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# REBUILDING THE GULF COAST: SMALL BUSINESS RECOVERY IN SOUTH LOUISIANA

## FIELD HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

## UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

FEBRUARY 20, 2008

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ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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# REBUILDING THE GULF COAST: SMALL BUSINESS RECOVERY IN SOUTH LOUISIANA

**WEDNESDAY, FEBRUARY 20, 2008**

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP,
*Washington, DC.*

The Committee met, pursuant to notice, at 1:38 p.m., in the Buccaneer Room, Lake Charles Civic Center, 900 Lakeshore Drive, Lake Charles, Louisiana, Hon. Mary Landrieu, presiding.

Present: Senators Landrieu and Vitter.

## OPENING STATEMENT OF HON. MARY L. LANDRIEU, A UNITED STATES SENATOR FROM LOUISIANA

Senator LANDRIEU. If everyone would take their seats, please, I would be happy to call the meeting of the Senate Small Business Committee to order, a field hearing, our first one in the State of Louisiana, I am proud that Senator Vitter and I could direct this meeting here in Lake Charles, Louisiana, in southwest Louisiana.

I want to begin by thanking the Chair of the Committee, Senator Kerry, and the Ranking Member, Senator Snowe, for allowing us to have this field hearing in Louisiana. Both Senator Vitter and I have the pleasure of sitting on the Senate Small Business Committee. We asked specifically if we could have a field hearing in Louisiana and chose this site because of our focus on small business development, how it is being a part of the recovery from Hurricanes Rita and Katrina, and how small business has been impacted and how it is growing after the storms, and what the outlook looks like.

So we have a very full panel. I want to also thank the staffers of Senator Kerry and Senator Snowe who have joined us. I want to acknowledge that while he has not been asked to give formal testimony today, we are pleased to have the Small Business Director from the Dallas Region, our region, the office in Dallas, Joe Montez. Joe, would you please stand? We welcome you and thank you for being here.

[Applause.]

Senator LANDRIEU. I am also pleased to have in the audience Michael Ricks, who is the new Regional Director for our region. He will not be testifying officially, but will be available for questions and comments. Michael, would you please stand?

[Applause.]

Senator LANDRIEU. And Mr. Eugene Cornelius, who will be testifying today, has been the Director of our region here in Louisiana

for the last several years, has just been relocated to another part of the country, so will be delivering the testimony as he has been really the engineer of most of this recovery.

Let me also thank Mayor Randy Roach. Mayor, thank you and your city council for hosting us today. And I also want to thank all of the other State and local officials that have been part of this hearing and the small business leaders, the chamber that helped us to put this hearing together today.

So we have a wonderful list of panelists. I will introduce them in just a moment. We are going to have two panels. We hope to move through this in the next 2 hours. But let me just make very brief opening remarks, and then I will turn it over to my colleague, Senator Vitter.

The hurricanes, both Hurricanes Rita and Katrina, were two of the costliest hurricanes in the history of our country. Hurricane Katrina's eventual or to-date cost is $81.2 billion. Hurricane Rita caused $11 billion in damage. Together, almost $100 billion in a double-whammy, two-punch hit to the Gulf Coast, but particularly to the southern coast of Louisiana, both on the southwest side with Hurricane Rita hitting and then on the southeast side as well.

All of us, homeowners and businesses alike, felt the brunt—our public institutions, our libraries, our schools, our colleges, and our universities. But the small business community, you could argue, maybe took the greatest hit of all because small business by its very nature has less resources than large business or public entities. Our business owners, 20,000 of them, were impacted in the State of Louisiana, were directly—their businesses either destroyed or severely damaged, their physical infrastructure. If their business was not destroyed or damaged, their markets were most certainly impacted by the loss of over 1.3 million people that fled this area for higher ground. And some of our people are just now returning after 2 1/2 years, trying to re-establish their homes, their churches, their businesses, and their schools.

So this hearing is really to focus on the recovery of small business; what we have done that has helped; and what we need to continue to do. I would like to note that for the port of Lake Charles, which is a very significant entity here, we were pleased to pass a WRDA bill, Water Resources Development Act, that has some additional infrastructure improvements and investments to the port. That port alone helps to generate about 31,000 jobs in this area. Many of them are jobs associated with small businesses, contractors, fabricators, importers, exporters, et cetera.

We also are very proud in southwest Louisiana to have 20 percent now of the Nation's natural gas supply coming through southwest Louisiana. So I spend a great deal of my time reminding people in Congress that this just isn't any dot on the map. This is a very significant place, not only for the people that live here and call South Louisiana home, but it is a very significant place on the map for the United States of America and our oil and gas supply that is dependent on the vitality and economic strength of the business community here.

And, in addition, we are going to hear some testimony about specifically the small businesses, the 6,700 businesses, some of which are here in the southwest area, that were helped through the Small

Business Administration, and then what is left to do, because there is a great deal of work left to do. But I am proud to be a member of this Committee. I know Senator Vitter is as well. And our continued focus in this Committee's bipartisan efforts to help the SBA to be a better effective advocate, to help the LRA, to help the State, and to help the small businesses in any way that we can to grow and expand right here at home.

[The prepared statement of Senator Landrieu follows:]

**Statement for the Record for**
**Senator Mary L. Landrieu**
**for the Small Business Committee Field Hearing on**
**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

I am pleased to convene this field hearing of the United States Senate Committee on Small Business & Entrepreneurship. The subject of this hearing is "Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana." In particular, we are focusing on recovery here in southwest Louisiana in the parishes impacted by Hurricane Rita of 2005.

Let me take this opportunity to thank Chairman Kerry and Ranking Member Snowe for working with us to hold this field hearing here in Lake Charles, Louisiana. I would also like to thank Mayor Randy Roach and the City of Lake Charles for hosting this hearing as I sincerely believe that it is essential to focus more attention on recovery efforts in this part of our state. Lastly, let me thank the Federal, State, and local officials here today as well as members of the business community who are in the audience.

**Hurricanes Katrina and Rita**

Everyone around the country is familiar with the impact of Hurricane Katrina on the New Orleans area and the southeast part of our state. Images from the devastation following Katrina, and the subsequent Federal levee breaks, were transmitted around the country and around the world. This is because Katrina was the deadliest natural disaster in United States history, with 1,800 people killed - 1,500 alone here in Louisiana. Katrina was also the costliest natural disaster in United States history with over $81.2 billion in damage. While Katrina has received a great deal of national attention and focus, the impact of Hurricane Rita on southwestern Louisiana and southeastern Texas has received little attention in comparison.

Hurricane Rita made landfall between Sabine Pass, Texas and Johnson's Bayou, Louisiana on September 24, 2005. Many people do not know but Rita is the most intense hurricane ever in the Gulf of Mexico. It broke the record set by Hurricane Katrina just three weeks earlier. Rita also was the seventh-most costliest disaster in United States History with over $11 billion in damage. Furthermore, the storm resulted in the evacuation of 3 million people in Louisiana and Texas. On the local level in Louisiana, many communities in Cameron Parish were heavily damaged or destroyed. Here in Lake Charles, they experienced tropical force winds and areas near Lake Calcasieu experienced six to eight feet of water. This is a story which is well known in this area but the national press has not heard these stories nor really toured these impacted areas. Our hearing today hopefully will help get the word out and identify additional areas where the Congress can provide targeted assistance for these businesses.

In my discussions with local businesses, there are three areas in which I consistently hear a need for Federal action: increased insurance costs, Federal recovery contracts, and technical

assistance/business counseling. Some of the testimony today will highlight these issues but for my part, I would like to try to provide some real solutions for spurring recovery in southwest Louisiana.

**Insurance**

On the issue of insurance, I have heard loud and clear from our businesses that we need to be more aggressive with insurance companies. Insurance costs have steadily increased since Katrina and Rita and, especially for our small businesses, these increased fees are proving to be an obstacle to recovery. To these ends, I am proud to be an original cosponsor of S. 618, the "Insurance Industry Competition Act of 2007," which was introduced by Senate Judiciary Committee Chairman Leahy. S. 618 would repeal the anti-trust exemption for insurance companies. This exemption has enabled insurance companies to engage in blatantly anti-competitive conduct. The most notorious instance occurred in 2004 when the insurance broker, Marsh & McClennan, and several of the nation's largest insurance companies were caught engaged in a bid-rigging scheme. Such conduct would have constituted a *per se* violation of the anti-trust laws, but because of the exemption, federal antitrust enforcers were powerless to act.

Next week, I will introduce the "Flood Insurance Accountability Act" which would create an ombudsman at the Federal Emergency Management Agency (FEMA) to strengthen financial oversight of the National Flood Insurance Program (NFIP). The need for this particular bill was highlighted by a recent Government Accountability Office report that found "an inherent conflict of interest" in having private insurance companies determine how much the government should pay on flood claims. This report reiterated what we've long known - when it comes to making sure the big insurance companies are living up to their promises, there's no one at the NFIP minding the store. My legislation would create an independent office to make sure private insurers are acting in good faith, giving their customers the coverage they paid for. This ombudsman would be isolated from the political pressures of the powerful insurance lobby and have broad authority to hear and investigate complaints and stand up for insurance policyholders and taxpayers alike.

**Gulf Coast Recovery Contracts**

In regards to recovery contracts, I strongly believe that our local firms should get their fair share of these contracts. Our local businesses can do this work and it is commonsense to allow them to help in the rebuilding of their communities. The Federal government should do more to ensure our local small businesses get more contracts and subcontracts on this recovery-related work. That is because the recovery will be a 10-year process so it is yet another way to help these impacted areas. Along these lines, I propose three ways that we can help Gulf Coast businesses secure their share of contacts. First, we should designate the Katrina and Rita-impacted areas as a Historically Under-utilized Business Zone, or HUBzone. This proposal, which has passed the Senate at least three times since Katrina, would provide businesses in these areas with a special preference when bidding on Federal recovery contracts. To ensure that it is strictly for recovery purposes, we should

include a two year sunset on the provision. As I said, the Senate is on the record as supporting this proposal so we need to work with our House colleagues on the next Emergency Supplemental to ensure it passes this year.

Next, we also need to provide contracting assistance to our local minority businesses. For example, the 8(a) business development initiative helps minority entrepreneurs access Federal contracts. This program allows companies to be certified for increments of three years, for a maximum of nine years. Due to Hurricanes Katrina and Rita, many 8(a) firms in the disaster area lost valuable time to participate in this program - time which they cannot get back. To assist these impacted businesses, Congress should extend by twenty four months eligibility for these businesses. With this reasonable extension, businesses can continue to pay a vital role in their communities. I note that this provision has already passed the House of Representatives, with the strong support of the Louisiana House delegation. For my part, I am willing to champion the proposal here in the Senate if we can amend the House-passed version to include Rita-impacted areas here in southwest Louisiana as well as make the extension for twenty four months.

Lastly, when Katrina and Rita struck Louisiana we did not have a Procurement Contracting Representative (PCR) located in our state. PCRs are responsible for initiating small business set asides for contracts, counseling businesses, and providing other contracting-related assistance. To its credit, the U.S. Small Business Administration (SBA), after a push from the Louisiana Congressional delegation, included funds in last year's Budget to hire a PCR for New Orleans. However, given the vast number of Federal recovery contracts and the fact that this recovery will be a 10-year process, I strongly feel that we need another PCR in Louisiana. Businesses right here in southwest Louisiana need this type of assistance and I am concerned that our current PCR needs additional help to better serve our state. In fact, Congress has called for the hiring of 100 PCRs nationwide, with the Administration filling 57 of these position so far. As a member of both the Senate Appropriations Committee and the Senate Small Business Committee, I intend to work closely with the SBA to ensure that as they fill these remaining positions, that Louisiana secures an additional PCR.

**Technical Assistance**

We will hear testimony today from our local Small Business Development Center (SBDC), Women's Business Center (WBC), and U.S. Export Assistance Center (USEAC). All of these programs have been critical resources for businesses recovering from Katrina and Rita. This is because our impacted businesses, in many cases, have lost some of their client base or are dealing with communities that have changed significantly post-storms. As a result, these businesses are in desperate need of technical assistance to reach out to new clients, new markets or to revise their business plans to deal with changes to the local economy.

Unfortunately, some of these programs are those hardest-hit by cuts in the President's Budget this year. For example, the President's Budget proposes drastic cuts to grants for Small Business

Development Centers and Women's Business Centers. In particular, he proposes to reduce the SBDC program by $10 million and the WBC program by $1 million. For programs which have essentially been flat-funded since 2001 and have been dealing with increased costs due to inflation, these funding cuts go straight to the bone. To show how these cuts impact our local technical assistance providers, consider our Women's Business Center in New Orleans. Similar cuts and other budgetary constraints resulted in the center facing a $45,000 shortfall in funding - despite the fact that there is increased demand for their services post-Katrina. With this in mind, I worked hard to secure $45,000 in the recent Omnibus Appropriations bill to help keep this center in operation. This is a prime example of how Congressional earmarks can benefit Louisiana. As we have done in the past few years, Congress will increase funding levels for the Women's Business Center and Small Business Development Center programs through the Appropriations process.

In closing, let me say that I am hopeful today's hearing can serve as a forum to highlight these and other areas where Congress can help recovery efforts on the ground. Local industries, such as the seafood and tourism industries, are making great strides in their recovery. For example, the rest of the country has seen in prime time that Louisiana is "open for business" as evidenced by the recent Sugar Bowl, Bowl Championship Series Title Game, and National Basketball Association All-Star Game - all held in New Orleans. These sporting events, along with Mardi Gras and steady convention traffic has spurred recovery in southeast Louisiana. Although there is a friendly rivalry between southeast and southwest Louisiana, what is good for New Orleans is good for the rest of south Louisiana. At the same time, however, we should focus on specific areas in which southwest Louisiana needs additional Federal funding or Congressional help. Without our essential small business and industries here in southwest Louisiana, our state cannot fully recovery from these storms.

I thank the Chair and ask that a full copy of my statement appear in the record.

Senator Vitter?

**OPENING STATEMENT OF HON. DAVID VITTER, A UNITED STATES SENATOR FROM LOUISIANA**

Senator VITTER. Thank you, Mary, and welcome to all of you. Thanks for being here.

I also am excited to help bring this field hearing here specifically to southwest Louisiana, and we wanted to do that for a number of reasons, including that we always need to remind Congress and the Nation of one word, "Rita," in the grand scheme of things and everything we have dealt with since 2005. So this is another great opportunity to do that.

It is largely a "good news" story here in terms of recovery. There are plenty of hurdles and challenges that remain, but I think the recovery in this part of the State has been very impressive. And although we are going to talk about a lot of Government programs and opportunities, the fundamental reason is the people of southwest Louisiana, your determination, your grit, your attitude to just get it done. I saw that from the moment I was on the ground here with Mayor Roach and others 2 days after the event. And that is what pulled this region through and served you so well.

Having said that, there are challenges and hurdles that remain, and there are things we must do more effectively in all levels of government. We are certainly going to talk about those today. One issue that will certainly come up is the lack of available and affordable insurance. That is a major limiting factor in terms of our recovery throughout South Louisiana, as well as South Mississippi. A flood insurance reform and reauthorization bill is before the Senate now, and I am working hard with Mary and others to use that opportunity to help focus on not only updating the Federal Flood Insurance Program but getting the requisite attention on the wind and liability side, which is a huge constraint for small business and for individuals.

Just last week, I met with Senators Cochran and Wicker from Mississippi, and, of course, we worked closely with Mary on those issues.

GO Zone incentives have been very positive for all areas of the GO Zone, including here, and I would certainly like to work with Mary and many others to extend those to the greatest extent possible to continue to get that positive impact here in southwest Louisiana.

Taxation of Road Home grants is a continuing problem, and Mary and I have both authored legislation to try to fix that, are working hard to try to include that in legislation this year, because that is an unfair situation.

Small business challenges in general, sometimes small businesses are just deluged with paperwork from Government, and that is why I have introduced the Small Business Paperwork Relief Act, could affect small business after a disaster, could affect small business in many other situations as well.

And then, finally, and perhaps most specifically in terms of the recovery, Mary and I have joined the Chair of this Committee, Chairman Kerry, and Ranking Member Snowe to author a bipartisan Small Business Disaster Loan and Improvements Act. It is

fully bipartisan. It is very positive. It tries to take some of the lessons from Rita and incorporate them for the future. But we certainly hope to learn more lessons today. It does a lot of things, quicker action, quicker disbursement of loans, increasing the disaster loan amount significantly, trying to integrate the private sector and banking and other resources better in the process. So it is a good, working product, but we will certainly look to improve it based on the testimony today. We have actually now passed it through the Senate twice, and we will continue to improve it and work with the House to pass it into law.

So, with that, I look forward to all of the testimony. Mayor, thank you for hosting us and the city for hosting us, and I look forward to really listening and absorbing the experience of all of you who have lived through some very trying times.

[The prepared statement of Senator Vitter follows:]

Opening Statement
Senator David Vitter
February 20, 2008

- Good afternoon. Thank you all for coming this afternoon to this very important Senate Committee on Small Business and Entrepreneurship field hearing to examine several ongoing recovery issues affecting small businesses in Southwest Louisiana. Also, thank you Mayor Roach for hosting this hearing in Lake Charles.

- I am extremely pleased that my colleagues on the committee honored my request to hold this hearing in Lake Charles to remind Washington that Southwest Louisiana is still recovering from Rita.

- It has now been over two years since Hurricane Rita devastated Southwest Louisiana.

- Despite the immense challenges that the people of Southwest Louisiana faced after Hurricane Rita, it was the independent initiative and resilience of its people that allowed them to begin to recover. Residents of Southwest Louisiana are roll-up-your-sleeves, get-it-done people, and we must provide them with opportunities to rebuild and recover, not grow bureaucratic red tape that complicates assistance to hurricane victims.

- There are challenges for residents in Southwest Louisiana that still exist, and they cannot be forgotten or overlooked. Although Hurricane Rita destroyed homes, businesses, and livelihoods, the people of Southwest Louisiana want and need the freedom to rebuild their lives.

- That is why this hearing is so important. This gives the committee a chance to see what we can do to free private citizens from complicated bureaucratic procedures, over-burdensome taxation, and costly regulations so that they can rebuild their lives with opportunity.

- The lack of available and affordable insurance is one of the critical issues for Southwestern Louisianans. Many small business owners in

Louisiana and across the Gulf Coast saw their insurance rates increase by up to 200 to 300 percent after the 2005 hurricanes. Also, some insurance companies have left Louisiana, further complicating the insurance market in the state. Without available insurance, Louisiana businesses and our economy will not be able to fully recover and rebuild.

- In response to this problem, Senator Landrieu and I are constantly working to improve the reauthorization of the National Flood Insurance Program.

- I am pushing for flood insurance reform that strengthens the program and would include provisions that will help Louisiana, such as increasing coverage limits and addressing the problems regarding the availability of wind coverage.

- In fact, just last week I arranged a meeting and sat down with Senators Cochran and Wicker from Mississippi to unite our support in the Senate so our constituents can have access to necessary insurance to protect the most vulnerable home and business owners against storm damage.

- Of course, there are other financial barriers to recovery. GO Zone incentives have been beneficial for rebuilding and investment in South Louisiana, and we must focus our work to provide further financial opportunities for hurricane victims.

- I was disappointed that Congress did not include extending the time that we benefit from GO Zone tax incentives that we advocated for in the economic stimulus package. However that does not derail my determination and drive to work toward extending the GO Zone for Louisiana. I look forward to other opportunities in Congress to again urge my colleagues to support this critical tax relief.

- I also believe it is important to prevent the taxation of Road Home grants, which is the taxing of rebuilding and another headache for hurricane victims.

- Too often, Washington thinks they can help by their so-called improvement of government programs, but that typically involves creating more challenging, unnecessary, and time-consuming hurdles for private citizens to finally get the help they need.

- That is a reason why I introduced the Small Business Paperwork Relief Act that forbids government agencies from imposing needless fines on small businesses for first-time paperwork violations that do not affect or harm the public interest.

- As too many small business owners know, piles of unnecessary paperwork consume time that could be used focused on growing their business. Small business owners should be able to spend less time worrying about complying with burdensome government regulations so they can spend more time on their business rather than answering to bureaucrats.

- But it is not just small business owners that face onerous applications, forms, and verifications. Many hurricane victims sought loans from the Small Business Administration for their homes. They were greeted with abundant paperwork and awaited prolonged answers from the SBA. After all this, they had to wait even longer for their loan distributions.

- One way we can circumvent these unacceptable government failures is by looking to partnering with the private sector. This could be beneficial in many ways.

- Local banks and businesses can be more involved with recovery efforts and aiding their neighbors instead of leaving out-of-state bureaucrats with no ties to the community responsible for helping disaster victims.

- We should open up the free market and let businesses compete to provide assistance to give citizens an opportunity to search for quality service rather than solely relying on proven failures of government agencies.

- In response to the lessons learned and government deficiencies revealed after the hurricanes, we have worked hard to address problems with the SBA and disaster recovery in the Senate Small Business Committee.

- Senator Landrieu and I, along with Chairman Kerry and Ranking Member Snowe, introduced the bipartisan Small Business Disaster Loan and Improvements Act. This legislation is forward-looking and equips the SBA with the ability to provide a more comprehensive and aggressive response to future disasters.

- This bill allows private banks to become part of the disaster lending process. This provision is pivotal to changing the way we respond to future catastrophic disasters.

- We cannot allow disaster victims to stand idly by for months on end waiting for the federal government to resolve their loan applications. By using federal government resources, we can provide incentives for lenders already located in disaster areas to issue loans, avoiding many of the delays and mistakes made by the SBA and speeding up the recovery process.

- These Private Disaster Loans could result in quicker disbursement and ultimately allow faster recovery time by partnering with the private sector. The public sector has time and time again failed private citizens, so this could provide disaster victims another option so they can avoid the bureaucratic nightmares of the federal government.

- Among other necessary provisions, this bill also would increase the maximum disaster loan amount from $1.5 million to $2 million so affected citizens can have access to the capital they need to rebuild their small businesses and homes.

- This important reform legislation could give the SBA the tools so they can provide more timely and efficient aid to disaster victims. It is unacceptable that citizens have to wait and rely on bureaucracies to piece their lives back together, and it is past time that Congress passes this bill so the President can promptly sign this into law.

- The Senate has now passed this bill twice, and we will continue working with the House of Representatives so that we can enact this bill before another natural disaster of this magnitude devastates another region in Louisiana or the United States, God forbid.

- It is absolutely vital that we proactively reform disaster response and lending programs so that we can avoid the SBA's past failings and performance after the 2005 hurricanes.

