

## STRATEGIC GOAL THREE

### Restore homes and businesses affected by disaster

Natural disasters are just another problem that some small businesses have to face. However, the SBA offers specific programs and loans to help the small business “weather” the problems.

The SBA's disaster loans help rebuild communities. The SBA doesn't just help the small businesses, but also their friends and neighbors—their customers. Disaster losses are unexpected and create financial hardships for most disaster victims. The SBA disaster loans make recovery possible through three factors: low interest rates, longer terms (up to 30 years), and refinancing, under certain circumstances. The SBA disaster loans are a critical source of economic stimulation in disaster-ravaged communities and help spur employment and stabilize tax bases by protecting jobs.

In FY 2005, the disaster program faced its toughest challenge in the history of the program. The year started with an unprecedented four consecutive hurricanes in Florida and ended with the largest natural disaster in the Nation's modern history—Hurricane Katrina—followed closely by Hurricane Rita. In response, the SBA approved more than \$2.1 billion in disaster loans to about 64,500 residents and business owners in the disaster areas during FY 2005 and has dramatically expanded its operations in preparation for making even more loans in FY 2006.

In response to Hurricanes Katrina and Rita, the Agency had more than 3,000 employees working to assist the survivors of Hurricane Katrina in Louisiana, Alabama and Mississippi, and continued to hire additional staff to respond Hurricane Rita to meet the anticipated demand for the SBA loans. As of October 24, 2005, the SBA had approved \$182,854,800 in disaster loans to 2,726 individuals and businesses in the Gulf Region. Of those, \$168,971,800 in disaster loans had been approved for 2,533



### SBA HELPS KEEP BUSINESS AFLOAT AFTER HURRICANE KATRINA

Pelican Funding is a life safety company providing security, fire and medical monitoring and emergency dispatch services to more than 6,800 homes, businesses and public institutions throughout Louisiana, Mississippi, Alabama and Texas. The company has eight employees.

Based in Baton Rouge, LA, Pelican Funding was severely impacted by Hurricane Katrina, which wiped out up to 2000 of their customers virtually overnight. The storm destroyed the voice/data services that the company relied upon to monitor alarm systems or dispatch emergency services. This prevented them from providing services to any of their customers because the alarm systems could not transmit data signals to the central monitoring stations. The hurricane also shut down their bank lock box service with a bank in New Orleans, leaving them unable to collect customer payments and completely halting cash flow.

Through the SBA's **Disaster Assistance loan program**, Pelican Funding Corporation received a loan of almost three-quarters of a million dollars to cover working capital needs and pay various accounts payable. This loan will allow the company to stay afloat until the business climate begins to return to normal.

homeowners and renters in the region. In addition, 119 Business Physical Disaster loans had been approved for a total of \$8,944,600 and 74 Economic Injury Disaster Loans had been approved for a total of \$4,938,100.

The SBA is also working with Agency's partners to assist Hurricane Katrina and Rita recovery and relief efforts. The SBA has authorized certain Small Business Development Centers from outside the disaster area to allow their counselors to aid small businesses in the disaster areas. The SBDC in Mississippi has opened an emergency information center on the campus of the University of Mississippi in Oxford and mobilized five recreational vehicles to serve as mobile offices. The SCORE program has approximately 44 online volunteer counselors with expertise in disaster recovery to advise small businesses, and the SBA has met with the Red Cross and more than 40 trade groups and businesses to share information on Hurricane Katrina relief efforts.

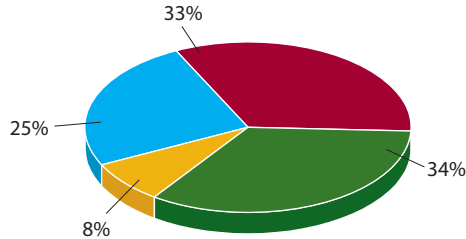
The SBA is striving to respond to the long-term recovery needs of the disaster victims while ensuring appropriate stewardship of taxpayer funds. The SBA's disaster program is designed to expand and contract as disaster needs fluctuate, and while more temporary staff have been hired than ever before, the SBA is continuing to meet its existing standards for hiring, training, and supervising staff. As the Agency seeks opportunities to accelerate activities to be as responsive as possible to disaster victims, the SBA is mindful that adequate internal controls must remain in place to protect taxpayer funds. Historically, there have not been major weaknesses identified in the disaster loan process. All aspects of the program are being tracked and monitored very carefully by Agency management, including loan processing and production statistics, staffing and travel data, and related information. This gives us confidence that the SBA will identify any problems immediately should they begin to arise and can take appropriate action.

