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OVERSIGHT OF SBA'S OFFICE OF DISASTER ASSISTANCE

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

JULY 13, 2022

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ONE HUNDRED SEVENTEENTH CONGRESS

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OVERSIGHT OF SBA'S OFFICE OF DISASTER ASSISTANCE

WEDNESDAY, JULY 13, 2022

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

The Committee met, pursuant to notice, at 2:30 p.m., in Room 428A, Russell Senate Office Building, Hon. Ben Cardin, Chairman of the Committee, presiding.

Present: Senators Cardin, Shaheen, Booker, Rosen, Hickenlooper, Paul, Risch, Scott, Ernst, Inhofe, Hawley, and Marshall.

OPENING STATEMENT OF CHAIRMAN CARDIN

Chairman CARDIN. Good afternoon. The Committee on Small Business and Entrepreneurship will come to order. Today the Committee will conduct oversight of the SBA's Office of Disaster Assistance, which administers the SBA's disaster programs.

The office also implements the COVID EIDL program that Congress created to support small businesses through the pandemic. Over the last two years, the SBA's attention has largely been focused on supporting small businesses through the pandemic. EIDL has provided loans to nearly four million businesses and served as a lifeline when credit was not available from other sources. It was critically important during this pandemic and it worked.

While the program has had its share of problems, including widespread fraud in the early month of the pandemic and poor communications with applicants, particularly during the program's final months, its importance for small businesses cannot be overstated.

This hearing is an opportunity to discuss the Office of Disaster Assistance's traditional role, which is to help communities rebuild in the wake of natural disasters. Due to the effects of climate change, natural disasters are becoming more dangerous, deadly, and frequent in every part of this nation. In the Southern states, what used to be once-in-a-century hurricanes and tornadoes are devastating communities and causing billions of dollars' worth of damage every few years. In Western states, there have been life-threatening heat waves, crop-killing droughts, and historic wildfire seasons in just the last three years. And in my home state of Maryland, in a single town, historic Ellicott City suffered two devastating flash floods in two years.

So as we discuss the Office of Disaster Assistance's procedures this afternoon we must keep in mind that the SBA's disaster loans to families and businesses will continue to be among the most im-

portant Federal resources available in the wake of a disaster. The faster communities can access capital after natural disasters, the more quickly they can return to their homes and reopen their businesses. For homeowners, faster loan processing times reduces the destabilizing effects of natural disasters that may prevent parents from going to work and keep kids out of school. For small businesses, how quickly they receive a disaster loan could be the difference between a swift reopening or closing their doors for good.

Small businesses, we know, are the growth engine of our economy. We know that is where we create jobs. But they do not have the same resiliency and the same deep pockets that larger companies have. So when a natural disaster occurs, they are much more vulnerable of not being able to make it through that disaster. Moreover, acting quickly to get families back into their homes and to reopened shutters businesses help reestablish a state of normalcy for communities and can prevent them from splintering.

The SBA, and the Office of Disaster Assistance more specifically, must do all it can to improve the disaster response to provide as much support as possible to communities in light of the increased dangers created by climate change.

I was a member of this Committee when the SBA made several improvements to a system to shorten loan processing times following Hurricane Sandy almost a decade ago. Now, as the COVID EIDL program continues to wind down, the SBA must similarly take the lessons learned from the pandemic to make even more improvements. And that is the role of this Committee, to oversight how the SBA is responding to the experiences learned during the pandemic.

So to Assistant Administrator Sanchez, I am looking forward to hearing more about the consolidation of disaster lending functions in the Office of Capital Access that was finalized last week. I hope this change will address the widespread customer service problems that we saw in the COVID EIDL program over the last two years. I am also looking forward to hearing more about how the SBA intends to further empower resource partners and local community organizations to play a central role in the aftermath of natural disasters.

The Maryland SBDC was an invaluable asset to small businesses in historical Ellicott City following the floods in 2016 and 2018. I was there, and I saw their work, and I saw how they literally saved small businesses.

In addition to working with resource partners to help small businesses recover after a disaster, the SBA should leverage these organizations' regional knowledge and relationships to better prepare small business owners before a natural disaster. For example, the SBA should use the SBDC's SCORE chapters and Women's Business Centers to help small business owners create business continuity plans that will make it easier to reopen following a disaster.

Mr. Sanchez, I want to thank you once again for joining us today. Oversight is one of the most critical functions of this Committee so I am looking forward to a frank discussion about how the SBA and the Office of Disaster Assistance intends to support our communities in the years ahead.

And with that let me yield to the distinguished Ranking Member, Senator Paul.

OPENING STATEMENT OF SENATOR PAUL

Senator PAUL. This past December, violent storms swept across my state. The tornadoes took the lives of 88 and injured hundreds more across several other states. The damage was immense. In the days following the storms I met with local officials across western Kentucky to help them secure the resources they needed to clear debris and rebuild.

It is understandable that government has a role in natural disaster recovery. However, I think Congress made a mistake by expanding the scope of the Office of Disaster Assistance. That office, already tasked with helping rebuild after natural disasters, had plenty of responsibilities without also having to clean up manmade economic disasters like the ineffective and authoritarian COVID lockdowns.

Last week, the Small Business Administrator's inspector general released a report detailing gross mismanagement of the Shuttered Venue Operator's Grant Program. For example, the IG found that the SBA knowingly chose a riskier method of distributing funds. Rather than doling out money at intervals, designed to ensure appropriate use of taxpayer dollars, the SBA shelled the money out in one large sum. As a result, SBA was unable to check if grantees spent the awards on permissible expenditures.

The IG report also detailed how the allocated funds were without government authorization and documentation. In the ten awards reviewed by the inspector general, none had the proper authorization. This stunning absence of safeguards resulted in over $33 million in unauthorized commitments, that we know of. The IG report found that as much as $9.7 billion could have been disbursed without proper government authorization.

Perhaps most shockingly, in some instances the Offices of Disaster Assistance gave applicants more money than they requested. Of the ten awards received, the IG found that three recipients were awarded more than they asked for, to the cumulative tune of $2.6 million. It seems Milton Friedman's prophetic statement that "Nobody spends somebody else's money as carefully as his own" is applicable.

To adequately address these concerns, my staff requested that the Committee invite Inspector General Mike Ware to testify today, but unfortunately that request was declined. Nevertheless, we should not be deterred from addressing the major problems that the IG identified. I hope the Chairman will commit to ensure that the SBA is a responsible steward of taxpayer dollars.

Chairman CARDIN. Let me thank Senator Paul. As our staffs have talked about, I do think it is important to have the IG here, and we intend to invite the IG to the Committee for a hearing to deal with the broader issues coming out of the different programs administered by the SBA. But today's hearing is going to focus primarily on the reorganization and how SBA is handling the Office of Disaster Assistance.

And we are pleased to have with us today the Associate Administrator of the Office of Disaster Assistance for Small Business Ad-

ministration, Francisco Sanchez. He took this position in January of 2022, but he comes to us from experiences in local government. He was the Deputy Homeland Security and Emergency Management Coordinator for Harris County Office of Homeland Security and Emergency Management, leading strategic development planning, public affairs, and community preparedness initiatives for Texas's largest county.

Mr. Sanchez, it is a pleasure to have you before the Committee. You may proceed. Your full statement will be made part of our record.

STATEMENT OF FRANCISCO SANCHEZ, ASSOCIATE ADMINISTRATOR, OFFICE OF DISASTER ASSISTANCE, U.S. SMALL BUSINESS ADMINISTRATION

Mr. SANCHEZ. Good afternoon, Chairman Cardin, Ranking Member Paul, and distinguished members of the Committee. Thank you for the invitation to be here.