- This would be an important step, but certainly not the last. I appreciate the willingness of my colleagues to help Louisiana recover from Hurricanes Rita and Katrina, but I reiterate, these disaster victims cannot and must not be forgotten by Washington.

- I look forward to listening to the testimonies in this hearing so we can learn more ways to provide Louisianans opportunities to continue their path to recovery.

Senator LANDRIEU. Thank you, Senator Vitter.

Let me begin by just briefly introducing the panelists and then start in the order of the introduction. We have asked each panelist to limit their remarks to 5 minutes, and then we will have one round of questioning, and two if necessary, and then move to the second panel.

Eugene Cornelius, a native of Chicago, but has been a trusted partner with us in the rebuilding effort as he served as the SBA Louisiana District Director for the last several years. He has had experience with the SBA since 1999. We are pleased to have him with us today.

Mayor Randy Roach was first elected in the year 2000 for an unexpired term. He was re-elected again in 2001 and 2005. He is a native of Lake Charles, received his undergraduate and law degree from LSU. Randy, we thank you for your really extraordinary leadership here before, during, and to this day after the storm.

And Mr. John Landry is a resident of Abbeville, but he honors us by serving as Development Director for UL in Lafayette. After the storms, he was appointed to the Louisiana Recovery Authority. He also serves as Chairman of the Infrastructure and Transportation Committee for the LRA, and we thank you and the other members of the LRA. There are other members—I think Laura Leach and Tom Hanning and others from this area have served, and we thank you for your really just tireless service on behalf of the State's recovery, Mr. Landry.

But let's start with you, Mr. Cornelius, if we could.

**STATEMENT OF EUGENE CORNELIUS, DISTRICT DIRECTOR, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.**

Mr. CORNELIUS. Thank you. Good afternoon, Senator Landrieu, Senator Vitter, members of the Committee, and audience and guests.

Senator LANDRIEU. Can you speak into your microphone, please?

Mr. CORNELIUS. Am I not on?

Senator LANDRIEU. Yes. There. I think you are on. You just have to speak more closely into it.

Mr. CORNELIUS. OK. Thank you. Thank you for inviting me to discuss these efforts and progress and improvements that are being made on behalf of the disaster of 2005 and the role specifically that SBA played and is continuing to play as it provides assistance to the victims of Hurricanes Katrina, Rita, and Wilma. I am Eugene Cornelius, and I was recently the Louisiana District Director for the last 4 years.

I am proud to lead the local team that was dedicated to the point and being the direct point of service between the SBA and this community and the great response that we had in this agency. During the rescue, relief, and restructure of the Gulf to date, SBA received over 422,965 loan applications, of which 364,491 were homeowners and over 58,000 were business. Of those, SBA approved 161,000 loans for almost $11 billion. Since then, as with 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. And that money is at work in the Gulf right now rebuilding homes and businesses and supporting local economies.

More specifically, over $390 million has gone directly to the parishes in the south region of Louisiana. In total, over $3.7 billion in SBA loans have been disbursed to Hurricane Katrina, Wilma, and Rita victims here in Louisiana. In addition, another $290 million has been disbursed to victims of Rita, and I am pleased to share with the Committee today only 700 loans—the total amount of 700 loans of Rita have been completely disbursed or partially disbursed, and those borrowers who have not yet disbursed, we are ready to disburse those loans upon their services. But they have elected not to have the disbursement, not SBA.

In the first several months after Katrina, SBA had a tremendous difficulty in meeting the needs of the people of the Gulf Coast, and I am proud of the great progress we have made in the Gulf and in disaster recovery, more importantly focusing on the last 18 months. With our new Administrator coming aboard, we were able to meet the challenges that our agency faced. We were able to retool our arsenal and our resources and re-employ different people in different capacities to meet the needs that our agency was not meeting at the beginning. And we have done so in a very, very effective way.

In June of last year, SBA presented to the Committee an agency Disaster Recovery Plan—an agency Disaster Recovery Plan. After months of deliberations and countless hours of work, the agency committed to critical steps that are being taken not only by us but by Federal agencies as well to prepare and respond to other national recoveries. But we are not finished. This is a working document, and we continue to review and update it appropriately.

Our improvements to the disaster assistance process include an accelerated loan application decision process, improved processes and tools for loan closing and fund disbursement. This was critical and this was the major flaw of SBA that we were not able to keep up with, given the magnitude of our disaster. So having had these policies in the last 18 months I think has significantly improved our service to this community and will prove as great service to our Nation in the future.

Additionally, in the Gulf, we have continued to be active in the Government contracting process both at the Federal level and local levels. Small business participation exceeds the Federal Government's 23-percent contracting goal by 5 percent. Our preliminary data shows that small businesses have received over 28 percent of the nearly $18 billion awarded for the recovery efforts. Of those, 8.1 percent has gone to small disadvantaged businesses; 4.2 percent has gone to women-owned businesses; and 4.2 percent has gone to HUBZone firms.

Furthermore, I know the Committee is interested in the performance of the Federal Government in contracting to local businesses. And as noted in a GAO report of March 2007, local businesses of all sizes in the Gulf 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. And in Louisiana, 67 percent of our local district office portfolio of 8(a) firms received Government contracts.

SBA remains committed to making sure that our small business customers receive a fair opportunity to help in the restructuring ef-

forts. Soon after Katrina struck, SBA dedicated personnel to assist in identifying small business contracting opportunities. Five Procurement Center representatives were specially assigned to work with Federal agencies——

Senator LANDRIEU. Gene, excuse me. Could you try to wrap up? I am sorry. I didn't——

Mr. CORNELIUS. Oh, my time expired?

Senator LANDRIEU. Yes, your time has expired. But go ahead, take 30 seconds——

Mr. CORNELIUS. Well, we did so much, I want to just make sure you know it all. But I will wrap it up right here.

We worked with the Department of Defense, Homeland Security, and General Services, and we made sure that these local businesses got Government contracts so they could employ people locally and we could keep money in versus building on debt with only our loan program. So I wanted to make sure we made a point of that.

I will end at that. I just want to give one recognition to our service providers in the Small Business Development Centers and SCORE were critical in helping these businesses retool after the storm and get the money that they needed faster.

[The prepared statement of Mr. Cornelius follows:]

# 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.

Senator LANDRIEU. Thank you. And if you all want to summarize your testimony, and we will try to give you a 1-minute warning or nudge, if you would, and then the rest of your statement will, of course, be submitted to the record.

Mayor Roach?

**STATEMENT OF HON. RANDY ROACH, MAYOR, CITY OF LAKE CHARLES, LAKE CHARLES, LOUISIANA**

Mayor ROACH. Thank you, Senator Landrieu. And before I begin my 5 minutes, let me just officially welcome both of you.

Senator LANDRIEU. Yes, take that off of my time, not his.

[Laughter.]

Senator LANDRIEU. Go ahead.

Mayor ROACH. I want to thank both of you for coming here and hosting this first session here in Louisiana at the Civic Center. We appreciate it very much. You know, in the aftermath of Hurricane Katrina, this room did not look quite like this. We had people all through the Civic Center, over 3,000 people were at one point domiciled here, and then, of course, Hurricane Rita came, and we have been doing a lot of work since then. But we appreciate you being here, and we want to thank both of you for the help and the support that you have given to us to get us to this point.

I also want to just thank Mr. Cornelius for all the work he has done, because he did an incredible job supporting small business here in southwest Louisiana, and I want to thank him for that. Again, we appreciate it.

Now, start that clock.

[Laughter.]

Mayor ROACH. All right. The aftermath of Hurricanes Katrina and Rita has created an opportunity for this State to help to find the solutions to some of the most challenging socioeconomic issues of the 21st century facing America. So far, we have been focused on the immediate needs of recovery. This has forced us to look at traditional programs and policies to meet these immediate needs. But the world has moved on to other issues, yet thousands of people in Louisiana and Mississippi are dealing with the long-term effects of the hurricane season of 2005.

The shortage of housing became one of the primary problems to face southwest Louisiana following the storm, and this issue continues to persist for people in the middle-income ranges. It is also contributing to the manpower shortage that we are experiencing in this area and in other areas along the Gulf Coast. In southwest Louisiana, immediately following Rita, a labor shortage occurred. FEMA and other relief agencies hired workers for clean-up and reconstruction efforts at artificial salaries. Refineries and petrochemical plants had to increase wage scales by $4 an hour and offer sign-on bonuses. Even Burger King and McDonald's had to offer sign-on bonuses. Some workers were brought in from other areas. Many small businesses could not afford to pay those higher wages and had to cut back on operations.

While the situation has somewhat abated, it did force some businesses to close. Those businesses which rely on workers making minimum wages or even in the area of $8 to $15 an hour, such as restaurants and contractors, are still experiencing difficulties in

finding workers. The city of Lake Charles and other communities are finding it harder to find qualified workers. A local general contractor who has been one of the primary road construction contractors in the area recently decided to stop doing road construction business because of the difficulties he has continued to experience in finding a stable workforce.

The rest of the country will soon experience the same problems with their workforce. Many regions already are. They just have not recognized the problems. The solutions will require that our State and Federal Governments be willing to think outside the box and find creative solutions to these problems.

In Biblical times, people were warned about putting new wine into old wineskins. We would do well to remember that and resist the temptation of trying to fashion solutions to these and other recovery issues by relying on existing programs and policies.

The discipline of socioeconomics can produce some rather harsh results if we are not careful. History is proof of that. We can either think creatively and solve some of these problems before they become a crisis, or wait until the system collapses and rebuild a new set of policies to deal with the issues. I think we would all agree that it is better for all concerned, particularly for our children and grandchildren, if we act now.

I want to conclude my remarks by quoting from a study that was done for our area by Dr. Michael Kurth and Daryl Burckel from McNeese State University. It is dated October 24, 2007, and here is what they concluded relative to the workforce shortage in our area: There appears to be a significant labor shortage at the low-end of the wage spectrum (under $10 an hour) characterized by extended job vacancies, the hiring of under-qualified employees, and the importation of workers from other areas. This situation existed prior to Hurricanes Katrina and Rita, but it was made worse by the storms. There also appears to be a labor shortage among skilled craftsmen, construction and technical workers at all wage levels characterized by rising wages and recruitment of workers from outside the region. This situation did not exist prior to the hurricanes.

Among medium-wage workers, however, there appears to be a labor surplus characterized by underemployment and lack of labor force participation. This situation existed prior to the hurricanes, but has become more apparent due to the contrast with the situation in the other segments of the local labor market. There are a number of reasons for this which are not unique to southwest Louisiana: (1) since World War II, education policy in the United States has emphasized college over technical training; the labor force participation of women has risen sharply over the last three decades; in many families, the woman's career is secondary to their spouse's, with the result that many women are tied to a geographic area and unable to take advantage of higher wages elsewhere; and (4) few women are employed in the construction trades and crafts. Thus, in the aftermath of the hurricanes, many females lacked the labor market mobility to take advantage of higher wages elsewhere, and they lacked the skills and training needed to replace the males who took higher-paying jobs elsewhere.

This "structural" unemployment presents both a challenge and an opportunity for the local economy. With the appropriate training, many medium-wage workers will be able to find higher-paying jobs and satisfy the needs of local employers, but this will require restructuring and refocusing our educational institutions. Moreover, when it comes to economic development efforts, all jobs are not equally desirable. For example, firms that require workers in segments where there presently is a labor shortage are likely to have difficulty recruiting workers and to be disappointed with the quality of those workers they do hire.

It is our recommendation the educational institutions and economic development initiatives in southwest Louisiana work hand-in-hand to ensure that our population has access to the training and skills needed in our local labor market, and that the firms that locate here are able to find an ample supply of appropriately trained and educated workers.

The report focuses primarily on the labor shortage, but Senator Vitter and Senator Landrieu have both mentioned the problems that insurance is creating for small businesses in this area. And I would have to say that that probably is one of the most serious problems facing the entire Gulf Coast area. In Lower Cameron Parish, you cannot find insurance, and we are having increasing problems in this area of finding affordable insurance. So it does require, I think, a concerted effort and a creative solution to deal with both of those problems.

Thank you.

[The prepared statement of Mayor Roach follows:]

**U. S. Senate Committee on Small Business and Entrepreneurship**

**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

**Written Testimony of Mayor Randy Roach**
**Lake Charles, Louisiana**
**February 20, 2008**

**The City and Small Business Recovery**

Hurricane Rita devastated Calcasieu Parish and Southwest Louisiana, and Cameron Parish was totally devastated. The coastal community of Cameron literally suffered the loss of a way of life, and it continues to struggle to get it back.

According to The Rita Report, in Calcasieu Parish:

> *The southern portion of Calcasieu Parish is 30 to 35 miles inland from the Gulf of Mexico; it suffered extensive wind damage as well as moderate flooding. The northern portion was spared flooding, but suffered severe wind damage due to heavy forestation.*
>
> *The City of Lake Charles sits between these two regions and suffered wind and flood damage. Approximately 75% of the roofs in the parish were damaged or destroyed. Many homes buildings and vehicles were damaged by falling trees, utility lines were down, signs were torn from buildings and posts, downtown Lake Charles was flooded with four to six feet of water as were many residential areas around the lake and south of the city, and key infrastructure was damaged or destroyed.*
>
> *There were approximately 85,000 persons employed in Calcasieu Parish prior to Hurricane Rita, and the median household income of $36,587 was one of the highest in the state. The unemployment rate was 5.3% in the second quarter of 2005.*
>
> *Nearly two thirds of the housing stock was damaged or destroyed by wind and/or flooding. The U.S. Army Corps of Engineers installed 17,104 temporary "blue roofs" on houses, apartments and a limited number of other structures that sustained roof damage but were deemed to be at least 50% structurally sound.*

According to The Rita Report, in Cameron Parish:

> *In 2004, there were 3,756 persons formally employed in Cameron Parish and an undetermined number of self-employed and seasonal workers engaged in fishing, shrimping, hunting and fishing – traditional cash businesses – whose income many not have been reported. The unemployment rate was 9.8% and median household income was $35,232. Table 15 lists the largest employers in the parish and their estimated number of employees.*
>
> *Most of these jobs still exist, and new jobs have been created by the rebuilding and redevelopment of the parish, and development of the new LNG terminals. However, housing is not available in the southern part of the parish so many of these workers must make long commutes to their jobs. Cameron Parish does not have a sales tax, so it is difficult to track commercial activity, but few stores or restaurants are open and the general perception is that this sector has been very slow to recover.*

The shortage of housing became one of the primary problems to face Southwest Louisiana following the storm, and this issue continues to persist.

In SWLA, immediately following Rita, a labor shortage occurred. FEMA and other relief agencies hired workers for cleanup and reconstruction efforts at artificial salaries. Refineries and petrochemical plants had to increase wage scales by $4.00 per hour and offer sign-on bonuses. Some workers were brought in from other areas. Many small businesses could not afford to pay higher wages and had to cut back on operations.

Soon following Hurricane Katrina, the Southwest Louisiana Cares Task Force, comprised of government, business, non-profit entities and individual and group volunteers, was created to pool resources and react as a community to take care of the needs of the SWLA community and the evacuees from Hurricane Katrina. Economic Development was one aspect of the Task Force, with help for businesses impacted by Katrina coming from the Chamber SWLA, agencies of the State – i.e. LA WORKS, Dept. of Economic Development; the Calcasieu Workforce Investment Board; the SWLA Partnership; the Realtors Association; Louisiana Association of Business and Industry; FEMA; the SBA, and others.

Within a month of Katrina, Hurricane Rita hit Southwest Louisiana and the Task Force was renamed the Hurricane Rita Task Force to now assist the local community itself recover from its own major hurricane catastrophe.

Since Hurricane Rita, assistance to Southwest Louisiana has come from a variety of agencies, organizations and programs, including:

- The Gulf Opportunity Zone Act of 2005;
- Community Development Block Grant monies;

- FEMA Long Term Community Recovery Team;
- The LRA;
- The SBA and FEMA;
- The State - i.e., the "Louisiana Bridge Loan" program for small businesses in 13 parishes hardest hit by hurricanes Katrina and Rita;
- The Chamber of SWLA;
- Louisiana Family Recovery Corps;
- EPA Brownfields;
- US Army Corps of Engineers – Governmental & Planning; and
- Non-profits, volunteers, and others.

**SWLA/Local Response Initiatives Since Hurricane Rita:**

Since Hurricane Rita, the City of Lake Charles has been working diligently to move forward with major initiatives that will help support the area's economic development efforts. A $90 million Bond Issue was passed by voters in November 2006 for major infrastructure projects throughout the City and a referendum for a Lakefront Development Plan was passed by voters in May 2007.

The City is working with the U. S. Army Corps of Engineers as the City pursues Riverfront Redevelopment.

The City is engaged in activities to encourage downtown development through the efforts of its Downtown Development Authority and the City's Smart Code – Smart Growth principles.

The City is working on Hazard Mitigation issues.

The City and Calcasieu Parish are embarking on comprehensive master plans to manage growth.

The City is working with other agencies in pursuit of a Business Incubator.

The City is engaged in activities to build a better quality of life for its citizens through initiatives such as an expanded and enhanced parks system; a retirement community initiative; and opportunities that will help enhance the cultural quality of life for all its citizens.

The City is actively engaged with all aspects of the community, from education, to economic development, to non-profit, to other government partners to help establish alliances and partnerships that will encourage redevelopment and growth – all geared toward a better, more prosperous Southwest Louisiana.

**Issues/Opportunities for Small Business:**

**Insurance** –

Businesses and homeowners are facing higher insurance premiums with higher deductibles with less coverage. Small businesses must carry insurance to be open for business, but the insurance must be affordable – small businesses work on a very tight budget. Small business development will come, in part, with the increased ability of small businesses to manage their overhead costs - costs that come with being in business.

**Housing** -

- New building regulations, particularly along the coastal areas, such as lower Cameron Parish, must be addressed in such a way that all the citizens of coastal parishes who left because of the storm can afford to return without being overburdened with regulations.

- Affordable housing continues to be a critical issue since Hurricane Rita and particularly for young families wanting to buy their first home. Where are the "starter homes" for young working families just starting out who desperately want to buy, but can't find homes in an affordable price range. The City is working to bring some affordable housing opportunities to the area that will hopefully ease the burden on families that want to buy a home but can't afford to participate in owning a home.

**Some Conclusions Regarding Workers and the Local Economy**

The following is the Summary and Conclusions from,

**"The Availability of Mid-Wage Workers in Southwest Louisiana," A Study By: Michael M. Kurth, PhD and Daryl V. Burckel, DBA, CPA; for: Economic Development Alliance Southwest Louisiana, October 24, 2007**

> *There appears to be a significant labor shortage at the low-end of the wage spectrum (under $10 per hour) characterized by extended job vacancies, the hiring of under-qualified employees, and the importation of workers from other areas. This situation existed prior to hurricanes Katrina and Rita, but it was made worse by the storms. There also appears to be labor shortage among skilled craftsmen, construction and technical workers at all wage levels characterized by rising wages and recruitment of workers from outside the region. This situation did not exist prior to the hurricanes*

*Among medium-wage workers, however, there appears a labor surplus characterized to under-employment and lack of labor force participation. This situation existed prior to the hurricanes, but it has become more apparent due to the contrast with the situation in the other segments of the local labor market. There are a number of reasons for this which are not unique to Southwest Louisiana: (1) since World War II, education policy in the United States has emphasized college over technical training: (2) the labor force participation of women has risen sharply over the last three decades; (3) in many families, the woman's career is secondary to their spouse's with the result that many women are tied to a geographic area and unable to take advantage of higher wages elsewhere; and (4) few women are employed in construction trades and crafts. Thus, in the aftermath of the hurricanes, many females lacked the labor market mobility to take advantage of higher wages elsewhere, and they also lacked the skills and training needed to replace males who took higher-paying jobs elsewhere.*

*This "structural" unemployment presents both a challenge and an opportunity for the local economy. With the appropriate training, many medium-wage workers will be able to find higher paying jobs and satisfy the needs of local employers, but this will require restructuring and re-focusing our educational institutions. Moreover, when it comes to economic development efforts, all jobs are not equally desirable. For example, firms that require workers in segments where there presently is a labor shortage are likely to have difficulty recruiting workers and to be disappointed with the quality of those workers they do hire.*

*It is our recommendation the educational institutions and economic development initiatives in Southwest Louisiana work hand-in-hand to ensure that our population has access to the training and skills needed in our local labor market, and that the firms that locate here are able to find an ample supply of appropriately trained and educated workers.*

With the availability of affordable housing and insurance, and training of the local labor market, the small business community in Southwest Louisiana can grow and many of our young people – the future of our area – will stay, slowing the current out-migration that has been a negative factor with regard to the full-recovery and economic development of our area.

Senator LANDRIEU. Thank you, Mayor Roach. I really appreciate that input on the workforce. We are hearing that more and more places, and we will come back to that in the line of questioning.

Mr. Landry?

**STATEMENT OF JOHN T. LANDRY, DIRECTOR OF DEVELOPMENT, UNIVERSITY OF LOUISIANA AT LAFAYETTEVILLE, AND CHAIRMAN, INFRASTRUCTURE COMMITTEE, LOUISIANA RECOVERY AUTHORITY, ABBEVILLE, LOUISIANA**

Mr. LANDRY. I think next time I am going to take a tip from Mayor Roach. He has big print so I think he can speak faster.

[Laughter.]

Senator LANDRIEU. Well, the older we get, the bigger print we need.

Mr. LANDRY. That is right. Senator Landrieu, Senator Vitter, thank you both. I am grateful to have the opportunity to share with you today the ways in which we have strategically invested our Federal dollars to fund innovative programs to meet our current needs with an eye to the future. I also want to share our continued challenges facing economic recovery that demand attention from all levels of Government and private interests.

The State has made great strides since the dark days of 2005. Immediately following the storms, the State dedicated $10 million in State funds to a bridge loan program to provide gap financing for more than 370 impacted small businesses as they waited for SBA loans or insurance proceeds to kick in. As Federal funds were committed to Louisiana, the LRA Board then carved out another $350 million from much needed infrastructure repair funds to assist in the recovery of the State's damaged businesses and workforce. While these funds were not nearly enough to address the significant challenges to the State's economic recovery, the LRA with its State agency partners developed a strategic approach to addressing the retention and stabilization of the business community and its workforce in hopes of stimulating recovery in key economic sectors. I would like to quickly walk you through the highlights of some of these programs.

