

CONGRESSIONAL TESTIMONY

SBA's DISASTER RELIEF PROGRAMS

Presented to:

HOUSE COMMITTEE ON SMALL BUSINESS

HONORABLE NYDIA M. VELAZQUEZ, CHAIRWOMAN

Presented by:

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Testimony of Harry C. Alford, President/CEO, National Black Chamber of Commerce

Madam Chairwoman, distinguished members of this important Committee, I express my gratitude in having the opportunity to address you about this very important subject – Disaster

Relief Programs of the SBA. Since that dreadful day in August, 2005, we have been reeling from our inability to provide proper response and relief to a certain segment of our population. The reality of our inability to properly come to the aid of fellow Americans is a topic that demands our full attention and correction. God forbid if we have to repeat the incompetence, arrogance and neglect exhibited before the world via television. It was a shame directly attributed to the richest nation on earth.

The National Black Chamber of Commerce was founded in 1993. Its mission is to promote entrepreneurial growth and economic development in African American communities and the Black Diaspora. According to the United States Census Bureau, small business in America is booming. Leading that growth is the Black business segment that has grown by over 42% during the period of 1997 – 2002. We have numerous chapters and direct membership throughout the recent hurricane affected areas of Texas, Louisiana, Mississippi, Alabama and Florida. Prior to Katrina, the State of Louisiana had the eleventh largest population of Black owned businesses by itself. The region accounted for the largest regional representation of Black owned firms.

Despite this vitality of growth and development, we have witnessed from budget cycle to budget cycle the reduction of funding and resources to the US Small Business Administration. As our numbers have grown, the services and manpower of the SBA has been heading in a downward cycle. The current budget request from the SBA is \$464 million dollars. I recall the funding of over \$860 million less than 10 years ago. How does a nation that prides itself in small business growth, which provides 70% of all new jobs, apply a “choke hold” on the SBA?

We are faced with an ever competitive global market. Yet, we have dwindled the SBA to a point of anemia. Our readiness had been depleted and the SBA became a “disaster waiting to happen”. Eventually, the challenge emerged with the start of Hurricane Katrina. Yes, it was the greatest natural disaster in our recorded history but the worst came with a response that could not even attempt to be adequate or meet the demand.

This great nation deserves a viable Small Business Administration. One that can complete its mission and serve the needs of Americans and their small businesses, replete with a 21st century disaster program. By simply transferring the costs of three (3) new F-22 fighter jets we could double the budget of the SBA and return it to mid-1990's levels. Yes, we must think and plan better and meet the mission with more efficiency but you cannot achieve this by eliminating basic funding. Time is of the essence and restoring the faith of Americans is paramount.

According to the SBA, on August 1, 2005, the Disaster program had 880 employees on board; by December, the number of active personnel had grown to almost 4,000. The new personnel had to be trained, and more than 400,000 square feet of work space had to be acquired. The question now is this: Will we maintain levels that resemble the 4,000 employee level or do we revert back to the inferior staffing of 880?

This nation must be ready for the next Katrina. There was a painful lesson learned and we must act accordingly. This is going to take more resources – staff, systems and funding. We can no longer afford to keep our “heads in the sand”. What is at stake are the lives of Americans, their jobs and businesses. A first world economy deserves a first world disaster plan and readiness.

In terms of planning, the SBA should be required to develop, implement and maintain a comprehensive written disaster response plan based on the intensity of Katrina. Office space, staffing, systems complete with coordination scenarios with applicable federal agencies should be established as soon as possible. This plan should be tested through drills and exercises that would simulate a major disaster. These plans should be realistic with proper resources and not designed as “blue skies”.

There should be a position established to administer the above project. An Associated Administrator for Disaster Planning should be created to coordinate with the SBA’s Associate Administrator for the Office of Disaster Assistance, FEMA, and other federal, state, and local disaster planning offices as necessary. This officer will report directly to the Administrator and will be responsible for planning for and leading the agency’s annual training exercises. It should go without saying that this person’s background will be consistent with the duties assigned. In other words, let’s not have a simple political appointment (without rhyme or reason) who will have a “melt down” during the first crisis.

In regards to lending, we must have a comprehensive program that will significantly increase legislative limits on business loans. The process for personal and business lending should be streamlined to expedite funding and a system that is not punitive to the borrower in terms of repayment period and subsidies. We can enhance the lending authority for our Preferred Lenders so that they can originate, process, and disburse home disaster loans for a small fee.

Short term loans, similar to the bridge financing provided by the Mississippi State Legislature, should be provided so that businesses can get started immediately with their rebuilding while they wait on the traditional disaster loan process. Grants for certain conditions can also be considered in order to “jump start” local rebuilding of businesses that provide jobs to the affected areas.

The SBA should have adequate funding for outreach and marketing. Businesses within our communities rarely know what the SBA is and its programs. I dare say that the majority of the over 1 million Black owned businesses in this nation do not know the address of the nearest SBA District Office or the District Manager and the applicable staff. Whether they are a mile away or 100 miles away there is no adequate interaction.

There must be proper oversight so that we are assured of readiness when the next major calamity occurs. Congress should require the SBA to submit an annual report on Disaster assistance program performance during the previous fiscal year. This report should cover changes in staffing, technology, and a review of challenges encountered and overall results. During times of long-term recovery, such as now, the SBA should make monthly reports to Congress on the status of the program.

Madam Chairwoman, distinguished members, your consideration of these proactive changes are greatly appreciated. We need a SBA that is equipped, trained and funded to better serve the needs of the people of this great nation.