This week marks six months leading the Office of Disaster Assistance, Office of Disaster Assistance, at the U.S. Small Business Administration. Disaster recovery is one of the most important functions of our work. We provide financial assistance so communities can rebuild, recover, and now to be more resilient.

SBA knows that we must do more to better leverage its programs and resources to help small businesses in the face of increasingly frequent and catastrophic disasters. I am proud to be one of the architects that is optimizing the disaster program. By shifting the direct disaster lending to the Office of Capital Access, it improves customer service and elevates our investments in preparedness, resilience, and recovery.

My experience has been formed by nearly two decades in disaster response and putting communities back together. Prior to joining SBA, as you mentioned, Chairman, I served as the Deputy Homeland Security Emergency Management Coordinator. Harris County is 1,777 square miles, serving five million residents, including the city of Houston. I had the honor to serve on command staff for four of our nation's ten most devastating natural disasters. My experience in times of crisis informs how we are now leading recovery from the ground up and across the SBA and the Federal family.

A priority of the Biden-Harris administration and Administrator Guzman is to improve the effectiveness of helping businesses, homeowners, renters, and private nonprofits for all hazards. In my short time at the SBA I have learned that we have a great asset, an incredible team that is up for that task.

From helping open the Astrodome during Hurricane Katrina and welcoming more than 200,000 evacuees to being at the helm during Hurricane Harvey, which now ties Katrina as the costliest tropical storm on record, I have looked in the faces of people going through their worst, and on their worst days we must be at our best.

This is not just a professional obligation. To me, response, recovery, and resilience has a deep personal connection. In 1983, at the age of 11, Hurricane Alicia struck the Texas coast. It spared my family but that name was retired. During Tropical Storm Allison in 1989, my mom stood watch as the water swelled out of the bayou, swept up our street, and letting out a sigh of relief as it re-

treated from the front door. Hours later, we felt under our feet the dark water seep up from the floorboards, and Allison too was a name that was retired.

During Hurricane Ike in 2008, I was working in our Emergency Operations Center, feeling helpless as my childhood home flooded again, this time a total loss. With the help of Federal programs we helped my mom rebuild, including elevating her home. The storm hit on September of 2008, and my mom would not be able to move back in until September of 2012, a rough road of four long years. That storm name, too, was retired.

During Hurricane Harvey in 2018, I worked around the clock in our Emergency Operations Center responding to 50 inches of rain. That is 9 trillion gallons of water. My mom was responding too. Her resilient home was an island of refuge as dozens of neighbors and friends escaped the several feet of water that drowned the neighborhood. But my mom and her home were safe.

Recovery tied to resilience works. Each of those storm names have been retired, but the remnants and the havoc they wreaked remain. Disaster are a continuum, and we are reshaping our work to respond accordingly.

The year 2021 marks the sixth consecutive year in which ten or more billion-dollar disasters have struck the United States. Today we are on the ground across 11 states and 25 primary counties, responding to three presidentially declared disasters, four agency declarations, and five governor certifications. We are only at the start of the 2022 hurricane season but already have three named storms.

We are responding to the challenges we face today in reshaping to be nimble, scalable, and flexible for the disasters on the horizon. In short, we are ready.

My thanks to this Committee for your support of our mission and for your dedication to help disaster survivors. I look forward to our continued work together to build resilient small businesses so our local economies can thrive and people can prosper.

And again, thank you for the invitation, Mr. Chairman.

[The prepared statement of Mr. Sanchez follows:]

U.S. Small Business Administration

Testimony of Francisco Sanchez
Associate Administrator
Office of Disaster Assistance
U.S. Small Business Administration

before the

Senate Committee on Small Business & Entrepreneurship

July 13, 2022

Testimony of Francisco Sanchez
Associate Administrator
Office of Disaster Assistance
U.S. Small Business Administration

Good afternoon, Chairman Cardin, Ranking Member Paul, and distinguished members of the committee. Thank you for the invitation to discuss the U.S. Small Business Administration's (SBA) Office of Disaster Assistance (ODA).

Since January 2022, I have led the Office of Disaster Assistance at the Small Business Administration. ODA serves one of the most important functions of the agency: When disaster hits and business owners are going through the worst moments of their lives, most Americans imagine the Federal Emergency Management Agency (FEMA) racing to the rescue. But for some affected communities, SBA is the first federal contact to help communities rebuild and recover. SBA works in close coordination with FEMA to provide disaster assistance following a declared disaster event.

SBA has a world-class disaster response team that works tirelessly to enhance our programs and resources. These dedicated civil servants ensure that America's 32.5 million small businesses as well as countless homeowners and renters can access the recovery and mitigation resources they need to rebuild stronger, smarter, and more resilient.

I have spent decades in emergency management, working some of the largest security events in the nation from two Super Bowls to three World Series as well as providing local coordination for multiple national special security events. Prior to joining SBA, I served as Deputy Homeland Security and Emergency Management Coordinator in Harris County, Texas. The City of Houston is in Harris County, and during my time in public service, we responded to historic hurricanes including Katrina, Rita, Ike, and Harvey. We dealt with extreme natural events from wildfires that burned thousands of acres to historic flooding and rainstorms that dumped 16 inches of rain on our community in less than 12 hours. Recently, Harris County averaged one presidentially-declared disaster every nine months.

In moments of crisis, ensuring access to financial relief is one of the most important ways to assist disaster survivors get back on their feet. SBA provides critical funding to help rebuild such as affordable loans of up to $200,000 to aid homeowners when their primary residence is destroyed or damaged. We also provide up to $40,000 to help homeowners and renters replace damaged or destroyed personal property such as furniture, clothing, appliances, and vehicles. With the increased incidence and magnitude of natural disasters, those limits have not kept pace with the recent increases in home values and construction. SBA is currently exploring steps to address these limits to accurately reflect current conditions.

For businesses of all sizes and private nonprofit organizations, the SBA provides up to $2 million dollars to repair or replace damaged real estate, furniture and fixtures, inventory, and machinery and equipment. Additionally, the SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private nonprofit organizations that have suffered economic injury caused by a disaster even if they suffered no physical damage. These

loans provide working capital to a business or organization until normal operations can resume following a disaster.

The Biden-Harris Administration and SBA Administrator Isabella Guzman have prioritized helping small businesses prepare for increasing threats of natural disasters by focusing on disaster resilience. Speaking from personal experience, I can tell you that emergency preparedness begins before natural disasters strike. The SBA provides additional loan funds for mitigation and property improvements that help prevent future damage caused by flooding, fires, severe winds, or other natural disasters. These funds are essential to help survivors protect their home and family, business, and employees from repeat property damage and loss. Research shows that for every $1 spent on hazard mitigation, up to $6 in future disaster recovery costs are saved. Used wisely, mitigation funds can be used for important upgrades that not only eliminate the risk of future damage, but also save lives.

We are seeing that some communities and small businesses are experiencing disaster activity with a growing frequency. Natural disasters have also become more costly: 2020 was the sixth consecutive year in which there were more than ten-billion-dollar weather and climate disaster events that impacted the United States. The SBA has been a critical federal partner during the Biden-Harris Administration, providing lifelines totaling more than $2.5 billion to help small businesses, renters, homeowners, and private non-profits recover and rebuild. Our FY2022 SBA disaster aid includes:

- More than $70 million in loans to help homeowners, renters and businesses following violent and deadly tornadoes that moved across Kentucky in December;
- More than $100 million for wildfires and straight-line winds that spread across Boulder County, Colorado; and
- Nearly $2 billion in loans to help more than 37,000 individuals and businesses from Louisiana to New York recover and rebuild after Hurricane Ida.