In the area of business recovery, the State first added another $35 million into the existing bridge loan program which provided loans up to $100,000 to another 380 businesses. Again, the bridge loan was intended as gap financing for eventual SBA loans or insurance payouts. As it became clear in the fall of 2006 that SBA loans and insurance were both taking longer than expected to pay out, the State set aside more than $200 million for a grant and loan program for small businesses. The first phase of the Business Recovery Grant and Loan program, which was developed by the LRA and is administered by LED, launched in January of 2007 and has made possible nearly 3,500 grants of up to $20,000 to small businesses and loans of up to a quarter of a million dollars or more for 350 more businesses. A second phase of this program to be launched in April 2008 will help an additional 1,500 small businesses.

The State is using our Federal funding to create innovative, long-term initiatives in our community. As part of this program, LED and the LRA established a revolving loan fund to create long-term

investment in these communities. Additionally, the LRA and LED designed a technical assistance program for small businesses.

In the area of workforce recovery, the State received an initial Federal allocation of more than $10 million from the U.S. Department of Labor for the Pathways to Construction program in an attempt to meet the demands of the construction industry. The State put an additional $5 million into this program. Since early 2006, the program has trained approximately 10,000 entry-level construction workers.

The LRA established the Recovery Workforce Training program in June of 2007 to address the shortage of labor faced by employers in key recovery sectors, including construction, health care, oil and gas, transportation, advanced manufacturing, as well as the cultural economy.

Administered by the Workforce Commission, the $38 million program will train and place more than 7,000 people in occupations that range from entry-level laborer to skilled registered nurses.

Some other sector initiatives. The Recovery Tourism and Marketing program, developed in conjunction with the Department of Cultural Recreation and Tourism, provided $28.5 million for support of local tourism and marketing. The LRA and the Louisiana Board of Regents used another $28.5 million to develop a research, commercialization, and educational enhancement program. This program has provided dollars to rebuild science and technology-related research programs and related workforce development programs at 11 severely damaged universities that can lead to economic development outcomes. The LRA also set aside $19 million under the Fisheries Infrastructure program to rebuild and repair the infrastructure critical to this badly damaged industry. These awards will be announced in the near future.

What remains to be done? It is clear that in the immediate future there are a number of different needs that are required to stimulate the economic recovery of the most heavily impacted parishes. A number of additional measures are outlined below that would provide a comprehensive approach to economic recovery. I will not have time to go through each one, but I will touch on a few points.

Small businesses are the backbone of our State's economy. More than 90 percent of Louisiana businesses have 20 employees or less, and these businesses are responsible for more than 80 percent of the new jobs created. So we need assistance in providing low-cost financing, capital, and technical assistance to small business and entrepreneurs during the recovery. We need to develop a fund to support an awareness and marketing campaign to promote Louisiana as a tourist destination and correct some of the misconceptions about Louisiana and New Orleans. And we need to assist in the commercial fisheries industry. There was more than $400 million in lost infrastructure, but unfortunately, all we have is $19 million to allocate to that industry.

So we need to provide adequate, equitable resources for the recovery of our commercial as well as recreational fisheries. We need to ensure FEMA tasks the Coast Guard by mission assignment or interagency agreement with the responsibility of conducting a com-

prehensive marine debris removal program, as was done in Alabama and Mississippi. We got the short end of that stick.

Provide sufficient funding for NOAA to complete their Gulf Coast Survey work along the entire Gulf Coast. We need to address the acute domestic labor shortages, and we are asking for support of additional funds for the State's Recovery Workforce Training program, and, again, I have listed some other items, as well as the GO Zone Act being extended.

In recovery models in prior catastrophes were based on assumptions that proved invalid post-Katrina and Rita. The broader recovery issues associated with the rebuilding of the regional economy—lack of qualified workers, housing, etc.—pose unique challenges for the recovery of small businesses. We know that you and your colleagues both in the Senate as well as in the House have been hard at work at such programs. We want to thank you for your significant efforts on our behalf.

I want to thank you both again for your continued vigilance in support of South Louisiana. We would not be able to report such progress were it not for your tireless advocacy for the State's continued needs. We thank both of you.

[The prepared statement of Mr. Landry follows:]

# Written Testimony of John T. Landry, Member of the Board of the Louisiana Recovery Authority Before the U.S. Senate Committee on Small Business and Entrepreneurship Field Hearing on "Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"

February 20, 2008

Senator Landrieu and Senator Vitter, my name is John T. Landry and I am a longtime resident of South Louisiana. I wanted first to thank you both for your continued commitment to Louisiana's residents. Thank you for inviting me to speak to you today on behalf of the Louisiana Recovery Authority about the federal response to the state's economic devastation and the state's efforts to recover from Hurricane Katrina – the most catastrophic and costly disaster in American history – and Hurricane Rita – the third most expensive disaster.

The Louisiana Recovery Authority, more commonly known as the "LRA," is the state's authority in charge of coordinating recovery efforts and special funding related to Hurricanes Katrina and Rita. I myself am a volunteer and serve as Chair of the Board's Infrastructure Task Force.

I am grateful for the opportunity to share with you today the ways in which we have invested our federal dollars strategically to fund innovative programs to meet our current needs with an eye to the future. And to share our continued challenges facing economic recovery that demand attention by all levels of government and private interests.

**EXECUTIVE SUMMARY**

Through aggressive and strategic measures, the state has created a number of initiatives to spark economic recovery despite a lack of adequate funding to recover from the extreme losses.

Immediately following the storms, the state put $10 million in state funds to a Bridge Loan program to provide gap financing for more than 370 impacted small businesses as they waited for SBA loans or insurance proceeds to kick in.

As federal funds were committed to Louisiana, the LRA Board then carved out another $350 million from much-needed infrastructure repair funds to assist in the recovery of the State's damaged businesses and workforce. While these funds are not nearly enough funding to address the significant challenges to the State's economic recovery, the LRA with its state agency partners developed a strategic approach to addressing the retention and stabilization of the business community and workforce, and to catalyze recovery in key economic sectors.

It is clear that in the immediate, there are a number of different needs that are required to stimulate the economic recovery of the most impacted parishes as well as address the pressures the disaster has placed on all communities throughout the state. A number of additional measures are outlined below that would provide a comprehensive approach to economic recovery.

**Bolster economic recovery**

- Fund low-cost financing, capital and technical assistance to small businesses and entrepreneurs in the recovery. This is needed for both neighborhood-based commercial

enterprises and high growth start-ups in industries that local communities have prioritized as economic development targets, including digital media, biomedical and technology based businesses, and incubators. To date, there is no funding available for start-up companies that bring innovation and much needed services to our recovering communities.

- Continue to support the extension of GO Zone incentives and an additional $5 billion in tax exempt bonds to continue to spur private investment in the most impacted parishes.
- Extend the 26% federal Historic Rehabilitation Tax Credit Program until December 21, 2010 AND increase credit to 30% for most severely damaged parishes
- Request an additional $600 million allocation of special GO Zone New Markets Tax Credits
- Develop a fund to support an awareness and marketing campaign to correct misperceptions about Louisiana and New Orleans and promote it as a tourist destination.
- Assist in the recovery of Louisiana's commercial and recreational fisheries with additional resources to provide individual fishermen and processors the financial tools to recover and rebuild.

**Address the acute domestic labor shortages in all economic sectors**
The workforce crisis faced by the state is a systemic problem facing most states that has been exacerbated by the storms. The labor shortage facing Louisiana poses a threat to recovery in all sectors. Funds for training and placement must be coupled with additional resources for temporary worker housing, relocation funds, as well as subsidies for transportation and childcare in order to support efforts to rebuild the state's workforce.

**BACKGROUND**
The state has taken tremendous strides since the dark days of late 2005.

Most recently, Governor Jindal has made it clear that economic reform is a central tenet of his administration. The Governor is committed to an environment that supports innovation and business confidence to create more high-wage jobs and industry diversification. As a first act, the Governor has called a special session to address tax reforms critical to improving business confidence. LED Secretary, Stephen Moret, is also focused on creating a business-friendly environment focused on business retention as well as benchmarking other states' policies to ensure we are best in class.

Here in Lake Charles we see great examples of progress. We have seen at least $300 million in construction being spent in the parishes most devastated by Rita, with hundreds of millions of investment on the way. The Louisiana Recovery Authority just approved $35.2 million for long-term recovery projects in Cameron, Calcasieu and Vermilion parishes. Local leaders will focus these funds on crucial developments identified by citizen-led planning processes in the area.

In other signs of progress, traffic has increased at the Lake Charles Regional Airport, which broke ground on a new terminal in this past fall. In addition, Chenault Airpark has reopened and is investing more than $40 million in rebuilding efforts over the next two years. The Port of Lake Charles, the nation's 12th largest seaport, generated nearly $8 billion in total economic activity in 2006 and is planning more than $1 billion in major expansions. McNeese researchers secured a grant through the LRA and Board of Regents' Research Recovery Program to invest in the university's research capacity and its potential economic benefits. Through the Recovery Workforce Training program more than $9 million in funding is going to workforce development

in key industries such as healthcare, construction and oil & gas. In Cameron Parish, high school athletes and students just dedicated the field of the South Cameron Sports Complex. And thanks to some $25 million in state and federal funds, a new South Cameron Memorial Hospital is opened this past fall. The hospital is the only hospital serving this area and offshore oil workers working nearby andhas been rebuilt to withstand hurricane force winds and at a higher elevation for safety..

We are seeing similar signs of progress across South Louisiana. The LRA Board just approved an additional $500 million to parishes across South Louisiana for long term recovery planning priorities. More than $6 billion in tax exempt bonds have been let under the $7.8 billion GO Zone tax exempt bond allocation. According to estimates by local economist Loren Scott and regional economic development organizations such as GNO, Inc., more than $62 billion in rebuilding dollars are to be spent in our state in the next two years. Just last week, Louisiana's worldwide merchandise exports reached $30.4 billion, exceeding their 2006 record year, according to a recent report from the New Orleans World Trade Center. Additionally, recent research conducted for the LRA by LSU professor Dek Terrell shows some very good news for businesses across the state. Most of the state had climbed back within 3 percent of pre-storm employment.

In fact, by the 1st quarter of 2007, the state was only 505 employers shy of pre-storm levels. This represents a significant increase statewide from an initial loss of 5,178employers immediately following the Hurricanes and also shows progress over 2006Q4. The report also revealed that the state as a whole had an overall business failure rate of 22.75% from 2005Q2 to 2007Q1, while the Southeast and Southwest regions had failure rates of 29.83% and 19.84% respectively.

But although these facts clearly indicate upward trends in the state overall, the story to be told is a tale of two recoveries. It is clear that while there is growth to be seen in many of the recovery parishes, there continues to be serious losses to the economies of the most affected regions. Parishes like Calcasieu and St. Tammany have experienced the typical hurricane recovery "V" curve – an extreme downturn in the weeks immediately following the storms and then an economic bounce as construction and other rebuilding commences. Parishes like Cameron, Orleans and St. Bernard, on the other hand, that experienced storm surges of 18' and more or flood waters from the federal levee breaches are, not surprisingly, still experiencing significant struggles in reviving and growing their economies.

Together, the storms caused an estimated $100 billion dollars in damages to homes, property, businesses and infrastructure in Louisiana alone. While about $40 billion dollars of these losses are covered by private hazard and flood insurance, and we also recognize and are sincerely thankful for the estimated $26 billion that is flowing to the State to help us rebuild our homes and physical infrastructure. But that still leaves a gap of $34 billion dollars... or put another way, that's about $20,000 in unrecovered losses for every household in the state. This funding gap does not include the 127,000 jobs and 4,000 businesses in Southeast Louisiana that haven't come back, which shrunk Louisiana's economy by $11.5 billion last year. Nor does it cover the more than $1.69 B in wages in the same period; $1.59 billion of this loss was experienced by Orleans parish alone which lost more than 130,000 jobs (22%). Furthermore, approximately 8,000 businesses had failed in South Louisiana by the end of June 2006. In Orleans parish, this represented 1 out of 3 businesses; in St. Bernard and Cameron parishes this ratio was more than half of all businesses. This also does not count all of the emergency and social services requirements incurred.

Louisiana's major industry sectors experienced extreme setbacks.

- Outages in production capacity in Louisiana's petrochemical industry following disruptions to the natural gas supply after Hurricane Rita created a ripple effect of shortages that created corresponding shortages in final products ranging from plastic milk jugs to medically important blood bags.
- It is estimated that more than $400 million worth of damage was done to the infrastructure of Louisiana's fisheries sector, which produces about a quarter of all the seafood caught in the United States. Thousands of commercial and recreational fishing boats, and marinas, docks, ice houses, wholesalers, and processing plants were destroyed or damaged.
- The continued lack of visitors to the State following the storms is wreaking havoc on the State's cultural and tourism businesses. It is estimated that $1 billion in tourism-related revenues has been lost in New Orleans alone since the storms.
- Our higher education research facilities lost billions in original research specimens and equipment. This, coupled by a flight of key faculty and slow return of students, put extreme strain on this critical economic sector.

Small businesses which make up more than 90% of all businesses in Louisiana experienced extreme setbacks -- over 80,000 businesses were impacted, nearly 11,000 businesses completely destroyed. These businesses continue to face extreme challenges in their path to rebuild and contribute to the economic recovery of their communities. These businesses operate in a world of uncertainty that would shutter less tenacious and committed business owners. All businesses are suffering from skyrocketing costs of insurance, utilities, labor and a lack of stable infrastructure. Few businesses in Orleans and St. Bernard can count on the return of their market place and are faced with the need to reinvent themselves in order to survive. Fishermen who lost their boats and gear are still struggling to repair and replace their means to livelihood.

Compounding the challenges of rebuilding for most businesses – large and small - is a shortage in qualified labor. Not only does the state anticipate a need for 90,000 new construction workers in Louisiana alone in next 5 years. Right now, there are more than 95,000 job vacancies in the state; a third of these jobs are in the Southeast region. Employers not only cannot find enough workers to do the work at hand, they are hindered by taking on new projects because of the lack of a workforce.

The continued lack of affordable housing in Orleans and other parishes is a major barrier for displaced workers who want to get home and back to work, but can't because they can't make ends meet as they once could due to soaring rents. A lack of a regional transit system and the slow repair of local transit systems lead to people dislocated from the metropolitan center having to pay 2 or 3 different fares to get to work. Training programs are even having to deny people training opportunities because reliable transportation is a requirement of many of the available jobs.

The bottom line is that many businesses and workers in the most devastated areas are still struggling to recover, and they will continue to need our help for many months and years ahead. So while federal aid and private donations have been unprecedented, Louisiana still has unprecedented needs and we will need the Congress's continued strong support going forward.

**WHAT'S BEEN DONE**

The state has taken an aggressive and strategic approach to economic recovery despite a lack of adequate funding to recover from the extreme losses. Immediately following the storms, the state allocated $10 million in state funds to a Bridge Loan program to provide gap financing for more than 370 impacted small businesses as they waited for SBA loans or insurance proceeds to kick in.

The State then received a generous allocation of approximately $13.4 billion in federal disaster recovery funds. Unfortunately, none of these funds were targeted specifically to economic recovery at the federal level. In fact, during negotiations between the LRA Board and Chairman Powell for the additional $4.2 billion in disaster recovery funds that the ultimately President recommended to Congress in February, 2006, Chairman Powell asked that the additional funding requested be based on using the entire $10.4 billion to meet housing and infrastructure repair estimates and required that requests for economic development not be included at that time.

Because of Louisiana's overwhelming devastation, it was clear to the state and the LRA Board that rebuilding levees, housing, and public infrastructure as well as investing ineconomic development were all critical priorities and each needed assistance. The lack of federal funding for our small businesses and workers stands in stark contrast to the emphasis on economic recovery following the attacks of September 11. Because housing and infrastructure damage were comparably smaller in that disaster, approximately $2.7 billion in federal funding was spent to restart New York's economy and officials there were able to set aside $1.2 billion to be spent solely on grants to help businesses recover and workers get back to work.

Despite this oversight, the state stepped in to help support small businesses, assist workers, and invest in our future economy. Governor Blanco requested that the LRA Board carve out $350 million from much-needed infrastructure repair funds to assist in the recovery of the State's damaged businesses and workforce. While these funds are not nearly enough funding to address the significant challenges to the State's economic recovery, the LRA with its state agency partners developed a strategic approach to addressing the retention and stabilization of the business community and workforce, and to catalyze recovery in key economic sectors.

**Business Recovery**

The state first added another $35 million into the existing Bridge Loan program which provided loans up to $100,000 to another 380 businesses. Again, the Bridge Loan was intended as gap financing for eventual SBA loans or insurance payouts. As it became clear in the fall of 2006 that SBA loans and insurance were both taking longer than expected to payout, the state set aside more than $200 million for a grant and loan program for small businesses. The first phase of the Business Recovery Grant and Loan program, which was developed by the LRA and is administered by Louisiana Economic Development, launched in January of 2007 and has made possible nearly 3,500 grants of up to $20,000 to small businesses and loans of up to $250,000 to more than 350 businesses. A second phase of this program to be launched in April 2008 will help an additional 1,500 small businesses.

These funds are not just being used as emergency funding but are being reinvested into innovative, hard-working businesses. They are being used to pay critical operating expenses, diversify business offerings and provide critical services to communities. The funds support the rebuilding of the fishing industries in Plaquemines and Cameron as well as operating capital for cultural businesses that retain the culture and soul of our state. Additionally, these funds are being used to repair retail and service companies like CHL Linen in New Orleans which is using their funds to buy fabrics that will help them replenish their stock and serve their customers.

Another company, Beary Cherry Tree Daycare, is using its grant award to pay for increased insurance costs in order to provide a critical community service.

The state is utilizing our federal funding to create innovative, long-term investments in our communities. As part of this program, LED and the LRA established a revolving loan fund to create a long term investment in these communities. An estimated $90 million in repaid loan funds from this program will be recycled as new loans within the impacted communities of South Louisiana. This is a way that we are ensuring that the federal dollars we receive not only have impact today, but into the future, as well.

Additionally, the LRA and LED designed a Technical Assistance Program to provide technical assistance to these and other small businesses eager to contribute to the recovery of the State's economy.

**Workforce Recovery**
In order to address the shortage of labor faced by the state's employers, the LRA established the Recovery Workforce Training Program. Administered by the Workforce Commission, the $38 million program addresses the recruitment and training of workers needed by employers in six key recovery sectors -- construction, healthcare, oil & gas, transportation, cultural economy and advanced manufacturing. Since June 2007, more than 1,500 people have signed up to be trained in all occupations from entry level construction worker to registered nurses. The program's main focus is on ensuring job placement. To date, approximately 500 trainees have been placed in employment.

Additionally, the state received an initial federal allocation of more than $10 million from the U.S. Department of Labor for the Pathways to Construction program. The state put an additional $5 million into this program. To date the program has trained approximately 10,000 entry-level construction workers.

**Other Sector Initiatives**
The LRA also designed programs to focus federal funds not just on immediate recovery priorities, but to invest in growth sectors to serve as a catalyst to the future economy.

The Recovery Tourism and Marketing program, developed in conjunction with the Department of Culture, Recreation and Tourism, placed $28.5 million in local tourism and marketing to organizations to stem the decline in tourist markets that are having a negative ripple effect on the entire State's bottom line.

The LRA and the Louisiana Board of Regents used $28.5M to develop the Research Commercialization and Educational Enhancement program. This program has given more than $27M to rebuild the science and technology related research programs and related workforce development programs at 11 severely damaged universities that can lead to economic development outcomes. Additionally, the program funds a strategic planning process to help the state focus on systems to enhance the commercial potential of these activities for the long-term.

The LRA also set aside $19 million under the Fisheries Infrastructure Program to rebuild and repair the infrastructure critical to this much damaged industry.

**WHAT REMAINS TO BE DONE**
It is clear that in the immediate, there are a number of different needs that are required to stimulate the economic recovery of the most impacted parishes as well as address the

pressures the disaster has placed on all communities throughout the state. A number of additional measures are outlined below that would provide a comprehensive approach to economic recovery.

**Bolster economic recovery**

- Support small businesses and entrepreneurs in the recovery areas with financing, low-cost capital and technical assistance. This is needed for both neighborhood-based commercial enterprises and high growth start-ups in industries that local communities have prioritized as economic development targets, including digital media, biomedical and technology based businesses, and incubators. To date, there is no funding available for start-up companies that bring innovation and much needed services to our recovering communities.
- Enact pending small business assistance legislation:
    - S. 163, the Senate-passed SBA Disaster Reforms bill that includes HUBZone designation for Katrina and Rita areas
    - HR 1468, disaster relief for small businesses
    - HR 1361, the RECOVER Act
- Develop a fund to support an awareness and marketing campaign to correct misperceptions about Louisiana and New Orleans and promote it as a tourist destination. These funds would be used to increase national advertising and marketing initiatives.
- Funding to relocate businesses that utilize the Mississippi River Gulf Outlet (MRGO) which will be closed to provide hurricane protection.

**Assist in the recovery of Louisiana's commercial and recreational fisheries**

- Provide adequate and equitable resources for the recovery of our commercial and recreational fisheries, including direct support to fishers and seafood processors as well as infrastructure
- Ensure that FEMA tasks the Coast Guard by mission assignment or interagency agreement with the responsibility for conducting a comprehensive marine debris removal program as was done in Alabama and Mississippi
- Provide sufficient funding for NOAA to complete their Gulf Coast Survey work along the entire Louisiana coast

**Address the acute domestic labor shortages in all economic sectors**

- Provide additional employer-based subsidies that could be used for recruitment, wage, housing, transportation, childcare or training stipends to retain and attract a much-needed workforce.
- Support additional funds for the state's Recovery Workforce Training program and the Pathways to Construction program to train and place additional workers in sectors critical to the recovery.
- Request an exemption for Gulf Coast states from the upcoming recision of federal Workforce Investment funds that critical to addressing our workforce crisis.
- Provide transition assistance for workers wanting to return home
- Support domestic labor recruitment from regions with persistent job shortages
- Streamline the H2B Visa process, which can take up to 120 days to complete. Temporarily increase the quota from the current 66,000 to 250,000 or 300,000 while guaranteeing a certain percentage to the GO Zone. Extend the time H2B Visa workers are allowed to work in the U.S. from one year to 3 to 5 years.

- Establish a temporary legal presumption in the GO Zone that there is a labor shortage. [An employer must certify that there are no available American workers to meet the expected labor requirements.] Or, establish a temporary guest worker pilot program in the GO Zone.
- Provide Higher Education stipends to retain students displaced by the storms.

