

**AN EARLY REVIEW OF SBA'S RESPONSE
TO THE 2017 HURRICANES**

HEARING
BEFORE THE
**COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE**
ONE HUNDRED FIFTEENTH CONGRESS
FIRST SESSION

SEPTEMBER 27, 2017

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AN EARLY REVIEW OF SBA'S RESPONSE TO THE 2017 HURRICANES

WEDNESDAY, SEPTEMBER 27, 2017

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

The Committee met, pursuant to notice, at at 3:05 p.m., in Room 428A, Russell Senate Office Building, Hon. James Risch, Chairman of the Committee, presiding.

Present: Senators Risch, Rubio, Ernst, Inhofe, Rounds, Kennedy, Shaheen, Cantwell, Markey, Booker, Coons, and Duckworth.

OPENING STATEMENT OF HON. JAMES E. RISCH, CHAIRMAN, AND A U.S. SENATOR FROM IDAHO

Chairman RISCH. The Committee will come to order, and we want to appreciate and thank everyone who is here today, and we are going to have this hearing on an early review, in fact, a very early review, of SBA's response to the 2017 hurricanes.

We have a couple of panels, and we have a number of Senators who are going to join us, who have to come and go, and so we are going to try to accommodate everyone's schedule, so that we can give everybody an opportunity to get in what they want into the hearing.

So, with that, I want to thank everyone for coming today. Senator Shaheen and I are holding this hearing to review SBA's early response to the hurricanes that have caused disastrous devastation in just the past 2 months.

Today's hearing is so important to the millions of Americans affected this year and thus far this year.

I appreciate our three witnesses for appearing before us today. I know it cannot be easy leaving your home States in recovery efforts for even just 1 day to come up and testify, so I thank you, and the American people thank you, too, for bringing your perspective to this hearing.

Hurricanes Harvey, Irma, and Maria have caused total and unprecedented devastation in portions of Texas, Florida, Puerto Rico, the U.S. Virgin Islands, and the rest of the Caribbean. These record-setting hurricanes that hit these coastal regions of the United States back to back to back have caused record-setting flooding. Phone and power lines are still down, making it very challenging for first responders to get access to the affected areas.

Many of these businesses and communities will face years of rebuilding before anything returns to normal. We all need to do ev-

everything in our power to help our fellow Americans get the most care and assistance possible.

As you know, the Small Business Administration is one of the disaster agencies. It is the only time the SBA's interests are not just with small businesses but rather all businesses, private and non-profit organizations, and homeowners and renters who are affected by natural disasters.

The SBA's role and coordination with FEMA and other Federal agencies is to offer low-interest, long-term disaster loans to those that have experienced hardships because of hurricanes, floods, tornadoes, and other natural disasters. Their primary focus is not only grants but on loans, and we will hear a little bit more about that today as we go on.

To put in perspective the devastation that was caused in the past few weeks and the impact it had on the communities throughout these coastal parts of the United States, the SBA has approved more than \$500 million in disaster loans for Hurricane Harvey, and unfortunately, that number will continue to grow. We are seeing more recovery efforts get under way in Florida and Puerto Rico, where there is significant, widespread damage and hardship.

I am proud of those that continue to help with the disaster assistance programs, as we all are, and the countless volunteers that have donated their time and resources to help those in need.

I look forward to hearing from all three witnesses. I thank them for being here today, and Senator Rubio—I am going to turn it over now to Senator Shaheen. Senator Rubio is going to be here in just a little bit, and since he is one of the States directly affected and has this week been in Puerto Rico to personally observe what has happened there, he has a unique perspective. When he gets here, we will ask him to say a few words also.

So, with that, my colleague, Senator Shaheen.

OPENING STATEMENT OF HON. JEANNE SHAHEEN, RANKING MEMBER, AND A U.S. SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Well, thank you, Mr. Chairman, and I think it is very important that we are holding this hearing today as we look at how we can help small businesses recover from the recent unprecedented and catastrophic hurricanes that we have all watched on our evening news every day. As we hold this hearing today, we have millions of our fellow citizens who are in imminent danger—without power, without communication, living with damaged or destroyed infrastructure. American citizens in Texas, Florida, Puerto Rico, and those in the U.S. Virgin Islands face a long and steep road to recovery. Today's hearing will give us an opportunity to learn how Congress can help.

Senator Risch mentioned Senator Rubio's efforts in Puerto Rico, and I want to also call attention to the situation in Puerto Rico. What we are seeing there is nothing short of a humanitarian crisis. We have people who are in imminent danger, and our fellow citizens deserve a robust and swift response from both all of us in Congress as well as the Administration.

I am looking forward to hearing about plans for the island as well as those areas affected by Hurricanes Harvey and Irma.

I know it will be some time until we know the impact of these disasters, but in early September, Congress passed a supplemental appropriations bill to provide more than \$15 billion for disaster relief efforts, including \$450 million to bolster the Small Business Administration's disaster response through low-interest loans to flood victims.

Today's hearing is an opportunity for us to hear how SBA has responded—and I look forward to hearing your testimony, Mr. Rivera—to see the progress that has been made to date and also to learn what more we have to do.

It is also an opportunity to discuss how the Federal Government and our local partners can continue to be valuable resources to small businesses as they face what seem like must seem like an impossible task, and that is recovery. Natural disasters can strike anywhere at any time, and while today's hearing is focused on the recent hurricanes, it is critical for all of us to ensure that the SBA will be ready to respond when the next disaster strikes in any of our States.

And, unfortunately, what we are seeing is that natural disasters like the hurricanes, the recent hurricanes, are becoming all too common, and as we work to better respond to these disasters, we need to look at ways to mitigate damages and to help small businesses recover faster, because when a disaster strikes, time is of the essence. So I know that we will all continue to work with SBA to ensure disaster resources are supported by supplemental appropriations, and that these appropriations are also available to small businesses.

So, with that, I look forward to hearing from our witnesses today, and, Mr. Rivera, I am looking forward to hearing what you have to say.

Thank you, Mr. Chairman.

Chairman RISCH. Thank you very much, Senator Shaheen.

Our first panel is a panel of one, but I know you can handle it, Mr. Rivera. So, with that, Mr. James Rivera has been the Associate Administrator of the Office of Disaster Assistance at the SBA since 2009. Prior to his current position, Mr. Rivera served as the Deputy Associate Administrator in the same office and has worked through disasters such as Hurricanes Katrina, Rita, and Wilma.

Mr. Rivera and his team have been hard at work the last couple of weeks, and unfortunately, it seems for the foreseeable future as these affected areas work through the difficulties they are having.

They have been on the ground in Texas and Florida after both Hurricanes Harvey and Irma assessing the damage and working in coordination with other Federal, State, and local officials with recovery and repair efforts for the victims.

Mr. Rivera, thank you very much for all that you have done in the past and are doing now for Americans impacted by these terrible disasters. The good thing about all this is we have somebody who has substantial experience in these things and is able to step up and be ready on day one for the job.

As we consider the storms in these coastal regions, I would like to mention the devastation and damage, and I would be remiss if I did not mention the damage that wildfires have caused this summer in the western United States.

I recently helped to introduce a bipartisan bill to Wildlife Disaster Funding Act of 2017, which would help with wildfire funding and would protect desperately needed funding for fire prevention.

Disasters look different across the United States, and we cannot forget other parts of the country that continue to be affected perennially by disasters as well.

We in the western States have been working over the last 6 years to redo the way that disaster funding is handled as it relates to fires. A good example of that is that the Forest Service in 1995 spent 16 percent of their budget on firefighting, and this year, just this year, up to where we are, have spent 56 percent of its budget. And they use what is called “fire borrowing,” and what they do is they take—when they have these huge expenses, they take money and borrow it from other accounts, such as the accounts that are used for prescription-type work on the forest to prevent fires. So this whole thing becomes a circle of problems.

And, indeed, the Forest Service, the BLM, and others are using borrowing, which is very difficult. I understand that the disasters—this certainly does not take away from the disasters of the hurricanes that we have just had nor from the tornadoes that we have experienced in the past nor from earthquakes that we have experienced in the past, but nonetheless, it is a disaster, the effects of which are the same for the people that are involved.

So, with that, I want to—I look forward to hearing an update from Mr. Rivera about recovery efforts going on in the Texas, Florida, and Caribbean regions.

Thank you again for coming today. Mr. Rivera, the floor is yours.

**STATEMENT OF JAMES RIVERA, ASSOCIATE ADMINISTRATOR,
OFFICE OF DISASTER ASSISTANCE, SMALL BUSINESS AD-
MINISTRATION**

Mr. RIVERA. Good afternoon, Chairman Risch, Ranking Member Shaheen, and members of the Committee. I appreciate the opportunity to talk to you today about SBA’s disaster assistance response to the recent hurricanes.

While I have been part of SBA’s Office of Disaster Assistance for over 20 years, I have only had the opportunity to work with Administrator McMahon for the past 7 months. During this time, I appreciated her direction and how she has challenged SBA to be prepared for large-scale disaster events, the magnitude of what we are experiencing today with Hurricanes Harvey, Irma, and Maria.

During her nomination hearing before this Committee, the Administrator mentioned that disaster assistance would be one of the first items she would address at the agency. In her words, “Disasters do not pick a time. They happen, and we need to be prepared.”

After her confirmation hearing and now in leading SBA, the Administrator has pushed us to test our disaster response models. In the months leading into hurricane season, we tested our system along the lines of Hurricane Katrina times three. Little did we know then and that what we know now that we would have three major hurricanes to respond to.

SBA’s disaster assistance mission is to provide affordable, timely, and accessible financial assistance following a declared disaster to businesses of all sizes, private and non-profit organizations, as well

as homeowners and renters. SBA works very closely with our Federal partners, including FEMA.

During the initial response to a disaster, wherever FEMA goes, SBA goes. We collocate with FEMA in disaster recovery centers and even deploy our staff to support mobile units.

We also stand up business recovery centers, generally in coordination with SBA resource partners, such as small business development centers, SCORE, and women business centers in order to provide free business counseling services and technical assistance to the impacted businesses.

We are now in our fifth week since Hurricane Harvey first made landfall in Texas. The impact of Hurricane Harvey and then Hurricane Irma and followed by Hurricane Maria have greatly expanded the footprint of affected disaster regions.

At this stage in the recovery efforts, I want to emphasize a few items: first, the dedication of the men and women on SBA's disaster assistance team; second, the response by our agency at an enterprise level supporting our office; third, the interagency coordination by our Federal partners, which in my opinion have been unparalleled with any recent disasters; and fourth, the foresight of this Administration in identifying and declaring early on Federal disaster areas.

Additionally, SBA has provided daily updates to your offices. This information provides a snapshot of our staffing, loan activity, and agency notices. For general information to the public, the SBA website, sba.gov, remains the best source for timely information. The website is updated several times a day with details on our program offerings, and the website also has regional-specific information for respective hurricanes.

Since the agency's inception in 1953, we have provided more than \$56 billion to over 2 million disaster survivors. To give you an idea of the scope of our current disaster activity, in the first 30 days following Hurricane Harvey in Texas, SBA has approved over \$500 million to disaster loan assistance. This is a testament to the dedication and hard work of SBA staff at all levels. However, we are continuing to lean forward and on board and train personnel in critical positions so that we can meet the needs of disaster survivors.

Finally, while the focus today is on Hurricanes Harvey, Irma, and Maria, I want to point out to the Committee that SBA continues to handle over 30 other Federal and other agency-declared disasters. We continue to watch the wildfires affecting areas in the West, and we will monitor any request that we receive across the country that engage our SBA resources.

Mr. Chairman, thank you again for the opportunity to testify today. I look forward to the Committee's questions.

Chairman RISCH. Thank you very much, Mr. Rivera.