Increased risk from extreme weather events means that we must continue to dedicate resources to disaster preparedness. The President's budget requests $179 million in disaster funding to ensure the SBA can deliver its critical disaster relief. Small investments in resiliency can have a big impact when disaster strikes. In order to help small businesses better understand the importance of resilience and mitigation efforts and the options available to them, including outside of SBA, the budget includes $10 million to help small businesses build greater resiliency ahead of a storm.

As many Americans head to the beach this summer, NOAA experts predict an even more active hurricane season than last year. 2021 was the third most active hurricane season ever recorded, including the first hurricane to hit the northeast in 30 years, killing more than 100 people and causing billions of dollars in damage. No matter how active the upcoming hurricane season may be, it only takes one storm to destroy everything families and small business owners have worked to build. According to FEMA statistics published after the 2017 hurricane season, 40 percent of all small businesses impacted by a disaster fail to reopen, and 25 percent close within a year. That is why it is more imperative now than ever for residents and small business owners to take steps to prepare.

The SBA is actively communicating with the public about essential disaster assistance and preparedness resources. For example, we recently released new hurricane preparedness materials that are available in eight languages and are leveraging our digital engagement. These easy-to-use resources are available to businesses and their communities, as well as SBA resource partners, local chambers of commerce, community navigators, and more to ensure we are ready for hurricane season.

In addition to focusing on resilience, Administrator Guzman has prioritized leveraging the whole of SBA to ensure communities can recover from disasters. SBA is taking the learnings from SBA's COVID relief programs to increase our capacity and streamline our processes, so our teams are ready to once again scale and deliver financial relief to communities with speed and certainty. Administrator Guzman has challenged the agency to optimize disaster programs by unifying lending under the management of SBA's Office of Capital Access, which manages SBA's core lending products, the 7(a) and 504 loan programs, and has been managing disaster lending servicing for many years. Consolidating these programs in a single office ensures that financial relief reaches borrowers as efficiently as possible so that they can begin rebuilding. This transfer will allow better coordination at the SBA and allow the Disaster Assistance program to continue to focus on supporting communities as they recover and build their resiliency.

We appreciate the important partnership from Congress to help support SBA's essential mission to help businesses and communities they depend on prepare for whatever disasters come their way. When disaster strikes, your support is critical to ensure that we have the resources to help communities get back on their feet, rebuild, and recover.

Thank you for the opportunity to appear before you today. I look forward to the Committee's questions and our conversation.

Chairman CARDIN. Well thank you, Mr. Sanchez. I appreciate your testimony and your service.

I want to drill down a little bit more on your comments indicating that the reorganization under the Office of Access to Capital is going to, you say, make the services more friendly to those who are relying upon disaster relief help. I would like you to explain how you see the improved services to the people in need and what lessons we learned from the pandemic that we can use to improve the services during a disaster, whether it be a natural disaster or whether it be a pandemic.

Mr. SANCHEZ. Thank you, Mr. Chairman, for that question. It right person, right job, and it is, in part, implementing some of the lessons that we learned from COVID—technology, building capacity, surge, putting those protocols in place to be able to detect and deter fraud and respond to that.

The Office of Capital Access is the home to the lending programs of SBA, so the expertise is already there. We will see efficiencies, improved technologies for improved customer service. What that allows the Office of Disaster Assistance to do is to focus on the very critical piece of connecting disaster survivors with that streamlined and improved disaster lending process.

Chairman CARDIN. Because, yeah, particularly during the pandemic there were concerns on how the programs were being administered. I understand the Office of Capital Access has direct lending services to your customers. So I do think you need to assure that the service levels meet the needs. During a disaster it is critically important to be on the ground immediately, have your personnel on the ground immediately at the site. The businesses cannot seek you out. They are trying to board up their properties and figuring out what they have to do in order to stay afloat. You need to be where they are.

Is that the intent that you will be able to provide that type of on-ground services during a natural disaster? Actually, before it even starts you need to be on the ground.

Mr. SANCHEZ. Senator, that is exactly the intent, to meet the customer where they are. Part of that improvement is we can be on the ground quicker. We can meet with those, as you mentioned, those local resource partners, SCORE, and those programs, to ensure that we are tailoring our response in a way that is reflective of that community's needs, and we can stay longer, focused on that mission of being on the ground to ensure that long-term recovery, that we are part of that and in sync with those local priorities.

Chairman CARDIN. So how do you coordinate the work that you do with your resource partners with the SBDCs and the Women's Business Centers, or with the other community organizations, such as the CDFIs, or, quite frankly, with the other Federal agencies that are involved during a natural disaster such as FEMA and HUD? How do you coordinate the different players that are there to help someone, a business or homeowner, during a disaster?

Mr. SANCHEZ. By its very definition, a disaster means that local resources are overwhelmed. Not even a Federal agency can tackle that altogether. So that is why those relationships are critically important.

In every opportunity that I have had to be on the ground I had visited with our local partners, our Business Development Centers, our Women Entrepreneur Centers, local Chambers of Commerce, to see how we can leverage those relationships. We work across the board with FEMA, HUD, and other agencies to make sure we are lockstep moving forward and being nimble and scalable to tailor our response from the ground up to meet those needs.

Chairman CARDIN. Well, I want to follow up, not necessarily right now, as to how we make sure that we have that type of coordination and how this reorganization with the SBA will assist. You are the lead in some areas, in some you are not, but you all have to be working in a coordinated way during these stressful times.

I want to get to one other subject, and that is the pre-disaster planning, to have plans in place to use resources to help particularly small businesses develop a pre-disaster strategy and plan. We have allowed the use of resources for this purpose. Tell me how you intend to carry out that role of your responsibilities.

Mr. SANCHEZ. Yes, Senator. That is exactly the part of the new mission is to making sure that we lean in ahead of the disaster as we have folks on the ground working with our field office, working with our local resource partners, that we take those plans, at the high level, but then tailor them to meet the unique needs of that community, not just now, well in advance of a disaster, but as we are landing on the ground, making sure we tweak those to be responsive in the moment, and we are going to move forward as we do that, make that part of the planning process, make that the institutional way to respond, and build out that culture.

Chairman CARDIN. Thank you. Senator Marshall.

Senator MARSHALL. Thank you, Chairman. Administrator Sanchez, welcome, and thank you for coming here this afternoon. Kind of a follow-up question that the Chairman was getting at as well.

Kansas does not have a huge hurricane with billions of dollars of damage. Typically we have lots of small disasters. That is a tornado impacting a town, you know, two or three different times a year, and then we have had our share of wildfires as well. While the disaster office has been there for each of our events, they are at an incredibly slow pace. For example, fires in Hutchinson, Kansas, on March 9th, the SBA Resource Center was not set up until April 28th, seven weeks later. Constituents struggle to wait seven weeks for that assistance.

Why would there be substantial delays? What would you feel is success? How do you measure success? What would be your goal in your response team getting to a disaster?

Mr. SANCHEZ. Sure. Thank you, Senator. I will address, in part, what the SBA challenge is and how we tie it to the larger picture. Typically, for loan processing, it is about five days, and then disbursement of first funds is—I am sorry. Loan processing is about eight days for homeowners, five days for the actual disbursement.

We come in on the ground after there has been a disaster declaration at the state. We are working with our state partners to educate about how we meet the threshold to try to expedite that process so that we can be on the ground quicker as well.

Senator MARSHALL. What about the time to be on the ground, from the time the disaster occurs? How do you measure that and what would you think? Like seven weeks just seems too long to me.

Mr. SANCHEZ. Yeah, Senator. That was seven weeks from the time of the disaster. What we have to wait for to actually open the lending process is for the disaster declaration to be cleared, requested by the state, and then we can be on the ground. We are working with our partners to educate how we can expedite that for our states. But once we get that trigger we can be on the ground within 48 to 72 hours.