**Increase Tax Incentives**

- Recovery will accelerate from an additional $5 billion GO Zone bond allocation
- Extend the 26% federal Historic Rehabilitation Tax Credit Program until December 21, 2010 AND increase credit to 30% for most severely damaged parishes
- Request an additional $600 million allocation of special GO Zone New Markets Tax Credits
- Allow for National and Regional CDEs to invest in New Markets Tax Credits in Treasury Department-recognized Damaged Census Tracts "Specially Qualified GO Zone Targeted NMTC Census Tracts"
- Extend CRA credit to national banks investing in the Gulf Coast. These provisions expire in August 2008. Once that designation is lifted, banks only get credit in areas where they do business which removes the incentive to invest in the Gulf Coast. This is a lost opportunity just when the time is right for this stream of investment.
- Clarify GO Zone "bonus depreciation," Either the IRS should promptly issue guidance or the Go Zone law should be amended to clarify that Go Zone bonus depreciation is not recaptured in a Section 1031 exchange transaction.

**Conclusion**

Recovery models in prior catastrophes were based on assumptions that proved invalid post-Katrina. The broader recovery issues associated with the rebuilding of the regional economy – lack of qualified workers, housing, etc. – pose unique issues for the recovery of small businesses

The State has made significant strides in economic recovery with few resources. What is needed for future disasters is a federal disaster business recovery package that can be implemented in the immediate aftermath of a disaster and would include a grant and loan package as well include wage subsidies and rental assistance to employees needed to keep up productivity levels in a recovering community. Grants and loans must have minimal restrictions and paperwork to allow business owners to reopen and contribute to economy. The size of the program should be in direct ratio to the number of businesses that experience business interruption and damage from an event. The size of grants and loans should provide sufficient capital for a business to cover losses and stabilize. Programs developed after 9/11 and the 2005 hurricanes should be used as models to develop such a program.

We know that you and your colleagues, both in the Senate as well as in the House, have been hard at work at such programs and have succeeded at securing significant changes to programs, such as the SBA loan program, that have not worked well for our businesses. We want to thank you for your significant efforts in this direction.

I want to thank you both again for your continued vigilance in support of South Louisiana. We would not be able to report as much progress were it not for your tireless advocacy for the state's continued needs.

Thank you for the opportunity to appear before you today. I'd be happy to take any questions that you may have.

Senator LANDRIEU. Thank you, Mr. Landry.

If we could start now just our first round of questioning, and if we have time at the end, we can take some questions from the audience, but we have to check our time.

Mr. Cornelius, when the storms struck, I was actually shocked, as you know, to see that the small business disaster plan that was implemented. It was about 2 inches thick, very difficult for anybody in Washington to read, let alone people here, under feet of water, several feet of water. So we, by virtue of our Committee, directed the SBA to streamline that plan, adopt a new one so that, as Mayor Roach testified, we can keep our eye not just on the current challenge but in the future trying to do a better job than what was done.

Can you give us an update as to where that plan is, the mandates by our Committee for SBA to restructure itself so that these 90 percent of our businesses that have less than 20 employees—most of them can't employ full-time accountants or lawyers or lobbyists—can figure out what they can do after a disaster like this? And could you just give us a brief update of how that is being implemented right now?

Mr. CORNELIUS. Well, as I said earlier, the agency has submitted to the Committee a Disaster Recovery Plan. What we did was our new Administrator, Steve Preston, came aboard, and the first thing he looked at was the critical path of how a disaster loan comes in, when it comes in, what we do, how we do it, and what is going on. And he restructured teams within SBA, and these teams are now structured in place. They have reduced the time that it takes to process loans all throughout disasters, not only in our disaster but we use it nationally.

If you look at what happened in his restructuring in his plan and what has been implemented, what normally took us 90 days to 120 days after Katrina now takes us less than 30 days, and that is because we assign resources, not only our human resources but also our IT resources that came in in situations that we can improve technology to get evaluations on property and damages so we could secure that.

So that plan that was submitted to the Committee is actually being implemented by this agency.

Senator LANDRIEU. Could I ask, Joe, would you mind maybe just stepping up and giving a comment for the record? I hope that my staff told you that I may be asking you for this. But I think this is very important for the businesses here, the 700 businesses in southwest Louisiana who were successful in getting a small business loan. That may be the good news. But the bad news is there may be thousands that attempted and just finally gave up because of the kind of process that was just not in place to be of help to them at a very desperate time.

So could you just comment briefly on how you were implementing this new disaster plan? And how many people do we have, you know, in place in Louisiana, South Louisiana, to take care of this if this happens again?

Mr. MONTEZ. We have here in Louisiana a staff of about eight or ten people in the New Orleans District Office who are assigned responsibility for the entire State of Louisiana with regard to what

we refer to internally as our regular SBA programs, that is, 7(a) business loan programs, 504, the Government contracting such as the 8(a) programs, and then in conjunction with the SBDCs and SCORE, the technical assistance programs.

What we have beyond that for disaster response is a cadre right now of approximately—and I don't know what the exact head count is, but approximately 1,200 people at the Disaster Processing Center in Fort Worth, which is a headquarters entity that all disaster loan applications will be processed through there.

Now, when Eugene references teams, it is at that facility where they have teams of four or five individuals who are assigned a batch, if you will, of applications that will drive those applications quicker and more thoroughly and more efficiently through the disaster loan application process.

Senator LANDRIEU. Has there been any talk—and I am going to move on in just a minute—which came up after the storms, of using the local banks and the local lending community that is familiar with these small businesses to maybe partner with you all in a way that can expedite the loans? And the other point, B, is the streamlining of the paperwork that was required. You know, people were asked to submit tax returns back 5 years. Well, heck, if they had their tax returns in a house that was dry—but the tax returns went out the window with everything else. I mean things like that that were just mind-numbing for us to try to move this bureaucracy to understand what our people were dealing with.

So, A, are you working in any way with banks, yes or no, and if there is a possibility, and streamlining the paperwork required for our small businesses.

Mr. MONTEZ. It is my understanding, Senator, that the headquarters people are working with the local lending communities, private banks, if you will, to join us in processing some of these applications, and perhaps taking the first step in actually doing the loan, that is, issuing the funds, disbursing the funds, and we come back and guarantee that.

Now, where we are with regard to that, that is something that is made—that decision is made in Washington, and I think that would probably be a question better asked of the Administrator or the disaster program people at headquarters, because they ultimately will have the responsibility for outlining the parameters of such an agreement.

With regard to the requirements of such things as 5 years' worth of tax forms, et cetera, et cetera, I believe that has been largely eliminated. Those requirements are eliminated, particularly in instances where such as occurred here with Rita and in New Orleans with Katrina. It just did not make sense.

Senator LANDRIEU. No, it does not make sense for people to have to give you titles and insurance policies and tax returns that were flooded, you know, lost in the flood and, you know, they cannot go forward until they retrieve that paperwork. And not to go on, but it was mind-numbing that if you needed their tax returns, the SBA just could not call the IRS, you know, which is like right next door, and get the tax returns that are on record somewhere. But yet our people were forced to go dig through debris to literally try to find their tax returns.

Now, we have eliminated that, but I just want to make sure that you are cognizant that in the future we hope that these procedures will be clearer. It is only one of about a hundred things I could talk with you about.

Mayor Roach, and then we will be finished my turn in just a minute. Would you be a little bit more specific in your conversations—because I know you have been one of the leaders that both Governor Blanco and Governor Jindal are depending on to help give advice about this workforce development issue, because I think this is really crucial. And I appreciate the time that you spent talking about the report. Have you made any specific suggestions other than the one that you made about making sure the State is investing in our technical colleges? Could you elaborate a little bit? We would like to take away one or two really specific suggestions from a mayor trying to rebuild a city, a regional leader trying to rebuild a region. You have got fisheries. You have got energy. You have got port fabrication. You have got retail. You have got tourism. You know, you have got a lot of different kinds of petrochemical. So you are hearing from a lot of different kinds of employers about this. What have you shared with the State that maybe Senator Vitter and I could take back to Washington to be helpful in terms of this job training piece?

Mayor ROACH. Well, what we have talked to the State about is the idea of taking the opportunities that we have with Sowela Tech and our local high schools and to begin at the high school level a job training curriculum, because there are many children who are not college-bound and who, quite frankly, are not challenged enough at the high school level, and working with local high schools and Sowela to develop an articulation agreement so that they can begin training in high school and then take that training and have that credit transfer into the technical—or the community college setting and thereby encourage them to develop job training skills and introduce them to the different types of skills and the different types of opportunities that are available in the job market today.

What we are finding is that many young people today simply are not aware of the opportunities that are out there and are not being adequately exposed to the job opportunities in terms of what those jobs involve. For example, we just met just yesterday with the local school board, and we are looking at an opportunity where the city will help through a cooperative endeavor agreement to expand the job training facilities that exist to introduce into the high school level a curriculum that gives hands-on experience, hands-on training, and expose children not just to books but to an applied application of the math and science principles that they are learning in school, and hopefully at the same time challenge them to actually do better in school.

What we have found in some cases is that some children are not stimulated by just learning from a book, that when they see it and they can do it with their hands and they can understand it, then it becomes a little more meaningful and a little more real. And some of those students actually improve in terms of their academic performance.

So we are looking at that in a different approach to job training. Workforce development has had traditionally a focus on either college age or even post-secondary-age workers. We are looking at training those workers and reaching workers in the high school level.

Senator LANDRIEU. Well, let me suggest this, and then I will turn it over to Senator Vitter. We were successful in allocating about, as I recall, $435 million for restart money for the State schools. This was 2 1/2 years ago. Some of that money, John, may still be available, and I would like to pursue the opportunity to look there, as well as maybe some additional Federal funding that we could direct this way for a pilot to see if we could, you know, really find some successful pilots. This is a great need throughout all of our State with an unemployment rate of about 3.9 percent, but a dropout rate in our high schools exceeding 50 percent. There just seems to be such a disconnect between the demand for jobs and the availability of our students.

So there is a lot of discussion, without taking too much time going on, in the education reform circles about retooling high school curriculums. And I see Ann Knapp, who used to chair the Sowela Tech Board taking notes. But if we could work, would you be willing to help us fashion a pilot program?

Mayor ROACH. We talked about a pilot program yesterday with some representatives from the school board. So this would be an excellent opportunity.

Senator LANDRIEU. Great.

Mayor ROACH. I wish I had the presentation and you had the time to see it, but it would be—I think we have got something that could fit very well with what you are talking about.

Senator LANDRIEU. But I think it underlines one of the important challenges besides the insurance issues that we have raised. It is really the workforce, lack of workforce development opportunities that hit small businesses that cannot compete with some of the larger businesses for the higher salaries. And it puts businesses of all walks of life at a real disadvantage. And it is something that we could in a Government public-private partnership, I think, really address.

Senator Vitter?

Senator VITTER. Thanks, Mary.

As I start, let me just repeat that if anyone in the audience has a concise comment or question, I think there are index cards being passed around or available in the back. Please write it down. If it is about these subjects, we will try to get to them in the discussion. If it is about anything else, I certainly have staff in the back, and we will try to meet or respond to other issues as well, perhaps after the meeting. And thanks to all of you for being here.

Mr. Cornelius, the 700 figure, I just want to back up and understand it. That is the number of Rita loans that have not been disbursed?

Mr. CORNELIUS. Correct.

Senator VITTER. And in each and every case, as I understand your testimony, that is because of a change of heart or a factor on the applicant side?

Mr. CORNELIUS. Yes.

Senator VITTER. So as far as you know, every Rita SBA loan has been dealt with in terms of your SBA responsibilities as of now?

Mr. CORNELIUS. Well, as of what SBA can do given that they have not gotten information or where the applicant wants to go. We are at that point, yes.

Senator VITTER. OK. And so if that is the case with the applicant, you obviously tell them you need to do A, B, and C.

Mr. CORNELIUS. Correct. Some of them we have not located. Some have canceled, want to cancel. Some have decided not to pursue. But in every instance that I named, yes, that is pretty much the case. We have to have the applicants do something in order for SBA to go further.

Senator VITTER. OK. And, also, with regard to the disaster plan and the need for sort of what I would call surge capacity, basically you pointed to the disaster staff in—is it Dallas? Fort Worth. I assume in an event big enough, like Rita—that is not big enough. I assume if you have a big enough event, you need an extra surge. So what is the plan for the quick, efficient surge beyond your employees, No. 1? And, No. 2, is it better to plan on hiring and training more people immediately or partnering with folks in the private sector, as Mary mentioned?

Mr. CORNELIUS. Those are the permanent staff in the Fort Worth area, but nationwide SBA has a cadre of people that they can call up in an emergency or in a disaster where we need it. We do not have the means or the resources to have those people on for full-time because there is no justification for full-time jobs in that situation. But here in Louisiana, we have over 700 people who have been through the experience of Katrina and Rita and Wilma that we can call on, SBA can call on, and they can become employed in our cadre and be ready to face a disaster if one hits in our State.

Senator VITTER. And you are basically saying you think that is adequate even for a big, big event, not a typical tornado, et cetera?

Mr. CORNELIUS. Absolutely, because if you look at what happened with Katrina, we had 450 people coming in on a rotating basis. We looked at the numbers. It was somewhere around 270 that were really—when we were at our height of getting the contracts done and getting the applications done and getting things moving under the new plan that Administrator Preston did.

Now, we did also allocate certain staff to certain areas, such as New Orleans City Hall, that helped us with the Road Home situation, with getting mortgages and titles and all the things that Mary was pointing out as far as documents. And we found that it was more feasible to have those people in those situations, and we used less resources because they were concentrating on getting the bottleneck of the problem in the Road Home situation.

Senator VITTER. OK. Mayor Roach, what is your observation about what various GO Zone incentives have done in this area in terms of the recovery?

Mayor ROACH. Well, I think the GO Zone—I was talking with one of the tax attorneys in town the other day, and he said, you know, in the next couple of years, by the next 2 or 3 years, you are going to see more investment in this area than you have ever seen before. And he attributed it to the GO Zone, particularly to the 50 percent depreciation allowance that is afforded under the

provisions of the Act. That tends to be the provision that gets the most attention, but there are other provisions and other benefits in there. But I think the GO Zone Act is a tremendous incentive, and I think that it really is the type of thing that America works best with. It creates an incentive. It does not mandate a particular investment. It just gives credit for investment, and it encourages American business to go to work, and it gives a great incentive to do that.

And so if there is any message coming out of this particular situation as far as we are concerned, it is to just give American business the incentive to go to work and get out of the way and watch them go to work, because they can do tremendous things. That has been our forte, so to speak. And that to me is the significance of the GO Zone Act.

Senator VITTER. You may have just answered this question, but let me make sure. I was going to ask, there are a menu of different GO Zone incentives. We are trying to extend them basically all in time. We may be able to extend some, but not all. So what would be at the top of the list. The 50-percent depreciation?

Mayor ROACH. The 50-percent depreciation, that would be probably top of the list. But I would also say that what—you know, it is kind of a chicken-and-egg situation, and we have had this problem in other areas. But many people wonder why recovery does not work faster than it works. And I was talking with a local physician, and he just opened his new office. He just opened his new office. He made the decision to build a new office 2 years ago. And that is just one person, and that is one office. It is the amount of work that has to be done before you can actually complete the project. And with the rules and regulations and policies, all well intentioned and all well intended and—I am not saying we should repeal them, but there are so many hoops that we have to go through in order to get a project not only permitted, but then we have to worry about funding and other things that we have to do. So it takes more time.

So I would say to Congress, we have created this set of rules and regulations to do things and policies, environmental and otherwise, that we say need to be taken care of, but to do that on such a large scale when you are—it is not just one building. It is an entire region that we are trying to rebuild. It just is going to take time. The workforce shortage has created pressure.

Just to give you an example, we are finding that concrete, the staple for reconstruction, is at a premium, and concrete now is $100 plus a yard. And so that—I mean, it is just the availability of the raw materials that are necessary for reconstruction is making the whole process a little bit more difficult.

So time is of the essence. We know we need to rebuild. We know that GO Zone works. But we know that in light of the magnitude of the devastation, it is going to take time in order to complete that rebuilding. So if we want the GO Zone to really have its intended benefit, then we have to have a little bit more time.

Senator VITTER. Thank you. And, Mr. Landry, thanks for all your work with the LRA. You mentioned bridge loans, which the State LRA did some of. I don't know if you know this off the top of your head, but do you know the overall default rate from that experience

and, therefore, the overall conclusion about if it really got businesses to a point that it could work or not?

Mr. LANDRY. I have invited Robin Keegan with our staff, who handles this on a daily basis. But before she comments, though, it occurred to me, as Mayor Roach was talking about the GO Zone, the bonus depreciation, Senator Landrieu, you mentioned that a lot of the small businesses do not have the luxury of attorneys and accountants. And so I guess in a perfect world, a lot of these small businesses could take advantage of the more complex—I mean, it is difficult for the sophisticated business people to take advantage of some of these complex depreciation bonuses. So I don't know how—that is just a thought. Some kind of way of simplifying that goes on for very small businesses might be something to consider.

Robin, do you want to address that?

Ms. KEEGAN. Thank you. I am Robin Keegan. I am the Director of Economic and Workforce Development for the Louisiana Recovery Authority. Thank you for the question.

The first phase of the bridge loans were small loans $25,000. That phase had a very high payback rate in a very quick amount of time.

The second and third phase were loans up to $100,000, 0 percent interest for 6 months, and then we knew that people were needing more time, as Mayor Roach eloquently spoke, because SBA was having challenges paying out many of these loans. These were supposed to be gap financing to SBA or insurance payouts. So we extended those bridge loans for two periods, and we are just now in the process of reclaiming those loans. So I do not have a firm answer for you at this point, but I can get it for you. We are having some challenges with getting repayments simply because people are taking a lot more time to be able to be financially and fiscally stable, which is the desperate need for more low-cost financing that we need for our business community. But I will get you the specifics.

Senator VITTER. Great. Well, I would be really interested in tracking that and seeing the——

Ms. KEEGAN. Definitely.

Senator VITTER. I guess what I am after is the eventual success rate. In other words, what percentage of these businesses that get bridge loans make it and what percentage don't? Because, obviously, we all—that is the whole point, a bridge to somewhere.

Ms. KEEGAN. Exactly. I will get that to you.

Senator LANDRIEU. I think that would be very helpful, and I just want to add, before we call the other panel up, it would also be helpful if we could get the SBA—and despite our really heroic efforts, if I have to say so myself—to get the SBA to not require full payment of their loans that they have made when people receive their Road Home grants which be extremely helpful. We have tried to pass this legislation, and we have been thwarted by the administration, by the SBA itself and the administration. We have support from Members of Congress from both political parties. So we are going to try again to get that waived so that if a person took out a 20-year small business loan, they actually have 20 years to pay it back. And they don't have to pay it back the week after they get their Road Home grant, which just puts them right back where

they started the first place, and then maybe they can pay off, you know, the loan that Senator Vitter was speaking about, if the Federal Government could wait in line.

Second, I want to just say one thing, John, with what Randy, the mayor, mentioned. The GO Zone has been very effective. We hear nothing but positive things. But it is apparent to me that the larger you are, the stronger you are, the more quickly you can get your application in, the more lobbyists you can hire to go to the Bond Commission and others to get your billion dollars.

Small businesses do not have that, and with the fisheries situation here—which, I will admit, we have not been able, despite our efforts, to bring enough attention to our fisheries industry. I wish, John, that we could think maybe at the State level to either set aside or hold back some of that allocation to help our fisheries industry stand up, because these guys have really been fighting hard to get their boats back in the water and get their ice back on the docks, et cetera. And if we do not try to do something like that at the State or local level, you know, Mayor Roach, the big guys could come in, sop up all the GO Zone bonds, and, you know, you are sort of left with the smaller businesses really struggling. And I know we are trying to extend another $5 billion, we have been asked. I don't know if we can find that. We are going to try.

And then the second point on this concrete, just to show you how these things are interlocking, I believe—if Senator Vitter knows, he could add something. I believe one of the largest concrete distributors is on the "MR. GO," which is the Mississippi River Gulf Outlet, which we are closing, we have to close because of St. Bernard Parish. We have a request in for $160 million to help relocate some of those businesses, and one of them is a scrap metal business, and one of them is a concrete distributor, which is the largest, I think, in the region, the whole Southern Region.

So you know, people really need to understand how this is tied and what is driving some of these prices up is because there is so much work being done to sort of relocate businesses, reshift channels, et cetera, after this great flood.

All right. Thank you all very much. Let's go to our next panel. Thank you so much.

Senator LANDRIEU. If we could have George Swift, President and Chief Executive Officer of Southwest Louisiana; Carl Manuel, owner of Anna's Pies; Mr. David Darbone, President, Grand Oaks, Inc.; Ms. Donna Little, Director, McNeese State Small Business Development Center; Sheri Lazare, Director, Enterprise Consortium of Gulf Coast Women's Business Center; and Donald van de Werken, Director of the U.S. Export Assistance Center in Louisiana.

This is quite a large panel. We thank you all for being cooperative. We are going to ask you to limit your opening remarks, if we could, to 3 minutes each so that we can get through the panel and get to some questions. And if we have time, we will open it up to questions from the audience. We are going to go in the order that you all were introduced, and if you don't mind, I am not going to go through any further introduction to try to save time. But thank you all, and all of your appropriate biographical information is in the record of the hearing.

Let's start with you, George, and thank you so much for your leadership through a very difficult time as the Chamber leader for Southwest Louisiana, and we will being with you.

**STATEMENT OF GEORGE SWIFT, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SOUTHWEST LOUISIANA CHAMBER OF COMMERCE, LAKE CHARLES, LOUISIANA**

Mr. SWIFT. Thank you, Senator Landrieu, Senator Vitter, and staff members. We are glad to have all of you here. Thank you for coming to southwest Louisiana. We sometimes do feel forgotten, and we know we are not forgotten with you and those who are represented here. So we appreciate that.

I am not going to go into a lot of the topics that have already been covered, but certainly insurance, workforce, and affordable homes are the topics that are really holding us back, but I will get right to the small business segment.

Immediately after Hurricane Rita, the Chamber Southwest building was transformed into a Business Recovery Assistance Center. We had all of the agencies coming together, many of which had lost their location, such as the Small Business Development Center and many organizations including the SBA were with us. We received over 8,800 telephone calls and 3,200 businesses came to our Recovery Center to get assistance of various forms.