I would invite Senator Rubio to make a few remarks.

**OPENING STATEMENT OF HON. MARCO RUBIO, A U.S.
SENATOR FROM FLORIDA**

Senator RUBIO. Well, I appreciate the indulgence, Mr. Chairman and to my colleagues, and I will be incredibly brief.

Obviously, Florida was deeply impacted by Irma, and then, of course, the Territory of Puerto Rico, which is the length of Florida itself. And I think one of the things that this hearing hopefully will highlight is we are used to seeing storms as flooding events or the destruction of structures. Buildings are destroyed. Roofs are gone. But after all that stuff is fixed or even when it is no longer traumatic, the underlying damage can go on for years.

The Florida Keys is a unique place. Virtually, every business there is a small business, some in the families for generations. In the lower Keys, they will have no revenue now or for the foreseeable future. How they survive is very—I doubt significantly some of them will be able to without a lot of assistance, and that is where SBA is so critical because they will get the power up and the roads cleared. And a lot of the business withstood, but the underneath damage that happens could literally redefine a community.

The highest and best use of a lot of these places would trend it towards larger operations, and the keys could lose its characteristic.

I would imagine my colleagues from all over the country and New Jersey itself has faced this not so long ago. I understand that the damage of these storms go well beyond the images of flooding and structural damage, and so that is why these programs are so important. I think when we get to the question portion, we will be asking a little bit about some of the details that emerged in the rollout.

But I thank you for that indulgence and thank the SBA for the work they do. I think you have been busier on disaster relief than you have in a long time, and let us hope we are out of storms, at least for this year, but thank you.

Chairman RISCH. Senator Rubio, since I think you are the only one on the Committee that has been on the ground in Puerto Rico, this week, as a matter of fact, would you mind—I have heard part of the perspective you have. Would you mind touching on that just briefly as far as what you have seen in Puerto Rico?

Senator RUBIO. Yeah. It is a looming crisis.

Let me just start by saying that to be in the tropics for 8 or 9 days without electricity, without water, without medicine, nothing good happens. So imagine if you are a diabetic living outside of San Juan. San Juan is not doing well, but the rest of the island and islands are in terrible shape. In fact, we do not even know. So if you are a diabetic, you have had no insulin for 6, 7, 8 days, or the insulin you had went bad, the result could be catastrophic.

The other thing I would just say is—and I have staff in Puerto Rico now—is even if you got the aid in, the system to distribute it is not well defined because of the nature of the storm.

They need roads rebuilt. They need temporary bridges. They need emergency communications. They need a massive infusion of fuel, water, everything you can imagine. There is only one organization perhaps in the world that can deliver that assistance, and that is the resources of the Federal Government, particularly through the logistical capabilities of the U.S. military.

If we do not do that, I fear—and I hope with all my heart that I am wrong, but I fear that some of the news that we are going

to start getting about some of these areas that have been cut off are going to be horrifying. But I hope I am wrong.

But I am increasingly concerned about the humanitarian crisis facing 3.5 million American citizens.

[The prepared statement of Senator Rubio follows:]

Senator Marco Rubio
Senate Committee on Small Business and Entrepreneurship
"An Early Review of SBAs Response to the 2017
Hurricanes"
September 27, 2017

OPENING STATEMENT

- I would first like to say, thank you all for being here.

- Mr. Chairman, thank you for holding this important hearing—one that is incredibly personal to states like my home state of Florida, to Texas, Louisiana, and most recently to Puerto Rico and the U.S. Virgin Islands.

- Three hurricanes have wreaked havoc on Americans in the past two months leaving people homeless, without work, and financially strained.

- For two months, our federal agencies have responded to each natural disaster, in multiple states and territories, serving our constituents in times of despair and need, and we are so grateful to them.

- One such agency, the Small Business Administration, which is the focus of today's hearing, was up and running in Florida within 48 hours after Hurricane Irma,

a record-setting category four storm, which impacted nearly the entire state.

- The assistance provided by this agency can be so crucial to homeowners, renters, and business owners whose homes and businesses were damaged or destroyed by these storms.
- Many of these same people are still recovering from hurricanes Matthew and Hermine, which hit Florida just a year ago. Some have lost everything and are forced to close their doors indefinitely.
- Nevertheless, I have been amazed at the overwhelming support these individuals have received not just from their communities, but the entire country.
- The American people are resilient and I know that together we will get through these tough times.

Chairman RISCH. Thank you, Senator Rubio. I appreciate your personal perspective on that.

With that, I want to turn to—I am sorry.

Senator CANTWELL. Mr. Chairman, if I could just chime in there. Chairman RISCH. Please.

Senator CANTWELL. I appreciate the Senator's comments, and as Ranking Member on the Oversight Committee of Interior, I can just tell you how critically important it is that we use every resource that we have to help Puerto Rico right now.

And we have been trying to expedite both in DOE and Department of Interior anything that we can do to be helpful.

I think that you hit on a point that we are hearing about, that we are seeing, that there are resources literally at the ports, but they cannot get the trucks there to deliver the goods. And the reason they cannot is because the roads are destroyed.

So we need our military to be there to help clean those roads, to get them unblocked, to get people to be able to deliver the products that are arriving, and then figure out what else we can do to help get that right back up as soon as possible.

So I know the world wants to respond, but we have to build that infrastructure on the ground, so that they can respond.

So thank you, Mr. Chairman.

Chairman RISCH. Thank you, Senator Cantwell.

With that, Senator Shaheen.

Senator SHAHEEN. Well, thank you.

And just to illustrate, I knew that Senators Rubio and Cantwell were going to focus on what has happened in Puerto Rico, so we brought some pictures of the devastation that I think say it very clearly.

You can see the roads in this one, and we have one, I think, that has flooding. This is people who are obviously trying to get water, and then there is one that shows the power grid, which has been totally devastated. So they illustrate very well what both of you were talking about.

And we did have General Dunford, the Chairman of the Joint Chiefs of Staff, before the Armed Services Committee yesterday, who got asked, as my colleagues on the Committee know—got asked about Puerto Rico, who said that they were ready, were trying to do everything they were being asked to respond. And so I think if we think there are other things that they should be doing, that we should share that with General Dunford and Secretary Mattis.

I heard from—before this hearing started—from Representative Nydia Velazquez, who is the Ranking Member on the House Small Business Committee. She was born in Puerto Rico. She represents a district that has many people who have family in Puerto Rico, and like Senator Rubio, she was in the island over the weekend and saw the crisis firsthand. And she asked if I would ask a couple of questions, Mr. Rivera, at this hearing today.

We all know that SBA has opened multiple disaster recovery centers in Florida and Georgia due to Irma, but none yet on Puerto Rico. As we know, the Island has few disaster centers, disaster recovery centers to help those who have been affected by the hurricane.

So can you speak to how many disaster recovery centers that SBA plans to open in Puerto Rico and how soon you think they might get up and running?

Mr. RIVERA. Thank you for your question.

We were actually on Puerto Rico when the first disaster hit, Wilma, and then obviously, we sheltered in place approximately 10 to 15 of our staff that were on the ground that were mobilized from the States into the island.

We have five or six local hires that are still there, so everybody is accounted for. So thank God for that.

Senator SHAHEEN. That is great.

Mr. RIVERA. From our perspective, what we are doing right now is we are closely following FEMA. We are going out into the communities with FEMA to do the registrations, to do that type of work.

The challenge you have mentioned and that everybody has mentioned here is we are in response mode. There is only so much we can do when we started the recovery piece, so the priority obviously is the food, the water, the electricity. We are on the ground. We have been on the ground, and as soon as they start opening up recovery centers or business recovery centers, we will have that opportunity with the local small business development centers. We will work through that process.

It is premature for me to say how many we are going to be opening, but we are going to be there for the long term.

Senator SHAHEEN. And do you expect to be in other locations beyond San Juan?

Mr. RIVERA. So we actually have a physical presence also in Virgin Islands. We will never forget our islands. We have got St. Thomas, St. Croix, and Puerto Rico that are also very important. We have three staff, I think, when I looked at this morning's report, that are actually on St. Thomas. The challenge again is just the infrastructure in place, and once this gets stood up—and we are working through that process right now—how can we think differently because, if you do not have the electricity and we are automated from that perspective, how do we get into these communities. And that is what we are working closely with FEMA to figure out.

Senator SHAHEEN. So is there anything this Committee can do to support SBA's efforts in any of these areas, but I know particularly in the islands where they have had so much devastation and have so little infrastructure left?

Mr. RIVERA. Obviously, everything that this Senate Committee does helps us from our perspective.

The one thing that we just need is we just need to continue to—if this group and the staff can help with getting the word out, register with disasterassistance.gov, and then FEMA is going to start with the presence of how the outreach occurs, but the filter and the first step in this whole process is getting into the FEMA system.

We will have to determine what the poverty guidelines and who stays with FEMA and who gets referred to SBA, but it is critical that everybody gets in the registration process. And part of that includes temporary housing, shelter on the FEMA side. So there is a whole host of opportunities that can help the disaster survivor.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

Chairman RISCH. Thank you, Senator Shaheen.

Senator Rubio just pointed out—and maybe you could address this question, and that is, obviously, the first step is to get registered with FEMA. How do you do that when you do not have electricity and you cannot get online?

Mr. RIVERA. That is a great—that is a great challenge we have right now on the island of Puerto Rico. So what we are doing is we are going community to community, municipality to municipality. It is a slower process, but FEMA has mobilized teams. We are sending teams of 15 into these different communities, and we are going to go community by community, until that point where the electrical grid and the power is back on, on the island.

Chairman RISCH. What is your level of confidence that you are going to be able to reach a sufficient number of people doing it that way?

Mr. RIVERA. Where I struggle is—we are talking about respond in relation to recovery. We are not a first responder at SBA, obviously. We are there to help with repair, replace what was damaged by the disaster, the structure, their personal property.

So I feel a little bit—from our perspective, we are doing everything we can as far as—if you need food, if you need water, if you need shelter, you are not worried about your home that is damaged. Maybe you are, but as soon as we cross that bridge between response and recovery, I can assure you that we will do everything we can.

Chairman RISCH. Thank you.

Senator INHOFE. Thank you, Mr. Chairman.

Mr. Rivera, you have pointed out in your opening statement that there are a lot of other types of disasters you are working with simultaneously right now. I know that you have been very active in some of the wildfires and the things that you have been participating in my State of Oklahoma now.

In Oklahoma, we do not have hurricanes, but we have tornadoes, and I think a lot of the things are in common in terms of remedies and what you are doing and the resources you have and how to use them. In fact, we have more tornadoes in my State of Oklahoma than any of the other States. So you might arguably say that we are the tornado and the football capital of America.

[Laughter.]

But, anyway, on May 20th, 2013, an EF5 tornado hit the town of Moore, Oklahoma, killing 24 people and causing \$2 billion of damages. It is kind of interesting because that same town of Moore had been hit twice before in the 20 years prior to that. No-one has ever figured out why they continue to come back and hit that.

Well, it took businesses a year to rebuild from the damages and the tornado. I remember scenes of cows being lifted up and dropped on top of cars and things like that, and so it was a major thing.

Earlier this month, Congress approved an addition of \$450 billion for SBA's Disaster Loan Program, and I saw the figure. And I would like to have an explanation. Maybe it is not true, but of that, I understand that \$225 million of that was dedicated for ad-

ministrative expenses. So that is half of everything going to administrative expenses. What is the reason for that?

Mr. RIVERA. Thanks to Congress for providing us with supplemental funding.

Senator INHOFE. Mm-hmm.

Mr. RIVERA. We have currently, prior to the supplemental, about \$3 billion in loan authority, and we have about \$150 million in salary and expenses. The old rule of thumb is administrative expenses run 10 percent of every dollar we loan out.