Senator MARSHALL. So your goal would be once the state declares a disaster is to have presence there in two to three working days.

Mr. SANCHEZ. Yes, sir. Once that comes to us we sign it and we are on the ground.

Senator MARSHALL. Okay. Again, kind of along the same line of questioning, for those wildfires it appears that our staff had to do most of, I am going to call it marketing, letting them know what the SBA could and could not do, how they could help. What can you do to better improve your communication to those small businesses that you are there to help them? What are the opportunities for improvement there?

Mr. SANCHEZ. I think as the Chairman mentioned, reaching in to SCORE and those local district offices to see how we can tailor that for that specific community, and I have a commitment to work with our officials from those states and local officials to see—you are where the expertise is on the ground. How do we leverage our knowledge to those local communities? What community should we be in? What does that message need to look like? We want to increase access of those programs. It is an under-told story so we want to partner with that when we are on the ground with local officials and local expertise to make the most impact.

Senator MARSHALL. Okay. Thank you so much. I yield back.

Chairman CARDIN. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and Mr. Sanchez, thank you for being here and for your ongoing efforts.

I want to begin with a statement that I know is not directly under what this hearing is about and what we are working on today, in terms of disaster assistance, but I would be remiss if I did not ask you to take back to SBA the frustration that we still hear in New Hampshire from small businesses who were in the queue for EIDL loans and the program was so precipitously discontinued. Business owners are still very frustrated by that, and it left a very bad taste for people who were counting on the SBA to help them through the pandemic.

So again, I appreciate this is not under your purview but I do think it is a message that the SBA needs to hear, and hopefully that as we look at lessons learned we will be looking at what we can do better in those kinds of situations.

One of the things that has been really important in New Hampshire has been our district office in sharing with small businesses what help is available through the SBA. They have really done great outreach, and I know that, or at least as I understand under this reorganization you are looking at ODA to be that office that does outreach and education.

So can you talk about how you see that continuing to work with the district offices and what resources you think district offices are going to continue to need in order to do their piece of outreach and information to small business?

Mr. SANCHEZ. Sure. First, Senator, I will gladly take back that message, and I will assure you, from the Office of Disaster Assistance for those lessons that were had during COVID, while they may have not been in the Office of Disaster Assistance we are going to take those lessons and make sure that we can apply them across the board to our mission, to improve the customer experience.

In terms of our district offices, they are so incredibly connected in those communities. They know how that community works. They know where their Economic Development Agencies are and those Chambers.

We are in communication constantly about how we can partner up with that local expertise. From us, bring the resources that we can bring to bear for that lending capacity and connecting people with programs. But they are also critical for us to deliver after a disaster not just lending but connecting them to the resources that are already provided by the SBA across the board, to bring those to disaster survivors. So not only have we provided lending but those resources so they can continue to thrive and be more resilient, and tackle that from the whole SBA angle.

Senator SHAHEEN. Well, I am really glad to hear that. I know there is a proposal through SBA to reduce pretty significantly the operating budgets of district offices. So I hope, again, that you will take back just how important it is in New Hampshire—and I am sure it is true of the other states that members represent here—the work that gets done.

My next question is really a more overarching one for the long term, and that is how are we going to continue to address disaster assistance given the increasing costs each year from climate change and other aspects of disasters that we are seeing? Because I do not think that we are going to be able to continue to do it in the same way that we have, and so we have got to take a different approach. I appreciate that this reorganization may be one effort to take a look at that, but I think we are going to have to be much more visionary about how we think about this in the future.

Mr. SANCHEZ. Senator, it is something I am passionate about from a local perspective. I come from a region where we now average a presidentially declared disaster every nine months, and that does not even include Harris County, Houston, Texas. And so along the Gulf Coast, and it does not even include the SBA declarations yet or the other smaller disasters.

And let me sort of paint, if I can, the landscape.

Senator SHAHEEN. Great.

Mr. SANCHEZ. SBA is often the first and only on the ground, as we do not meet those other thresholds, and we are there more often. Since 2000, for example, there have only been four years in which there were more presidentially declared disasters than there were SBA disasters. So not only are we often the first and only, the only Federal agency to the scale that we do to do homeowners and renters, private nonprofits, and businesses. So we have to scale up,

so we have got teams that can get ready to surge and meet those disasters this hurricane season and wildfire season.

We need to be flexible, and we need to be nimble. And we need to work within the authorities that we have to be able to adapt to need. But the pace is incredible, and we have got some work ahead.

Senator SHAHEEN. If I can ask one more question, Mr. Chairman, one of the things that we looked at when we were working on bipartisan infrastructure package last year was how to put in funding for resilience. And you talked about your mother's home and building it back more resilient than it was originally.

But how do we incorporate that in ways that are within existing law, for example? One of the things I found particularly frustrating when I first got to the Senate was the fact that under our FEMA requirements you had to build back exactly the way it was before, and it took a long time for us to get that changed.

But resilience has got to be part of what we are doing now. We have got to be looking at prevention as much as we are looking at restoration after a disaster has occurred. So how do you think about that in terms of SBA?

Mr. SANCHEZ. Sure. From my perspective, from every cycle of emergency management, preparedness, response, recovery, and mitigation, two elements. One is on the mitigation piece. Once you get a disaster loan, you get 20 percent on top of that to mitigate in a way that you build more resilient to the disaster you were impacted, we need to explore making mitigation available at the front end as well instead of having to wait for businesses or homeowners to be impacted.

The other piece is a cultural shift in recognizing that that problem is real, that it is here, and we need to adapt, and we have got some catching up to do. And what I have heard from small businesses across the country is they want to tackle it but they are busy trying to keep the lights on and keeping the open sign there.

So what we can do, and will be doing, is providing, at the front end, accessible information on how they can be resilient, from simple steps to the more robust steps, how climate change may affect those regions. And so they have that bandwidth and knowledge and make it easily accessible so we can digest that for them and make it something they can take action on, and do that homework for them and be a good resource.

Senator SHAHEEN. Thank you. Thank you, Mr. Chairman.

Chairman CARDIN. Senator Inhofe.

Senator INHOFE. Thank you, Mr. Chairman. I do have a couple—one is not a question but it is a request for assistance in a problem that we are having, that you probably are not aware of but maybe you are. I do not know. When disasters happen, states can request a FEMA disaster declaration or SBA disaster declaration to help with the rebuilding process. Unfortunately, the Oklahoma Office of Emergency Management in my state has been told by your SBA regional counterparts, for a number of years now, that if a state is denied a FEMA declaration they forfeit the ability to subsequently apply for SBA declaration in order to receive assistance.

Now I know that some people have denied this, and headquarters says that this is not the case, and that states can apply for an SBA declaration.

Now this is a discrepancy that is repeated several times, and the request I would like to have from you, Mr. Sanchez, we need your commitment to resolve this issue. We have had this for a long period of time. We get some inconsistencies with this. And to do this it would be necessary, I think, to follow up with both my office and your Office of Emergency Management to correct this.

Can I depend on you to help us in this effort?

Mr. SANCHEZ. Yes, Senator.

Senator INHOFE. To personally become involved in?

Mr. SANCHEZ. Yes, sir. Not only that, Senator, I am working on it already. You know, Oklahoma is a neighbor of where I come from in Texas.

Senator INHOFE. Sure. Sure.

Mr. SANCHEZ. I called this morning to Mark Gower, who is the Director for the state Office of Emergency Management in Oklahoma. You can apply for an SBA disaster declaration if you are denied by FEMA. I think there is confusion as to whether you can launch SBA prior to FEMA, and so we are going to work through that. And I am glad to keep your office informed and work directly with Oklahoma to make sure we can be as flexible and nimble as we can be to get those programs on the ground.