One of the things that was most helpful to the people was the thought that we were going to get some assistance from SBA. And while many were helped and we had much assistance on hand, the end result was that we ended up with more of a promise of assistance than actual assistance. And we realized that the event, Rita and Katrina, and the scope of it has never been felt before. And so we are dealing with gigantic proportion. But what we found was that many businesses were unable to get the assistance they needed. It caused them great hardship, and they basically gave up on the SBA process after some period of time.

The Louisiana Recovery Authority bridge loans were very effective for those that were able to get those, and I think if we could come up with a more rapid response similar to individuals received FEMA assistance immediately, $2,000, if we could have an assistance fund for small businesses—and we are talking about the very small businesses, ten, five employees and under, that if they could receive $5,000 right away, this could help keep the doors open; it could help them restock; it could help them get the utilities turned back on, pay employees until they could go to their banks. Many times they were not able to get with their banks because the banks were closed or they were not able to fill out a lot of complex records because, as you indicated, Senator Landrieu, they did not have those records. And so some kind of quick response we think would be very helpful.

We have some suggestions that if a disaster recovery plan is put into place, that we have maybe businesses are instructed to keep a disaster or emergency toolkit that has their vital business information—insurance, major vendors, and licenses—all in one place so that they could keep those. And then after a disaster, if we could have a quick response from SBA within 48 hours, mainly on information that they need, and then as we said, access to capital, a fi-

nancial grant of at least $5,000 per impacted business, it would help businesses in the immediate recovery.

We also think that, you know, within 60 days we should be able to establish microloans, grant or loan combinations to small businesses at competitive terms. We think it is a good idea to use existing financial institutions to process those loans. It worked very well with the State LRA bridge loan program.

And then businesses we find need technical assistance such as helping to recompile their financial records, and maybe a voucher for assistance with the financial records would be beneficial.

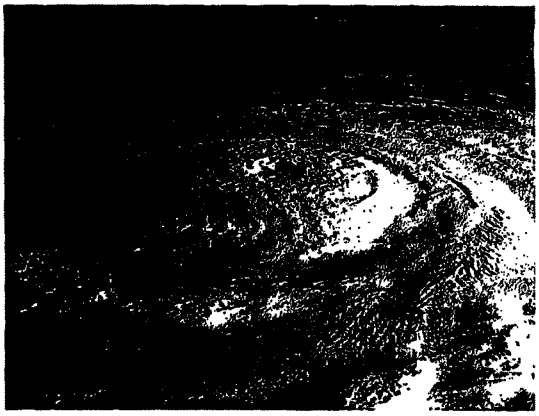
So these are just some of the suggestions that we have. We do think that the true impact has not been felt on our small businesses yet. We think it will take 3 to 5 years to really measure the impact that Hurricane Rita has had on our small businesses. Many folks—and we had an informal discussion with some of the staffers from the Small Business Committee earlier today. They maxed out their high interest credit cards, they cashed in savings and retirement just trying to keep their businesses open. So I think the jury is still out on the real true impact.

But, again, thank you both for being here and to all of you for helping to realize that we have some problems and a lot of opportunities that we need to take advantage of, but we need some more assistance to get through this challenge.

[The prepared statement of Mr. Swift follows:]

**Testimony of George Swift, President/CEO**
**Southwest Louisiana Economic Development Alliance**
**U S Senate Small Business Committee Field Hearing**
**Lake Charles, LA**
**February 20, 2008**

## *Southwest Louisiana's Small Business Community Two years After Hurricane Rita*



**Rita made landfall at 2:30 a.m. on Saturday, September 24, 2005**

**INTRODUCTION**

Members of the Committee: Thank you for holding this hearing and giving me the opportunity to testify before you today. I would like to take this opportunity to thank The United States Congress and especially our entire Louisiana Congressional delegation for your dedicated efforts to lead our state back from the treacherous circumstances of 2005 to a positive future for Louisiana. We are honored that you selected Southwest Louisiana as the site for your field hearing as we strongly believe the nation thinks Louisiana is only New Orleans and rarely acknowledges Rita, the forgotten storm of 2005. Louisiana is a state with vast resources and a diverse economy.

My name is George Swift. I am President/ CEO of the Chamber SWLA, the regional chamber of commerce for the southwestern five parish (county) region of our state, and the Southwest Louisiana Economic Development Alliance which serves as a public/private regional organization. On behalf of our region, it is an honor for me to testify before you today to share both the urgent challenges we face and the plans we have underway to create a sustainable Louisiana.

Let me begin by providing you with background information about our region and state. Southwest Louisiana is a vital part of Louisiana's coast, and extremely important to the United States. Refining and petrochemicals are the largest employers within the region with approximately 6,500 workers directly employed in the industry and another 40,000 jobs attributable to supporting the oil and gas industries including roughly 8,000 construction workers. A third of all the oil and gas consumed by our country is produced in or transported through Louisiana which makes up nearly half of America's crude oil refining capacity. South Louisiana's port system is first in the world in terms of tonnage. Southwest Louisiana is home to a diverse economy driven by oil and gas, agriculture, gaming and hospitality (contributing to over 8,000 direct and indirect jobs), and aerospace technology. It is home to McNeese State University, SOWELA Technical Community College, several hospitals (one of which was lost in Cameron Parish during the storm), shopping and recreational facilities. Approximately half of the population in and about the region resides in Lake Charles where there is a major industrial complex consisting of two large oil refineries and twenty-two petrochemical plants plus a deep-water port – the Port of Lake Charles – which is the 12th largest port in terms of tonnage and can accommodate ocean going vessels. Within the next year, we will house three liquefied natural gas facilities making it the largest LNG (liquefied natural gas) hub in the nation. Louisiana is second only to Alaska in annual volume of domestic seafood landings, serving as the nursery ground for marine life in the Gulf of Mexico and as a habitat for the second largest migratory bird flyway in North America.

This incredible organic coastal landscape protects these national assets, as well as the two million people who live off the coast of Louisiana. Many of whom serve as the support for national energy production, fisheries and maritime resources. We are steadily losing our regional wetlands which are a vital part of America's coast and serve to protect our families and businesses from incoming hurricanes in the seasons to come. Prior to the hurricanes of 2005, we were losing more than 24 square miles of our coast every year. In the two days of Rita and Katrina, we lost 217 square miles. Unless we harness the significant resources of the Mississippi River more wisely in the future, the economy and ecology of coastal Louisiana will collapse.

Southwest Louisiana is an economically diverse and wonderful place to live and work. Credited by many for having the best fishing and hunting conditions in the South, Southwest Louisiana is a major player in our nation's economy as far as energy production, the petrochemical industry and our emerging aerospace industry. We are quickly becoming a player in the global economy. The Parishes of Southwest Louisiana – Allen, Beauregard, Cameron, Calcasieu and Jefferson Davis –

bring their own mix of industry and frivolity to the region and these elements working together makes for a perfect combination!

**ABOUT THE 5 PARISH REGION**

**Allen Parish** is where Cajun food and culture meet the timber rich-piney woods of central Louisiana. A veritable gateway from South to Central Louisiana with its two federal highway systems and extensive rail facilities, Allen Parish benefits from the diverse yet rich culture and natural resources of both regions. Intersected by four rivers, Allen Parish is a haven for nature lovers and canoe enthusiasts. It is also home of the Coushatta Indian Tribe of Louisiana who based their Coushatta Casino & Resort in Kinder, LA creating a rapidly growing gaming and hospitality industry. Historically based on substantial timber and outlying oil and gas facilities, Allen Parish currently has a diverse economic base with hospitality, plywood manufacturing, and a natural gas relay facility are its main employers.

Centered on one of the largest aquifers in the country, **Beauregard Parish** is home to paper and plastics production facilities, chemical plants and abundant natural beauty with its numerous lakes and wildlife preserve. Also possessing a 4,200 acre airport with a 5,495 foot runway, Beauregard Parish is a transportation hub with air and ground access that are easily accessed by major U.S. Highways 171 and 90. The Parish is centered around its parish seat, DeRidder which is in the midst of a downtown revitalization plan and airport land use expansion.

**Cameron Parish** took a direct hit from Hurricane Rita. Portions of the parish are still without basic services and are in desperate need for basic community services such as hospitals, grocery and retail stores to be re-established. The area holds some of the most spectacular natural scenery found in the nation. High winds and storm surge destroyed many small coastal towns and communities in the parish causing environmental and ecological damage of which the full extent may not be known for years. Closed to the public until June of 2006, nearly a year after the storm made landfall, recovery is still a long term challenge for Cameron Parish. Overall, destruction in the Parish was greater than in any other Parish as they are still struggling to plan, program and rebuild lost homes and infrastructure that were washed way into the Gulf. With 1, 441 square miles and just under 1,000 residents, Cameron is both the largest and least populated parish in Louisiana. Pre- Rita there was just under 10,000 residents in the Parish according to the U.S. Census Bureau. Today, the Louisiana Health and Population Survey estimates the parish's population at roughly 7,043.

Cameron Parish is home of the Creole Nature Trail All-American Road and balances its responsibility to the environment with its duty to the nation as far as pipeline facilities providing much needed oil and gas for American consumers. With its proximity to the Gulf of Mexico, various industries from the aforementioned oil and gas companies to marine support vehicles and fishing boats call Cameron Parish home. With three liquefied natural gas pipelines in the works for completion over the next three years, what happens in Cameron Parish keeps the lights on in Chicago. The Port of Cameron is one of the top five ports for fisheries in the nation providing wild American shrimp and speckled trout to discerning diners across the country.

Sitting above Cameron Parish on the Texas Border, **Calcasieu Parish** boasts the largest population within the region. The southern portion of Calcasieu Parish is 30-35 miles inland from the Gulf of Mexico. During Hurricane Rita, Calcasieu Parish suffered moderate flooding and extensive wind damage destroying approximately 75% of the roofs in the parish.

Hosting a varied and robust economic base, Calcasieu serves as the home for our vigorous petrochemical industry. One of the many burgeoning industries in Calcasieu Parish is the aerospace

industry, thanks in large part to the Lake Charles Regional Airport, servicing the air travel needs of our 180,000 residents and the Chennault International Airport Authority. The Chennault International Airpark plays a major role within the economy of Southwest Louisiana with its 10,000 feet of runways, capability of handling most commercial aircraft, and 800 acres of available sites with access to rail, road and water to best reach the rest of the nation and global markets. Both our regional and international airports have foreign trade and enterprise zone designations.

The two main workforce development institutions of the region, call Calcasieu Parish home: McNeese State University and Southwest Louisiana Technical Community College. Ranked #1 in productivity measured by value of shipments per production worker by the 2002 Census, Louisiana's manufacturing workers rely on the latest training to keep them on top of their jobs in an ever changing market. Southwest Louisiana Technical Community College (called SOWELA by locals) offers customized worker training programs in our base industries as well as emerging trends. Over 6000 students have trained in aviation for Boeing, Northrop Grumman and EADS and even more prepare for their futures in the petrochemical industry through SOWELA's Process Technology Department going on to jobs at Citgo, ConocoPhillips, PPG, and Sasol to name a few.

The Louisiana Health and Population Survey estimates that there are 9,000 more people living in Calcasieu Parish now then before Hurricane Rita. The data does not reveal where these people came from, but local officials estimate that approximately 2,000 former residents of Cameron Parish are now living in Calcasieu Parish and the rest likely consist of Katrina residents as well as workers who arrived to work on repairs in the region.

Home of Southwest Louisiana's first oil well, **Jefferson Davis** is the birthplace of our region's petrochemical industry. Jefferson Davis Parish lays claim to the natural beauty of our Southern Swamplands and the rustic elegance of our forests and waterways. The richness of its Native American and Cajun cultures as evidenced in the many movies and documentaries filmed in the parish. Easily accessible via the bisecting roadways of Interstate 10 and U.S. Highways 90 and 190, Jefferson Davis is strategically located between several markets with Houston, TX, and Lake Charles, LA, to the west and Lafayette, Baton Rouge and New Orleans, LA to the east.

**RITA and RECOVERY**

As the fourth most intense Atlantic hurricane ever recorded and the most intense tropical cyclone ever observed in the Gulf of Mexico, Hurricane Rita caused $10 billion in damage making it the 9th costliest storm in U.S. history. Sitting on the Gulf of Mexico and the Texas border, the communities of Holly Beach, Hackberry and Cameron (in Cameron Parish) were essentially destroyed after 15 foot storm surges hit the coastal area community. In Calcasieu Parish, the communities of Lake Charles, Moss Bluff, Sulphur, Westlake and Vinton which account for nearly 40% of the region's population suffered heavy damage.

> *"I think it's important that we consider what has occurred in the context in which it has occurred. This is not just a hurricane. This is a hurricane within 30 days of the worst disaster in the history of this nation that occurred 185 miles down the interstate in the city of New Orleans. At the time it happened our resources — locally and statewide — were already stretched to the limit...in terms of emergency personnel, relief support, and military support. This has been not only a devastating event for Southwest Louisiana, but it is a double whammy for the State of Louisiana"* – Mayor Randy Roach of Lake Charles, LA in a December 18, 2005 interview with the American Press newspaper.

Calcasieu Parish was officially reopened on October 7th, 2005. A week later the recovery effort in Southwest Louisiana gained steam with residents and business owners returning to assess damage and begin the long process of recuperation. Within 10 working days following the onslaught of Hurricane Rita, the Chamber SWLA working in cooperation with the Southwest Louisiana Partnership for Economic Development as well as local, state and federal departments, opened the Business Recovery Assistance Center in Lake Charles to serve all of Southwest Louisiana. Working with the Louisiana Economic Development Department, the Louisiana Small Business Development Center of McNeese State University, the U.S. Small Business Administration, and the Service Corp of Retired Executives to provide assistance to our region's business owners. They received 8,827 telephone calls, coordinated nearly 500 grant applications, assisted over 700 claimants through the Louisiana Department of Labor, and welcomed 643 walk-ins to see the SBA representatives in-house. During those first few critical weeks, we called on every member of our regional chamber to gather information and offer support...

- 63% had damage
- 21% had severe damage
- 74% were open, awaiting repairs
- 12% were closed until further notice
- 14% were inaccessible via telephone

After the storms, the Small Business Administration made loans available to qualified homeowners, businesses, renters, non-profits and small businesses that were either uninsured or under-insured. (Table 1 below, provides a summary of this assistance) While this aid was needed and much appreciated, obtaining it was sometimes a frustrating experience and many were denied. There were many forms to fill out and while some insurance companies were prompt and fair in paying claims, others are still dragging their feet and fighting over nuances in the language of their policies.

Insurance companies have either denied claims based on "wind vs. flood" model they use to deny paying citizen claims or individuals that did not have insurance on their properties because they couldn't afford it or had been told they didn't need it as so many elderly were told once their homes were paid for in full. After the devastating effects of Hurricane Andrew in 1992, many major insurance companies decided not to write new policies below I-10 for those who had never been insured and denied or paid only partial claims. Thus leaving several uninsured and raising insurance premiums for those in these areas. After the hurricanes of 2005, these same companies have threatened to not pay some policies or write new policies for any home or business that flooded in a previous storm. Some businesses, including the Chamber SWLA and City of Lake Charles, have been forced to pay more for insurance at the risk of having less coverage. Rates have tripled or quadrupled for many, but they now have less coverage than they did before the storm because it is too costly or the insurance companies are no longer willing to cover certain items.

**Federal Assistance for Victims of Hurricane Rita**

| | Southwest Louisiana | Southeast Texas |
|---|---|---|
| Federal Disaster Unemployment Assistance | 8.3 | 4.6 |
| Other Needs Assistance | 89.3 | 82.1 |
| SBA Disaster Loans | 49.5 | 73.5 |
| SBA Loans for Renters and Homeowners | 104.1 | 76.0 |
| Individual Housing Programs | 400.2 | 500.2 |
| Public Assistance Projects | 74.8 | 202.0 |
| National Flood Insurance Program Claims | 336.1 | 45.6 |

Source: FEMA

One of the greatest impediments to economic recovery in Southwest Louisiana has been a labor shortage, particularly among skilled craftsmen and at the low end of the wage spectrum. When FEMA arrived, they had a mandate to hire locally, but because FEMA's wages are considerably higher than local wages, they employed many highly skilled workers away from local businesses to perform relatively low-skilled jobs. The local refineries and petrochemical plants were able to compete with FEMA by raising their wages by four to six dollars an hour and offering hiring and retention bonuses. However, smaller businesses which had less capital were unable to stay in the bidding war. Many local businesses have not re-opened because their former employees are now working for FEMA or they are employed at the plants while others are operating at reduced hours with untrained and overworked staff. Extensions of unemployment benefits are also frequently cited as a reason why employees have been slow to return to their jobs. Nearly two years after the storms, this condition still persists in the local market.

In 2005, Governor Blanco established the Louisiana Recovery Authority (LRA) to serve as the planning and coordinating body for the recovery effort. The 33-member body organization is charged with securing funding for community recovery, ensuring accountability and effectiveness, coordinating across jurisdictions and planning one of the most extensive rebuilding efforts in the world.

As one of its first acts, the LRA crafted a list of priorities to establish "one voice for Louisiana" which focused on helping the Louisiana Congressional delegation in securing a $29 billion Gulf Coast Aid Package. This package included $11.5 billion in Community Development Block Grant funds (CDBG funds) for the five Gulf Coast states impacted by the 2005 hurricanes. Included in the package was the $8.7 billion Gulf Opportunity Zone Act of 2005 ("Go Zone") which aims to boost private investments and development along the gulf coast. While the "Go Zone' incentives may be beneficial to some, others are struggling to balance the incentives with the high cost of insurance.

While the passage of this bill represented a significant milestone in the recovery, the Golf Coast Aid Package only included a fraction of the funding necessary to rebuild Louisiana. In 2005, Louisiana only received 54 percent, or $6.2 billion of the CDBG funds available, despite having suffered more than 75% of the Gulf coast's housing damages.

The LRA used this funding in part to create incentives and funding opportunities for businesses that suffered from the storms.

Recognizing the significant impact of Hurricane Rita on Louisiana's agriculture, the Louisiana Congressional delegation worked to secure recovery funds for agricultural producers. More than $500 million has been allocated to the USDA for agriculture recovery in the Gulf States, including $40 million for Louisiana's sugar cane producers.

A number of programs have been initiated to assist businesses. The Louisiana Bridge Loan Program provides short term loans to small businesses to give them access to capitol in the period immediately following disasters. Working with local bankers, the state has already loaned nearly $40 million in gap funding to more than 700 businesses affected by Hurricane's Rita and Katrina. Southwest Louisiana received 138 bridge loans totaling more than $4 million.

**Louisiana Bridge Loans**
**Distributed in Southwest Louisiana**

| Parish | Number of Loans | Total |
|---|---|---|
| Calcasieu | 127 | $3,988,955 |
| Cameron | 7 | $275,000 |
| Jefferson Davis | 1 | $25,000 |
| Vermilion | 3 | $160,000 |
| TOTAL | 138 | $4,448,955 |

Source: LRA

In 2006, a pilot program titled The Road Home Program was launched across the state and estimated that more that 123,000 homeowners are eligible for assistance throughout the state. In Washington, D.C, The Road Home Program is being called the "Road to Nowhere" due to delays and financial shortfalls choking the system. The program was designed to build a "safer, stronger, smarter Louisiana" by helping our neighbors get their lives back to normal under a roof of their own. The need for this program was great in the months after Hurricanes Rita and Katrina. The storms of 2005 left 780,000 Louisiana residents temporarily displaced, destroyed 123,000 homes and 82,000 rental units.

**The Road Home** is the largest single housing program in the history of the United States. In the months after its inception it seemed logical that there would be glitches in the system, delays in paperwork, and other administrative errors. But, now, almost two years later tens of thousands of homeowners have still not received their checks.

Affordable housing is currently not available in Calcasieu Parish; however there are plans to use Fannie Mae low interest loans and the HERO (Homeowners Equity Recovery Incentives) initiative for this phase of recovery. The planning has been identified by the Shaw Group, The Louisiana Recovery Authority and other affiliated agencies as a model program for coastal recovery.

Now is not the time to throw the baby out with the bathwater. There are problems within The Road Home program, but the reasons for its inception remain. We need an efficient and reliant rebuilding program for any natural disaster occurring in the Unites States. It is a crucial part of continuing recovery efforts and we need to get it working.

Currently, there are many words being thrown back and forth about wind damage / water damage, but the facts are Hurricanes are winds and waters thrown at Coastal communities with devastating effects. Any program which does not take into account all damages caused by a hurricane or floods will leave many in need out of hope and out of luck. This has been proven recently by the flood tragedies throughout our nation.

Whether hurricanes or natural disasters such as floods or wildfires, citizens should not be challenged or forced to make decisions on rebuilding their homes and businesses as a result of circumstances beyond their control.

**SMALL BUSINESSES IN SOUTHWEST LOUISIANA**

In the wake of hurricanes Rita and Katrina, Louisiana has been faced with a unique crisis but we have taken aggressive action to sustain our state and businesses. No one will disagree that Small Businesses are the Backbone of our Economy. But the lack of resources, clearly defined sources of

aid, and the SBA's slow response in the weeks and months after Hurricane Rita nearly broke that backbone.

The promise of a loan in the hundreds of days after filling out a sheath of paperwork does not put supplies on shelves. It does not pay for the repairs needed to get a business fully operational. It does not put money in the pockets of valued employees who are being wooed away by overnight businesses springing up to clear debris, roof buildings, and repair walls and foundations.

Small Businesses need more than a promise. They need prompt, decisive action laid out in advance. They and the entire region would benefit of the well –conceived, well-executed plan. It is of the utmost importance to a community digging out of the aftermath of a catastrophic natural disaster to regain normalcy as soon as possible – to alleviate the lag time for temporarily closed businesses before it is too late and those businesses are closed permanently.

Poor planning and insurance company interference slowed aid to our ailing businesses and continues to slow progress to this day. Poor planning hindered our entrepreneurial workforce's ability to support our large industries and provide needed basic services and products for our community. Backlogs and insurance premiums which have tripled or quadrupled are a death sentence to businesses teetering on the edge. The demand for labor continues to exceed supply, in large part because there is not enough available or affordable housing. There are still over 4,000 individuals housed in FEMA trailers awaiting Road Home assistance, insurance or funds to rebuild their homes and move on with their lives.

A month after Hurricane Rita made landfall, not a single businesses had received aid from the over 9,500 SBA applications placed in Southwest Louisiana and Texas. According to an article printed in Lake Charles' American Press on October 26, 2005, only six businesses of the thousands which had applied for loans had been cleared for approval.

