

**OPENING STATEMENT ON THE IMPACT OF HURRICANE
KATRINA ON SMALL BUSINESSES**

Senate Committee on Small Business and Entrepreneurship

Senator Olympia J. Snowe

September 22, 2005

Good morning and thank you all for being here today. Ranking Member Kerry and I have come together to convene this hearing to explore the devastating impact of Hurricane Katrina on small business, and specifically how and on what *timetable* the federal government – and the SBA in particular – will respond to provide critical assistance.

I appreciate Administrator Barreto for being here today and for leading the Small Business Administration in its disaster relief efforts. I understand he has spent the past few days in the Gulf region which I also visited this past Monday and I look forward to his firsthand insights and testimony. I also want to welcome the small business representatives on our second panel who will testify on the extraordinary and almost inconceivable challenges they face in the wake of Hurricane Katrina, and as they seek to rebuild both their lives and their *livelihoods*. Thank you for taking the time to be here at this most difficult crossroads in your own lives.

Two of my colleagues on the Committee, Senators Vitter and Landrieu, know personally the destruction this natural disaster wrought in their home states and in the entire Gulf region and our hearts and prayers go out to them and their constituents. We are here for you and we will do whatever it takes to help.

On Monday, I – along with the Commandant of the Coast Guard – toured the region from both the air and on the ground, and saw firsthand

the horror that has been left behind – house after house...*business after business...ravaged and ruined* by the cruelties of wind and water. Without *question*, the damage from Hurricane Katrina will be prevalent long after the floodwaters recede and the levees are reconstructed. *Equally* evident is the solemn and *unshakable* responsibility *we have* to bring the *full resources of the federal government to bear in repairing* that damage, as quickly as *humanly possible*.

And with the Small Business Administration at the forefront of the massive relief effort, we can and *must* do no less than to strengthen its resources to help the people of the Gulf to rise from this tragedy. Moreover, in this aftermath of the worst natural disaster ever to visit itself on this country, there should be *no doubt* of the enormous economic impact this catastrophe has had and *will have* on our *entire nation*.

Indeed, the challenges facing us are unprecedented. Katrina's effects could dampen economic growth by as much as a *full percentage point*. So in looking to build a brighter future, we *cannot ignore* it is America's 25 million small businesses that create *three-quarters* of all new jobs, and grow at twice the rate of all firms. *Clearly*, once again, it will be our small businesses and *entrepreneurs* who will lead the way through these most difficult times with their determination...*innovation... and unflagging spirit*.

But even *they* cannot do it alone. Today, it is estimated that over 800,000 firms have been affected. And employment in Louisiana, Mississippi and Alabama may be reduced by over *one million jobs*. As Chair of the Committee on Small Business and Entrepreneurship, I want to send one message loud and clear – we are committed to moving *heaven and earth* to provide immediate and meaningful support to rebuild this region and to help sustain our economy. I want to ensure that *every*

***American* affected by this Hurricane has the resources to begin rebuilding their lives, their businesses, and their dreams.**

I understand FEMA has referred over 800,000 cases for loan assistance to the SBA, and SBA is receiving up to 20,000 calls per day. This is a *tremendous* workload the SBA must shoulder. To date, the SBA has distributed approximately 850,000 applications for loans to individuals and businesses...has received over 8,400 loan applications... and approved over \$3.1 million in loans. And this is *obviously* just the tip of the iceberg – a great measure of assistance is yet to be requested and provided – and therefore it is *critical* we act *now*!