Senator INHOFE. Well, I know you can do it. And by the way, I am very familiar. In the real world I was a builder and developer, mostly in South Texas, and I know how things worked. And I have worked with your department over a period of time.

So if we could do that, if you could do that and give that commitment to us, that would make our lives a lot easier.

We have a lot of natural disasters, as you know—tornadoes, wildfires, and other problems. The SBA is currently working with FEMA to respond to recent flooding in Seminole, Oklahoma. These disasters have a unique impact on rural communities, and we are a rural state, so when we have rural problems we feel it a little bit more than a lot of others do. They have a unique impact on the communities where they can easily wipe out the livelihoods of Oklahomans involved in farming and ranching.

So is there something that you could share with us today that I could take back that you are doing to ensure the individuals in rural communities are able to access SBA disaster resources?

Mr. SANCHEZ. Senator, thank you for asking that because that hits close to home for me. I was both in deep South Texas, rural Texas.

Senator INHOFE. Where?

Mr. SANCHEZ. Brownsville. Two miles more south and it would have been Matamoros. Mercy Hospital.

Senator INHOFE. I am totally familiar with that, South Padre Island and then all the way up to—well, halfway up the state.

Mr. SANCHEZ. It is. My grandfather actually owned about a 20-acre ranch, Los Palmitos. So he was a rancher as well and did some crops there. So I get rural. It is actually a focus of mine.

I have reached out—and that is part of making sure we meet the customer where they are at. We have had some rural communities hit, and my instruction to the team is get on the ground, talk to local officials, let us get out there, in less time than necessary. I have spoken to county executives directly myself that have 7,000

or less population, 17,000 or less population. It is a focus of mine. And if there are lessons to be learned or ways that we could improve, not only am I open to it, it is something that I am highly focused on personally.

Senator INHOFE. Good. That is all I could ask, and I look forward to great results. Thank you.

Mr. SANCHEZ. Thank you, Senator.

Chairman CARDIN. Senator Hickenlooper.

Senator HICKENLOOPER. Thank you, Chair Cardin, and thank you for your service and for appearing here.

First, thank you for taking into consideration the suggestion that my colleague, Senator Bennet, Representative Neguse, and myself all made in terms of the Marshall Fire, the letter we sent in March. I think modernizing how the SBA calculates building costs is an important first step, as Coloradans figure out how they are going to rebuild after that horrendous fire. But I think we also need to update the borrowing limits to reflect the median value of a house, that has more than doubled in the 28 years since the last time we had a reset.

So how do you think the SBA should, and how well the SBA update their disaster loan assistance home and personal property loan maximums to account for this roughly 30 years of consistent inflation?

Mr. SANCHEZ. Senator, that is an excellent point in terms of the lending limits. The last time we looked at it, it was 1990. I was graduating high school. It is time for us to look at those numbers, and we are looking at that. And my hope is that in the next few weeks we will have some news to you from the Office of Capital Access and our joint work together about how they are going to tackle that, because we have got an approach that is being put together and we are going to be responsive to that.

And I was very pleased to be able to visit with Mayor Stolzmann and local officials there in the Marshall Fire to see how we could use existing rules to be adaptive, and we will continue to do that.

Senator HICKENLOOPER. Great. I appreciate that.

The chaos and damage that follows disasters often exacerbate the existing obstacles for traditionally underserved communities in their efforts to try and access capital. What is the SBA doing, and what could it be doing more to ensure that individuals who may otherwise struggle to secure affordable credit have the opportunity to use these disaster relief loan programs?

Mr. SANCHEZ. Senator, we recently launched an equity action plan to tackle issues like that, and fortunately the great team in place before I came on board was wrapping that up. But one is access to capital, making sure that we meet the customer where they are. So whether it is a language issue or economic issue, that we are meeting them where they are and explaining those programs. It is, in the end, a lending program, so people have to go through a complex financial process, so we are trying to streamline that and improve that.

In the meantime, and even more so, my approach is if you come to the SBA and ask for assistance, and if we cannot quite get to a yes yet, what other programs within SBA can we bring to the table and leverage, and navigate our local resources to connect

them with everything else in the community and Federal programs? So that really unified approach is something that we are looking at to bring that to the ground.

Senator HICKENLOOPER. Interesting. And this is a little bit more out on getting out on the edge. We, obviously, in Colorado, we feel that we are on the front lines of climate change and the climate crisis. We are seeing—I do not think you could call it a drought anymore. It is aridification or desertification. It is the consistently drying of our precipitation patterns, which has led to more and more, worse and worse wildfires.

What is the SBA doing to ensure that the 7(a), the 504, other lending programs are being used by small businesses, taking into account resilience, you know, the resilience for disasters but also preparedness to help mitigate what we know is coming in the form of climate change?

Mr. SANCHEZ. Senator, in the past two years I believe we have had 400-plus drought declarations in this country, and Colorado is ground zero for some of those, and parts of the Western United States. Working with my colleagues across SBA that oversee those programs, to see how we can leverage that. And again, it is really bringing the whole of SBA. We cannot look at disasters in that narrow scope anymore. What can we do to build resilience? How do we incentivize that across other programs so that, quite frankly, those businesses and homes can withstand the next disaster and recover quicker? So that is a priority.

Senator HICKENLOOPER. Yeah, and I think obviously that is something you are still figuring out and we are all still figuring out, is how to look at this new reality.

Anyway, thank you for all your work and taking on such a challenging but very important job.

Mr. SANCHEZ. Thank you.

Senator HICKENLOOPER. I yield back to the Chair.

Chairman CARDIN. Thank you. Mr. Sanchez, my experience during the disaster and the flooding in Ellicott City, Maryland, was a positive experience with the SBA, the Federal agencies, the local agencies. It was, I would compare it to a one-stop shop. They were there. And yes, we went through a declaration, but we had resources out before the declaration as far as advising the business owners, property owners what they were likely to need to be able to do.

So my question is, as you are now reorganizing, are there discussions taking place to make sure that we have a seamless system of applying for Federal help? The process might be different at FEMA and HUD than it is at SBA. But are you coordinating that to make it easier for the customer to be able to not be bounced from one line to another but that can take care of all of their inquiries and applications in one location?

Mr. SANCHEZ. Senator, I am glad you bring up sort of the difference between the lending program and also how it rolls out on the ground. I am the first non-banker to be in this position, so I come from the perspective of a local official that has been repeatedly hit with disasters. How do we improve that customer experience? And I know collaboration is the key to that.

We are working with FEMA, HUD, and our Federal partners to work on what does the sequence look like, how can we collapse it or be adaptable to make those resources, all of those resources, available in a one-stop shop as much as possible.

Already we are removing barriers. We had a pilot program on the threshold, so there would be less bouncing around between FEMA and SBA. We have now implemented that for hurricane season. So that is just one step and that is already in effect, and we are going to continue to explore how we do that better.

Chairman CARDIN. The SBA already allows the borrower to use a certain amount of their loan for future mitigation. Are they doing that? Is that program well understood by the customer, that they are permitted to do mitigation with a certain amount of their loans?

Mr. SANCHEZ. We are actually increasing right now. We have had, in my short time here, going on two or more educational opportunities for our lenders on the ground so they can explain that program better. It is, I think, an underutilized program, so we are going to continue to champion that, and even go back to existing disasters. You have two years to apply for that after you get the loan, so we are even going to go back and reach out to the folks that are already accessing the program, to remind them about that opportunity.

Chairman CARDIN. I appreciate you keeping us informed as to whether there are additional authorities that you need or whether you have adequate authorization. Mitigation is so critically important, so we do want that information to get out there.

Senator Rosen.