On November 13, 2005, it was announced that the SBA was rolling out the "Gulf Opportunity Pilot Loan Program." While it was a great gesture, it was two months after Hurricane Rita and three months after Hurricane Katrina. Where are we today? How many businesses received loans from the SBA, how many were turned down, and how long did it take? Too long for many who have closed their businesses and those still struggling to maintain.

The need was there; businesses were floundering, and most felt powerless to help. The actions taken within the first 18 months after a natural disaster are critical to retaining a foothold in economic recovery. We need to fix the system and we need to plan for the worst case scenario to ensure a speedy recovery of communities torn apart by hurricanes, floods or wild fires.

In times of any natural disaster, businesses need to have access to grants administered by the SBA, NOT loans. Many small businesses, who were struggling to reopen, pay their vendors, and deal with exorbitant insurance premiums could not afford to be burdened with loans in the first few months after a disaster crisis. Existing banks and financial institutions may only be one answer, but it should not be the ONLY answer. Farmers, fisherman, laborers and others already on a tight budget – who may have also lost their homes, churches, schools and entire communities – should not be weighed down with additional financial burdens in their desperate hours of need.

The recovery challenges faced after any natural disaster are very similar. Basic service needs, insurance, and capital are all challenges to rebuilding which need to be addressed with the assistance of federal government services.

Time is more than money, its survival.
We have several recommendations based on our recent experience:

In technology it is common practice to have in place a Disaster Recovery Plan in the event of system failures or crashes. A similar plan must be in place for businesses in the event of a natural disaster. The plan could consist of four primary focuses;

Pre-disaster Preparation
1. Outline a recommended disaster or emergency tool kit that each small business should maintain in the event of a disaster or the necessity to evacuate quickly. Items would include vital business information, insurance, major vendors, licenses, etc.

Post Disaster
30 – 60 days

2. Nationally SBA should have a quick response system to respond to the affected area within 48 hours. This would include information dissemination which is challenging in the aftermath of major disasters.

3. Access to Capital
The most critical needs for small businesses particularly after a disaster are cash flow. Hence, SBA should have a financial Grant program of at least $5,000 per impacted business to assist businesses in immediate recovery.

61+ days
Establish micro-loans, grant/loan combinations to small businesses at competitive terms.

4. Technical assistance
Small businesses often require special assistance even in non disaster times to properly manage and compile financial records. A voucher for assistance with creating or recreating financial records would be beneficial.

We appreciate your consideration of these suggestions. The true impact on our small businesses has not been felt. Many small business owners did what they had to do to keep their business running. Many maximized high interest credit cards, cashed in savings and retirement, and so forth. Many went out of business. We believe it will take three to five years to truly measure the impact of Hurricane Rita on our small businesses.

Again thank you for shinning the light on Southwest Louisiana and affording us this opportunity. The SWLA Economic Development Alliance looks forward to working with members of Congress to secure reasonable and responsible solutions for American citizens in times of national crisis or challenge in rebuilding their communities.

Senator LANDRIEU. Thank you very much.

Mr. Manuel, Anna's Pies, thank you for your testimony. Go right ahead.

**STATEMENT OF CARL MANUEL, OWNER, ANNA'S PIES, INC., LAKE CHARLES, LOUISIANA**

Mr. MANUEL. Delighted to be here. Can you hear me?

Senator LANDRIEU. Can you pull it a little closer to you?

Mr. MANUEL. A little bit better?

Senator LANDRIEU. Thank you.

Mr. MANUEL. OK. We were affected by Hurricanes Katrina and Rita. When Katrina hit New Orleans, we lost all of our customers from New Orleans and surrounding areas. We were unable to make deliveries or contact our customers while the city and surrounding areas were shut down. No one in, no one out, was the ultimate problem.

A few weeks later, we were hit very hard by Hurricane Rita. For weeks, our city was shut down. Meanwhile, we still had bills to pay and no cash-flow. Once we were allowed back into the city, we were lucky to walk into a building that was still standing. All of the sheetrock on the walls and ceilings had come down from the rain. Water was everywhere in the building. The coolers, freezers, and ovens were not working properly due to the damage from the storm. A day or two later, after the clean-up process had begun, the State health inspector, along with the Federal agents, stopped by to see and inspect damages and also inform us that we were not allowed to make or produce anything until they came back and gave us the OK. We were short-handed. Actually, all employees were still out of the city. So that caused us 6 more weeks of clean-up and lost the profits before we could open.

Our employees ended up not coming back because they had relocated. So we were really in a bind physically, financially, and emotionally. We applied for Federal loans, and it is now 3 years later, have not heard one word from the SBA in either denying us or not. We never heard one word.

We had about $10,000 worth of damage due from wind and rain damage, not including getting the damaged equipment fixed. We did what it took to get back on our feet. Little by little, with sheer determination, we were able to get back up. New Orleans and surrounding areas is barely back up for us because so many businesses in New Orleans had closed down.

In closing, I would like to give a few suggestions to the panel.

The Small and Emerging Business with Mr. Adrian Wallace has given us unwavering support. Mr. Wallace worked diligently with us to help us get back in business. I would recommend them to anyone needing assistance.

No. 2, the McNeese Small Business Development Center located at McNeese State University, with Ms. Donna Little, gave me real assistance and information. I would also recommend Ms. Little and the center to others.

The SBA Assistance Program was not very helpful of any. They turned deaf ears on us. They didn't even bother to answer the application after we tried contacting them and everything else. I feel

as a Government entity that they should have—that they should be more receptive to small business trying to recover.

Thank you.

[The prepared statement of Mr. Manuel follows:]

**Formal Testimony For The U.S. Senate Committee On Small Business And Entrepreneurship**
**Rebuilding the Gulf Coast: Small Business recovery in South Louisiana Wednesday, February 20, 2008**

**Carl Manuel**
**Owner, Anna's Pies, Inc.**

**We were affected by Hurricanes Katrina and Rita. When Katrina hit New Orleans, we lost all of our customers from New Orleans and surrounding areas. We were unable to make deliveries or contact our customers while the city and surrounding areas were shut down. No one in and no one out was the ultimate problem.**

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**Our employees ended up not coming back because they had relocated, so we were really in a bind physically, financially and emotionally. We applied for federal loans and it is now three years later and have not heard one word from the SBA in either denying us or not. We never heard one word!**

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rain damage not including getting damaged equipment to be fixed. We did what it took to get back on our feet, little by little, with shear determination we were able to get back up. New Orleans and the surrounding areas is barely back up for us because so many businesses closed down. In closing, I would to give a few suggestions to the panel:

1. The Small and Emerging Business with Mr. Adrian Wallace, has given us unwavering support. Mr. Wallace worked diligently with us to help us get back in business. I would recommend them to someone needing assistance.

2. The McNeese Small Business Development Center located at McNeese State University, with Ms. Donna Little gave me real assistance and information also. I would recommend Ms. Little and the Center to others.

3. The SBA Assistance Program was not of any help. They turned a deaf ear on us. They did not even bother to answer the application after we tried contacting them and everything else. I feel as a government entity they should be more receptive to small businesses trying to recover.

Thank you all very much.

ANNA'S PIES HISTORY

Anna's Pies , founded in 1992 in the home of Georgiana "Anna" Manuel with less than $10.00 and a clientele of 3 close friends and family members, is now a favorite in the household of many Texas and Louisianans.

In the beginning, Anna's Pies offered 4 varieties of pies, sweet potatoes, pecan, and apple, and peach while producing an average of 150 pies per day. This not-so-simple pie shop which started as a mother-son business, now 16 years later employs during peak season over 30 employees.

Anna's Pies is a staple in the Southwestern Louisiana community. They have been called upon numerous times by organizations, schools, and churches to donate pies to those less fortunate. Anna's Pies has donated these sweet treats for special events and holidays. A person cannot pass down Moeling Street and not stop in for one of Anna's Pies. Customers from all over southwest Louisiana come to get a taste of one of Anna's Pies desserts.

Anna's Pies sits in the middle of North Lake Charles. It is the only bakery that can satisfy that sweet craving in the early mornings or late in the evening. You can pass Anna's Pies late at night and see the midnight oil burning while employees get out the next day's orders to ensure freshness. One could say that late night is when Anna's Pies does their dynamic thinking and when the creativity flows. Developing new recipes for pies, fillings, and cakes, but never loosing the integrity of the great taste they have become

known for all over Louisiana and Texas is a prime example of why Anna's Pies is a staple in many homes in the Southwest Louisiana community.

Anna's Pies latest creation is the Ooey-Gooey. Neither pie nor cake, the sweet sensation has wowed the taste buds of any person biting into this scrumptious dessert. Ooey-Gooey is demanding and is featured at most events in the Lake Charles area. Easter, Thanksgiving, Christmas, and just every day, shows the giving nature of the company and the generosity of its owners.

Sales have continued to climb as each new restaurant, convenience store, gas station, and casino vie for the sweet creations of Anna's Pies. With the increasing sales, the number of employees needed to cook, bake, sell, and deliver also increases. Anna's Pies has been a valuable asset to its community because it is home grown, has a down home name, a southern attitude, and a staff of friendly workers. That's what Louisiana is all about---Friendliness and warmth, and at Anna's Pies, that's what really sells.

Senator LANDRIEU. Thank you, Mr. Manuel. Would you state for the record your location? Were you in Lake Charles and in New Orleans?

Mr. MANUEL. We manufacture our pies here in Lake Charles, and we run a route in New Orleans.

Senator LANDRIEU. OK. And what is your current address, or what was your address in Lake Charles?

Mr. MANUEL. It is 2323 Moeling Street, Lake Charles, Louisiana.

Senator LANDRIEU. OK. And how long had you all been in business?

Mr. MANUEL. Sixteen years.

Senator LANDRIEU. All right. Thank you. We will come back for questions.

Ms. Little?

**STATEMENT OF DONNA LITTLE, DIRECTOR, MCNEESE STATE UNIVERSITY SMALL BUSINESS DEVELOPMENT CENTER, LAKE CHARLES, LOUISIANA**

Ms. LITTLE. Thank you. Senator Landrieu, Senator Vitter, and distinguished guests, thank you for the opportunity to tell you about the work the Louisiana Small Business Development Center has done and is currently doing in small business recovery in South Louisiana and to tell you of the challenges our small businesses still face. I am Donna Little, Director of the LSBDC at McNeese. We are an SBA partnership program with the State of Louisiana and participating universities. We operate nine centers in the State. Our mission is to build small businesses.

Senator Landrieu and Senator Vitter, we deeply appreciate the leadership you, Chairman Kerry, and Ranking Member Snowe provided in securing additional funds for the SBDC network for fiscal year 2008. I am very proud to say that every member of the Louisiana delegation supported your effort. The increase restores funding we lost in fiscal year 2001 after the 2000 census showed slower population growth in Louisiana.

Let me start by saying that small businesses still need in-depth technical assistance just as we provided after the hurricanes. We helped thousands apply for SBA disaster loans, staffed State business recovery centers, worked in DRCs, and listened to owners. We provided small businesses with an average of 5 hours of loan assistance, time that an SBA disaster loan officer cannot spend. What we have achieved in assisting the small business community with recovery is pretty impressive. Since October 1, 2005, we have provided one-on-one consulting to 6,750 small businesses across South Louisiana, training to nearly 14,000 persons, and believe me, we did not count everything. Our clients have created 356 new businesses and 2,000 new jobs, with more than $104 million in debt and equity funding, significant numbers.

Now, in going forward, we are focused on helping small businesses make sure that their business model is relevant, helping them adjust, helping them analyze financial statements, figuring out how to innovate and serve clients and markets with fewer employees, prepare disaster plans so the next time they will be ready, compete in a global market. This is not the time to cut technical assistance.

Since Hurricane Rita, small businesses face these problems: personal debt that they cannot refinance, insurance costs, expensive construction, finding good workers.

Two weeks after Rita, I returned to Lake Charles. McNeese was still closed. I worked at the Chamber Southwest using my laptop, a borrowed printer, and a folding table. One person serving five parishes, I spread the word to the LSBDC that McNeese was helping small businesses while other LSBDC personnel were doing the same across South Louisiana. I held eight seminars on SBA disaster loans in four different towns, going through the applications line by line, doing my own news releases and photocopying, hauling boxes of forms around in my car. I held clients' hands while they cried. The owner of a party goods store with contracts for Christmas parties and Mardi Gras balls was in despair over those lost sales. I suggested she reduce her operations and lease part of her building to another business, which is what she eventually did. I prepared them for the months between the application and the actual disbursement of funds. The bad publicity after Katrina made many decide it just was not worth the effort. They did not even apply.

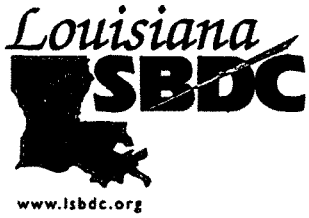
I suggested credit unions or other quick money to keep them alive, explaining cash-flow and repayment ability, things that they had not really thought about because, before Rita, they survived on almost nothing, with no debt. They had a hard time figuring out how to start over.

The LSBDC at McNeese is a very small office. My total operating budget is just over $150,000, including SBA, State funds, and funds from McNeese. Eighty-eight percent of my budget is for personnel costs, provides for one director, one business consultant, and one admin person—minimum staffing. With this staff, we expect to provide individual in-depth consulting to approximately 175 existing businesses and entrepreneurs and training to approximately 400 over this fiscal year.

If another storm hits this summer, we will be in as bad a shape as we were before Rita, although we have learned some very good lessons.

Thank you.

[The prepared statement of Ms. Little follows:]




**SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP**

**Field Hearing, Lake Charles, LA**

**February 20, 2008**

**Written testimony from Donna Little**

**Director, Louisiana Small Business Development Center**

**McNeese State University**

Senator Landrieu, Senator Vitter, Members of the Senate Committee on Small Business and Entrepreneurship, and distinguished guests, thank you for the opportunity to tell you about the work the Louisiana Small Business Development has done and is currently doing in small business recovery in South Louisiana and to tell you of the challenges our small businesses still face.

Senator Landrieu and Senator Vitter, we in the LSBDC deeply appreciate the leadership you, Chairman Kerry and Ranking Member Snowe provided in securing additional funds for the SBDC program for FY 08. I am very proud to say that every member of the Louisiana delegation supported your effort. The increase in funding restores the funding to our program that we lost in FY 2001 because the 2000 census showed Louisiana's population did not grow as fast as other states.

I am Donna Little, Director of the Louisiana Small Business Development Center at McNeese State University. The LSBDC is an SBA partnership program with the State of Louisiana and participating universities, operating nine centers in the state. Our mission is to facilitate the formation and growth of small businesses through individual consulting services, entrepreneurial training programs, and business information resources to develop and diversify the Louisiana economy.

Let me start off by saying that small businesses still need in-depth technical assistance just as we provided after the hurricanes. We helped with loan applications, staffed state business recovery centers, worked out of DRC's, listened to owners, and helped thousands apply for SBA Disaster loans. LSBDC consultants provided small businesses with an average of 5 hours of loan assistance – time a SBA Disaster Loan Officer cannot spend with every business.

What the LSBDC has been able to achieve in assisting the small business community with recovery is pretty impressive. Since October 1, 2005 the LSBDC centers that serve south Louisiana have provided one-on-one consulting to 6,750 small businesses and entrepreneurs across south Louisiana and we have provided business related training to almost 14,000 more. Believe me - we did not get every person, business or training event recorded. Of those receiving consulting services, more than half (53%) are existing businesses that employ 19,356 full time and 4,560 part-time employees and have sales of just over $1 billion. Another 356 new businesses and 2,000 new jobs have been created by our clients and they have secured more than $104 million in debt and equity funding. Those are significant numbers for recovery across south Louisiana.

Now and going forward, the LSBDC is focused on helping small businesses make sure that their business model is relevant, helping to adjust that business model when needed, analyzing financial statements and looking for areas where the owner can address identified problem areas, figuring out how businesses can be innovative and serve their clients and markets with fewer employees because they cannot find employees, helping them prepare disaster plans for their business, preparing cash flow projections, assisting with loan packaging, ensuring that our small businesses are competing in a global market, and helping them think strategically. This is not the time to reduce services to small businesses, but rather to provide the resources to increase the services.

When Hurricane Rita was approaching southwest Louisiana, my staff and I planned to protect our client files and our equipment and furniture. I knew from my colleagues what can happen because we lost two of our three offices in New Orleans and two offices were still not occupied when Rita was headed our way. We traded emergency contact information and changed the message on the office phone to say we'd evacuated but being hopeful, we expected to be back on Monday, September 26 - a date that proved to be far too optimistic.

I evacuated to my sister's home in Eunice, LA, east of here, about halfway to Lafayette. My cats and I lived there for nearly two weeks while I waited for electricity to be restored in Lake Charles. I commuted to work at the LSBDC in Lafayette. I assisted at their seminars, counseled their clients with disaster loan applications from Katrina, and helped my own clients using email and telephone.

Finally, on October 6, Lake Charles was re-opened and I was able to return home. My office at McNeese was still quarantined, so I worked at the Business Recovery Center hosted by the Chamber Southwest, using my laptop, a borrowed printer and a folding table.

The state (Louisiana Economic Development) reduced the LSBDC budget by $115,000, expecting the worst. Then the LSBDC state office cut my budget in anticipation of using portability money and EDA money to hire consultants in southwest Louisiana for my office, and then there was a hiring freeze. All I could think was – they cut my budget and I need help. I could not hire a newly created position for a consultant and I am one person serving five parishes!

The LSBDC at McNeese State University was very small and is currently still a small office with a total operating budget of just over $150,000 including SBA, state funds, and funds from McNeese. 88% of my budget is for personnel cost and provides for one director, one business consultant and one office personnel. With this staff we can expect to provide individual in-depth consulting to approximately 175 existing businesses and entrepreneurs, and training to another 400 or so. The LSBDC state office began seeking additional funds to help our network hire outside consultants, and/or bring in SBDC volunteer consultants from other states. Through Louisiana Economic Development, the LSBDC was able to secure almost $250,000 in an Economic Development Agency that we used to help hire additional consultants and get more "boots on the street" and more recently Louisiana Economic Development awarded us another $1.25 million to provide technical assistance over the next 18 months.

Our national Association of Small Business Development Centers membership agreed that Louisiana and Mississippi could apply for the SBA portability grants, but we had to make six individual grant applications with six different projects and those were not approved until almost one year after Katrina – August 2006. Because of the limitations of the grants, the state office had to contract with consultants we used in the field.

After Katrina but before Rita, the LSBDC State Director arranged for an experienced consultant from the Florida SBDC network to come and train all LSBDC staff members about working with small businesses that had just been impacted by a disaster. We also learned about SBA disaster loans from him, the SBA DD Eugene Cornelius, and from the SBA Office of Disaster Assistance staff. We went through the application and all of the additional forms line by line – and I put that information to good use, over and over again.

As soon as possible I starting getting the word out that the LSBDC at McNeese State University was here to help small businesses. Other LSBDC personnel were doing the same across south Louisiana in Baton Rouge, Hammond, Slidell, and of course New Orleans. I held eight seminars in four southwest Louisiana communities to assist many of small businesses to apply for SBA disaster loans, providing my own publicity, doing my own photocopying, and hauling boxes of forms around in my car. I also met individually with clients at the Chamber office.

From talking to the Florida SBDC and others, I knew that disaster loans could take months to be processed, so it became very important to prepare our clients for the time period in between the application and the actual disbursement of funds and to help them manage their expectations. There was so much bad publicity regarding small

business loans after Katrina that many in our region simply decided it was too much work and they probably would not get the SBA loan so they did not apply.

I suggested going to credit unions or using other sources for quick money to keep businesses alive. I explained the importance of cash flow and repayment ability to owners of small businesses that before Rita had survived on almost nothing, with no debt. Suddenly, their buildings were smashed, their equipment in pieces, and they had no insurance to replace anything. Many had no idea how to begin.

I held clients' hands while they cried. The owner of a party goods store with contracts for Mardi Gras balls and Christmas parties was in despair over those lost sales. I suggested she reduce her operations and lease part of her store to someone else -- which is what she eventually did.

A restaurant owner wanted to buy his building to keep the restaurant's 30-plus year history at the location, because the landlord didn't want to bother with repairs. But an SBA disaster loan wouldn't cover that purpose, and other credit wasn't available. I suggested they lease another location – and that's where they still are. I arranged for KPLC to tape an entrepreneur in the wreckage of her store, where she told her story and inspired others to rebuild.

Over and over again, I talked to businesspeople who had been rocking along, paying employees, providing valuable services and goods to the community – owners who now couldn't secure a new loan to re-open their doors. Through no fault of their own, they now were wiped out or at least at a standstill.

In November, McNeese re-opened and I returned to my office at the University. I continued to work one-on-one with clients on their SBA disaster loan applications, did outreach to remind businesses of SBA deadlines, and helped clients deal with required SBA paperwork. My budget was cut – instead of hiring another full-time person to replace a retiree, I was the only full-time counselor, with a half-time administrative person.

In total, since October 1, 2005, we have worked with 479 clients in southwest Louisiana alone on disaster-related issues.

Since Hurricane Rita, small businesses face these problems.

- Access to Capital: many business owners incurred personal debt to keep their doors open after the storm -- and now they have difficulty refinancing that debt burden. SBA loans can't be used for that purpose. If a business in south Louisiana had accounts receivable, then odds are very great that they now have credit problems because they could not collect.
- Insurance: The cost of insurance, if you can find it, is very high, with high deductibles, and insurance has become a major cash flow item. The profit margin is fairly small in most businesses and the increases in cost of insurance can derail a business. In order to secure a loan, a business must have insurance.
- New construction requirements and an imbalance of supply and demand make building even more expensive.

- Employees: Unemployment is at record low levels, and finding good workers at a reasonable cost is almost impossible. This has become a statewide problem. The workforce in north Louisiana can find better paying jobs further south. Even with the migration of workers from north to south (if they can find housing), businesses cannot fill the need for workers in the southern portions of the state. Available affordable housing is a critical issue to recovery.

With our limited resources, the LSBDC struggles to work with clients, offer training classes, travel to the communities in the five parishes in which we serve, network with banks and economic development groups, keep our equipment up to date, and maintain professional development. Our goal is to provide quality service, with a minimum of five hours of contact time for most of our clients. This is a tremendously difficult job.

Administrator Preston had made some major changes and has completed the U. S. S.B.A. Disaster Recovery Plan. There are four levels to the plan and at every level there is language that directs SBA personnel during the response to leverage SBDCs, SCORE, and Women's Business Centers. The plan says that these groups primarily help with local outreach by:

- Making potential applicants aware of SBA's services and handing out disaster loan applications;
- Screening and interviewing – helping applicants complete documents and collect requisite background information;
- Application assistance.

