SBA disaster loan program?

*Over the last 15 years, vast improvements have been made to the loan application process for large disasters. Large storms present enormous administrative challenges that can cause delays. However, ideally, small business Disaster Loans would be approved within two-three weeks of the date of a loan application to ensure business continuity and, potentially, the continued provision of critical services and products in disaster impacted communities.*

### **QUESTION 3:**

During your time working with the SBA, would you say that the disaster loan approval process has become more efficient?

*The 2015 RISE Act (PL 114-88), 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*

### **QUESTION 4:**

What has the SBA done to make the approval process more efficient?

*The RISE Act (PL 114-88) creates several improvements in the loan approval process, including:*

1. ***Decline of loan approval rates***
  - a. *For agency-declared disasters, collateral is no longer required for physical damage loans of \$25,000 or less, as opposed to the previous loan amount of \$14,000 or less (note that this provision's sunset has passed, but the Small Business Committee voted to make the change permanent as part of a bill that is awaiting floor passage).*
2. ***Delays in loan processing***
  - a. *Loans are available for a period of no less than a year*
  - b. *Improves the transparency of loan approvals and application status by creating a web portal*
  - c. *SBA must provide preferred contractors in regions affected by disaster*
  - d. *Reduced documentation requirements. Processors are no longer required to rely on both personal and business cash flows and credit scores for loan approval or denial.*

- e. *Created separate approval tracks for homeowner loans, PBLs, EIDLs, as a result of homeowners overflowing the system first and consequently having processing priority over business-owners*
- 3. **Low disbursement rates**
  - a. *Provided additional counselors/financial aid to SBDCs, Women's Business Centers, and SCORE*
  - b. *Created business recovery centers, locations to be contacted for aid in the event of natural disaster*

#### Flood Mapping and Flood Insurance

In addition to damages to their property, small businesses suffer from interruptions in income during the aftermath of natural disasters, which makes rebuilding even harder. Therefore, it is critical that participating small businesses be able to rely on the National Flood Insurance Program (NFIP). The program needs to stay sustainable, while remaining affordable. An important component of that is ensuring that maps are accurate and can determine the real flood threat, which the Federal Emergency Management Agency (FEMA) is attempting to accomplish with their "Risk Rating 2.0" proposal.

#### **QUESTION 5:**

What concerns do you foresee for small businesses as FEMA develops and implements Risk Rating 2.0?

*The main concern with Risk Rating 2.0 and with flood insurance in general, is affordability. We know America has a major flood insurance gap, and the cost of flood insurance is a significant factor contributing to this gap.*

*My organization, Greater New Orleans, Inc. (GNO, Inc.), supports the goals of Risk Rating 2.0 and want all citizens to have the most up-to-date, accurate information when it comes to flood risk. However, affordability is a key factor that must be considered during implementation. Escalating the cost of premiums could serve to drive down take up rates and further risk the recoveries of communities and economies who experience floods.*

*Living and working near water is an economic necessity. The commerce, recreation and national defense that by their nature happen at water's edge are activities that benefit the entire nation. More than 50 percent of the country's population and jobs are along the coast. What's more, coastal areas are responsible for 57% of the total US GDPs. Affordable, sustainable flood insurance is critical to ensuring these communities can continue to provide their vital contributions to our national economy.*

**QUESTION 6:**

I am increasingly frustrated that we haven't made long-term fixes to the NFIP, and unfortunately, Congress tends to deal with short-term extensions of the NFIP at the last minute. What impact does a lapse in the NFIP have on small businesses?

*Senator, GNO, Inc. shares your frustration that long-term reforms haven't been achieved yet, but are hopeful something can be accomplished this year.*

*Small businesses, and their employees, need certainty to survive and thrive. Small businesses have generated over 65% of the net new jobs since 1995.<sup>1</sup> A lapse in authorization, which is an arbitrary deadline, risks certainty and threatens real estate closings for both businesses and homeowners.*

*We urge Congress to provide for a long-term reauthorization with reforms ahead of the upcoming September 30 deadline.*

Access to Capital

Louisiana is home to tens of thousands of small businesses, most of which are very small, but may provide critical services in their communities and have opportunities to help with disaster recovery. The owners of these small businesses may not have experience accessing loan capital, but may have immediate cash flow needs. Community banks and Federal Credit Unions, and Community Development Financial Institutions (CDFIs) have local knowledge of the small businesses in their communities, understand the local market, and have capacity to act nimbly after a disaster.

**QUESTION 7:**

What are ways in which SBA can work with these institutions to move capital quickly to businesses and jumpstart recovery efforts?

*SBA is encouraged to partner with Community Development Financial Institutions (CDFIs) following a disaster. The SBA's participation in supporting CDFIs and other local lenders as SBA Intermediaries would allow for a more sustainable disaster response from grassroots organizations whose mission is to provide access to capital and support services to economically vulnerable communities.*

*As existing on-the-ground lenders, with sufficient resources, CDFIs can quickly dedicate the necessary staff and support services required to respond to natural disasters, including:*

- *providing microloans that will ensure business continuity*

<sup>1</sup> <https://www.forbes.com/sites/jasonnazar/2013/09/09/16-surprising-statistics-about-small-businesses/#63cc3d185ec8>

- *conducting outreach and assessing need to inform SBA and other federal agencies about resource gaps*
- *providing referrals to SBA for Disaster Loans and supporting small businesses through the application process*
- *monitoring and supporting microloan and Disaster Loan borrowers in the months and years following the disaster*
- *establishing a focus on long term business resilience*