Senator ROSEN. Oh, thank you. Thank you. I just came from presiding. Thank you. I appreciate it. Thank you for holding the hearing and for waiting for me to come from the floor. It is so important, the disaster assistance that you do for small businesses, and I really want to thank you for being with us today.

You know, you know, Senator Cardin is, of course, from Maryland, but I am from Nevada, out west, and what do we have there but a major, major drought, extreme drought, and extreme heat. And so extreme heat and drought really do have effects on our small businesses.

We have experienced historic high heat, high temperatures. Reno and Las Vegas are the two fastest-warming cities in the country—or two of them, excuse me—and extreme heat events have caused hundreds of deaths. They have devastated our small businesses and rural communities, who really rely on outdoor recreation and that part of the tourism economy.

Unfortunately, the Federal Stafford Act does not list extreme heat as a potential disaster, and therefore FEMA has never declared an extreme heat disaster. But given that small businesses can only receive SBA disaster assistance if they are located in federally declared disaster areas, businesses facing the impacts of extreme heat, they are really just left without support. Last year, Senator Cornyn and I sent a letter to FEMA asking the agency to address extreme heat as a major disaster.

So, Mr. Sanchez, as FEMA works through its own internal process how can SBA work with FEMA? How can you provide more re-

sources to our small businesses that are dealing with these impacts of extreme heat? And I would also add that, you want to include drought in that too because really, it is pretty much the same issue.

Mr. SANCHEZ. Senator, thank you for that question. You know, I come from Houston where we experienced the hottest June on record, and there are records like that all over the country. I will certainly work with FEMA to see how we are in that process and fold that under disaster declaration.

I had the opportunity actually a few months ago, before I even came on board here, to visit with a colleague in Cook County—I am sorry. Not Cook County.

Senator ROSEN. Cook County is in Illinois, and Chicago, right. Clark County. That is my Clark County.

Mr. SANCHEZ. Thank you, Senator. And what they are seeing there is heat having a cascading impact, as a community that is used to heat but even more that disaster is becoming more problematic and more consequential. So it is a local concern there, and I do look forward to addressing that. And if that is something that is a declared disaster we certainly can bring resources to bear to help recover.

Senator ROSEN. Yeah, and like I said, we are trying to work with FEMA to get these disasters declared. On top of this, because of the extreme heat and extreme drought we have wildfires. They are impacting our small businesses, hundreds of wildfires each year in Nevada. They threaten lives and livelihoods. Of course, they are happening all across the West and across the country. But they drive away our tourists with wildfire smoke, our poor air quality, and in the case of the 2018 Martin and Sugarloaf Fires, they burned nearly 1 million acres of land.

And so 80 percent of Nevada, over 80 percent, is federally owned or managed in some form, so we all have to coordinate, and SBA has a major role to play in terms of stakeholder collaboration, because we have Department of Defense, we have Department of Energy, we have BLM, et cetera, et cetera.

So as we enter wildfire season can you discuss your outreach to our small businesses that may be in the wildfire impact zones, if you will?

Mr. SANCHEZ. Sure, Senator. As a former firefighter I get the threat that the wildfires face, and particularly in areas like the West and in Nevada. Not only are we ready to respond to that in bringing resources on the ground, we are trying to be innovative. We have got a strategic partner in the Institute for Business and Home Safety.

We recently launched an event in California where we saw the Paradise Fire, as an example of launching information of how businesses and homeowners can become more resilient and prepare for wildfires. So not only responding when it happens so we can provide those resources for recovery on the ground, working with partners to ensure that they have the preventive preparedness information in advance as well.

Senator ROSEN. And then, again, I think this probably would take coordination with FEMA or other agencies. But we have businesses that are impacted. Maybe they are okay but the road is out

because of a fire or a flood or a mudslide. A bridge is out. Our internet is out because of the wildfires. So these businesses have business interruption even though they may not be burning down themselves.

And so can you commit to trying to work with FEMA on how you can help the small businesses again that are in this impact zone? They are impacted as a result of this fire, drought, or heat, but they are not burning down at the moment.

Mr. Sanchez. Excellent point, Senator, and I am committed to that collaboration. I will tell you, we are already doing that. I visit with my counterpart at FEMA on a regular basis to see what does that local situation look like? We did exactly just what you asked in Montana, for the fire in Yellowstone. We had businesses that were not impacted but roads and bridges were down so tourism was down. So we worked with the state and said, hey, were you aware that you can still apply for disaster loan for disasters, so they would be able to utilize that.

And so we are working on those options and we will continue to do that, and are doing that now, just through our normal course of work.

Senator ROSEN. Thank you. I appreciate it, and really getting the word out to our small businesses across the country really makes a difference. Thank you.

Chairman CARDIN. Senator Booker.

Senator BOOKER. Administrator, so good to have you here——

Mr. SANCHEZ. Thank you, Senator.

Senator BOOKER [continuing]. And thank you very much for your really hard work under difficult [inaudible-off microphone] small businesses and the work you are doing is important.

I know from my time as a mayor, when I had a real job, that we were really dealing with the impact of disasters. And being the mayor during Hurricane Sandy was quite the challenge for my community, and I was really proud of how my city, even though we had loss of life and tremendous loss of property, I was really proud about how we rose to meet that challenge.

But I learned a lot, because we were still doing recovery in New Jersey from Hurricane Sandy a year or two later, when I became Senator for the state of New Jersey, and traveling up and down with Bob Menendez and seeing a lot of things that just do not make sense to me. And that is why I am excited about pre-disaster resources, because when people are hit time and time again, when I have people telling me stories about, you know, back in 1980 we had this happen, or even more recently, it is clear that we, as a country, could save taxpayer dollars through a lot of our investments.

So again, the additional loan funds for mitigation, property improvements, I really believe are critical and something that I really support, investments in natural infrastructure. These issues, whether it is fires or flooding, are going to get worse and worse and worse, and we have got to start acting.

Each weather event, as you know, typically costs tens of billions of dollars in Federal recovery funding. Federal spending on disaster recover totals approximately half a trillion dollars since 2005. And unfortunately, up to 13 million people can be displaced.

So I just would love to hear and better understand how the SBA has made these significant pre-disaster mitigation investments to help on resiliency, and I was wondering if you could describe some of the work in that area and maybe give me some more hope that I can talk to a lot of the other mayors that are still doing the real work, that we are going to be making more investments in helping for resiliency.

Mr. SANCHEZ. Excellent question, Senator, because mitigation is critical to making sure those businesses and homeowners can withstand a disaster but get back on their feet quicker, especially in these economic times where it is already challenging enough.

We are adding a new focus and emphasis on that mitigation program, so once you have a disaster loan you can add 20 percent on top of that. But there are opportunities to explore the ability to make those lending pre-disaster. So that is critically important.

You talked about Sandy. The number I have off the top of my head is about a quarter billion for Ida. In New Jersey I believe that is $6 million that folks have utilized for that mitigation program, but they have the option to do that up to two years later. So if local officials are looking at how do we address mitigation, let us work with those individuals to see if they want to access that program to build back stronger. And for businesses, making sure they know the resources that they have available and education, what they can do on their own, in addition to what we do, to build that resilience piece, moving forward.

Senator BOOKER. And so this is one of those times where I think the SBA is ahead of other government agencies in having this kind of forethought. Are there lessons you are learning that other agencies might be able to benefit from?

Mr. SANCHEZ. One, from a local perspective, is that is what we are bringing to the table in terms of the importance of resilience. There is a vast effort in the Biden-Harris administration to look at resilience and climate change and tackle that. So there are a lot of moving parts.

I think for us we need to own what is our primary mission and deliver everything that we can, and so that is what we are doing at the Office of Disaster Assistance. And as we move forward with that robust approach for resilience, is really doing that in lockstep and in sync with our partners to see how we can maximize those impacts.

