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It's Not a Disaster
Government can be reformed.
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By Steven Preston

As a businessman appointed last summer to take over a much-criticized federal agency, coming to Washington has been an education. A central lesson after six months on the job is that many government challenges can be addressed through operational solutions and basic private-sector management techniques.

The U.S. Small Business Administration provides low interest, long-term disaster loans to homeowners and small businesses, and, like many other levels of government — local, state, and federal — was overwhelmed in 2005 by Hurricane Katrina.

The agency received more than 420,000 loan applications and approved $10 billion, almost three times the dollars of the next largest disaster in agency history. This demand surge left SBA struggling to meet the needs of thousands of disaster victims in a timely fashion.

I came to the agency almost 11 months after Katrina. While SBA had made progress addressing the disaster's challenges, 120,000 disaster victims were still somewhere in the process.

Digging into the agency's operations last summer, we found a multitude of issues leading to high error rates, steep backlogs, and decision-making bottlenecks. Armed with this information, we reengineered our disaster loan processes, investing thousands of man hours on a new system:

Each borrower now has a case manager to establish accountability, eliminate mistakes, and provide a more responsive experience;
We moved 1,300 staff and revamped their work flow, from a production line with inadequate communication to 15-person integrated teams where each function is represented, with authority to manage for results;
We contacted over 90,000 borrowers in the Gulf to introduce them to the new process and began recording their issues, to create a database of borrower challenges.

The results we obtained through these operational reforms have been outstanding:

Most of our borrowers were stuck in a backlog attempting to modify their loan requests. SBA reduced backlogs by over 90 percent, and the age of that backlog from 2 1⁄2 months to under eight days;

Of 160,000 applicants with approved loans from the 2005 Gulf hurricanes, 98 percent have now either received all or some of their loan money, or have chosen not to proceed with their loans, generally because they secured funds elsewhere;

Of the $7 billion in approved loans requested by borrowers, we have now put $5 billion in SBA disaster assistance funds to work rebuilding businesses and homes in the Gulf. Approximately $2 billion in additional commitments are available to be disbursed;

Of the 25,000 borrowers remaining in the process, the vast majority have begun receiving disbursements. Many are experiencing outside challenges including issues with insurance, utilities, and obtaining documents which delay their drawing down funds.

Does SBA's disaster-assistance program still have issues? Of course. We still have dissatisfied customers and are working hard to resolve their issues. However, the feedback SBA has gotten since the fall from legislators, local leaders, our employees, and most importantly, disaster survivors, has been extremely encouraging.

Looking to the future, SBA is completing the reengineering process for disaster loans, and improving automation. We are finalizing detailed surge plans, so there will be a well-documented playbook in place specific to location, size, and disaster type. And, SBA is exploring opportunities for private-sector partnership in areas where it can provide more effective disaster support. We look forward to working with Congress on all such measures.

Reform is incremental. We know SBA will continue to receive negative reports and evaluations, many of which were undertaken a year or more ago and do not reflect the agency's progress. But as any business person knows, an important part of informing the change process is looking criticism in the face and learning from it.

— Steven Preston is administrator of the U.S. Small Business Administration.