



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

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OFFICE OF THE ADMINISTRATOR

August 30, 2006

The Honorable John Kerry
United States Senate
Washington, D.C. 20510

Dear Senator Kerry:

I appreciate the opportunity to respond to your concerns regarding the Small Business Drought Relief Act. I regret my delay in responding to your letter; however, I wanted to respond to you only after SBA had secured the proper information from the National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Agriculture (USDA), and the National Drought Mitigation Center.

As you know, the statutory change to include drought and below average water levels represents a significant change to SBA's disaster loan program. The Small Business Act defines disaster as "a sudden event which causes severe damage." Drought and below average water levels are not sudden events, and introduce a number of new issues about how to define and measure them for the purposes of making a disaster declaration.

For instance, the definition of drought varies in different parts of the country. Several months without rainfall may constitute a drought in the East, where drought is a function of soil moisture and precipitation. However, it would be normal in the West, where drought is a function of stored water (snowpack, reservoir levels, and streamflow). For SBA, this raises issues concerning whether a drought exists, how severe it is, when it begins and ends, and whether economic injury results. The same issues arise when defining below average water levels.

We have been consulting external sources, (e.g., NOAA, USDA, and the National Drought Mitigation Center) and having internal discussions to determine the most objective means of defining drought and below average water levels for the purposes of justifying a disaster declaration and its beginning and end points. We believe we have reached a consensus that will be ready for final Agency review this week and inter-agency review after that. After that process is completed we will be able to publish and publicize the proposal for public comment.

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The Honorable John Kerry

We appreciate your understanding of the complicated process of determining proper definitions in this situation. Rest assured, SBA remains committed to serving small business in the best possible way. If you have any questions or comments, please contact me directly.

Sincerely yours,

A handwritten signature in black ink, appearing to read "S C P", with a horizontal line extending to the left.

Steven C. Preston