However, at no point does this plan indicate that resources will be made available to SBDCs or any other resource partner. Based on our experience during the 2005 hurricane season, it is imperative that the SBA request funding for resource partners in supplemental funding when that request is made of Congress following a disaster where there is a need for additional resources. It has been proven in other disasters that SBDC assistance in preparing clients for SBA disaster loans gives much higher approval rates for our clients. If another storm hits this summer, we will have learned some very good lessons, but our resources will be as limited as they were after Rita.

Senator LANDRIEU. Thank you, Ms. Little. Let me just ask you, did you put in your testimony that right after the storm, you received a budget cut from the State of Louisiana?

Ms. LITTLE. Yes, it is in my written testimony.

Senator LANDRIEU. All right. Ms. Lazare—I am sorry. Did I miss that? I am sorry. Mr. Darbone?

**STATEMENT OF DAVID DARBONE, PRESIDENT, GRAND OAKS, INC., LAKE CHARLES, LOUISIANA**

Mr. DARBONE. Thank you. Senators Vitter and Landrieu, thank you for inviting me here today to discuss what I think are important issues that we face in our region.

As a local general contractor and commissioner of the port of Lake Charles, I have been immersed in the day-to-day rebuilding efforts of our city. When Hurricane Rita came blowing through our city, I was one of those people who decided to stay and weather the storm. My home and family did manage to make it through the storm with no one being injured and minimal damage to our home. Unfortunately, many others did not have the same result as we did.

The day after the storm, I assessed the damage in my neighborhood and some of the surrounding area. I managed to gather my crew from wherever they had taken refuge and brought them to my house. We used a generator for electricity and went to work clearing trees off of homes and trying to do as much hurricane triage as possible.

As people started returning to their homes, the intensity picked up in terms of everybody trying to get their homes repaired at the same time and contractors trying to do as much as they could to help. With approximately 100 licensed contractors doing as much as they could as fast as they could, the job was overwhelming.

The local Home Builders Association became a critical part of helping people by providing information about local licensed contractors, and over time we helped rebuild our community. Our regional and local Senators have done a great job of working together to overcome insurance increases that hurricane victims have to deal with by trying to stabilize the cost that people have to add to an ever decreasing income. The Home Builders Association continues to provide continuing education to builders about hurricane code changes, new laws that the State now requires, and our challenge today is to try to educate faster than the new regulations are being implemented. So we are working hard to try to do that to get some of the contractors up to speed and stay on top of that.

As Chairman of the Commissioners for the Port of Lake Charles, I am proud to say that we have been able to work with our Senators and Representatives, local and regional, to get their help in providing funds to allow us to grow our community. The port of Lake Charles is the 12th largest port in the country and the 4th largest port in Louisiana. We think we are the No. 1 port in Louisiana in heart and energy, and the port and surrounding businesses along that channel provide an economic impact of $4.5 billion in business revenue, $2.3 million in personal income, $250 million in State and local taxes, and like Senator Landrieu said, 31,000 jobs.

The passing of the WRDA, the Water Resources and Development Act, was critical to the port. This bill provided $15 million to install rock along the banks of the channel to prevent erosion. The port continues to maintain our channel, which is not only critical to our community but to the Nation as well. With the completion of Sempra LNG, our channel corridor will provide 20 percent of the Nation's natural gas supply and 4 percent of the Nation's oil supply. This is the reason that we continue to ask our Senators to fight for more funds for us to maintain the channel.

At this point, we have $14 million in our budget to do that, but that leaves us with a deficit of $7 million from what the total cost is. We are faced with a need of over $400 million over the next 20 years to maintain our channel. And our need is great, but what would happen to the Nation if we could not provide them with heat in the winter?

Finally, we are thankful for the GO Zone opportunity. The port of Lake Charles helped the Lake Charles Co-Gen Plant secure $1 billion on GO Zone funds, and those bonds helped to build the new gas plant here that is going to provide about 350 high-paying jobs. We have on our radar two companies that we are on the short list with right now that if this deal goes through with those two companies, using the GO Zone bonds would be tremendous in helping them, and they are going to provide 1,500 jobs to this area. And so we think that the GO Zone opportunity is a great opportunity, and we would really like to suggest extending that as much as we can, and the 50 percent part of that is really what helps attract some of those businesses to our area.

The port is not only focused on bringing in new jobs, but——

Senator LANDRIEU. Please wrap up.

Mr. DARBONE. The port is not only focused on bringing in new jobs, but closing the labor gap by offering scholarships to places like Sowela Community College, and the reason that we want to do that is because we think that if we bring in jobs and high-technical jobs to our area and we do not have the skilled labor to do it, then we are going to find ourselves in a quandary. So we are asking that if you take a look at places like Sowela, I think it is an emergency, the need that they have. We have students in trailers at this point, and I think at a minimum they have a need of about $30 million to get that college up to speed so that we can start preparing people to be prepared to take these jobs that we are bringing to Lake Charles.

[The prepared statement of Mr. Darbone follows:]

**Testimony of David Darbone**
**President of Grand Oaks, Inc.**
**Chair of the Board of Commissioners for the Port of Lake Charles**

**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

Senator Vitter and Landrieu, thank you for inviting me here today to discuss important issues that we face in our region. As a local general contractor and Commissioner of the Port of Lake Charles, I have been immersed in the day to day rebuilding efforts of our city. When Hurricane Rita came blowing through our city, I was one of those people who decided to stay and weather this storm. My home and family did manage to make it through the storm with no one being injured and minimal damage to our home. Unfortunately many others did not have the same result as we did. The day after the storm I assessed the damage in my neighborhood and some of the surrounding area. I managed to gather my crew from wherever they had taken refuge and brought them to my house where we used our generator to supply electricity and went to work clearing trees off of homes and trying to do as much hurricane triage as possible.

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The passing of WRDA, the Water Resources and Development Act, was critical to the Port. This bill provided $15 million dollars to install rock along the banks of the channel to prevent erosion. The Port continues to maintain our channel which is not only critical to our community, but to the nation as well. With the completion of Sempra LNG our channel corridor will provide twenty percent of the nation's natural gas supply and four percent of the nation's oil supply. This is the reason we continue to ask our senators to

fight for more funds for us to maintain the channel. At this point we have $14 million dollars in our budget to do that, but that leaves us with a deficit of $7 million from what the total cost is. We are faced with a need of over $400 million dollars over the next twenty years to maintain our channel. Our need is great, but what would happen to the nation if we couldn't provide them with heat in the winter?

And finally we are thankful for the GO Zone opportunity. The Port of Lake Charles helped the Lake Charles Co-Gen plant secure $1 billion dollars in GO Zone bonds to build their new gas plant here that will provide up to 350 high paying jobs. We think an opportunity to extend the ability to offer GO Zone bonds to new industry interested in locating in Louisiana is very important to economic development.

The Port is not only focused on bringing in new jobs, but closing the labor gap by offering scholarships to Sowela, our local technical community college, in an effort to get people the training they need to work for these new companies. Sowela is in need of repairs that are ongoing, but their need is greater than hurricane repairs. The sooner they can get the college running at full speed the sooner we can get skilled labor needed for existing jobs. There are many companies in Lake Charles that have a need for skilled employees but cannot find them. These are challenges that we need to overcome to continue the work of growing Southwest Louisiana.

Senator LANDRIEU. Thank you very much.

Ms. Lazare?

**STATEMENT OF SHERI LAZARE, DIRECTOR, ENTERPRISE CONSORTIUM OF THE GULF COAST WOMEN'S BUSINESS CENTER, LAFAYETTE, LOUISIANA**

Ms. LAZARE. Thank you, Senator Vitter, and thank you, Senator Landrieu. Again, I am Sheri Lazare with the Enterprise Consortium of the Gulf Coast Women's Business Center, and I also want to personally thank you, Senator Landrieu, in helping us get that center approved and get the grants from SBA to get it started. So we are real excited to be able to do what we can for South Louisiana.

As many citizens and you well know, the small businesses in our community are truly what drive our economic base. And after the hurricanes, we saw that the biggest sector that was hit was service and retail, and that was across the board.

Now, after the second quarter 2006, most of South Louisiana had returned to within 1 percent of its pre-storm firm count, with the exception of Cameron Parish, which was down still 20.8 percent.

Now, the difficulty that the business owners are finding and experiencing in not only re-establishing growing and/or beginning new businesses is, as you have heard throughout the day, funding. It is the bottom line that they across the board are needing.

In addition to the funding, the workforce pool is less experienced and less educated. That is what we are hearing from these business owners across the board, which, again, is draining more money from their pockets to then have to train the employees because they do not come with the necessary training that they need.

The additional types of technical assistance that are needed vary greatly depending on the industry which we are talking about, but the common voice that appears throughout as far as TA goes is software assistance and just understanding, like you were saying, getting QuickBooks back up to speed, understanding the new Vista, understanding Office-07. In addition to that, the workforce that is coming in, where they may be technically savvy in being able to surf the Internet and things like that, they are not always technically savvy in the utilization and use of these programs.

Additionally, with small businesses in the area, they hire two out of every three people, which, again, shows that encouraging small business growth will not only bring business and economy, but it will also bring labor force and employment opportunities.

As far as women-owned and minority-owned businesses, the numbers are growing drastically. Just in Louisiana in 2002, there were over 86,000 women-owned firms. That was a total of a 23-percent increase, up from 1997, and it generated over $12 billion in revenues. Now, this does not include jointly owned businesses with women and men nor married partners with businesses as well. So, that would, of course, increase that number greatly.

As for Hispanic-owned firms, in 2002 there were 7,646, which is an increase of 15 percent from 1997, and black-owned firms numbered 40,252, which is an increase of over 56 percent. So you can see that the need for minority- and women-owned assistance is

growing greatly, as they are the largest populations which are starting businesses.

As I stated, being that we are a part of the Enterprise Consortium of the Gulf Coast, in 2006 we assisted over 750 people, and 40 percent of those were women. In addition to that, 15 percent of them were pre-startup businesses, and 82 percent of those pre-startup businesses were all minority-owned and minority-initiated; and of all the 750 that we assisted, 95 percent of them were at economic disadvantage. As they stated, individuals have been dipping into their personal funds in order to make up for what the business has not been able to do, and as a result, putting both their business and themselves in financial jeopardy.

[The prepared statement of Ms. Lazare follows:]

Sheri Lazare; Director
Women's Business Center
Panel II: Business Owners' Perspectives and Attention to Technical Assistance Provided by SBA Programs to Louisiana Businesses

The citizens of Louisiana are well aware of the impact of small businesses in our communities. Studies and research repeatedly show that the small business owner was affected the most from the hurricanes of 2005, with the biggest loss seen in the retail and service industries. The southwest region, as a whole, by 2006Q2 had returned to within 1% of its pre-storm firm count, with the exception of Cameron Parish that was down 20.8%. The businesses with the highest percent of failure rate were those with only 1 to 5 employees. However, despite the loss businesses received as a result of the hurricanes, many new businesses have been created and started as a result of the storms as well.

The difficulty in which business owners are experiencing in trying to reestablish, grow, or begin their business is, bottom line, funding. It is from the funding issue that the other needs emerge; meaning, funds are needed to purchase necessary equipment in order to service customers, train employees, develop and provide product and more; however, technology is ever-changing and the workforce pool less experienced and educated causing an immediate need for training in business relations and stewardship and for the use of the equipment. This training is not only needed for the workforce, but training is also needed for the employers.

The types of technical assistance (TA) that are needed very and depend greatly on the industry; however, one need that has come forward as a common voice is operating software assistance (Vista, Mac, XP) and business application software (Office, QuickBooks, InfoPath, etc.) as one.

Additionally, since the events of 2005, many small businesses have entered into the e-commerce industry, which has led to additional needs in web site development, content, and secure purchasing options. Finally, with the need of computer applications training develops the need of continuing education development training for incoming, new, and existing employees.

With small businesses hiring two out of every three people in this country, they account for employing nearly half of America's workforce. As for the profile of the small business owner, women currently own more than a quarter of all businesses and the number of women-owned businesses is growing (this does not take into account married or co-owned businesses). Additionally, Hispanic Americans are opening their own businesses at a rate three times the national average.

In Louisiana in 2002 women-owned firms totaled 86,844, an increase of 23 percent from 1997, and generated $12.3 billion in revenues. Firms owned jointly by women and men numbered 44,196 with revenues of $9.7 billion. Women represented 32.7 percent of the self-employed persons in the state. In 2002, Hispanic-owned firms numbered 7,646, an increase of 15 percent from 1997. Black-owned firms numbered 40,252, an increase of 56 percent; Asian-owned firms numbered 8,224, an increase of 28 percent; American Indian and Alaska Native-owned firms numbered 2,707, a decrease of 16 percent; and the number of Native Hawaiian and other Pacific Islander-owned businesses was unavailable. (Source: U.S. Dept. of Commerce, Census Bureau.)

Louisiana is off to a great start in rebuilding and establishing our economy, but small businesses need our help to keep our communities strong!

Senator LANDRIEU. Thank you very much.

Our final witness, Mr. van de Werken.

**STATEMENT OF DONALD C. VAN DE WERKEN, DIRECTOR, NEW ORLEANS U.S. EXPORT ASSISTANCE CENTER, NEW ORLEANS, LOUISIANA**

Mr. VAN DE WERKEN. Thank you. I will try to summarize my comments and give my time back to Eugene back there.

My name is Don van de Werken. I am with the U.S. Export Assistance Center, and we are part of the U.S. Department of Commerce International Trade Administration. Our mission at the USEAC is to help Louisiana small- and medium-sized enterprises find international markets for goods and services. We have offices in most major embassies and consulates around the world, and we also have several offices through most large metropolitan areas throughout the United States. In Louisiana, we have our main office in New Orleans, and we have folks scattered throughout the State.

International trade plays a key role in Louisiana's economy. In 2007, Louisiana exports were $30.4 billion compared to $23.5 billion in 2006. Louisiana exports have grown 29.2 percent in 2007, more than double the overall U.S. rate of 12.1 percent. And I will also point out I just saw something in the Miami Herald that their growth rate was only 10 percent. So we tripled the amount of exports. The value of export shipments for agricultural products throughout Louisiana's lower Mississippi River ports account for 50 percent of all U.S. grain exports, and it was particularly high showing an almost 40-percent increase over last year.

In fiscal year 2004, before Rita and Katrina, our office met with about 500 companies in about 1,600 counseling sessions. We reported about 81 export successes from 35 companies. As you can expect, those numbers drastically decreased in 2006. But I am happy to report that that picture is improving. And as I said, I am summarizing this stuff. I submitted the full remarks here.

I want to point out that it was the leadership of the District Export Council, various other economic development organizations, George right here was instrumental in helping spread the word that exporting is important, even though you are suffering a disaster.

I also want to thank Senator Landrieu's office for helping us realign some of our export service costs, and it was a big boost to some of our smaller companies. To date, 39 companies used our reduced-price services, and that was a big boost.

I also want to thank both Senators for encouraging our folks back in Washington to do an issue of our Export Magazine Commercial News USA, focusing on hurricane-affected companies and there are some copies in the back for those of you who would like to look at it.

On the topic of Katrina and Rita, I just want to highlight two important things that are happening.

Senator LANDRIEU. If you could try to wrap up, you have got about 30 seconds.

Mr. VAN DE WERKEN. OK. Real quick is that we did see trade volume increases after the storm. We do not know what happened,

but I think what was most important is that—and I can hear it from the rest of the folks talking—the companies that were export ready, those that had a plan, that were able to react quickly and were able to refocus those goods and services to other markets, survived much better than those that did not have a plan.

That ends my comments.

[The prepared statement of Mr. van de Werken follows:]

United States Senate
Committee on Small Business & Entrepreneurship
February 20, 2008

Thank you for inviting me here today. My name is Don van de Werken and I am the Director of the New Orleans U.S. Export Assistance Center (USEAC). We are part of the U.S. Commercial Service, which is a unit of the U.S. Department of Commerce's International Trade Administration. Our mission at the USEAC is to help Louisiana Small and Medium Sized (SMEs) businesses find international markets for their goods and services. We do this through our worldwide network of offices in U.S. embassies and consulates. Working with our colleagues overseas, we offer a wide range of assistance to help Louisiana SMEs explore markets and make sales. Our Gold Key Service and International Partner Search identify importers and agents interested in buying U.S. goods and services, our International Buyer Program brings qualified foreign buyers to American trade shows, and our market research allows Louisiana companies to identify the best international markets and do business there safely.

International trade plays a key role in Louisiana's economy. In 2007, total Louisiana exports were $30.4 billion dollars compared to $23.5 billion in 2006 and $19.9 billion in 2005. Louisiana's export growth of 29.2 percent in 2007 was more than double the overall U.S. rate of 12.1 percent. The value of export shipments of agricultural products through Louisiana's lower Mississippi River ports – which account for over 50 percent of U.S. grain exports – was especially strong in 2007 with $12.5 billion, a 37.8 percent increase.

Due to the State's unique position along the Mississippi River, chemicals, bulk agriculture goods, machinery and processed foods continue to be top Louisiana exports. Louisiana is usually ranked in the top 10 exporting states in the nation. Free trade agreements like the one just passed with Peru, as well as the pending agreements with Korea, Colombia, and Panama, are an important tool in helping Louisiana companies access new and lucrative markets. In many instances, products from these countries already enter the US duty-free. By implementing these agreements, Congress ensures that our small exporters get equal access, fair rules, and an even playing field. We have heard from a number of Louisiana companies, such as Reserve, LA-based Dredging Supply, about the tremendous positive impact these agreements have had on their bottom line.

In fiscal year 2004, before Hurricanes Katrina and Rita, our office met one-on-one with 537 number of companies in a total of 1627 counseling sessions. We reported 81 number of Export Successes from 35 number of companies. As you can expect, in FY2006 these numbers decreased dramatically. Like you, our office and staff suffered. We lost almost 1/3 our client base, we reported 75 percent fewer counseling sessions, and had an 80 percent reduction in Export Successes. I'm happy to report that the picture has improved significantly since then. In FY2007 we increased our export successes and counseling sessions, but we are still not at pre Katrina/Rita levels.

We want to thank the leadership of Louisiana District Export Council (LDEC), particularly the former Chair Geralyn Contini, for her leadership during this period. Ms. Contini, who along with her duties as CEO of Schaffer Global Engineering in Baton

Rouge, led the effort to reestablish the exporting community. She, together with her colleagues in LDEC, spearheaded a communication campaign to USDOC-ITA leadership in Washington, recommending that the cost of our export service programs be reduced for SMEs located in Louisiana and all hurricane-affected areas. I will point out that Ms. Contini was the first woman to Chair the DEC, and clearly was the right person to lead us through this challenging period.

I would also like to thank Senator Landrieu's office, which ensured that the price reduction for USDOC export services was extended in FY2008. This has been a huge boost to the Louisiana SMEs that use our services, and has helped local businesses expand into new foreign markets and hire additional staff. To date 39 companies used the services at the reduced price. We also made reduced-price advertisements in a special Louisiana-focused edition of our export magazine *Commercial News USA* available to hurricane-affected companies.

We have enjoyed excellent cooperation with the New Orleans World Trade Center and Louisiana Economic Development (LED), not only in supporting Louisiana exporters, but also in attracting international investors to the State. After the storms, the U.S. Commercial Service demonstrated its commitment to the Gulf Opportunity Zone (GO Zone) by posting a Foreign Commercial Service Officer to New Orleans. This position, currently filled by Ms. Erin Butler-Mueller, is devoted to communicating the benefits of investing in the GO Zone to international companies.

On the topic of Katrina/Rita, I'd like to highlight a few key facts in terms of international trade numbers. 1) International trade continued right up to landfall and continues today, during the recovery. 2) We actually saw increases in trade volumes/sales for certain overseas markets. How did this happen? The areas of South Louisiana that were not completely affected by the storm got back up and running quickly due to a good disaster management plan. In fact, international trade saved some of these companies. Many of the SME clients we visited right after the storm were "Export Ready," thanks in part to previous USDOC support. They were able to shift products intended for the local market to overseas markets, preserving jobs and speeding recovery. Of course, many, many companies lost a great deal. We can count more than 15 actively exporting SMEs that left South Louisiana since the storms.

Many small companies believe that they don't have the resources or ability to sell overseas. Our mission here today is help them understand why they should consider exporting their goods and services. Diversifying markets to include international ones gives a small company many advantages:

1) Spreading risk across markets helps companies better weather the ups and downs of domestic business cycles.
2) Due to the size and scope of the US market, companies may actually face *less* competition overseas.
3) Exporters can often command a higher price for their goods and services

4) U.S. government assistance programs, such as DOC services, SBA and EXIM bank financing, and free trade zones give Louisiana exporters a competitive advantage.

One of most effective tools we have to help SMEs achieve their goals in the international marketplace is our Gold Key Service. We take you by the hand and walk you through the process of exporting – from identifying a market, to selecting a qualified, pre-screened agent, distributor, or partner, to closing the deal with the best possible terms. We have clients all over the state that swear by this service; many now report that 40-50 percent of their sales go overseas. Here are just a few of these companies from Southwest Louisiana that have used our services:

--Polaris Engineering Inc. of Lake Charles;

--Safe Haven Enterprises, Inc. of Jennings

--Datrex, Inc. of Kinder

--Paragon Plastic Sheet, Inc./Thermoplastic Services, Inc. of DeQuincey

--Lake Charles Diesel or Global Distribution & Services of Lake Charles

Finally, I want to thank the leadership of Honorable Mayor Randy Roach of Lake Charles and the Southwest Louisiana Partnership for Economic Development (SWLP) under the leadership of Mr. George Swift for helping us in our mission to increase Louisiana exports. In years past both the Mayor and Mr. Swift hosted several foreign delegations, including a 2006 visit to the Port of Lake Charles by a Venezuelan oil & gas delegation.

They also supported our 2004 Trade Mission to Venezuela & Trinidad, which put several Southwest Louisiana companies in contact with Chevron and Petroleos de Venezuela.

In the dark days after the hurricanes, all eyes were on this state. It was amazing to see the resilience of the folks here in Louisiana. My small staff visits over 100 companies a year, and we were inspired to do our part to help Louisianans not just endure, not just survive, but continue to do business overseas, and actually begin to thrive once more.

Thank you once again for your time and your support. We are distributing additional information for your review. If you have any questions, please do not hesitate to contact my staff or me.

