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TESTIMONY

**Before the House Committee on Small Business
Subcommittee on Economic Growth, Tax and Capital Access**

*Examining the Role of Government Assistance for Disaster Victims:
A Review of H.R. 3042*

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Introduction

Good Morning Chairman Walsh, Ranking Member Schrader and distinguished members of the Subcommittee. My name is Doug Hoell and I am the Director of the North Carolina Division of Emergency Management. Thank you for the opportunity to present testimony today on behalf of the National Emergency Management Association (NEMA). NEMA represents the state emergency management directors of all 50 states, the District of Columbia, and the U.S. Territories. We are happy to be here to discuss the role of the Small Business Administration (SBA) in disaster assistance.

While not a traditional “first responder” agency, SBA is a critical partner to States and localities affected by a wide variety of disasters. Following a disaster, SBA has the capability to mobilize staff from the Office of Disaster Assistance to begin disseminating public information about what services SBA can provide to supplement many long-term federal recovery programs.

Types of Assistance for Major Disaster Declarations

When a major disaster declaration is awarded by the President, affected citizens begin the registration and eligibility determination process through the Federal Emergency Management Agency (FEMA) by applying either through the agency’s toll free number, on-line, or by visiting any established Disaster Recovery Center (DRC). A decision is made immediately to determine if the applicant should be moved to FEMA’s Individual Assistance (IA) Program for grant consideration or whether their SBA application warrants further evaluation. The issuance of an SBA application is tantamount to recovery. An applicant may have insurance but it may not be enough to return them to their pre-disaster standard of living. The \$200,000 loan to homeowners, the \$40,000 loan available for personal property (to homeowners and renters) and the \$1.4 million dollar loan to business owners far exceed the basic IA grant whose intent is to bring an individual back to safe, sanitary, and functional living.

Often citizens encounter damages and devastation from disasters which are ineligible under normal FEMA disaster recovery programs, but remain important to them during recovery. SBA loans can help return the home to its pre-disaster state including the implementation of mitigation measures. The

challenge has become how to inform applicants that if they do not return their SBA application, the recovery process is halted and could prevent them from receiving any other available assistance.

Due to the importance of small businesses in a local community, SBA's Economic Injury Disaster Loan (EIDL) is a program that supports the "Whole of Community" approach to disaster recovery. The EIDL affords business owners continuity of operations by giving them the opportunity to meet their obligations as they mature and to pay ordinary and necessary operating expenses. These loans are aimed at providing working capital to small businesses to keep them afloat until normal operations can resume. EIDL assistance is available only to small businesses determined unable to obtain credit elsewhere. The SBA can provide up to \$2 million to help meet financial obligations and operating expenses which could have been met had the disaster not occurred. An applicant's loan amount is based on the actual economic injury and the company's financial needs, regardless of whether the business suffered any property damage. Businesses may apply directly to the SBA for possible assistance. The SBA will send an inspector to estimate the cost of the damages damage once the loan application has been completed and returned.

The pictures of homes and businesses affected by flooding and wind damage following Hurricane Irene and Tropical Storm Lee painted a devastating picture in September 2011. In New York State alone, the SBA approved over \$100 million in loans for citizens affected by the storms.

In May 2010, a landslide on US Highway 129 in the western part of North Carolina impeded traffic and prevented the day-to-day operations of business owners between North Carolina and Tennessee. The EIDL declaration made it possible for the businesses in the counties of Graham and the contiguous counties of Cherokee, Macon, and Swain to continue their trade and accessibility to the counties of Blount and Monroe in the State of Tennessee.

While FEMA is often thought of as the primary agency for disaster assistance, there are many unique situations where SBA loans can be utilized in creative ways to assist citizens in need. During a federally declared disaster in 2008, an Arkansas couple was initially denied FEMA assistance. They were insured but the insurance was not enough to cover the repairs to the home, the husband's shop, and thousands of dollars' worth of tools and equipment. The couple contacted state officials who helped the family get in contact with SBA. They put her in contact with a caseworker in a DRC who assisted with the application process and any questions and or bumps they had along the way. The insurance payoff and SBA loan

were enough to start putting their home back together and once again provide an economic benefit to the community.

