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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

March 31, 2006

The Honorable Hector V. Barreto  
Administrator  
U.S. Small Business Administration  
409 Third Street, SW  
Washington, DC 20416

Re: Implementation of Law Providing Disaster Loan Assistance to Drought Victims

Dear Administrator Barreto:

On January 6, 2006, H.R. 1815, the "National Defense Authorization Act for Fiscal Year 2006" was signed into law. For several years we have fought for legislation to help small businesses damaged by drought, and it was included in this bill. The law requires the SBA to publicize the final rules to carry out this legislation within 45 days of enactment. That timeframe ended more than a month ago on February 20, 2006, so we are writing to inquire how and when the Administration will implement these changes.

This provision clarifies the Agency's existing authority to make low-interest disaster loans to agriculture dependent *as well as* non-agriculture dependent small businesses. This clarification was necessary because SBA has not complied with the law and for years has treated drought victims differently, only making disaster loans to those small businesses whose income is tied to agriculture. For example, a couple of years ago the entire state of South Carolina had been declared a disaster by the SBA, but the Administration would not help all drought victims. The declaration read:

"Small businesses located in *all* 46 counties may apply for economic injury disaster loan assistance through the SBA. These are working capital loans to help the business continue to meet its obligations until the business returns to normal conditions....*Only small, non-farm agriculture dependent and small agricultural cooperatives* are eligible to apply for assistance. Nurseries are also eligible for economic injury caused by drought conditions."

Unfortunately, drought impacts not just agricultural firms, but also firms in the tourism and recreation industry. They, too, need disaster loans to keep their businesses open until conditions improve or until they can adjust their business practices. To understand just how devastating drought can be on non-agriculture dependent businesses and local economies, we encourage your staff to meet with the small businesses on Lake Mead, outside of Las Vegas. There are fishing guides who are struggling to find ramps that still reach the water to launch their boats. There are boat dealerships in the county that have

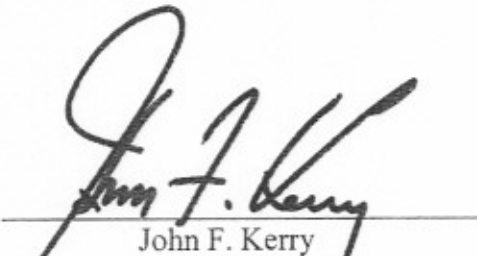
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lost an estimated \$100 million in sales because recreation at the lake is down. And marinas are paying millions to move their docks, buildings and utilities, trying to "chase the water." The area usually gets 8-10 million visitors a year, but the impact of drought on Lake Mead has caused the region's economy to lose more than \$1 billion, according to local officials. Lake Michigan has suffered similar economic losses, and the state's congressional delegation has been looking for small business relief for years. By applying the law fairly and giving all small business owners access to low-interest loans for paying bills and making payroll – regardless of whether or not their business has agricultural ties – this legislation plays an important role in sustaining their livelihoods until conditions improve.

Over the years, the language in this provision has had the bipartisan support of 25 Senators as well as the endorsement of organizations such as the Southern Governors' Association. As many as 36 states had SBA drought declarations in the summer of 2002 when this legislation was originally introduced. At the time this legislation passed the Senate in the fall, 15 states fell under this category: Wisconsin, Tennessee, Kentucky, Virginia, Montana, Nebraska, South Dakota, Iowa, Oklahoma, Illinois, Arkansas, Louisiana, Mississippi, Texas, and Kansas. With drought's peak season just around the corner everywhere from the Great Lakes region to Lake Mead to Wyoming, it is imperative that the SBA implement these protections and allow *all* small business owners who are eligible to get these much-needed disaster loans.

On or before April 14, 2006, please submit to the Committee a detailed description of how and when the SBA will implement this law. If you have any questions, please don't hesitate to call us.

Sincerely,



John F. Kerry



Michael B. Enzi



Carl Levin



Harry Reid