So of the \$450 million, it translated to \$2 billion, so it is \$150 million, and we have a subsidy cost for the taxpayer. For every dollar we loan out, it costs the taxpayer 14.5 cents on the dollar, so the calculation was split between what is loan authority. So it gives us \$2 billion more in loan authority, so now we have \$5 billion, and then it gives us some more money in administrative expenses.

Senator INHOFE. That is a good explanation because I had seen the figures, and I knew there had to be some reason for that. But not only do the small business owners suffer from the natural disasters to rebuild and all of that, what it takes in the first month after the May of 2013 tornado, the City of Moore saw 11.4 decline in sales tax revenue, so there are other things that are happening at the same time.

I recall during all of the tornadoes I have been involved in and working with the people that the one question that is asked more than anything else, and that is, how do individuals—and businesses—but how do they know how they qualify for disaster loan assistance?

Now, it would be difficult, in my case in tornadoes, but much more difficult where you do not have the communications, which is the subject of this hearing right now. How are you communicating that with these people?

Mr. RIVERA. About 99 percent of our applications come in through the electronic loan application process. When we go on the ground, we set up our centers with FEMA. We collate, and we have the ability to use laptops and have these individuals apply online.

We used to have a pen-and-ink process, where everybody would complete an application. We moved from that several years ago, and post-Katrina, we established the electronic loan application on the website. And we found that the information that is provided by a disaster survivor when they are completing this loan application is much more accurate and factual versus when we are having to transpose a paper application.

Senator INHOFE. When you are out of electricity, how does that work?

Mr. RIVERA. Well, so what we have to do is we have to come in with some power.

We leverage FEMA's bandwidth when it comes to—if there is a tornado, usually they will come in with a satellite truck that will enable us to all hook up at the disaster recovery center.

Senator INHOFE. Yeah. All right. Thank you very much.

Mr. RIVERA. Thank you, sir.

Chairman RISCH. Senator Booker.

[No response.]

Senator Coons.

Senator COONS. Thank you, Chairman Risch, Ranking Member Shaheen, for holding this hearing and to Mr. Rivera and the other witnesses for sharing your expertise and for your very hard work in response to these multiple disasters.

As I think other members of the Committee have already said, that my thoughts and prayers go out to the victims, to the businesses, to the families, to the communities that have been devastated by multiple hurricanes now in the Virgin Islands and Puerto Rico and Florida and Texas.

And I am struck by a recent poll that suggests barely half of Americans realize residents of Puerto Rico are citizens of the United States. I have had a three-decade relationship with the Virgin Islands, and I just remind you and fellow Americans that residents of the USVI are also U.S. citizens. So I am hopeful that we are doing everything we can to move as quickly as we can.

I am grateful that Congress acted quickly on the first installment of Federal disaster assistance earlier this month, but I think there is more we can and should do. So let me turn to a couple of questions for you.

I am the Ranking Member on the Appropriations Subcommittee for the SBA, so I am particularly interested in your thoughts about whether the SBA has and is likely to continue to have sufficient, both resources and personnel to respond to these complex disasters and in particular with regards to the Virgin Islands and Puerto Rico, given now the impact of two different hurricanes.

Do you have enough personnel and resources, and what is the timeline in which you will submit a second request and be clear about that next request?

Mr. RIVERA. From SBA's perspective, Senator—and thank you from an appropriations perspective—we have \$5 billion in loan authority.

Senator COONS. Yep.

Mr. RIVERA. So in the first 30 days, we committed \$500 million. So we believe we have sufficient funding to last through this first quarter.

As you also mentioned, this is the down payment. So, internally, what we are doing is we are strategizing to see what the dynamics of the three major disasters we have here in front of us and what additional funding will be needed, and so we are working that internally. And we will provide that information when that assessment is completed.

Senator COONS. Could you tell me a little bit about how you are coordinating with both FEMA and HUD? Because in other complex disaster response situations, making sure SBA is fully integrated into that response is one of the most important things to making sure you are effective.

Mr. RIVERA. Yes, sir. Absolutely. So we are not a first responder, but we are on the ground immediately with FEMA. SBA collocates at every location that FEMA opens a disaster recovery center. We are there at the joint field office. If we open up a business recovery center, we invite FEMA to also come with us because there are opportunities where there is a homeowner that may come into a business recovery center. We can still leverage that relationship back and forth.

We also have a real good relationship with HUD. So all the information that we share back and forth, we have a data-matching agreement where SBA and FEMA share data all the time, and then when HUD comes in with their assistance, they have the ability to look at everything that FEMA has provided and SBA has provided.

Senator COONS. Do you have business recovery centers open and operating in the Virgin Islands?

Mr. RIVERA. We have three staff on the Virgin Islands, but we are in that same situation where we are working closely with FEMA. And we are starting to figure out strategically where do you go in the neighborhoods and what neighborhoods are severely impacted, and that has been the strategy.

But, if I can, this is really response, and we are part of the recovery team, so we are just trying to hit the nexus between where response ends and where recovery starts.

Senator COONS. And in Puerto Rico?

Mr. RIVERA. We have about 20—about approximately 25 staff. We actually had staff on the ground when Maria hit that were there for the prior disaster, and they sheltered in place. But everybody is accounted for.

Senator COONS. And in your opening, you mentioned SBDCs, SCORE, women business centers. Can you tell me just a little more detail about how they will help? In some cases, I would assume they already have outreach networks. They already have resources on the ground. How will they be helpful longer term to make sure that applicants understand what they are eligible for, complete their applications in a timely way, and that there is effective follow-through?

Mr. RIVERA. So thank you, Senator. I cannot thank our resource partners enough. Small business development centers, women business centers, SCORE, they are just all fabulous for our perspective. They help leverage our organization.

We are snapshot lenders. So when you come in and you apply, we make a decision based on the information we have, and so what we do is in situations where we decline somebody or whether we approve somebody, we have the resource partners we refer them to. And what that does is that enables, for example, a small business development center to work with a declined applicant, and they can rework the debt.

I was a former banker, so somebody would come to me, and we could rework the debt, restructure the debt, so they could come back to SBA, and they could actually qualify for a disaster loan. So we have had a very high success rate. When they come through, a high success rate after they have been declined with us and after they go through SCORE counseling or SBDC or WBC counseling, and they come back to us. Their debt has been restructured, and they can actually—we can actually make a loan back to that disaster business.

Senator COONS. That was very helpful. Thank you, Mr. Rivera.

Mr. RIVERA. Thank you, sir.

Chairman RISCH. Senator Ernst.

Senator ERNST. Thank you, Mr. Chairman, and I want to thank the witnesses from both our panels today.

Of course, echoing the thoughts of many of the Senators that have already spoken, our hearts really do go out to those that have been victimized by these hurricanes.

Similar situation to Oklahoma, in Iowa we do not see those types of disasters. We have the occasional tornado and potential flooding situations.

One thing that Senator Rubio failed to mention in this setting that he had mentioned to a number of us yesterday is we have to remember that Puerto Rico and the British Virgin Islands are islands, and the recovery process is much, much—or excuse me—the response even to those hurricanes takes much, much longer.

Telephone poles, as he was explaining to us, they have to be barged to the island, and that can take about 5 days to ship those recovery-type items just to support the infrastructure and repairs that are necessary.

So as we are moving through this crisis situation and going through these response efforts and then we will move into recovery and support, so which is where you will come in, we need to understand that there will be some differences between the devastating that has occurred in those remote locations versus something that might happen in Iowa or even Texas or Florida, where we can just drive those supplies right on in and start to recovering right away.

So with that in mind, not knowing how long it will actually take to get infrastructure up and moving again, with the programs that you have through SBA, are there times certain on the programs from when a disaster occurs, or is there leeway within the programs from “Okay, now we have declared the infrastructure is good. People can start rebuilding. Now we can make those loans?” When is the cutoff date for someone that is not even sure when they will be able to get back into their community.

Mr. RIVERA. Thank you, Senator. That is a great question.

When we look at disaster recovery, we generally have this declaration period where you can apply. It is generally 60 days. We are very flexible, though.

Senator ERNST. Okay.

Mr. RIVERA. The President has the ability to extend that period of time. In larger disasters, historically, that has been 6 months, it has been a year, depending on the amount of devastating on the ground.

For example, Sandy, I think I recall Super Storm Sandy, Hurricane Sandy was, I think, a 6-month period.

I saw that Senator Booker left.

And Katrina was—Katrina, Rita, Wilma was about a year period. So that is not my decision, but I am sure there is some flexibility.

We also have the ability to accept late applications, and we are going to be very flexible. We are there for the long term.

How we look at the application, we look at pre-disaster. Even if they have been out of business for 30 days, 60 days, 90 days, we look at what their cash flow was prior to the disaster, so we give them every benefit of the doubt that we can on how they were before that disaster struck, and then what we do is we do our analysis. And then that is what we based our repayment ability on.

Senator ERNST. Outstanding.

Well, I appreciate that, and I would encourage SBA and the Administration to give all the flexibility that you can in understanding that those challenges that a number of these citizens will face is much different than what we would face in the Midwest or some of these other locations on the continental U.S.

And in the remaining time I have, I just want to address—Senator Cantwell has mentioned, of course, as we are going through that response and getting out there and propping up the infrastructure, how important the military could be in this circumstance. And I just want to give kudos to the sailors and marines that have already engaged in Puerto Rico and the British Virgin Islands.

I have a great friend who is an Iowan who is serving aboard the USS *Wasp*, and he is an aviator. And they were involved in the medical evacuation of a number of people off of the British Virgin Islands, and he said it was unlike anything that he had ever seen in his lifetime. And he said it was like a war zone, and the landing zones just were not there.

So just having that visual in my mind—and thank you, Senator Shaheen, for sharing those pictures—and what we have seen on the news, this is severely devastating to those folks.

Again, I appreciate you allowing that flexibility because there will be some significant challenges moving forward, but again, thanks to our military for already being prepared and stepping in to do the right thing.

So thank you all very much. Appreciate it.

Thank you, Mr. Chair.

Chairman RISC. Thank you.

Senator MARKEY. Thank you, Mr. Chairman, very much, and again, I think all of us share that same view about the victims of Harvey and Irma and Maria.

It is absolutely human suffering at a level that we have not seen in a long, long time, and it is the responsibility of our Government to respond and to respond everywhere, including Puerto Rico with the same pace that we respond in the continental United States. And our hope is that there will be an intensification of response in Puerto Rico so that they have assurances that we intend on treating them as citizens of our country entitled to all the benefits of being citizens of our country. So I would just put that out front and know that we will be monitoring that and any agency that deals with that island.

The recent hurricanes that have devastated our coastal cities have caused a cascade of environmental and public health disasters. The flooding from Hurricane Harvey caused a loss of electricity at a chemical plant in Houston, Texas. Two explosions rocked the surrounding neighborhoods, sending a plume of black smoke into the air that choked first responders and triggered an intense fire.

Residents and businesses in a 1.5-mile radius of the Arkema plant were evacuated for nearly a week, and emergency personnel attempted to get the explosions under control.

It is precisely those sort of catastrophic disasters that the EPA under the Obama administration sought to prevent and mitigate when it issued its Chemical Disaster Rule. This rule enhanced pub-

lic transparency and emergency response as well as instituted more protective accident prevention programs.

Interestingly, the Small Business Administration Office of Advocacy issued comments on the Chemical Disaster Rule prior to its finalization advocating that the rule be significantly weakened, and one of the immediate actions taken by the Trump administration and EPA Administrator Pruitt was to actually suspend these rules before they could go into effect. We are talking about chemical disaster rules.

Mr. Rivera, do you think that less protective standards are helpful in preventing chemical plant disasters and protecting impacted small businesses?

Mr. RIVERA. Senator, thank you for your question.