Senator Booker. That is very humble of you. It sounds like you are saying, "Cory, I am just going to do my job and keep focused on my goals and missions."

How about this, a little bit of advice for us? Do you think Congress should be making larger investments, given your sort of cost benefit analysis, investment return analysis? Do you think we should be doing bigger investments in Congress in pre-disaster mitigation or other things that you think are great investments in terms of return, like that pre-disaster money might be?

Mr. SANCHEZ. Senator, in sheer numbers, for every $1 we invest in mitigation there is $6 in return. But I do not think we can look at that in a dollar-per-dollar ratio anymore. What does that mean for getting kids back in school, people back in their jobs, rebuilding those neighborhoods and making sure people do not flee those dis-

aster areas? That is absolutely critical and not part of the economic equation.

So for me, as someone that has responded to that many disasters, mitigation and resilience is absolutely key to making sure people do not even have to recover.

Senator BOOKER. Fantastic. Thank you very much, Mr. Chairman.

Chairman CARDIN. Thank you.

Mr. Sanchez, let me thank you very much. The record will stay open for two weeks for those who may have questions for the record. We ask that you respond as quickly as possible to that.

And thank you for what you are doing. We are very interested in being kept informed, as you see hurdles that you think we can help you with. As Senator Booker was saying, we are very much interested in trying to do pre-disaster mitigation. We also are very supportive of using part of the disaster loans to mitigate future challenges. So this is all part of our priorities, and we look forward to your best advice to us how we can work together to achieve those objectives.

Thank you very much, and with that the hearing will stand adjourned.

Mr. SANCHEZ. Thank you, Senator.

[Whereupon, at 3:24 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

BENJAMIN L. CARDIN, MARYLAND, CHAIRMAN
RAND PAUL, KENTUCKY, RANKING MEMBER

MARIA CANTWELL, WASHINGTON
JEANNE SHAHEEN, NEW HAMPSHIRE
EDWARD J. MARKEY, MASSACHUSETTS
CORY A. BOOKER, NEW JERSEY
CHRISTOPHER A. COONS, DELAWARE
MAZIE HIRONO, HAWAII
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JACKY ROSEN, NEVADA
JOHN HICKENLOOPER, COLORADO

MARCO RUBIO, FLORIDA
JAMES E. RISCH, IDAHO
TIM SCOTT, SOUTH CAROLINA
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JAMES M. INHOFE, OKLAHOMA
TODD YOUNG, INDIANA
JOHN KENNEDY, LOUISIANA
JOSH HAWLEY, MISSOURI
ROGER MARSHALL, KANSAS

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COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
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July 28, 2022

Mr. Francisco Sanchez Jr.
Associate Administrator
Office of Disaster Assistance
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Mr. Sanchez,

Thank you for appearing before the Committee on Small Business and Entrepreneurship on July 13, 2022, at the hearing titled "Oversight of SBA's Office of Disaster Assistance."

Enclosed are questions for you that have been submitted by Senator Cantwell and Senator Hirono for the hearing record. Please submit your answers to these questions by Thursday, August 11th via electronic mail to kathryn_eden@sbc.senate.gov. To facilitate the publication of the record, please reproduce the questions with your responses.

Again, thank you for your assistance. Please contact Sean Moore of the Majority Staff at sean_moore@sbc.senate.gov or Meredith West of the Minority Staff at meredith_west@sbc.senate.gov with any questions you may have. We look forward to reviewing your answers.

Sincerely,

Benjamin L. Cardin

Benjamin L. Cardin
Chairman

Senate Committee on Small Business and Entrepreneurship Hearing
July 13, 2022
Follow-Up Questions for the Record

Questions for Mr. Sanchez

SENATOR CANTWELL

Mr. Sanchez, I was pleased to hear you are looking at increasing the caps on disaster loan amounts. The cost of rebuilding has increased and the lending limits should keep up with these market conditions. But I want to ask you about another problem that will be accelerating as climate change increases the frequency of natural disasters.

I have two towns in my State, Malden in eastern Washington, which was almost totally destroyed after the Babb Road Fire ripped through the town in September, 2020, and Sumas, a northern-border crossing town that was nearly totally destroyed by floods in November, 2021. One year after the Malden fire, just two of the roughly 67 homes lost had been restored. The library, food bank and town hall were still operating out of trailers. The population shrank by half from roughly 225 to about 125.

It's been nearly 2 years since the fire yet most of the returning residents are living in RVs. To the extent there has been rebuilding, much of it is funded by non-profit religious organizations and the Red Cross. Malden's Mayor, Dan Harwood, has blamed the federal bureaucracy for the slow recovery. Likewise, in Sumas, recovery has also been slow. A year after the flood, approximately 100 homes are still uninhabitable and many small businesses are struggle to reopen.

These two communities have four facts in common in the aftermath of the disasters:

(1) the communities were almost entirely wiped off the map, but residents and businesses wanted to remain and rebuild,
(2) in the immediate aftermath of the disaster, residents dispersed to nearby towns or wherever they could find a temporary home,
(3) after residents dispersed, they resettled, and as they waited for assistance, many lost interest in returning and rebuilding, and
(4) for those that do return or remain, they are often already in debt, with their assets destroyed, and reluctant or unable to take on new debt to rebuild.

So the speed with which assistance comes to these communities – and the availability of more flexible assistance with fewer restrictions and procedural hurdles, seems to be directly related to the likelihood of a full recovery.

QUESTION 1:

What can be done to get assistance flowing faster at the outset after a disaster?

ANSWER: It is correct that the availability of flexible assistance with fewer restrictions is directly related to the likelihood of a full recovery. SBA disaster loans are immediately available following either a major presidential disaster declaration for individual assistance or an SBA agency declaration. To expedite assistance to disaster survivors and their recovery, SBA will approve and disburse approved disaster loan funds even if the insurance claim is still pending. Other federal assistance programs wait until the insurance claim is settled before providing repair funds. To comply with the federal requirement to avoid a duplication of benefits, SBA places an assignment on the insurance proceeds. If there is a duplication, we can either reduce the undisbursed portion of the loan or the borrower may be required to apply it towards the principal balance of the loan. However, some forms of federal assistance do not have this same flexibility.

QUESTION 2:

Would it be worth considering a program with forgivable loans -- provided the funds are conditioned on returning to rebuild the community in either the same or a nearby, more disaster-resistant area?

ANSWER: SBA supports options for disaster survivors to help meet their unique needs and achieve a successful recovery as quickly as possible. We should use every tool in the toolbox. SBA does not currently have programmatic or budgetary authority to issue forgivable disaster loans. Our Office of Congressional and Legislative Affairs (CLA), however, is available to provide technical assistance or answer questions.

QUESTION 3:

The town of Malden, in my state of Washington, was almost totally destroyed after the Babb Road Fire ripped through the town in September, 2020. The fire in Malden was apparently started by a branch hitting a power line.

And with more frequent and intense weather events, including hotter and faster moving wildland fires, many utilities are working to create more separation between trees and branches and power lines, as well as upgrade their grids with fire resistant and detecting technologies. Like systems that instantaneously de-energize power lines if a fault is detected during a windstorm.
Many of these utilities particularly in rural America, are small businesses, including rural electric cooperatives. I see the SBA as the tip of the spear for disaster relief – and even mitigation on an individual property, but I am not as clear as to how you are helping with mitigation with regard to small business-owned infrastructure.

Do you see a role for the SBA in providing support for these efforts to upgrade the electric grid? To what extent can your existing programs help these small business electricity providers undertake disaster mitigation steps and critical network upgrades?

ANSWER: SBA has a role in providing support to small businesses to be more resilient. SBA does provide additional loan funds for mitigation (protective measures), but assistance is only available to SBA disaster loan borrowers as a loan increase following a declared disaster event.

