

**Testimony of
Eugene Cornelius
Former SBA District Director
For Louisiana**

**HEARING ON
REBUILDING THE GULF COAST:
SMALL BUSINESS RECOVERY IN SOUTH LOUISIANA**

**COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
U.S. SENATE**

FEBRUARY 20, 2008

Good morning Senator Landrieu, Senator Vitter, and members of the Committee. Thank you for inviting me to discuss the efforts, progress and improvements being made in the aftermath of the devastating 2005 Gulf Coast Hurricanes and more specifically the role the Small Business Administration (SBA) continues to play in providing disaster assistance to the victims of Hurricanes Katrina, Rita and Wilma.

My name is Eugene Cornelius, and until recently, I served as the Louisiana District Director of the SBA for nearly four years. I am currently SBA's District Director in Washington, DC. I was proud to lead the local team of dedicated staff in Louisiana, as well as being the direct point of contact between SBA Headquarters and the people in the state throughout the response and rebuilding efforts.

During the rescue, relief and reconstruction of the Gulf to date, SBA received 422,965 loan applications, of which 364,491 were for homeowners and over 58,000 were for businesses. Of those, SBA approved nearly 161,000 loans for almost \$11 billion. Since then, as in all major disasters, we have had a number of cancellations; so the net number of loans approved is approximately 120,000 for \$6.9 billion. That money is at work in the Gulf right now rebuilding homes and businesses and supporting the local economy. More specifically, over \$390 million has gone directly to the three parishes in the southern region of Louisiana. In total, over \$3.7 billion in SBA loans have been disbursed to Hurricane Katrina victims in Louisiana.

In addition, another \$290 million have been disbursed to victims of Hurricane Rita. Additionally, I am pleased to share with the committee that today all but 700 loans have been either fully or partially disbursed; and for those borrowers who have not drawn down on their funds, we remain ready to disburse.

In the first several months after Katrina, the SBA had tremendous difficulty in meeting the needs of the people in the Gulf. I am proud of the great progress SBA has made in the Gulf and in disaster recovery more broadly in the last eighteen months. SBA recognized the severe challenges that hindered its efforts to aid recovery, and has made dramatic improvements to its processes. In June of last year, the SBA presented to the Committee the Agency's Disaster Recovery Plan. After months of deliberations and countless hours of work, the Agency has documented the critical steps to be taken by the Agency along with other Federal agencies to prepare for, respond to and recover from natural disasters. But we are not finished. This is a working document and continues to be reviewed and updated as appropriate.

Our improvements to the disaster assistance process include an accelerated loan application decision process; improved processes and tools for loan closing and fund disbursement; more transparent, meaningful performance data to better manage operations; consistent adherence to policy through training and internal quality assurance; better coordination with non-disaster field staff; and improved harmonization across disaster center operations.

Additionally, as the Gulf Coast continues to rebuild, SBA has been very active in the government contracting process both at the federal and local levels. Small business participation exceeded the Federal government's 23 percent prime contracting goal by over 5 percent. Our preliminary data shows that small businesses have received over 28 percent of the nearly \$18 billion awarded. Of those amounts 8.1 percent has gone to Small Disadvantaged Businesses; 4.2 percent has gone to women-owned businesses; and 4.2 percent to HUBZone firms.

Furthermore, I know the Committee is interested in the performance of the Federal government in contracting to local businesses. As noted by the GAO in their March 2007 report, local businesses of all sizes in the Gulf Coast Region received nearly 28 percent or \$4.99 billion of the \$18 billion in contracts. Of that \$4.99 billion, approximately 57 percent went to local small businesses. Here in Louisiana, 67 percent of our district office portfolio of 8(a) firms received government contracts.

SBA remains committed to making sure that our small business customers receive fair opportunities to help in the reconstruction effort. Soon after Katrina struck, SBA dedicated personnel to assist in identifying small business contracting opportunities. Five Procurement Center Representatives (PCRs) were specifically assigned to work with Federal agencies, including the Department of Defense, Department of Homeland Security and the General Services Administration, to find relief and reconstruction contracts as well as subcontracting opportunities for firms in the Gulf Coast region. All other PCRs across the country were similarly directed to search for small business contracting opportunities.

SBA was a partner with the Department of Commerce and other agencies to establish the Hurricane Contracting Information Center (HCIC). The HCIC is a portal for small businesses to access assistance and contract information from the various contracting agencies. During the height of the HCIC operations, contracting specialists took thousands of calls and the HCIC website has had nearly 57,000 hits. Operation of the HCIC has been turned over to SBA and will form part of future disaster contracting initiatives.

In November 2005, SBA adapted its Business Matchmaking initiative to help small businesses in the stricken areas. SBA conducted a six-city mobile registration tour in the hurricane-affected areas. The mobile tour used a specially-equipped recreational vehicle donated by Microsoft to help small businesses register electronically in the Central Contractor Registry. Business counseling was also provided by SBA resource partners including Small Business Development Centers and SCORE. Following the registration, SBA's PCRs across the country worked with the over 700 small businesses to match capabilities of the firms by usage of the NAICS codes with the needs of the procuring activities.

Small businesses who register through it have received more than \$650 million in contracts primarily awarded by Federal agencies and each firm's profile has been uploaded to the General Services Administration's electronic notification system to receive electronic alerts of procurement opportunities.

In addition to Federal prime contracts, subcontracting puts much needed dollars into the hands of local small businesses and small businesses in general in the Gulf Coast rescue, relief and reconstruction effort.

Furthermore, SBA's daily mission in the state has continued to grow. I spoke earlier about the \$6 billion in long-term low-interest disaster loans we have approved to disaster victims in the Gulf. That money is specifically for rebuilding and recovery. But we also guarantee loans made by private lenders, credit unions, and community development corporations.

These are loans in which private lenders are investing into the community. This is new money that is coming to Louisiana, to start new businesses, expand existing businesses, to grow working capital, and build facilities and ultimately create jobs and fuel the economy. I'm excited to announce that the SBA Louisiana District had a record year in guaranteed lending. We guaranteed over 1,000 loans for \$141 million, and we have another month to go in our fiscal year.

SBA is committed to utilizing all of our programs and products and services to help the Gulf Coast areas recover--government contracting, lending, technical assistance--but most importantly our disaster program has disbursed approximately \$1.45 billion in physical and economic injury disaster loans to small businesses throughout the Gulf Coast in addition to the more than \$4.8 billion disbursed to help rebuild homes; helping the local labor force get back to work. It is SBA's mission to help the local businesses within these communities recover and prosper, as they are the engine of the economy.

Looking forward, SBA will build on these kinds of successes by improving processes and technologies to expand small business Federal contracting opportunities.

In closing, thank you for having me here to testify. The 2005 hurricanes overwhelmed disaster response at all levels, certainly SBA was no exception. SBA employees worked -- often around the clock to try to help the disaster victims whose lives were torn apart by the hurricanes. Those are the same people who fixed the process and are, today, enabling SBA to play its part in rebuilding the Gulf while simultaneously improving our ability to respond to disasters in the future.