Last Thursday the Senate unanimously approved a bi-partisan amendment to the Commerce, Justice and Science Appropriations bill I introduced with Ranking Member Kerry and working closely across party lines with Senators Vitter, Landrieu and Talent. We are now collaborating once again to enact a stand-alone bill based on the amendment. This bill, The Small Business, Homeowners, and Renters Disaster Relief Act of 2005, provides a comprehensive package for immediate emergency relief and funding of almost \$595 million to help the victims of Hurricane Katrina rebuild their lives and their businesses. Specifically, the measure –

*** Increases the maximum size of a disaster loan from \$1.5 million per loan to \$10 million per loan;**

*** Provides the SBA with the authority to grant victims of Hurricane Katrina up to 12 months to begin repaying their SBA disaster loans;**

*** Lowers fees for the 7(a) program to make borrowing more affordable for small businesses outside the disaster areas, many of which have been devastated by the disaster, and are struggling to cover higher**

costs in health care and energy;

*** Requires the SBA to treat special disaster provisions as separate from the regular programs, to avoid increasing future subsidy rates, and therefore, the costs for borrowers who rely on those programs; and**

*** Increases the program level for SBA Disaster Loans -- Physical and Economic Injury -- by approximately \$600 million, requiring an appropriation of approximately \$86 million.**

This legislation allows the SBA to provide similar loans with lower fees for small businesses located outside the disaster zones, but nonetheless indirectly impacted by the hurricane. We authorize \$400 million to the state governments of Louisiana, Mississippi, Alabama, Texas, and Florida to provide emergency bridge loans or grants to small businesses in the disaster areas – so we can disburse immediate funds until victims can secure other loans or financial assistance.

Given the explosive growth in the cost of gas and heating oil, the legislation also includes a pilot program to give small businesses and farms access to low interest disaster loans – the Senate has already passed this provision *three times*. And with the cost of Katrina relief and rebuilding estimated at over \$100 billion, we expand small business access to Federal contracts and subcontracts that have been operating in the areas destroyed by the Hurricane.

In a time of uncertainty, government projects are reliable—all the more critical in a crisis of the magnitude of Katrina and can provide steady pay for small business employees. Government procurement would open doors for many local small businesses to participate in the long-term reconstruction work in the Gulf Coast areas. Prior to the disaster, small construction companies in Alabama, Mississippi, and Louisiana brought home nearly \$500 annually million in Federal

contracts and over \$3 billion annually in the Gulf region.

To achieve this goal, the legislation bill designates the hurricane disaster area as a HUBZone, attracting small businesses to locate and employ people in the disaster area with contracting and price evaluation preferences. Extending the HUBZone designation to the Gulf Coast would bring necessary business development to the area. Finally, it authorizes nearly \$34 million for grants to increase business counseling in the region for SBA entrepreneurial development programs including Small Business Development Centers, SCORE, Women's Business Centers, Veteran's Business Centers, and Microloan Technical Assistance.

The bottom line is, in order to ensure SBA has the essential resources to provide the best assistance possible to those in need we must enact this emergency package... and ensure assistance *is delivered* to small businesses efficiently and expeditiously. What I want to learn more about *today* is, what are the immediate needs and requirements of effected small businesses? What is the SBA doing to bring services and assistance *to the people* and *to the Gulf region*? What is the *timetable* for implementation? And what further assistance does the SBA require from Congress as the SBA moves forward? Because our effort must be at once comprehensive...seamless...and *tireless*.

Finally, before I ask Senator Kerry to say a few words, I want to note that we are all aware that recent media reports have raised legitimate concerns about the implementation of the Supplemental Terrorist Activity Relief, or STAR, loan program that was made part of the SBA's 7(a) loan program after the September 11 terrorist attacks.

I have shared with Administrator Barreto my deep concerns about

allegations that the program's implementation may have been seriously flawed, and I have asked the SBA's Inspector General to conduct a review of the implementation of the STAR program. The Committee will also be undertaking its *own* rigorous oversight review concurrently with the IG review. Both of these reviews are ongoing and we will make certain that they are completed in a timely manner. Once these concurrent reviews are *finished*, it is appropriate that the Committee hold a future oversight hearing to discuss this critical issue.

With that, I now recognize the ranking member, Senator Kerry, for his opening statement.