



# News Release

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## SBA Disaster Budget Questions and Answers

### **Q. How has SBA's budget since 2001 affected its Disaster Assistance program?**

A. It hasn't. To understand SBA's budget one must compare apples to apples. The agency budget has two main streams: disaster funding and regular funding.

On the disaster side, the program has consistently received full funding through a combination of annual appropriations and supplemental funding. The program has never been slowed or otherwise constrained by funding issues.

Disaster funding does fluctuate annually in line with major disasters such as Hurricanes Katrina, Rita and Wilma. After the Gulf Coast hurricanes, SBA's total budget more than doubled from 2005 to 2006 because of appropriations made to deal with those storms.

The ebb and flow of SBA's disaster funding, according to the program's needs and available balances, may create the false impression that SBA's budget is doubling or being halved. The disaster budget has never been funded below annual loan demand or reduced in any significant way – either in our budget submissions to Congress or in the appropriations process.

The controversy over SBA's budget reductions comes on SBA's regular funding side -- i.e. operating budget, non-credit programs, and earmarks. However, the core operating budget, which funds field and program staff, has *grown* from \$305 million in 2001 to \$365 million today. Reductions since 2001 have all been outside of SBA's operating budget, primarily in the credit program where a \$100 million annual subsidy was eliminated.

### **Q. Then why did SBA struggle during Katrina?**

A. Frankly, the disaster loan-making process was inadequate to handle a surge the size of the 2005 Gulf Coast Hurricanes, which impacted over 2.5 million citizens covering 90,000 square miles. These disasters generated over 422,000 loan applications, more than six times the number received in an average year. The disaster program lacked the capacity to quickly handle such a massive influx of applications.

The good news is, under the leadership of former SBA Administrator Steve Preston and current Acting Administrator Sandy K. Baruah, the disaster program has been reformed and modernized. This effort includes restructuring internal operations, upgrading technology, and creating a

nationwide reserve of customer service representatives, loan officers, field inspectors and support staff. The program today is far better equipped to handle major catastrophic events.

For more details on the disaster program reforms, see this [fact sheet](#).

**Q. Did budget constraints inhibit these reforms?**

A. Not at all. SBA's budget has not been a factor in implementing these many reforms. While some of the changes have required additional funds, the agency has worked with Congress to provide these resources as necessary.

We know these reforms have improved SBA's ability to provide an effective and rapid response to large scale disasters. This summer, responding to the flooding in the Midwest, SBA processed applications in an average of 10 days while approving nearly \$354.3 million in disaster loans.

There is no GAO or Inspector General report that cites budget cuts or lack of funding hampering SBA's disaster response.

**Q. Will SBA be forced to hire untrained, inexperienced workers to handle large disasters such as Hurricane Ike?**

A. The opposite is true. As indicated by its [Disaster Recovery Plan](#), successfully submitted to Congress more than a year ago, SBA has spent innumerable hours preparing for the next big disaster.

To ensure SBA is able to respond immediately to large disasters, last year the agency established a disaster reserve corps. There are over 2,000 trained and experienced individuals who can quickly staff up disaster field offices. These individuals have signed up as reservists and are committed to reporting with 48 hours notice. Additionally, SBA has trained non-disaster district office and Office of Capital Access staff to process disaster loan applications and perform other disaster assistance functions should we need them.

In the post-Katrina era, SBA has undertaken a significant effort to closely coordinate with our resource partners, including the Small Business Development Centers, SCORE and Women's Business Centers. And the U.S. Chamber of Commerce has agreed to support disaster survivors by informing local businesses about additional forms of recovery assistance.

Already, in response to Hurricane Gustav, SBA is partnering with the State Economic Development Department in Louisiana, where we have established seven business counseling centers. These long term partnerships ensure that impacted businesses have access to highly trained and experienced financial consultants to provide comprehensive business counseling, as well as to help businesses apply for SBA disaster loans.

SBA has enhanced its internal coordination and collaboration with federal and state partners by establishing the Executive Office of Disaster Strategic Planning and Operations. Retired Rear Admiral Steve Smith is leading this new office and will – on an ongoing basis – develop and implement institutional changes to the disaster program that will continue to help the agency provide a more effective and timely disaster response.

The agency has also secured over 400,000 sq. ft. of space in multiple locations across the country with 180,000 sq. ft. specifically allocated as permanent space for the Processing and Disbursement Center in Fort Worth, TX. This space is in place to handle an influx of people to process the anticipated large volume of applications and will handle any initial surge requirements.

**Q. If the system works so well now, why hasn't SBA distributed all approved loans from the 2005 hurricanes yet?**

A. As in every disaster, the amounts actually disbursed are generally less than that approved as a result of insurance settlements, grants, or personal decisions not to proceed. Well over 98 percent of net loan approvals after cancellations have been fully disbursed based on each borrower's rebuilding plans and schedules.

Of those loans still in SBA's system, many have been reinstated, while others may be substantial rebuilding projects that take a great deal of time. In addition, normal timelines were extended due to multiple extensions of applications and disbursement deadlines. Other factors influencing loan disbursement are weather, contractor availability, infrastructure rebuilding, and availability of sources of income (jobs or customers).

In the case of the Gulf Coast Hurricanes, these were all major factors. The current percentage of loans still in process is approximately two percent, a small percentage when compared to the overall number of loans that were made during the Katrina response.

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