The SBA is working with agencies across the Federal Government to reduce red tape for small businesses by simplifying documentation requirements for Business Disaster Loans, which are intended for long-term recovery, as opposed to emergency grant programs offered by other Federal programs. In response to the issues faced by business owners who lost important documents in Hurricanes Katrina and Rita, the SBA has relaxed some of its disaster loan filing requirements to expedite the processing of these loans. The SBA will now waive the usual requirement of the submission of tax returns from the last three years and business owners will be able to file a disaster loan application without providing monthly sales analyses for the last three years. Finally, in recognition of the impact of these two hurricanes on regulatory compliance activities, several government agencies are adopting flexible enforcement measures to accommodate businesses, large and small, in the Gulf Region and additional flexibility on how regulatory requirements are imposed, enforced, and interpreted will be part of the Federal Government's rebuilding efforts.

A major FY 2005 focus of the SBA was transforming the organizational structure of Office of Disaster Assistance Headquarters and field offices. Prior to Hurricanes Katrina and Rita, transformation was scheduled to be completed during calendar year 2006. However, the SBA accelerated the completion schedule and is currently operating in four geographical locations (Buffalo, NY, Atlanta, GA, Fort Worth, TX, and Sacramento, CA), but is doing so in ways that take full advantage of the SBA's new Disaster Credit Management System (DCMS) technology, the existing infrastructure in each location, and the human capital resources available nationwide.

The chart below is a summary of how successful the SBA was in achieving its goals under the various Long-Term Objectives that compose Strategic Goal 3. In FY 2005, the SBA exceeded 25% of its goals, met 34% and did not meet 33% of its goals under Strategic Goal 3.

**Strategic Goal Three  
Summary of FY 2005 Performance Results<sup>a</sup>**



LTO 3.1	Number of Indicators			
	Blue	Green	Yellow	Red
	3	4	1	4

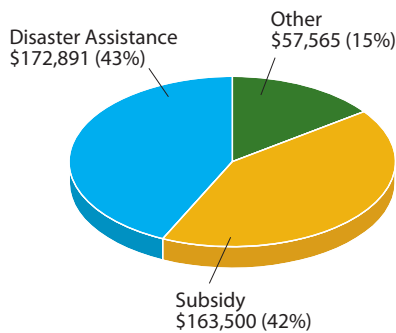
Blue: Exceeding goal by 10% or more.  
Green: Meeting or exceeding goal by less than 10%.

Yellow: Missing goal by less than 10%.  
Red: Missing goal by 10% or more.

Support of this Strategic Goal cost \$ 424,748,000. The following charts illustrate the major components of the full cost of the Disaster Assistance program in FY 2005. These costs include administrative and subsidy costs:

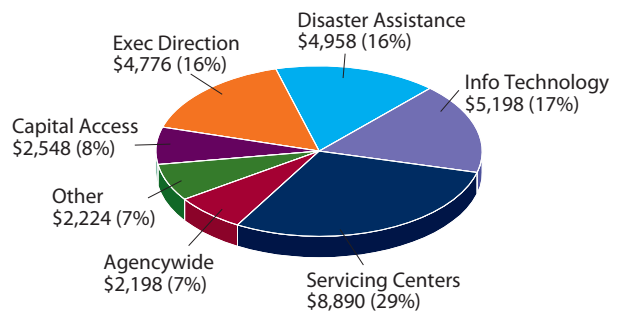
**Disaster Loan Making**

**FY 2005 Budgetary Resources**  
*(Dollars in Thousands)*



**Disaster Loan Servicing**

**FY 2005 Budgetary Resources**  
*(Dollars in Thousands)*



a. Chart does not include those indicators that were baselined in FY 2005

### LONG-TERM OBJECTIVE 3.1

**Help restore homes and businesses affected by disasters.**

Key Results and Cost-Related Performance

Results and Budgetary Resources						
Agency Level Assistance						
<i>Strategic Goal 3. Restore Homes and Businesses Affected by Disaster.</i>						
<i>Long-Term Objective 3.1: Help restore homes and businesses affected by disaster</i>						
SBA Annual Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
3.1.1 Percentage of businesses sustaining economic injury that remain operational 6 months after final disbursement.	N/A	N/A	95.0%	76.0%	93.0%	22.4% <b>B</b>
3.1.2 Percentage of businesses sustaining physical damage restored within 6 months after final disbursement.	N/A	N/A	74.0%	55.0%	72.0%	30.9% <b>B</b>
3.1.3 Percentage of homeowners restoring their homes within 6 months of final disbursement	N/A	N/A	77.0%	73.0%	75.0%	2.7% <b>G</b>
3.1.4 Percentage of renters restored within 6 months after final disbursement.	N/A	N/A	85.0%	82.0%	70.0%	-14.6% <b>R</b>
3.1.5 Customer satisfaction rate	N/A	N/A	67.0%	70.5%	66.0%	-6.4% <b>Y</b>
SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
Total Applications Processed	88,837	102,278	104,518	N/A	181,026	N/A
Total Receiving Financial Assistance	18,584	21,170	22,264	N/A	41,651	N/A
SBA Costs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
Total Disaster Assistance Cost (\$000)	\$346,723	\$270,377	\$216,313	\$480,106	\$424,748	-11.5%

After an unprecedented four hurricanes struck Florida and 13 other states during the summer and fall of 2004, the SBA approved more than \$2.1 billion in disaster loans to about 64,500 residents and business owners in the disaster areas during FY 2005.