I am not familiar with this advocacy position. So if we could get back to you for the record?

Senator MARKEY. Okay. Does your office or the SBA take stock of small businesses in the vicinity of chemical plants to determine how they will be impacted by catastrophic chemical explosions?

Mr. RIVERA. When we are doing the damage assessment, obviously, if they are part of the footprint, they will be included.

Senator MARKEY. Was your office consulted by the EPA prior to the Administrator suspending the Chemical Disaster Rule?

Mr. RIVERA. Senator, I would have to get back to you for the record. I am not familiar with this situation.

Senator MARKEY. In addition to the regulatory costs on chemical plants, do you think that the Small Business Administration Advocacy Office should weight the benefits of having a strong Chemical Disaster Rule in place to protect small businesses in the vicinity of those chemical plans, which would be better protected?

Mr. RIVERA. I am sorry. Senator, once again, I would have to get back with you for the record. I am just not familiar with this.

Senator MARKEY. It is very important because I think we are going to be seeing the same story in Puerto Rico as we go through that entire country, island's disaster. There is clearly going to be some incredible stories of environmental degradation, chemical leakage, and much of it could be protected if we acted in an anticipatory fashion.

As you know, Texas has experienced three 500-year floods in the past 3 years, less than 2 weeks before Harvey hit Texas. President Trump rescinded an executive order by President Obama that established a Federal Flood Risk Management Standard. This standard aimed to avoid wasting taxpayers' dollars on risky and poorly sited infrastructure projects, while creating standards to ensure that public infrastructure is built to withstand growing flood risk from climate change.

We are currently distributing Federal funds in the ravaged areas in Texas and Florida, and we will spend tens of billions of Federal dollars to rebuild and repair those structures.

Mr. Rivera, do you think that Federal funding for rebuilding efforts should require that structures plan keeping flood risk in mind?

Mr. RIVERA. From my perspective, I am a Federal lender. If you are in a flood plain, you are required to have flood insurance by law. If you are outside the flood plain and you were flooded by that

disaster, our policy is that you were required to have flood insurance.

Senator MARKEY. Do you think it is important that infrastructure is reconstructed post-storm in a manner that incorporates the realities and science and climate change so that taxpayer dollars are not wasted to rebuild poorly sited projects, and so that they last as long as intended?

Mr. RIVERA. Again, from my perspective, being a Federal lender, if somebody comes to us and they had been damaged by a specific disaster, we do our best to try to approve a loan and make it affordable from that perspective.

If they are required by the local county to elevate or whatever the local building ordinances are, that is what we follow.

Senator MARKEY. And do you think it is important that the infrastructure be reconstructed, taking into account the danger that has already been identified and is likely to increase along our coastlines?

Mr. RIVERA. So there is a risk associated with living anywhere. If you are in a flood plain in the middle of the country or if you are in a flood plain in a coastal area, the risk associated with it is the amount of flood insurance that you will be required to pay.

Senator MARKEY. There is a risk living anywhere, but at the same time, we know that there is a greater risk living in certain places and in others, given the past history, and I guess what I am trying to have you say is that this little history that we have had right now built upon what has happened in the past several years is enough of a warning that you would ensure that there would be standards that would be applied.

Mr. RIVERA. Well, Senator, I have been with the disaster program since 1989, and we have had many disasters.

This year, we have major hurricanes. NOAA predicted that it was going to be an above-active year based on the weather pattern. So, I mean, I point to NOAA; that is, I mentioned before, my primary focus is being a Federal lender to make loans to homeowners and businesses.

Senator MARKEY. And I appreciate that. I appreciate that. It is just what are going to be the standards going forward, I think that is the big discussion, and how do we avoid a repetition syndrome so that people are protected in the new structures that will be constructed to avoid additional cost?

So I thank you, and I thank you, Mr. Chairman.

Chairman RISCH. Thank you very much, Senator Markey.

We will turn to Senator Kennedy.

Senator KENNEDY. Thank you, Mr. Chairman.

Thank you, Mr. Rivera, for being here today. I know there are other places you could be.

I want to ask you a couple of questions about the way SBA interacts with community development block grants. Let us suppose I flood. It is not relevant for my example whether I have flood insurance. So let us just assume that I do not for a moment. I flood. I apply for an SBA loan, and I am approved, but I do not take the loan. And later, I become eligible for, let us say, \$50,000 of relief through a block grant, a grand. If I do not take the loan, even though I am qualified, can I still receive that \$50,000?

Mr. RIVERA. Thank you, Senator.

One of the communication pieces that we have been dealing with, especially in the State of Louisiana after the storms that occurred last August—

Senator KENNEDY. Before you explain it, though, get me in the ball park. Is that a yes or a no?

Mr. RIVERA. So it is not—so we all have our statutory requirements.

Senator KENNEDY. I was afraid of that.

Mr. RIVERA. Well, let me—if I can spend a minute.

Senator KENNEDY. Okay.

Mr. RIVERA. It will only take a minute. I promise.

Senator KENNEDY. All right.

Mr. RIVERA. We all have duplication of benefits requirements. The Small Business Act has requirements. The Stafford Act, the FEMA has requirements—and HUD also has requirements, and we all have eligibility based on whatever our requirements are, whether it is FEMA, SBA, or HUD. And we agree that the rules probably need to be a little bit clearer. So we are engaging currently with HUD on how to better communicate the delivery of assistance.

Senator KENNEDY. And I appreciate that, but we have got people facing that issue right now. So let me try again. I am flooded. I apply for an SBA loan. I am approved, but I do not take the loan. And then along comes a block grant program, and I am qualified for \$50,000 in block grants. If I have not taken the money, even though I have been approved, cannot I get the \$50,000 today?

Mr. RIVERA. So—

Senator KENNEDY. Not tomorrow.

Mr. RIVERA. Okay.

Senator KENNEDY. Not 6 months from now, not after studying the problem today.

Mr. RIVERA. So, Senator, we had a lot of help back in 2010, 2011, post-Katrina from the General Accountability Office and the Inspector General. There is some level of different perspectives as far as back in Katrina, we were allowed to pay down SBA loans.

Senator KENNEDY. Mr. Rivera, I am not trying to cut you off, but I try to stay to my time.

What is the answer for today? It is either a yes or a no.

Mr. RIVERA. So this is really a HUD answer, not an SBA answer?

Senator KENNEDY. Well, let us say it is an SBA answer.

Mr. RIVERA. I really appreciate HUD giving us the opportunity. We were first in this sequence. HUD needs to make a decision since they are behind us. It is the delivery—

Senator KENNEDY. HUD says it is SBA. Trust me. Scout's honor.

Mr. RIVERA. Well, we should have a conversation with HUD and continue this discussion, with all due respect, sir.

Senator KENNEDY. All right. Let us suppose that I flood, and I apply for an SBA loan, and I am approved, and I take the loan. And later on, I qualify and receive \$50,000 from a block grant. Let us suppose my SBA loan was \$50,000. Can I take that block grant and pay off the SBA loan?

Mr. RIVERA. Well, in theory, you will not get that opportunity for that HUD block grant because you have no unmet needs. If you have \$50,000 in damage, an SBA has provided you \$50,000.

Senator KENNEDY. Well, suppose I have \$200,000 of damage, but I can only pay back \$50,000, which is why I took \$50,000.

Mr. RIVERA. Absolutely. Every program has its eligibilities.

Senator KENNEDY. Let me be sure I understand. You are saying yes. I can take block grant money and use it to pay off an SBA loan.

Mr. RIVERA. No, not to pay off an SBA loan. There will be additional eligibility. Let us—

Senator KENNEDY. Let me start over, Mr. Rivera.

Mr. RIVERA. Okay.

Senator KENNEDY. I am sorry. I do not mean to be curt, but I need a straight answer because I got to explain this to my people. And folks in Florida have got to know. Folks in Texas have got to know, and folks in Puerto Rico have got to know. If I take an SBA loan, I borrow the money, can I use block grant money that I receive later to pay off the SBA loan? Yes or no.

Mr. RIVERA. You should not be receiving HUD assistance to pay down an SBA loan.

Senator KENNEDY. Trust me. If I do, can I?

Mr. RIVERA. You should not be receiving, based on the formula that is written, that is FEMA is first, SBA second, and if there is any unmet needs, sure, if there is additional assistance.

Senator KENNEDY. Okay.

Can I have just 1 more minute, Mr. Chairman?

Chairman RISCH. Go ahead.

Senator KENNEDY. Let us suppose, then, I had \$100,000 worth of—\$200,000 worth of damage.

Mr. RIVERA. Okay.

Senator KENNEDY. Okay? So I took an SBA loan because I pay my debts.

Mr. RIVERA. Okay.

Senator KENNEDY. I would like to borrow \$200,000, but I cannot pay you back, and I do not want to welch on a loan to the American taxpayer. So I only borrow \$50,000 in an SBA loan, and then I get a \$50,000 grant. So I have an unmet need. I have still got \$50,000, in fact, of unmet needs. Cannot I take that \$50,000 and pay off the SBA loan?

Mr. RIVERA. Not to pay off the SBA loan, but you have an additional need of \$50,000. So the \$100,000 in coverage is what would be used towards that \$200,000.

Senator KENNEDY. Mr. Rivera, how can I explain this to somebody who just lost their home? I am not fussing. I think you all do an extraordinary job, but you all have got to get with FEMA and HUD and get this straight.

Mr. RIVERA. So, if I can, if I can have 30 seconds with you?

Senator KENNEDY. Absolutely. You can have all the time you want as long as it is okay with the Chairman.

Mr. RIVERA. Let us talk about Louisiana for a minute, right?

Senator KENNEDY. Okay.

Mr. RIVERA. We did a billion-2 last year.

Senator KENNEDY. And I am grateful for every penny.

Mr. RIVERA. Thank you. I appreciate it.

So of the billion-2, there is about 5 to 6 percent between HUD standard being low moderate income, SBA standard. There are two

different standards we are using here. About 4 percent were duplicative between what we are talking about, a duplication of benefits.

So the real challenge you have here is that everybody assumes that HUD is going to give everybody a grant? That is not the case. It is the low moderate income difference between what we make a loan at based on SCORE and what HUD provides. So there is about 5 percent overlap. We would be glad to have a discussion with you and HUD.

Senator KENNEDY. And I understand that, but here is what—

Chairman RISCH. Senator Kennedy, let me—your time is up, to begin with.

Senator KENNEDY. I am sorry.

Chairman RISCH. But that is all right. First of all, you have a legitimate inquiry, and it is not unusual when you are dealing with different agencies to wind up with these kinds of conditions, and so I fully support your pursuing this.

I think it would be more appropriate if you could get people from all the agencies together perhaps in a private setting to go over that and see if you cannot get an answer.

Senator KENNEDY. And I appreciate that.

Chairman RISCH. You are entitled to an answer, and I think it—

Senator KENNEDY. I appreciate that, Mr. Chairman. I appreciate the advice, but I have. And one agency says it is the other agency, and the other agency says it is this agency. My people need answers, and that is why I used my—

Chairman RISCH. Undoubtedly, they need answers, and I think the best way to do that, probably, is to resolve it either statutorily or hopefully regulatorily by someone who has authority over the different agencies. Somebody has authority to be able to resolve this.

In any way we can help, I would be happy to.

Senator KENNEDY. I will be calling on your, Mr. Chairman.

Mr. Rivera, thank you for your time.

Chairman RISCH. Thank you, Senator Kennedy.

Senator Duckworth.

Senator DUCKWORTH. Thank you, Mr. Chairman.

I just want to mention that Illinois has deployed a team from the Illinois Air National Guard to provide telecommunications assistance, food, water, tents, and cots to Puerto Rico. The Illinois Guard trains the Puerto Rico Guard on a regular basis. In fact, we have the seventh largest population of Puerto Ricans in the United States, and I am really proud of the work that our 126th Communications Flight has already done in helping to provide disaster relief to the devastated community.