The Small Business Act limits SBA's ability to provide mitigation disaster loan funds after a disaster, to 20 percent of the disaster losses. The Act also limits mitigation assistance to disaster survivors that have uninsured, underinsured or otherwise uncompensated losses. See 15 USC 636(b)(1)(A).

QUESTION 4:

What do you think the payback would be for SBA grants or loans that would help harden the electricity grid?

ANSWER: SBA has not done a cost-benefit analysis on programs specifically targeting electricity providers. However, based on our experience in disaster recovery we can share some lessons learned regarding the importance of strengthening the electricity grid. Extended power outages caused by disaster events are extremely dangerous and can lead not just to more severe economic injury for small businesses but also increased number of deaths. Extreme heat is a growing threat and residents and businesses in areas without power to run air conditioning units, cool households, or refrigerate perishable groceries or medical supplies—such as insulin—are at increased risk. Underserved communities and the elderly are at the greatest risk following a disaster event that results in extended power loss.

QUESTION 5:

When destructive disasters strike in rural America, due to growing severity, they are increasingly challenge the viability of our smallest rural communities. One thing we have learned is that if too much time passes before government assistance is available, residents who have relocated to a safer place become less interested in returning to their community to rebuild.

Because federal assistance is provided by several agencies, primarily SBA, FEMA and HUD, it would seem to me that the coordination of those agencies, along with state and local governments, would be central to increasing the speed and efficiency of getting assistance to the individuals and small businesses that need it. I understand that FEMA, SBA and HUD recently formed working groups to address aspects of your collective service.

Mr. Sanchez, given the growing risk across the country of more frequent disasters, have these working groups developed recommendation to improve the coordination and speed of delivery of assistance to our smallest, rural communities in need?

ANSWER: In addition to our longstanding coordination efforts under the National Disaster Recovery Framework (NDRF) with federal partners, SBA is working with FEMA and HUD in some new ways to improve disaster assistance to all communities, including small and rural areas. We are currently working with FEMA and HUD to develop an interagency plan to help identify and overcome barriers to disaster assistance. SBA is also engaged with other federal partners in the Equitable Recovery Sub-Interagency Policy Committee to support the Biden-Harris Administration's goals to improve equity and customer experience. The President's Management Council is leading work on five Life Experiences, including the Recovering from a

Disaster Life Experience. The Disaster Life Experience work involves participation and leadership from Executive Office of the President components and partner Federal agencies, and full updates are available at performance.gov. To date, the Disaster Life Experience has explored three primary areas: interagency data sharing, disaster survivor recovery, and small business recovery.

SENATOR HIRONO

Relying on SBA District Offices

I'd like to talk about a great resource within our communities – SBA district offices. In Hawaii, our district office works closely with resource partners, community navigators, and, of course, small businesses – especially during times of disaster.

With limited resources, the district office serves businesses throughout the state, as well as in Guam, American Samoa, the Commonwealth of Northern Mariana Islands, Micronesia, Palau, and the Marshall Islands.

In short, the district office knows the communities where businesses are located, and works hard to serve these businesses:

QUESTION 1:

Do you believe SBA district offices should play an important role in the federal government's disaster recovery efforts for small businesses?

ANSWER: Administrator Guzman and I are committed to breaking down silos to improve the delivery of disaster assistance and the customer experience. SBA has 68 regional and district offices across the U.S., and thousands of resources partners such as Small Business Development Centers (SBDCs), Service Corps of Retired Executive (SCORE) business counselors, Women's Business Centers, Veterans Business Outreach Centers and Community Navigators. SBA leverages these centers to help small businesses prepare for, recover from, and mitigate disasters. They will continue to play a critical role in disaster recovery for small businesses.

Follow-up:

I would strongly encourage you to work closely with the Hawaii district office on future disaster recovery efforts in the state:

QUESTION 2:

Can you commit to working with the Hawaii district office on future disaster recovery efforts in Hawaii?

ANSWER: Yes. You have my commitment that my office will continue working closely with the Hawaii District Office, as well as the SBA Region IX Office, to coordinate on future disaster

recovery efforts in your state. Our Field Operations Center – West has a long history of working together with the Hawaii District Office to support small businesses recovering from disasters.

Resiliency and Mitigation Efforts

Many of us acknowledge that climate change is leading to stronger hurricanes, storms, floods, and other disasters. So I'm glad to hear the Biden Administration has requested funding to help businesses build greater resiliency ahead of natural disasters:

QUESTION 3:

Can you elaborate on some of the resources that are available to help businesses build greater resiliency ahead of disasters?

Through a whole-of-SBA approach, SBA works to meet customers where they are, and the Agency is focused on developing stronger and safer communities so local economies can thrive and small business owners can prosper. The SBA is actively communicating with the public about essential disaster assistance and preparedness resources, and develop easy-to-use resources for businesses, communities, and the SBA's resource partners, local chambers of commerce, community navigators and other state and local partners. These resources are vital in helping businesses develop resiliency. SBA's field offices are empowered to develop relationships with communities that have suffered multiple disasters to ensure these communities are prepared for future events and have the resources necessary to build back stronger.

The SBA continually reviews and implements process improvements to enhance program delivery. The SBA supports its engagement and outreach focused on resiliency through https://www.sba.gov/prepare and a new webpage, https://www.sba.gov/mitigation. These resources ensure that resiliency education is made easy for disaster survivors, and that they are aware of the breadth and depth of SBA resources for building resiliency.

Additionally, customers that obtain a disaster loan can also increase the amount borrowed by up to 20 percent to implement mitigation measures that may provide extra resilience or protection from future disasters.

QUESTION 4:

How is your office working to let businesses know these resources are available?

My office has prioritized engagement across various communities throughout the U.S. and territories to elevate SBA's mission. By regularly working with District Offices and resource partners, SBA continues to build relationships with local leadership and emergency management personnel at the state, and tribal levels to improve readiness and post-event coordination to ensure that disaster survivors have access to up-to-date information. Additionally, I have spoken at many industry conferences on SBA's role in disaster recovery and resilience.

QUESTION 5:

Do you believe SBA district offices should play a role in sharing information about these resources with businesses? If so, then how?

Yes. SBA's District Offices were instrumental in the Agency's COVID-19 recovery programs. The District Offices' role in educating disaster survivors on the available resources was vital. SBA continues to leverage the District Offices to engage local communities from preparedness to recovery. The SBA will continue to support local outreach conducted by the District Offices that are working with SBA's resource partners directly. The Agency recognizes the potential for resource partners to assume a larger role supporting disaster assistance and will continue to engage Small Business Development Centers, Women's Business Centers, SCORE, Veteran Business Outreach Centers, and the Community Navigators Pilot Program in recovery efforts.

Hawaii Disasters

Hawaii is very different from other states, including when it comes to natural disasters. Few other states, for example, have to deal with volcanoes, which led to a federal disaster declaration in 2018 ("Hawaii Kilauea Volcanic Eruption and Earthquakes," March 2018).

In that particular instance, there were initial questions about whether homes surrounded by lava would be considered "damaged" so that homeowners could receive federal assistance – since many homes were not actually physically damaged.

While the issue was eventually resolved, I would ask you to work with my office and keep an open mind to these kinds of differences during any future disaster recovery efforts in the state.

QUESTION 6:

Can you commit to working with my office on future disaster recovery efforts in Hawaii?

ANSWER: Yes, you have my commitment to work with your office to support disaster survivors and future recovery efforts in Hawaii. Our Office of Congressional and Legislative Affairs (CLA) is available to coordinate technical assistance or any additional questions you may have about proposed legislation that may improve disaster preparedness, recovery, and mitigation efforts.