### Looking Forward

In FY 2006, the SBA will be in the second full year of implementing the Disaster Credit Management System (DCMS) loan processing system. The SBA anticipates that, once operable, proper and effective use of the system will help the Agency continuously reach and exceed all of its programmatic and production goals by making the loan-making process more efficient and customer-focused.

Traditionally, the SBA's budget for the Disaster program has been based upon a five-year average formula, which excluded exceptional disasters (such as last year's hurricanes). Any resulting shortfall has been made up through supplemental funding. As a result of this combination of funding mechanisms, there is a potential for the number or scope of disasters to lead to long- or short-term funding shortfalls and the inability to consistently meet disaster recovery goals. As a mitigation strategy, the SBA anticipates that additional funding will come from supplemental appropriations when necessary, but

these are also highly variable. Further mitigation of potential funding shortfalls may be achieved by limiting hiring, overtime and field operations.

Disasters of large size and scope may present a number of challenges to the SBA. There may not be sufficient staff to immediately respond to the needs of all victims nor enough qualified contractors to quickly repair or rebuild the significant number of physical structures damaged. There may also be instances where the damage is so extensive that long-term financial recovery provided by the SBA is not the immediate concern of the disaster victims.

### Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: Independent Auditor's Report (FY2004 PAR, pages 255-257); Independent Auditor's Report on Internal Control, Credit Reform Controls (FY 2004 PAR, pages 258-259) and Financial Management and Reporting Controls (FY 2004 PAR, pages 260); Notes to Financial Statements, Note 6 E, Subsidy Expense for Direct Loans by Program and Component (FY 2004 PAR, page 317); Notes to Financial Statements, Note 19, Disclosure Related to Restatement of FY 2003 Financial Statements (FY 2004 PAR, pages 351-355).



*Administrator surveys from helicopter damage caused by Hurricane Katrina to a marina in Plaquemines Parish - an area just east of New Orleans.*

### Management Issues

OMB PART Evaluation: Appendix 6 contains the details of the PART evaluation of the SBA program that supports accomplishment of the Objective. This program received the effectiveness rating shown on the next page.

Program	Rating
Disaster Loan Program	Effective

Inspector General Reports: The following OIG reports cover issues that have an impact on accomplishment of this Objective:

- OIG Report 5-09. Management Advisory Report—9/11 Demand Letters (see Appendix 2).

Government Accountability Office (GAO) Reports: GAO has issued a report with recommendations that have an impact on accomplishment of this Objective:

- GAO-05-409, Small Business Administration: The SBA Disaster Loan Program: Accounting anomalies resolved but additional steps would improve long-term reliability of cost estimates. (see Appendix 4)

OIG-Identified Management Challenges: No significant related issues.

Agency Response to Management Challenges: No significant related issues.



### **SBA KEEPS BUSINESS AFLOAT**

Yasmin Tirado-Chiodini moved to Orlando in 2001 to launch her company in the emerging high- tech corridor along between Daytona Beach and Tampa. She had worked as a biomedical engineer, as a flight engineer at Kennedy Space Center, and with the Departments of Defense and Homeland Security.

She created Intelliorg, Inc. to focus on information pattern recognition, information security, risk analysis/crisis management, and modeling and simulation.

The markets for these services include homeland security, defense and law enforcement. Intelliorg’s landmark product is the Daedalus Alert Software System, currently used by first responders and security personnel to conduct threat and vulnerability assessments of communities and facilities.

Tirado-Chiodini received **8(a) certification** for Intelliorg, and in 2003, moved the firm’s offices into the University of Central Florida’s Technology Incubator, an SBA National Entrepreneur Center service provider, located in a renovated hotel in downtown Orlando. The technology incubator is situated in a **HUBZone**.

The 2004 Florida hurricanes hurt Intelliorg’s business. Its clients weren’t available to use its products and services—they were out assisting with hurricane relief. Tirado-Chiodini sought assistance from the Disney/SBA NEC. She worked closely with the Hispanic Business Initiative Fund, a service provider at the NEC, to create a business plan to apply for an **SBA Disaster Loan**. The loan helped keep the company afloat until the business climate returned to normal. Today, Tirado-Chiodini sits on the Entrepreneur Advisory Board for the Disney/SBA NEC.