And, in fact, my stick buddy in flight school, the person that jointly—we spent time scaring the living daylights out of each other learning to fly aircraft—was an officer in the Puerto Rican National Guard.

And I think it is time for Congress to act to make sure that agencies have the resources they need to assist the affected communities and to recover and to rebuild.

I have heard similarly from my constituents in McHenry County who have been hard hit by severe storms and floods this year in Illinois that their experience with the SBA has been very positive.

The SBA loan guarantees have provided critical support in rebuilding businesses and housing in the disaster-torn communities, but the loans provided by SBA sometimes do not have attractive rates, leaving mom-and-pop stores already carrying the burden of start-up loans and overhead costs still shopping around for financing to recovery from natural disasters.

In Illinois, 95 percent of our employers are small businesses, small and medium businesses, and I know it is similarly the case in Puerto Rico as well.

So, Mr. Rivera, are there ways to make the SBA Disaster Loan Program more attractive to small businesses?

Mr. RIVERA. From an interest rate perspective?

Senator DUCKWORTH. Mm-hmm.

Mr. RIVERA. So we follow a—we do a quarterly assessment on our interest rates. We follow statutory formula.

For example, currently, in the current disasters, the three hurricanes we have, the home rate is 1.75 percent. The credit elsewhere rate, which is about 10 percent of loans, is 3.5 business side. On the business side, it is 3.3 percent. For no credit elsewhere, it is about 6.6 percent. But we follow a statutory formula on how to determine the interest rates.

Senator DUCKWORTH. But I understand under existing authorities, SBA could provide disaster response matching grants or partial grant loans, just beyond the interest rates issue. But you could actually provide disaster response matching grants or partial grants loans for small businesses to help with the burdensome cost of recovery. Are there innovations like that, that SBA would consider, beyond just their straight loan program?

Mr. RIVERA. Well, we do not have grant authority. The last time we had grant authority was in 1973 when Hurricane Agnes came through, and basically, the last \$5,000 of your loan was forgiven. We have not had grant authority since that.

Senator DUCKWORTH. What took it away? Because my understanding is that there is no explicit code that says you do not have grant authority.

Mr. RIVERA. We only can make loans to repair/replace what was damaged by the disaster in 7(b) of the statute on the Small Business Act, and I am not aware of us having any type of grant authority.

I can get back with you. We can do some research and get back for the record.

Senator DUCKWORTH. If you could. Yeah, I thought it was only implicit in the President's disaster declaration, which says that SBA can provide loans to individuals and businesses after a disaster, but nothing precludes you from actually having some sort of a grant program. But, yeah, follow up with me.

Mr. RIVERA. Okay. Yes, ma'am.

Senator DUCKWORTH. That would be great. Thank you.

And I want to follow up on what Senator—or my colleague from Louisiana, Senator Kennedy, was talking about, this duplication of benefits between SBA and HUD.

At the hearing last year before this very Committee, then Administrator Contreras-Sweet told Senator Cassidy that work was under way to harmonize the programs, and that the rules governing participation in these programs were not communicated with the clarity that she wanted to see. And, obviously, from my colleague, that this is still an ongoing problem, even though I identified that this was a problem last year.

And this is not red tape. This is just good customer communications and good customer service. I am concerned that we may be repeating past mistakes.

Just this week, county commissioners in Lake County, Illinois, where we had recent flooding, told my office that they are receiving conflicting information from HUD and SBA officials in response to the July floods that we had.

Mr. Rivera, as we move into the next phase of recovery and rebuilding from Harvey and Maria, Hurricanes Harvey and Maria, can I get your commitment that SBA is going to improve communications between SBA, HUD, and FEMA to make sure individuals have the knowledge to make the best decisions for their given situation when it comes to deciding which recovery programs to use? Because as you come in and you offer a loan and people think—they are desperate, so they take it, but no-one bothers to tell them, “If you take this loan or you take this FEMA money, you are not going to be eligible.” And the three of you are not getting together to talk to each other and communicate that to the people and show them what they potentially could be getting. You are just staying in your siloes, and that is not helpful.

Mr. RIVERA. Well, Senator, we try our best not to stay in the siloes. We put it on our fact sheets. We discuss that with the disaster survivor.

It is no different than insurance. If you get an insurance recovery, we go ahead and say, “Come apply with us. We will make you the loan for \$100,000.” If you have \$50,000 in insurance recoveries, you will use that \$50,000 to pay down the loan. We put it in our fact sheet, but we will continue to work. If you have any thoughts or ideas on how we could better communicate that, please let us know. We would like to engage with anybody on the Committee on how to better communicate that.

But we are in constant dialogue with FEMA and HUD and SBA on how we communicate with the disaster survivors. It is important that we have a clear, consistent message for anybody because it is confusing when you come in and you have to go through the process. I mean, it is not complicated in our mind because we do it every day, but somebody who just lost a house or home, we understand. We really understand, and we are trying to do the best job we can from a communication perspective.

So if you have thoughts or if your staff has thoughts or you would like to meet with us, we would be glad to meet with you.

Senator DUCKWORTH. I would like to do that, and I would just say that I am not talking about people, the individual homeowners, who do not understand. The county commissioners who are operating at a higher level are the ones saying they are getting conflicting information, and they do not understand, and so the county commissioners do not understand. I do not know how the home-

owners who are standing hip-deep in water are going to be able to figure this out on his or her own.

Thank you.

I yield back, Mr. Chairman.

Chairman RISCH. Well, Senator, there is nothing to yield back.

Mr. Rivera, thank you so much for coming here today, and I think I can say, number one, I am glad we have you there with the background that you have. You seem to be uniquely qualified for this position, and you discharged yourself very well in some very difficult questions, which always arise when there are conflicting agencies involved in trying to resolve things. So thank you so much for your service. We truly appreciate it, and thank you for appearing here today.

Mr. RIVERA. Chairman, thank you for giving me this opportunity.

Chairman RISCH. Thank you.

We will now move to the second panel, and we would ask them to come forward, Mr. Davis and Mr. Lawrence.

And I am going to start while you are coming forward because we have votes scheduled for 4:30, so we will try to come through this.

I want to welcome Mr. Davis to this Committee. He is the president and CEO of JAX Chamber in Jacksonville, Florida, and throughout his tenure, Mr. Davis has been a big proponent of creating a friendly business and entrepreneurial atmosphere in northeastern Florida. Mr. Davis, like many others in Texas, Florida, and the Caribbean, are now tasked with helping their community to recover from one of the worst hurricanes in recent history.

Due to Hurricane Irma, Florida saw record-setting flooding. Millions of businesses and homes across all of Florida are without power. Many face the tough task of rebuilding their homes and communities.

I am also pleased to welcome Dr. Steve Lawrence from Houston, Texas. Dr. Lawrence is the Executive Director and Research Professor for the University of Houston's Texas Gulf Coast SBDC Network. Dr. Lawrence has over 35 years of experience leading organizations and has held executive-level positions at companies such as PepsiCo and Dell Computers. He holds a doctorate in community health practice as well as a master's of public health from the University of Texas School of Public Health in Houston. He is also a 5-year veteran of the United States Navy.

I look forward to this discussion on disaster assistance and relief and hearing from Mr. Davis and Mr. Lawrence about the impact Hurricanes Irma and Harvey have had not only in their communities but throughout Florida and Texas.

Thank you again for being here today.

And, Jeanne, do you have anything you want to add?

Senator SHAHEEN. No.

Chairman RISCH. Thank you.

So, with that, Mr. Davis, you are up.

**STATEMENT OF DANIEL DAVIS, PRESIDENT AND CEO, JAX
CHAMBER OF COMMERCE, JACKSONVILLE, FL**

Mr. DAVIS. Thank you, Mr. Chairman, Ranking Member. It is a pleasure to be here today. It is an honor to speak before the Committee.

I do want to let you know that I am the president and CEO of the JAX Chamber. It is one of the largest chambers in the country, 3,000 members located in northeast Florida.

As Hurricane Irma threatened our State earlier this month, about 7 million people were ordered to evacuate our area. This is the largest evacuation in the United States history. Many families returned to their homes, their businesses, and livelihoods destroyed. Cities and counties across the great State are now facing their own unique challenges.

In Jacksonville, normally our coastal communities are the areas most threatened by the hurricanes and tropical storms, and while those areas were definitely hit, the storm surge and flooding from Irma battered our downtown and other historic neighborhoods along the St. Johns River and its tributaries.

On the day of the storm, 365 people located near the St. Johns River were rescued from rising flood waters. We have never seen a flood like this in our community.

I want to quickly commend our local and State leaders for their planning and strategic response to get the city and State back to business. Jacksonville Mayor Lenny Curry and Florida Governor Rick Scott have been tremendous leaders in a time of crisis. I know our congressional delegation has been very active in the recovery efforts.

I would like to also thank Senator Rubio, who invited us to speak here today and for his efforts surveying the damage across the State of Florida and Jacksonville.

In surrounding counties, houses along Black Creek in Clay County saw several feet of flooding. The narrow stone streets of historic St. Augustine were all under water. Coastal communities in St. Johns and Flagler Counties, still rebuilding from Hurricane Matthew from less than a year ago, are now rebuilding again.

One of the largest office buildings in Downtown Jacksonville, a fixture in any picture that you would see in our skyline, had a massive flooding and just reopened today.

The resiliency we have seen and the willingness of business leaders to offer space, power, and Internet access, even to direct competitors, is indicative of the strength that we have in our business community in the State of Florida.

The overwhelming majority of businesses are back and have been since the days following Hurricane Irma. Make no mistake, Florida is open for business, but we cannot leave behind the businesses in dire need of the disaster relief and assistance the SBA has set aside the funding for. These are mom-and-pop restaurants, high-end restaurants, award-winning ad agencies, established local law firms, and many, many more.

Federal assistance is going to be critical for many businesses. Our partners in more rural counties report the recovery center has yet to even open in Putnam County, for example, where there was significant damage. With historic storms like Hurricane Irma,

there will be tremendous needs, and overall, the Federal small business response has been strong.

There is, however, room for improvement in collaborating with the local business and community leaders who are on the ground and are in contact with business owners. Recovery efforts cannot be led from Washington. They need to be led locally, from Middleburg to Fernandina Beach, from Cape Coral and Fort Myers. Let us tell you where the needs are, so together, we can rebuild these communities.

One idea from small businesses is to have designated buildings that can quickly be converted into co-working spaces for companies who are displaced. With some downtown Jacksonville businesses being displaced, employees are working remotely elsewhere, which hurts downtown restaurants and service businesses who are dependent on foot traffic and nearby workers.

There is also a real concern from small business owners about being penalized for applying for SBA loans. I know that was discussed earlier, but I wanted to mention it in this discussion. For example, if a business is approved for an SBA disaster loan, the amount of the loan approval is then deducted from the company's eligibility for future grants.

Many businesses are not looking for traditional, longer-term SBA loans right now. In these times of disaster, businesses need smaller amounts and quicker infusion of dollars. These are what can be used to clean up, to open the doors again, to meet payroll in the near term.

One major concern for companies now is, in their biggest time of need, they have less collateral to apply for a loan.

Remember, with these unprecedented evacuations, our businesses lost revenue well before the storm hit. Companies knew employees would need to prepare for the storm, and a vast majority made the decision in advance to close Friday and Monday. Because of widespread power outages, most of them did not open again until Wednesday, meaning at least 3 business days were lost and in some cases many, many more business days.

These companies had been meeting payroll, despite a significant drop in business. For Peters and Yaffee, a civil engineering firm in Jacksonville with 15 employees, they are looking at more than \$40,000 in lost hours and additional expenses to pay for overtime while they were in the crunch. They are in the crunch to meet client deadlines that remain unchanged.