SBA Role in Governor Declared Disaster Recovery

While many SBA programs are aimed at supplementing FEMA assistance following a major disaster declaration, the Administration can continue to play a part in disasters that do not reach the highest declaration standard. In the event a joint damage assessment shows that the evaluation fell short of FEMA's requirements; an SBA Agency only declaration is pursued by the Governor. This can occur when at least 25 homes and or business have sustained 40 percent uninsured losses.

A Governor's Declaration allows an affected citizen to be eligible for benefits similar to those available by FEMA. This includes housing repair and/or replacement funds in addition to Other Needs Assistance which includes personal property, medical, and funeral. In any declared disaster, an SBA loan is the first step in the recovery process based on the information provided when the survivor registers with SBA. At the close of the application intake period, SBA informs the State of the status of any loans and the award amounts of applicants who registered online or through the toll free number. The State in turn keeps SBA abreast of the State grant awards to SBA registrants.

During a gubernatorial declaration, the SBA Disaster Loan Outreach Center (DLOC) acts as a DRC to ensure that the eligible applicants receive due process. Much like FEMA's Individual Household Programs (IHP), the State awards up to \$25,000 for Housing Assistance for repair and/or replacement and Other Needs Assistance including personal property, medical, and vehicle repairs. The qualifying home is inspected for verified loss and estimates. Disaster assistance includes money or direct assistance to individuals, families, and businesses in an area whose property has been damaged or destroyed and whose losses are not covered by insurance. It is meant to help eligible citizens with critical expenses which cannot be covered in other ways. This assistance is not intended to restore damaged property to its condition before the disaster.

SBA Outreach to Stakeholders

Recovering from a disaster is usually a gradual process. Safety is a primary issue, as are mental and physical well-being. Knowing how to access available assistance makes the process faster and less stressful. SBA does a considerable amount of work in communities around the country, making personal

contacts with Chambers of Commerce, Congressional Offices, State and Local elected officials, SBA resource partners and SBA District and Regional offices, business organizations and community groups. Town halls are just one example of the personal outreach done in many communities to make sure citizens are aware of the many disaster assistance options that may be available.

SBA and State agency Public Information Officers (PIO) develop press releases announcing availability of disaster loans in the affected area. The County agrees to provide free space to be used at a Disaster Loan Outreach Center (DLOC) to conduct application intake. The days and hours of operation are determined jointly. SBA and State IA employees conduct community relations and outreach activities to disseminate information about the Center's opening, the hours of operation, and applicant registration in the affected areas.

Media outlets are also informed of the declaration and the process to help in the process of alerting the affected citizens to every opportunity to seek and receive assistance for their disaster recovery. SBA partners with the State during the intake process. A potential applicant signs-in upon arrival and is interviewed by SBA. They are asked to register with the State when they fail the income test, do not meet SBAs criteria, or when other unmet needs still exist even though all resources have been utilized.

In testimony given by the Government Accountability Office (GAO) before this Committee back in November 2011, William Shear referenced steps SBA continues to take to improve marketing and outreach efforts that inform stakeholders across the country. We look forward to continued dialogue with SBA and are encouraged by their increased attention to the needs of individuals and communities in disaster affected areas.

Conclusion

As a profession, emergency management stakeholders have focused a great deal on the partnerships existing at the State and local level which help us achieve a resilient and sustainable nation. FEMA Administrator Craig Fugate has stressed the importance of the "Whole of Community" and FEMA's position as a member of a much larger team in place to support the response and recovery to all-hazards. There is no doubt the SBA Office of Disaster Assistance is a vital member of the emergency management team and we value their contributions to our communities.

Last year was a record-breaking year for disaster expenditures. The continued challenge of protecting the nation from a variety of hazards within the reality of fiscal uncertainty elevates the importance of cooperation throughout the emergency management community. Leveraging resources from across the federal family is critical following a disaster and the communication and outreach by the essential agencies is just the first step to community recovery. Positive relationships between Federal, State, and local government stakeholders are the lynchpin to coordinated recovery efforts supporting resilient individuals, prosperous businesses, and thriving economies.

Thank you for the opportunity to testify today and your continued attention to disaster assistance matters under your purview. Your attention and leadership in this matter are greatly appreciated and NEMA remains a ready resource for the Committee as you tackle the tough issue of recovery from disasters.