These are real and significant challenges that small businesses across Florida are facing, and these are the types of expenses that Federal disaster assistance should be used for.

Thank you again for the opportunity to testify and discuss small business recovery in Florida. We have a resilient entrepreneurial spirit, and I am here to tell you we will come back from Hurricane Irma stronger than ever.

Thank you, Mr. Chair.

Chairman RISCH. Thank you very much.

Dr. LAWRENCE.

STATEMENT OF STEVE LAWRENCE, Ph.D., EXECUTIVE DIRECTOR AND RESEARCH PROFESSOR, TEXAS GULF COAST NETWORK SBDC, UNIVERSITY OF HOUSTON, HOUSTON, TX

Mr. LAWRENCE. Thank you, Chairman Risch and Ranking Member Shaheen. It is an honor and a privilege to be invited here today.

I am here today representing America's Small Business Development Centers, or the SBDCs, that were impacted by Hurricane Harvey. The SBDCs are on the business forefront every day helping America's small businesses start, grow, and succeed.

We are the key resource partner of the SBA. Our Texas and Florida SBDCs are not only providing business support services to everyday clients but have also been providing extraordinary support and help to those businesses that have suffered from and, in some cases, totally been devastated by Hurricanes Harvey and Irma.

The recovery for Texas and Florida will probably or likely require years of compassion and financial support from Congress, and of course, our hearts and prayers are with our SBDC partners in Puerto Rico and the Virgin Islands.

Today, I would like to share with you a little bit about what we at the Texas SBDCs do every day and what our response has been during this disaster along with our SBA partners in helping Texas small businesses begin the long and slow recovery from Hurricane Harvey.

SBDCs help clients start and grow their businesses through assistance in business planning, operations management, financial management, marketing, capital formation, procurement, and exporting. Free professional one-on-one counseling and advising is augmented by low-cost training on a variety of business topics, including writing business plans, marketing, accounting, finance, leadership, and business growth, amongst many more.

A recent survey of our clients indicated that the two SBDCs in a hurricane-affected area combined created more than 10,000 new jobs, and it provided access to over \$400 million in capital last year.

On Saturday, August 26th, while still in the middle of Hurricane Harvey, SBDC staff from the University of Houston Bauer College of Business, Texas Gulf Coast SBDC Network, led by our Deputy Director Sue Rhodes, and the South-West Texas Border SBDC Network, led by Al Salgado, reached out to our respective SBA district offices in order to begin the process of establishing business recovery centers, or BRCs.

While the BRCs are fully the responsibility of the SBA disaster assistance offices, we wanted to ensure that we were proactively providing any help and support that we possibly could.

Working with the SBA's Office of Disaster Assistance in Sacramento, California, and with the University of Houston and Bauer College's full support, approximately 1 week after the storm hit the Texas Gulf Coast, the first BRC was opened in midtown Houston, collocated with our Houston SBDC regional office. In the following days, BRCs were quickly opened in Rockport, Port Aransas, Beaumont, and Missouri City, all areas heavily impacted by the hurricane. These BRCs are staffed 7 days a week.

As we open these BRC offices, our efforts are focused on helping the small businesses, both current clients and disaster victims who are just discovering what the SBDCs can do to help them, work their way through the recovery process. In addition to typical SBDC services, they will need help in restoring their financial statements, estimating losses and future potential, and developing strategies to restore their customer base and attract new customers.

Throughout the affected counties, many of our small business owners had been displaced from their homes as well as from their businesses and have been overwhelmed with cleanup, evaluating losses, and dealing with extreme trauma from this experience, while at the same time trying to determine not only how to survive, but how to pay for that survival. They come to the SBDCs for assistance not only in restoring their businesses, but also in restoring their lives.

Some of our clients who were flooded, like the well-known Three Brothers Bakery in Houston, who by the way have survived four floods, are open on a limited basis, despite extensive damages, and they are in the process of seeking SBA funding. Owner Janice Jucker says that the SBA is really working hard to help small businesses, and she is most impressed with their quick response and their attention to her needs.

But they are lucky. Many, like Arena Designs, are just beginning to work through the process of applying for disaster recovery funding and cleaning up their businesses, while having little or no income.

Arena Designs is a textile, wall covering, and fine art design firm located in Northwest Houston. Opened in 1988, owner Rusty Arena developed a trade-secret method of creating silk-screened textiles. He became an SBDC client in 2012, seeking help with financing to purchase textile printers and computer systems to reduce labor-intensive processes of creating his handmade designs and to expand his current product lines. The SBDC helped him with new financing and restructuring existing debt.

During Harvey, Rusty's entire 20,000-square-foot warehouse took on more than 4 feet of water, damaging all of his fabrics, design materials, computing equipment, along with all of his financial records. Two 7,000-pound printing tables were floating in the floodwaters like toy boys.

The SBDC is now working with Rusty to help recover financial records, develop restoration strategies, review cash flow options, debt restructuring, and further streamlining his operations. After renting for a long time and finally buying a building, Rusty's dreams of 30 years have been devastated by the storm, along with four full-time jobs.

He told me on Friday that he could not even talk about his business until just last week because he was so distraught over the losses. He said that if it were not for the commitments that he had made to customers for his custom fabrics, he would not even bother reopening his business.

Despite this and because of those commitments, Rusty now says, when referring to his building, "Walls are optional," as he gets his business restarted.

This brochure is the only one remaining of Rusty's sales materials and his business.

Texas and Florida will be seeking SBDC funding under the RISE Act, as provided by Congress, to help our small businesses in this long-term recovery. This Act allows for financial assistance to SBDCs to advance and improve the disaster recovery and growth of small businesses when they are located in areas, which the President has declared a major disaster.

This will be a prolonged recovery, taking years of effort to restore and rebuild our small businesses along the Texas Gulf Coast. We are asking for your support as we continue to provide our core SBDC services to small businesses in our communities throughout our service areas, but also providing extraordinary SBDC relief and support to those devastated by the storm, like Rusty.

We greatly appreciate America's prayers and support. We thank this Committee and Congress for your help and support, and I thank you for your time today.

Chairman RISCH. Thank you very much, Mr. Davis and Dr. Lawrence.

When we hold these hearings, we do so to try to get a handle on what is actually going out on the ground, since obviously it is difficult for all of us to get there, and you have provided that for us. And for that, we are very grateful. There is just no substitute for having people who have had eyes on the situation and being able to come and talk to us about it and talk to us about how that actually affects people, which is, after all, who we are here to serve.

So thank you so much for taking the time to travel to Washington, D.C. I know you have—I am sure you are anxious about things that need to be done at home, but again, you have done a real service to your constituents of being here to help us through this thing.

So, Senator Shaheen.

Senator SHAHEEN. Thank you, and thank you both for your testimony and for being here today.

Mr. Davis, you talked about the importance of businesses getting money quickly and having smaller bridge loans to help them get through difficult circumstances. You also talked about that, Dr. Lawrence.

I am sorry Mr. Rivera is not here because back in 2008, the Congress passed what was called the Small Business Disaster Response and Loan Improvements Act, which established two guaranteed loan programs at the Federal level to provide bridge loans to small businesses.

Now, unfortunately, neither of those have yet been implemented, but I know that—or I understand that Florida has a small business emergency bridge loan program, and I wonder if you could speak, Mr. Davis, to what you have seen about how well that has worked and whether there are any lessons that you all have learned that we can share with SBA at the Federal level as we try and implement those two programs.

Mr. DAVIS. Thank you, Senator.

The bridge loan in the State of Florida is enacted by the Governor, and originally, the bridge loan was for a maximum amount

of \$25,000, but since the travesty, he has increased it to \$50,000 per application.

We believe strongly in the bridge loan as a tool in the toolbox. In many cases, when these businesses are devastated, they are trying to figure out how to maintain payroll to try to keep the doors open, get lights back on, with the flooding put new sheetrock on the walls, and you have to use every available asset that you can.

We believe that the State of Florida is going to continue to being flexible to understand exactly how the bridge loan can best be used in combination with the SBA, and so we look forward to adjusting along the way.

And we feel like the chambers across the State have an opportunity to communicate what is available to their small business members, and we think that is the critical role that we can play in what is available for the folks to get back on their feet.

Senator SHAHEEN. And is your bridge loan program done in partnership with banks in Florida?

Mr. DAVIS. It is through the Department of Economic Opportunity and the Governor's office and partnership with the SBDC community in the State of Florida, so it is a government agency that is working to help folks.

Senator SHAHEEN. So it is taxpayer dollars funded?

Mr. DAVIS. It is, but it is from the State level.

Senator SHAHEEN. Yeah.

Dr. Lawrence—I guess this is for both of you because one of the things that we have struggled with at the Federal level is how much to prepare, mitigation versus relief, and I wonder if you think that we should be incorporating more measures to make our infrastructure and our buildings more resilient to disasters in a way that would be helpful as we look at the future.

I do not know. Dr. Lawrence, do you have any perspective on that?

Mr. LAWRENCE. Thank you, Senator.

I think the answer is a relatively simple one to give to you but not easy to execute, which, of course, it makes sense to make structures stronger, but lots of times, small businesses are family owned businesses that struggle just to get the business started with, as I provided you earlier, raw materials—

Senator SHAHEEN. Right.

Mr. LAWRENCE [continuing]. Just as sales examples. So spending money for infrastructure, for concrete buildings or devastating storm survival buildings is hard for them to do, and I am not sure that they could do that without the government providing help or loans in doing that. I do not think they would have the resources to start with.

So I think they try as hard as they can, and I think everybody would like to have that, but when you are starting a business in your home with every single penny you have got from your savings account, it is hard to do those kinds of constructions and preparations.

Senator SHAHEEN. One of the conversations we have been having is about as we look at Puerto Rico and the devastation there to particularly their utility grid. That one of the things that we ought to be thinking about as we provide support in rebuilding that grid is

thinking about how to make it more modern and not rebuild the same old lines that we have rebuilt. So that is the kind of thing where I think there is a real opportunity.

But I want to ask you about RISE because one of the things that you talked about, Dr. Lawrence, is seeking SBDC funding under the RISE Act. How will you help work with small businesses using the resources that are available through RISE? And I also understand that one of the things that the SBDCs have been able to do as part of these disasters is to call on help from other SBDCs across your own region and throughout the country, and can you talk about how that has worked and whether you have actually been able to get help, either in Florida or Texas from other SBDCs?

Mr. LAWRENCE. Yes, Senator. Thank you. It is a great question.

Believe it or not, Hurricane Harvey hit exactly the weekend before we had the national conference for the SBDCs. So we only had—as a result of that, most of our staff did not go to the conference, but those few of us who did, every SBDC in the country offered help and support, including manpower paid for by them, not paid for by us, to assist in any response that we had.

The problem that we had with that is it was way before we knew how much help that we needed. We are only getting into the part of the curve right now where we are starting to see how many loan applications we are going to have, how many businesses are really damaged.

As I said earlier, a lot of the business owners, their homes were damaged too. So they were mucking their houses and their businesses and really are just starting to kind of pull themselves together. Like Rusty, he could not even start talking about that until last week.

So we have had lots of offers for help from SBDCs. It is an unbelievable organization of people who are committed to small businesses.

Senator SHAHEEN. Right. I am a big fan.

Mr. LAWRENCE. Yeah. I mean, it is just amazing.

Under the RISE Act, as it reads, the funds are provided for—can be provided for SBDCs to provide support that is not otherwise given. So we interpret that as being extraordinary support in terms of—we mentioned earlier—I think Associate Administrator Rivera said leaning forward, reaching out into the communities, not waiting for people to come to us, as well as providing more advisors, more services, and more training to help people get up and running faster, so that is how we would use the funds.

And the two SBDC areas that have been affected, both would use the funding in that same way, and that is how we will develop the proposals for it.

Florida, I am not sure.

Senator SHAHEEN. And do you anticipate actually taking some of those offers from SBDCs up on their willingness to come and work with you?

Mr. LAWRENCE. I am certain that we will. They are offered—given periods of time, so it is not a long-term endeavor—

Senator SHAHEEN. Sure.

Mr. LAWRENCE [continuing]. Like we are going to have to need for this recovery, because it will be slow and long term, but I am sure that we will.

You almost feel an obligation to take them up on it because they are so kind to offer everything. When they say that it is paid for, it is hard not to say yes.

Senator SHAHEEN. Well, thank you both very much. My time is up.

And, Mr. Chairman, I have a statement from Senator Nelson, the other Senator from Florida, with respect to the SBA's response to the disaster that I would like to submit for the record, and I also have some questions that we will be submitting to SBA for the record.

Chairman RISCH. Without objection, it will be so ordered.

[The prepared statement of Senator Nelson follows:]

**Senator Bill Nelson's Statement for the Record for the
U.S. Senate Committee on Small Business & Entrepreneurship**
"An Early Review of SBA's Response to the 2017 Hurricanes"
September 27, 2017

Chairman Risch, Ranking Member Shaheen, and the distinguished members of this Committee, thank you for giving me the opportunity to participate in the conversation today.

As the senior Senator from Florida, I have seen firsthand the unbelievable impact of Hurricane Irma. I traveled to many parts of the state with my colleague Senator Rubio and what we saw was heartbreaking, but also hopeful in the way people from different backgrounds came together to help each other in a time of need.

In the wake of the storm, we saw millions of people without power, several communities flooded, limited access to critical supplies like gasoline, and significant property damage—which all have an effect on the local economy—but also sadly led to several deaths in Florida, including 11 people at a nursing home in Hollywood, Florida that died after several calls for help went unanswered.

Something like that shouldn't happen in America—the greatest, most resourceful country on the planet. That's why I think it's critically important that we have this conversation today and find out what we can do better to get critical services up and running with less delay and improve the way we coordinate responses—so that when someone calls those of us in public service we respond with urgency and purpose.

I'm glad to say I found a great partner in Senator Rubio, who shares my resolve in helping people recover from this unprecedented storm. That's why we introduced the Small Business Disaster Relief Act (S.1853), which seeks to speed up the time it takes to process Small Business Administration (SBA) disaster loans, help regional small business development centers get needed resources to disaster areas sooner, and make it easier for businesses vital to recovery efforts to get the help they need and restore services—like debris removal, gas, electricity, and telecommunication services.

We also partnered on letters to SBA Administrator McMahon and Housing Secretary Carson, asking for quick action to establish Business Recovery Centers in areas affected by the storm, and an easing of HUD's disaster aid regulations, which penalized people for applying for an SBA disaster loan even if they didn't wind up accepting the loan.

When it comes to helping people recover from a disaster, there's no room for petty politics. As we look at the challenges facing our communities back home, we need to follow the example of the people I saw back home. We need to come together to lend a

helping hand no matter a person's background or predicament—and that includes our fellow Americans in Puerto Rico and the U.S. Virgin Islands.

I look forward to working with this Committee to advance all the ways we can help those devastated by the storms and make sure mistakes made are never repeated.

Thank you.

Chairman RISCH. I likewise have had submitted from Senator Ted Cruz a testimony for the record, and without objection, I will have that also entered.

[The prepared statement of Senator Cruz follows:]

Testimony before the Senate Committee on Small Business
“An Early Review of SBA’s Response to the 2017 Hurricanes”

Senator Ted Cruz (R-TX)

September 27, 2017

Chairman Risch, Ranking Member Shaheen and Members of the Committee, thank you for the opportunity to provide a statement for the record at today’s hearing and offer my perspectives on the impact of hurricane Harvey on the state of Texas.

Texas is hurting. This hurricane, hurricane Harvey, is unlike anything we have seen before. Harvey is being described accurately as a 1,000-year-storm, something that occurs every 1,000 years. And in Texas, we’ve never seen anything like it.

Harvey started out as a category four storm hitting South Texas, hitting Corpus Christi, and Victoria, and Rockport, and Port Aransas and Aransas Pass and Refugio. Those communities were devastated by category four winds that destroyed homes that destroyed schools that destroyed county courthouses, and city halls and buildings. It took down wires and took down power and took down water, and took down sewage.

But Harvey wasn't finished after making landfall and wreaking destruction. Harvey then turned north. North and east and moved over the city of Houston and just sat there. Sat there dumping rain day, after day, after day. It's actually what made Harvey different. The storm sat there and dumped 27 trillion gallons of rain. We had 52 inches of rain in four days, which is about the average annual rain fall in Houston. We saw flooding in parts of the city that had never flooded.

Then it moved East, and pummeled Beaumont and Port Arthur and Orange and Nederland.

The scope of this disaster defies words. It’s not one community or two communities or three communities. It is over 250 miles stretching from Corpus Christi all the way to Louisiana. It is 250 miles of devastation.

The Texas Department of Safety estimated that overall 185,000 homes were damaged and 9,000 were destroyed. The Houston area alone, the flooding is massive. Neighborhoods where there’s a real possibility every single home will have to be knocked down and rebuilt, every single government building will have to be knocked over and rebuilt.

In any disaster there are three phases. There’s phase number one, the active crisis where search and rescue is the only priority. Saving lives.

After the search and rescue is over, after the saving of lives, there is the next phase. And that phase is relief. Providing relief to the people who have lost everything right then.

And then the third and final phase will be rebuilding. And rebuilding is going to be a project that's going to take days. And then it’s going to take weeks. And then it's going to take months and it will ultimately take years. The scope of this devastation is massive. There are multiple estimates that this may prove the costliest natural disaster in U.S. history. And having seen

firsthand the scope of the disaster, the thousands of homes and businesses destroyed, I can readily believe it.

Harvey left devastating damage. But we're coming back. All across the Gulf Coast, communities are hard at work – they've rolled up their sleeves and are coming together to rebuild. Churches, neighbors and friends are working together – neighbor helping neighbor, Texan helping Texan. They've been pulling the sheet rock from houses, ripping up flooring, and throwing out the furniture that was ruined by floods. Having visited many of these communities two or three times in the past several weeks, you can already see very major progress.

It is inspiring to see Texans help one another and stand united. It is a testament to the character of Texas. The dedication of local officials, teams of volunteers and relief workers in these communities is inspiring. It's the Texas spirit that got us through the storm, and it's that same spirit that will help us rebuild even stronger.

The management of the response and recovery effort - from the city of Houston, to Harris County, to the governor's office and FEMA - has been steadfast. Now that the TV cameras are gone and recovery has given way to rebuilding, Congress will need to step up just like in the wake of other hurricanes.

I look forward to working with this committee and the Small Businesses Administration to ensure that homeowners, renters and all sizes of businesses have the necessary federal resources to fully rebuild and recover from this disaster.

Chairman RISCH. Again, thank you both for coming. Thank you to all of you who attended this hearing.
And if there is nothing further, the Committee will be adjourned.
[Whereupon, at 4:33 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED



Testimony of
Antonella Pianalto
on behalf of the Association of Women's
Business Centers
to the
U.S. Senate Committee on Small Business
and Entrepreneurship:
An Early Review of SBA's Response to the
2017 Hurricanes

September 27, 2017

Thank you Chairman Risch, Ranking Member Shaheen and distinguished Members of the Committee for the opportunity to share this testimony with you. My name is Antonella Pianalto, and I serve as the President & CEO of the Association of Women's Business Centers.

The Association of Women's Business Centers (AWBC) supports the national network of Women's Business Centers (WBCs) by providing training, mentoring, programming, and advocacy with the goal of improving services to women entrepreneurs. The AWBC's membership includes every WBC throughout the United States.

As you know, the Women's Business Center program is a public-private partnership with more than 25 years of success in providing training, counseling, mentoring, and access to capital to women entrepreneurs across the country. Our continued growth leaves an enormous footprint of successful business owners and job creators. In fiscal year 2016, our centers reached more than 145,000 clients and conducted over 93,000 hours of counseling and over 15,000 training sessions in over 35 languages.¹ In 2015, the most recent data, WBCs assisted with nearly \$429 million in private capital infusion and last year helped to secure nearly \$40 million in government contracts for women-owned businesses.²

These statistics, beyond metrics of the program's impact, are directly relevant to our conversation today about how SBA resource partners can help in the response to natural disasters such as hurricanes. That is, through increased access to capital and engaging small businesses in the recovery effort, WBCs can play a key role, as they often have, in helping these communities recover.

The recent historic storms of Hurricanes Harvey, Irma and Maria have affected countless numbers of small and women-owned businesses. These businesses are in desperate need of disaster relief assistance to get up and running again, as data from the Federal Emergency Management Agency (FEMA) indicates that 40% of small businesses do not re-open after a disaster.³ WBCs are able to help businesses recover from the storms that have wreaked havoc in areas such as Texas, Florida, and Puerto Rico.

Not only do WBCs provide information on SBA disaster-related assistance to clients, but they can also help small businesses apply for disaster relief loans, process loans faster, and ensure that government contracts for disaster supplies and relief work are awarded to local businesses.

¹ US Small Business Administration. *Office of Entrepreneurial Development 2015 Year in Review*, p. 39. Available online at https://www.sba.gov/sites/default/files/resources_articles/2015_OED_Year_In_Review.pdf. Hereafter SBA OED 2015 Report. Federal contracting data provided by SBA via Entrepreneurial Development Management Information System (EDMIS).

² Fiscal year 2016 data provided to AWBC on request by SBA.

³ Federal Emergency Management Agency (FEMA), *Protecting Your Business*. Accessed on 4 October, 2017. <https://www.fema.gov/protecting-your-businesses>

Response to Hurricane Sandy

Hurricane recovery efforts are nothing new to the WBC program. Recently, this included participation in the significant clean up and recovery effort from Hurricane Sandy which devastated the Northeastern United States in 2012. Reports from one of our WBCs in New York, gives a brief, but critical, insight into how WBCs play this important role.

Following Hurricane Sandy, many business owners were in desperate need of capital – both for payroll and repair efforts. Simply keeping the lights on became a priority for the entire entrepreneurial development community. In cases from a WBC in New York City, many businesses were at first turned down by the SBA for disaster loans, largely due to an inability to properly navigate the requirements. This WBC supported the owners through the reconsideration process by providing technical assistance and guidance in reapplying. Many of the businesses were eventually granted loans and able to use the funds to rebuild, recover, and re-open.

Simply put, without the knowledge and resources of a WBC in the region amidst such a crisis, small businesses fall through the cracks. Members of AWBC throughout the country have similar stories about how they helped entrepreneurs find resources from government agencies like FEMA, the General Services Administration, and the U.S. Army Corps of Engineers.

Capabilities of WBCs Amid Disaster Recovery

The WBC strategic approach is relational: they establish long-term relationships with clients and serve them from inception through the life cycle of their businesses. Serving clients impacted by disasters is a critical piece of the long-term relationship.

WBCs differ from other types of entrepreneurial training programs by providing a safe place to learn, peer support, mentoring opportunities, and offering a sense of community that clients cannot find in other places. WBC clients consistently state that they come to WBCs not just for the business training and counseling, but for the supportive environment that helps them build self-efficacy and confidence in their ability to succeed. For small businesses impacted by disasters, this supportive environment and sense of community is even more essential to help them through the recovery process.

Not only do WBCs provide a supportive community for those affected by disasters, they also provide technical assistance. WBCs offer small business owners assistance with the disaster loan application paperwork and processing, and assistance with the plan to apply the funds to their business. WBCs are also instrumental in assisting small businesses in securing disaster response contracts from the federal government to provide supplies and services to assist in the relief and recovery efforts. By steering government contracts to local small businesses, individuals in the local community who were affected by the storms are able to get back to work.

Not only does this stimulate the local economy, but it also ensures that the work of disaster recovery gets done faster and more efficiently than it otherwise would were the work contracted out to large corporations with no ties to the community. WBCs have a long history of securing government contracts for small businesses, and 77% of all WBCs aid in procuring government contracts.

Responding to Hurricanes Harvey, Irma, Maria

There are currently 10 WBCs located in the disaster affected areas within the United States and 2 located in Puerto Rico. Those WBCs are: The Women's Business Center of Cameron County in Brownsville, Texas, the Houston Galveston Women's Business Center Women's Business Enterprise Alliance (WBEA) in Houston, Texas, the Women's Business Border Center El Paso Hispanic Chamber of Commerce in El Paso, Texas, the LiftFund Women's Business Center in San Antonio, Texas, the Good Work Network, in New Orleans, Louisiana, the Urban League of Louisiana –Women's Business Resource Center, in New Orleans, Louisiana, the Florida Women's Business Center for Technology Enterprise & Development in Delray Beach, Florida, the Jacksonville Women's Business Center Jacksonville Chamber Foundation, Inc. in Jacksonville, Florida, the Women's Business Center, weVENTURE at Florida Institute of Technology in Melbourne, Florida, the Women's Business Centre at The Helen Gordon Davis Centre for Women in Tampa, Florida, and Centro Empresarial Para La Mujer (Center for Puerto Rico), and Instituto Empresarial para la Mujer (Business Institute for Women) in Puerto Rico.

All of these centers are leaders in their community and a natural resource for businesses in need. They are well-suited to aid business owners in navigating loans and participating in the recovery effort. Changes, though, under consideration from Congress could greatly increase all of these centers ability help.

Recommendations for Congress to Improve Disaster Response

While there is need for an immediate response to the damage wreaked by the recent hurricanes, natural disasters can strike anywhere and at any time and these hurricanes are surely not the last, unfortunately. In the words of SBA Administrator, Linda McMahon, "disasters don't pick a time and we need to be prepared."⁴

⁴ *Nomination of Linda E. McMahon to be Administrator of the Small Business Administration: Hearing Before the Committee on Small Business and Entrepreneurship, Senate, 27 January, 2017, 115th Cong. 42. Washington: GPO, 2017 (statement of Linda E. McMahon, Administrator, Small Business Agency).*

In order to maximize the ability of WBCs to support disaster relief efforts Congress should:

1. **Re-authorize the WBC Program including increasing current grant levels.** Existing centers are restricted by a 30-year old cap on grant levels that they can receive through the program. Current legislation, already passed by the House of Representatives as part of the FY18 National Defense Authorization Act, should be supported in conference to increase the grant levels centers can receive. If Congress is unable to modernize this program, they will have restricted the ability of centers to assist in disaster recovery efforts.
2. **Appropriate additional funds for WBCs in disaster areas.** The WBC Program is a proven network capable of assisting the businesses most affected by these disasters. Disaster relief funding should include \$5 million for the program for centers in disaster areas as well as support for the sharing of best practices from centers with experience in disaster recovery. Such funding could be directly awarded to centers or shared under existing authorities like the RISE Act of 2015.

In closing, I appreciate the opportunity to update this committee on the efforts of WBCs to respond to the recent natural disasters and assist women business owners. There are significant challenges ahead, but with the help of the SBA, as well as the help of the WBC Program in facilitating loans and securing government contracts, I believe there is hope for the women entrepreneurs to quickly re-open their doors and once again contribute to their local economies.

**Senate Committee on Small Business and Entrepreneurship Hearing
September 27, 2017
Follow-Up Questions for the Record**

Questions for Mr. Daniel Davis

Questions from:

Senator Rubio

Thank you for your willingness to come testify at today's hearing while you are dealing with the devastation Hurricane Irma has left behind back home.

Over the last couple of weeks, I saw first-hand the destruction the storm surge from the hurricane caused to your member businesses in San Marco and Riverside, as well as rural businesses in Putnam and Flagler counties.

JAX Chamber and Mayor Curry's leadership has been essential to help the city recover from this hurricane and I thank you for work.

QUESTION 1:

At this point in the recovery process, what is the greatest need of your member businesses in and around Jacksonville?

In your testimony you mention that Putnam County does not have an SBA Disaster Recovery Center at this moment.

As I'm sure you're aware, St. Johns, Duval, and Clay Counties have these centers.

QUESTION 2:

Do you feel the Recovery Centers currently open are in areas of your community that are most efficiently located to the businesses and individuals they are intended to support?

On the issue of duplication of benefits, many have previously found themselves to be penalized should they even apply for an SBA loan when it comes to disaster grant assistance. You state in your testimony that businesses and individuals are worried about this, as they will lose federal disaster grant assistance even if they do not accept the loan. This is an issue I, along with Senators Cornyn, Cassidy, Kennedy and Nelson wrote to Secretary Carson about yesterday, and I look forward to better guidance.

QUESTION 3:

In your experience, how might the federal government more clearly coordinate overlapping disaster assistance programs and communicate how they interact to relief applicants?



November 2, 2017

Ms. Kathryn Eden
Chief Clerk
Senate Committee on Small Business and Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

Dear Ms. Eden:

Thank you for the opportunity to provide additional input to the Committee regarding their hearing entitle, "An Early Review of SBA's Response to the 2017 Hurricanes."

Question 1 Response:

At this point in the recovery process access to capital is still something that members need. As you drive through neighborhoods, particularly San Marco, there are many businesses that are still not opened and some may never open. Flood damage was extensive, and restaurants in this area are finding it particularly difficult to cope.

Question 2 Response:

Choosing a location will always be difficult, particularly with the size of Jacksonville. The current site of the recovery center in Duval County is located within the downtown area. We have not had any complaints to its location and would certainly be willing to help in the future to establish even more satellite locations to ensure impacted businesses have quick and easy access throughout the county.

Question 3 Response:

In our opinion, there needs to be coordination from the ground up and not top to bottom. We as the Chamber are best suited to help. We know the geography, the players and have a ready-made communications structure in place. We would recommend having a Chamber of Commerce be the Federal government's first point of contact as it relates to the business community and work with us to make sure information is properly distributed. The Chamber is also a known quantity and businesses will naturally come to us for guidance. Working together with the Federal Government would be key and allow the work to be done quickly and efficiently.

Not only is this helpful in Duval country, but Chambers across the state stay in constant contact and pass information back and forth. Not only were we in communication with chambers in Northeast Florida, but also the Chambers in Miami, Tampa and Orlando.

Sincerely,

Daniel Davis
President & CEO
JAX Chamber

**Senate Committee on Small Business and Entrepreneurship Hearing
September 27, 2017
Follow-Up Questions for the Record**

Questions for Dr. Steve Lawrence

Questions from: Senator Rubio

Thank you for coming to testify today to discuss Hurricane Harvey's impact in Texas.

In your testimony, you mention the difficulty the Small Business Disaster Center encountered when trying to communicate with clients following the hurricane since many business owners were displaced and overwhelmed with loss.

QUESTION 1:

What were some ways you were able to break through the chaos and get in touch with the businesses and individuals who needed your help following the hurricane?

Note - Texas has four SBDC networks due to its size, whereas Florida has just one state-wide SBDC network. Two of the Texas SBDC Networks cover 97% of the 61 disaster declared counties affected by Hurricane Harvey - the University of Houston Texas Gulf Coast SBDC Network (TGCN) and the University of Texas at San Antonio Southwest Texas Border SBDC (SWTB).

For us, the key to reaching the businesses that needed our help was reacting quickly and connecting with our SBA partners and their disaster team. The two affected SBDC Networks contacted their respective SBA District offices two days after the hurricane's initial landfall while the storm was stalled over Houston. Our Texas Gulf Coast SBDC region office worked with the SBA Office of Disaster Assistance in Sacramento, CA to co-locate SBA Business Recovery Centers (BRCs) with SBDC offices throughout the disaster declared counties in our Network. The first BRC was opened in midtown Houston within SBDC offices 9 days after Hurricane Harvey made landfall, and only 4 days after the rain subsided. Three more BRCs were subsequently opened and co-located with SBDCs in our TGCN SBDC territory, and two additional BRCs in the were opened in the SWTB SBDC territory. The immediate and concrete response was simply a result of swift and collaborative teamwork among the various SBDC resource partners.

We also sent alerts to our clients, used our website and social media, sent emails, and made personal calls to let clients know we were here to help them. We also reached out to chambers, local government guaranteed lenders, initiated radio and TV interviews, and used the support from our SBA district office and the SBA Office of Disaster Assistance to reach out to the public. While we have made concerted efforts to reach out to our clients, we have not been overwhelmed with requests for assistance from existing clients. Timing has been the issue – we are finding that people are still focusing on shelter, home and family. Only now are we seeing more clients coming to the SBDC and the BRC for physical and economic injury assistance.

QUESTION 2:

What local impediments did you encounter during and after the hurricane that you had not expected?

While the damage in Florida from Hurricanes Irma and Maria was primarily from coastal flooding and high winds, the flooding created by Hurricane Harvey was unprecedented, and the damage caused was far more devastating than anyone could have imagined. The Houston area experienced the largest amount of rainwater ever recorded in the continental United States from a single storm (51.88 inches)¹. Transportation was an immediate problem for many areas with so many major roadways underwater more than a week after the storm. More than three-quarters of a million people were evacuated from their homes. There were delays in cleanup and trash pickup - nine weeks later there are many neighborhoods and business centers that still have piles of flood debris torn from houses and businesses that have yet to be collected. Again, even for our small businesses, their priorities have been home and family first which has delayed the business recovery efforts.

QUESTION 3:

Do you have any advice for the business community and Florida SBDCs who are now dealing with the aftermath of Hurricane Irma and Maria?

The Florida SBDC, through its State Director Mike Myhre, is so well integrated with the state's many emergency response and recovery resources, we cannot imagine that there is anything that we can tell them that they don't already know and aren't currently doing. The destruction caused by the two hurricanes back to back in Florida covered a much wider geographic area than what Hurricane Harvey caused. This would make recovery much more complicated and challenging, involving many more municipalities, partnering organizations, and local officials.

Just as the Florida SBDC did, Texas SBDCs implemented our disaster recovery plan immediately. We knew our facility capacities and identified the areas in the most need before the damage from the storm was fully realized. The crucial component to how quickly we were able to begin offering business recovery services was the immediate contact and cooperation between the SBDCs and the SBA and their disaster team.

For both Texas and Florida, we need the ability to locate the businesses who still need our help. According to the SBA, FEMA referred nearly 98,000 applicants to the SBA for business disaster loans in Texas. Of these referrals, the SBA received only 7,500 completed business disaster loan applications, and only 1,200 of the loan applications have been approved to date. The individuals we need to reach are those that were referred but did not complete the application or were denied a loan. Many of those individuals may not have qualified for the SBA disaster loan and could benefit greatly from SBDC assistance to help their businesses rebuild and recover. SBDCs do not have large marketing budgets. We need additional funding to blanket the affected areas with the message that we are here to help. In the case of Texas SBDCs, our state funding has just been cut by 34% for FY2018. For our Network, the areas that suffered the most damaged from the hurricane is where we have lost advising staff at local SBDC centers due to these budget cuts. If we are to do what we do best and help the small business communities in our respective states recover, additional funds for marketing and human resources are critically needed.

¹ <https://www.fema.gov/news-release/2017/09/22/historic-disaster-response-hurricane-harvey-texas>