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DEC web page: www.LDEC.org

Senator LANDRIEU. Thank you very much. I have a line of questioning, and then I will turn it over to Senator Vitter. And if we have time, we will take a question or two, if we can.

But let me begin with this school renovation piece. We were able to push through against, again, the advice or support—without the support of FEMA or Homeland Security a special Act that was just signed by the President to expedite the rebuilding of our elementary and secondary schools. These project work order sheets, we have billions of dollars stuck basically in a pipeline. And we were successful in passing that bill through for elementary and secondary schools.

I am going to commit today to do a similar bill for our higher ed and vo-tech schools and call it the emergency that it is. I do not understand why the Federal Government is resisting our efforts—and we both support this; our whole delegation has supported this—to do basically a global sort of reimbursement, a streamline reimbursement to get our technical colleges and universities up, which is a key, to me, to helping support the growth of all business in Louisiana, but particularly as we have heard testimony from almost all of you on this subject today.

Second, based on a question, I think, Ms. Little, that you brought up, or a comment, I would like Mary Lynn, if you do not mind, just to stand up because there is a special program that we did implement for software that Microsoft is giving to small businesses. You do not have a microphone, but would you speak loudly enough so the testimony can go on the record, of what Microsoft has agreed to do for all small businesses—and it has been unprecedented—in this hurricane recovery. Go ahead. Can you bring her a microphone just to get this on the record?

Ms. WILKERSON. Senator Landrieu brokered a deal with Microsoft, who literally committed millions of dollars in Microsoft software for small businesses. Essentially what they would do is go to their regular retailer and check into that. Then they would come to the SBDC to be vetted and approved. This process takes about 2 weeks, and we are going to be offering training in conjunction with that so that people can understand how to use the software effectively and efficiently.

There is a lot of confusion about the five license. That is really not nearly as bad as it seems. The site licenses—there are five—can be a mixture of any kind, and you really only have to have two computers to make that work. And so what we are doing is helping people explore. You might want to do Internet development, so you need that software for Web pages or whatever. But they are going to pay the first year of that license to your local distributor so there are no funds lost in the State of Louisiana.

Senator LANDRIEU. Which is a value of about, what, $7,000 a year?

Ms. WILKERSON. It can be up to, I think, about $12,500, as much as. So it just depends on the packages you buy, and it really is an inexpensive way. It is less expensive than going to major suppliers of software when you do it this way, and they understand that a business may not be able to pay year two and three. But you make a commitment, and you can upsize or downsize, no payment penalties. It is a great program, and it is a partnership with Microsoft.

Senator LANDRIEU. Well, we thank Microsoft, and I just wanted to bring that to the attention of this hearing because we are, many of us—not just the two of us but others—trying to think outside the box, offer new solutions, try to engage with the private sector to bring help to our small businesses, and that was one of the specific ideas that I had remembered.

Let me just ask one more question, and then I will turn it over to Senator Vitter for his line of questioning.

Mr. Manuel, I am glad for your testimony today because your testimony is typical, with all due respect to the SBA, of many of our small businesses that really struggled to try to reach to them and were left wanting. What would you recommend to them in the future so that the SBA could be more accountable to you, more appropriate to your needs at the time? You had been in business successfully for 16 years. You were known to the local lending or banking community. What could the SBA have done—you know, what do you want them to do in the future?

Mr. MANUEL. Send a letter. If I could have gotten some kind of a response—you know, they left me hanging in the balance. When the lady, Mr. Swift's—on their floor over at the Chamber, when she helped me with my application, that took 4 or 5 days. We had to go and find those documents we were talking about that were all messed up and disheveled and everywhere. She said, you know, we are really swamped right now, but you will hear from us, you will get a letter, you know, you will hear back from us.

I heard nothing. I never got anything saying, hey, you were turned down, this is what we are doing, apply back. Nothing.

Senator LANDRIEU. Well, we hope that some of that has been solved. We do not know, and only time will tell. And, unfortunately, we are going to probably face another disaster somewhere along the Gulf Coast. We hope that the SBA is taking steps that we have mandated through our Committee. There have been some mandates through other committees and some work that SBA has taken on by themselves administratively. But the fact of the matter is that just the number of loans out the door does not tell the whole story. We are proud, I think, of the 700 loans out the door to southwest Louisiana, but what we are also concerned about is the loans that never got out the door to small businesses that decided to close up and give up because they just could not wait any longer.

And one more question. We have talked about this credit crunch, or a lot of businesses, when I have asked them, well, how did you survive, they said, I just used my credit card, Senator, and I have got $20,000 or $40,000 on my credit card. Now with the downturn in the housing industry and that collateral losing some value because of the subprime mortgage crisis around the country—thank goodness we are not in the forefront of that, but we have still been affected. Is there something that any of you would want to suggest as maybe a way that we could get some kind of lower interest rate or longer repayment on some of those credit cards that might smooth out this debt? Not forgive it, but smooth out the debt so that businesses could maybe pay it over a longer period of time and not have that running monthly punitive interest that the credit card companies provide?

Ms. Lazare, have you proposed anything like this for a special sort of emergency situation?

Ms. LAZARE. We are in discussions about it with Acadiana Regional Development District, the local SCORE, and the SBDC at UL currently.

Now, one of the things that we have discussed in terms of that is, like you stated, giving them not only a longer time, but as the credit card companies, many of them did right after the hurricanes, forgiving the interest rate for a period of time and just letting them—whatever balance they already had, allowing them to start paying that down, and then maybe 6 months, 9 months later, attach the interest rate back; or even giving them longer times with less penalties, because so many of them now are actually in the process of either claiming bankruptcy or actually losing their homes because they have invested so much of their personal assets into their business.

Senator LANDRIEU. Senator Vitter?

Senator VITTER. Thank you, Mary.

Well, Mr. Manuel, I, too, was distressed to hear your experience, and we will look into that specific experience to understand what happened and get back to you with that. And thanks to all of you for your testimony. I am going to forego specific questions. I will follow up with you individually so we can have at least some comments and questions from the audience, and then we will be wrapping up. But thank you very, very much.

Senator LANDRIEU. OK. If there are any questions, you can turn them in in writing to this desk here, and I will sort through some of them, if we have time.

George, before you all leave, while I am looking at those, do you have any other comments that you want to make for the record about anything, any other suggestions we could take back?

Mr. SWIFT. Well, your suggestion about the technical community colleges and the assistance, we have a workforce crisis here with all the announced projects that we have and the needs right now. We are estimating about 6,000 workers are needed in the petrochemical industry, aviation industry, and construction and trades. The quickest way—and, also, the study that Mayor Roach referred to showed that we have a lot of underemployed people and a lot of people with general degrees but lack skills, if they could get some skills through the technical community college, they can earn very good. Aviation jobs, $70,000, $80,000 a year; petrochemical, the same range; welders, pipefitters, and so forth, very good careers with opportunities for advancement.

So if we could jump-start the facilities to enable us to get more people into the workforce training, you have to have some certification or some skills to get these jobs, but that would get us over the hurdle. So that would be a major factor if that could be accomplished.

Senator LANDRIEU. Well, I plan to take this message back to Washington with renewed energy, because we are asked to provide constantly additional H–1B visas for people to be brought in to do the work that needs to be done. And while I am open to the needs of the industry for that, it is just very disheartening to know that we are not doing the kind of training right here to teach our own

native workforce and give them the opportunity for these $70,000, $80,000, $90,000 jobs.

So Senator Vitter and I and the other Senators really have to balance the request of the industries to allow us to expand—I think it is a $60,000 annual limit on H–1B visas, when we know that we are not investing in the kind of instruction and opportunity that could provide that workforce here. So that is something I am going to take back with renewed energy.

Ms. LAZARE. If I can add to that as well?

Senator LANDRIEU. Ms. Lazare?

Ms. LAZARE. Because I know one of the concerns from the workforce as well, in conjunction with the vo-techs and the community colleges, is a lot of times they cannot get the necessary training unless they actually enroll in that institution, and a lot of times that is very discouraging for individuals to enroll for a class or a training and then leave again. So I know there has also been talk about offering it as continuing education courses through either the universities or the vo-techs and community colleges so they do not actually have to enroll and they can do it and still earn the necessary credits and requirements, but without having to enroll.

Senator LANDRIEU. OK. You all have been an excellent panel. If there are any questions, I will look at them now, but we have got to wrap up. And if not, all of these comments that are being submitted, we will put them into the record.

I think this is a question about the H–1B visas with the shortage of workforce. Is the Federal Government considering making Louisiana exempt from the quota given the skilled workforce is limited? And we just discussed that. We said, yes, we are very sensitive to the needs of our business, but I for one—and Senator Vitter can speak for himself most ably. But I am very concerned that we are not doing what we need to do here to train our own people for these very excellent jobs, and particularly giving our high school students that are struggling an opportunity, kind of a career track, starting in their sophomore, junior, or senior year going right into work. And if they wanted to go back to college, they most certainly could. I mean, nothing in this track prevents them from seeking a higher degree or a master's or a Ph.D. But at least when they graduate, they are ready to go to work and can always go back to school, is kind of the process we want to create.

All right. We will take all of these other comments that were sent in and put them in the record of the hearing. This hearing will remain open, the record, for 2 weeks, to submit any further comments to the record. I thank again Senator Vitter for joining me, and thank you all. You were an excellent panel.

The meeting is adjourned.

[Whereupon, at 3:13 p.m., the Committee was adjourned.]

# APPENDIX MATERIAL SUBMITTED

**Questions for the Record from**
**Senator Mary L. Landrieu**
**for the Small Business Committee Field Hearing on**
**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

**SBA Disaster Reform Legislation (Eugene Cornelius, SBA)**

Mr. Cornelius, before last year's Hurricane season, I worked with Administrator Preston on the implementation of a comprehensive SBA Disaster Response Plan. The agency did not have such a plan in place when Katrina hit - leading to many of the problems on the ground. This was a huge step forward for the agency but additional tools/resources are needed to ensure mistakes from Katrina/Rita do not occur when future disasters strike.

Last year, both the House and Senate passed SBA Disaster Reform legislation, but have yet to reach agreement on legislation which would pass both chambers. In an effort to move this legislation forward, Chairman Kerry, along with Ranking Member Snowe, myself, and others included it as an amendment in the Senate-passed version of the Farm Bill currently being conferenced.

It is my understanding that SBA supports our Senate-passed bill, which increases SBA Disaster Loan limits, improves planning, and provides SBA the ability to make short-term bridge loans.

- As a District Director of SBA and someone who experienced firsthand Katrina/Rita, could you tell us why this additional authority and resources in the Senate-passed bill helps your agency?

**SBA Programs in Southwest Louisiana (Eugene Cornelius, SBA)**

As I mentioned in my statement, there has been a great deal of attention placed on southeast Louisiana and our impacted businesses there. While I support these efforts, I am interested to learn more about SBA programs/initiatives here in southwest Louisiana.

- From SBA's perspective, what are some of the major challenges facing businesses in southwest Louisiana?
    - How is the agency addressing these challenges?
- My staff recently went to Cameron Parish and met with local business owners there to discuss ongoing recovery efforts in the parish. In these meetings, business owners continually highlighted the fact that they are not familiar with Federal programs which could help spur recovery there.
    - Can you provide my office with some specific SBA programs which would benefit businesses in the largely rural Cameron Parish?

- Will SBA commit to me to send SBA staff to meet with Cameron Parish officials and my local staff in the near future to discuss additional ways the agency can help recovery in the parish?

**Federal Contracting (Eugene Cornelius, SBA)**

In your testimony you mention that, of the $18 billion in the Federal recovery contracts, small businesses received 28 percent of the prime contracts or $4.99 billion. Of that $4.99 billion, 57 percent went to local businesses. However, your testimony does not specify whether those "local" businesses were Louisiana businesses nor if they were businesses from here in southwest Louisiana. I am concerned about ensuring that our Louisiana businesses, particularly those here in southwest Louisiana, get their fair share of recovery contracts in their community.

- Please provide my office with information on the Louisiana small businesses that have received prime contracts from that $18 billion.
    - In particular how many businesses received those contracts and what was the total dollar amount?
        - Of those businesses, how many were located here in Cameron, Vermillion, and Calcasieu Parishes and what was the total dollar amount of those contracts?
    - If possible, please break out those figures by the major purchasing agencies (U.S. Corps of Engineers, SBA, Department of Homeland Security, General Services Administration, and Veterans Administration).
        - Can you provide similar information for businesses located here in Cameron, Vermillion, and Calcasieu Parishes and the total dollar amount of those contracts?

1. **"As a District Director of SBA and someone who experienced firsthand Katrina/Rita, could you tell us why this additional authority and resources in the Senate-passed bill helps your agency?"**

   **Response:** I know that the Administrator has expressed his support of the provisions in S. 163 and in fact, SBA has already implemented a number of them. For example, SBA now has instituted the reporting and coordination of disaster response efforts. SBA also issued its disaster response plan last June and has successfully concluded a disaster simulation training event in Washington. I think all of these efforts will be valuable in the SBA's pre-emergency disaster response.

2. **"From the SBA's perspective, what are some of the major challenges facing businesses in Southwest Louisiana?"**

   **Response:** In SW Louisiana the biggest challenges facing business owners are diminishing regional business opportunities, the lack of a trained and competent work force, and lack of capital to start or grow businesses. The lack of an acceptable work force requires owner/operators to spend more time running the business and less time strategically planning and performing management tasks which could assist the business owner in developing future business opportunities. The absence of affordable financing options means that businesses must grow from proceeds. This means slow growth and a significant lack of flexibility to meet changing market demands. In the wake of the disasters which hit that part of the State, businesses are faced with a diminished demand for their services. Cash flow has become a critical problem and without access to business capital, they are unable to exploit opportunities which have emerged because of the recovery effort.

   The banking community in that part of the State has traditionally required liquid assets and real property collateral as security. The real estate market slump combined with the depressed market for real property assets in the affected areas means that the overall borrowing capacity of small business owners in SW Louisiana has diminished over the last 3 years.

3. **"How is the agency addressing some of these challenges?"**

   **Response:** The SBA introduced the "GO Loan" program which allows lenders to use the bank's own forms, processes and procedures and still obtain the most favorable SBA guarantee percentage available. This program thus far has been used to produce over 392 loans totaling over $35 million to small business in the State.

   The McNeece State University in Lake Charles has an SBA Small Business Development Center (SBDC) serving the SW Louisiana region. They provide business counseling and assistance through an SBA-funded grant. They work exceptionally well with the Lake Charles SCORE Chapter, another SBA resource partner. These organizations work with small business owners and can assist them with the development of strategies to better manage limited resources. They also provide marketing training to help them expand business opportunities.

It should also be noted that the Louisiana District Office has worked diligently to make its loan products available to small businesses. To date, SBA loan volume is ahead of last year.

4. **"My staff recently went to Cameron Parish and met with local business owners there to discuss the ongoing recovery efforts in the parish. In these meetings, business owners continually highlighted the fact that they are not familiar with Federal programs there that could help spur recovery there."**
**"Can you provide my office with specific SBA programs which could benefit rural Cameron Parish?"**

   **Response:** As mentioned above, we can provide assistance through our resource partners, SBDCs and SCORE, as well as through our guaranteed loan programs. We continue to work hard to expand SBA lending participation by local lenders.

   In addition, we provide government contracting assistance. We have procurement center representatives based in the New Orleans and the Houston areas who are specifically tasked with identifying federal procurement opportunities for Louisiana small businesses. The SBA also has the 8(a) business development program designed to help socially and economically disadvantaged small businesses interested in entering the federal procurement marketplace.

5. **"Will SBA commit to me to send SBA Staff to meet with Cameron Parish officials and my local staff in the near future to discuss additional ways the agency can help recovery in the parish?"**

   **Response:** Yes. The McNeese SBDC periodically conducts events in that parish and I will ensure that the center communicates their calendar of events to your staff so that you can better inform your constituents of planned events. In addition, the Louisiana District Office will conduct a special outreach activity in Cameron Parish during the June-September timeframe to inform the public on available SBA products and services. Subject to feedback from the community, we will initially plan to hold the event in the town of Cameron. Subject to available resources, there may be an opportunity to conduct additional outreach events in the Grand and Sweet Lakes regions of the Parish.

6. **"Please provide my office with information on the Louisiana small businesses that have received prime contracts for that $18 billion.**
**"In particular how many businesses received those contracts and what was the total dollar amount?"**

   **Response:** Data currently available in the Federal Procurement data System-Next Generation (FPDS-NG) indicates that approximately 945 small businesses in Louisiana received contracts totaling more than $1.4 billion.

| Procuring Agency | Contract Value |
|---|---:|
| Department of Agriculture | $40,900,254 |
| Department of Commerce | $750,943 |
| Department of Defense | $484,712,189 |

| | |
|---|---|
| Department of Energy | $38,702 |
| Environmental Protection Agency | $219,703 |
| Equal Employment Opportunity Commission | $1,600 |
| General Services Administration | $26,998,631 |
| Department of Homeland Security | $841,118,426 |
| Department of Housing & Urban Development | $1,620,830 |
| Department of Interior | $10,476,186 |
| Department of Justice | $137,773 |
| Department of Labor | $93,126 |
| National Aeronautics & Space Administration | $39,195 |
| Small Business Administration | $12,000 |
| Social Security Administration | $10,600 |
| Department of State | $53,206 |
| Department of Transportation | ($652,035) |
| Department of Veterans Affairs | $10,753,374 |
| Total | $1,417,245,577 |

7. **"Of those businesses, how many were located here in Cameron, Vermillion, and Calcasieu Parishes and what was the dollar amount of those contracts?**
**"If possible, please break out those figures by major purchasing agencies (U.S. Corp of Engineers, SBA, Department of Homeland Security, General services Administration, and Veterans Administration)."**

   **Response:** Based on the FPDS-NG data, 65 small businesses located in Cameron, Vermillion, and Calcasieu Parishes received contracts totaling more than $13.4 million.

8. **"Can you provide similar information for businesses located here in Cameron, Vermillion, and Calcasieu Parishes and total dollar amount of these contracts?"**

| Procuring Agency | Contract Value |
|---|---|
| Department of Agriculture | $1,650 |
| Department of Defense | $20,982 |
| Environmental Protection Agency | $4,340 |
| General Services Administration | $400,029 |
| Department of Homeland Security | $12,985,034 |
| Department of Interior | $63,821 |
| Small Business Administration | $11,973 |
| Total | $13,487,829 |

**Questions for the Record from**
**Senator Mary L. Landrieu**
**for the Small Business Committee Field Hearing on**
**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

**Affordable Housing (Mayor Randy Roach, City of Lake Charles)**

In your testimony, you mention the challenge of finding affordable housing in the region, particularly the lack of homeownership opportunities for young families looking for 'starter homes.'

As you know, I have been championing additional resources for Gulf Coast affordable housing through S. 1668, the "Gulf Coast Housing Recovery Act" which is currently in the Senate Banking Committee.

- Could you describe some specific programs the City has implemented to help promote affordable housing or any Federal/State programs that have been helpful?

- Are there any particular funding needs that you may have in the area of affordable housing that could be addressed through S. 1668 or the upcoming Emergency Supplemental Appropriations bill?

From : Mayor Randy Roach
City of Lake Charles, LA

Date : April 7, 2008

Follow up to February 20, 2008 Small Business Committee Field Hearing
"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"
Response from Mayor Randy Roach on Affordable Housing

**Could you describe some specific programs the City has implemented to help promote affordable housing or any Federal/ State programs that have been helpful?**

1. City designed Housing Initiative to promote affordable housing. *See attached summary.*
    a. The City developed affordable housing model to pattern the local response for implementing the FEMA Alternative Housing Pilot Program (AHPP). Program description is attached titled *City of Lake Charles AHPP Proposal to the Louisiana Recovery Authority ( LRA)*
    b. Program highlights (AHPP local response):
        i. Subdivision development - with infrastructure upgrades and amenities, building restrictions and homeowner association.
        ii. Financing incentives using the Bond for Deed concept, down payment assistance and soft second mortgage.
        iii. Homebuyer Assistance Education Program, credit rehabilitation program
        iv. Homeowner selection criteria.
        v. Multiple agency partnerships.
        vi. Smart Growth principles
2. Other City programs include:
    a. **City of Lake Charles Down payment/Closing Costs Assistance program**—currently, we provide $10,000 to income eligible citizens using CDBG funds.
    b. **Revolving Loan Fund (RLF)**—with the objective of enhancing the City's capacity to meet its affordable housing goals by providing gap financing and credit enhancements for future affordable housing projects.
    c. **Section 108 Program**—a CDBG Loan guarantee program to help local governments with certain unique and large scale economic development projects that cannot proceed without the loan guarantee.
    d. **IDA Accounts**—4 to 1 match. Citizen deposits $1000 in a participating financial institution and will receive $5000 at the end of a specified time.
    e. **NEHEMIAH Program**—provides gift funds to qualified homebuyers who purchase participating homes using an eligible loan program, such as a Federal Housing Administration (FHA) loan.
    f. **Low Income Tax Credit Programs**

g. **Go Zone incentives**

**Are there any particular funding needs that you may have in the area of affordable housing that could be addressed through S 1668 or the upcoming Emergency Supplemental Appropriations Bill?**

1. Funding increase for the Homebuyer education programs.

   **Excerpt from local bank's memo regarding their housing programs – Community Housing Resource Board of SWLA & Homebuyers Education**

   *"First Federal participates and provides financial as well as personal support to the Community Housing Resource Board of SWLA who administers local homebuyers' education courses through its partnership with the LSU Ag Center. This board uses donations from area banks to provide the financial support to continue the homebuyers' classes with the personal support of the City, the Parish, local realtors and the builder's association.* ***At one time this organization obtained funding through HUD grants to employ a person to teach the classes and do pre and post counseling with homebuyers. This is no longer the case since the resource for funding is much smaller.*** *The classes are currently taught by a volunteer through the LSU Ag Center and funded by area banks through donations once a year to the Community Housing Resource Board of SWLA. The funding for the homebuyers classes relies solely on the donations received from the area banks and the assistance of the LSU Ag Center to provide the materials for the class. Leveraging of additional sources and/or additional funding to help boost the homebuyers' education opportunities in the Lake area would be beneficial in the ongoing education of area homebuyers, especially first-time and/or low- to-moderate income homebuyers."*

2. CHDO support Interim Construction financing and down payment assistance programming.

   **Excerpt from local bank's memo regarding their housing programs –**

   *"First Federal participates in numerous ways with the City and the CHDO's involving affordable housing and first-time homebuyers. First Federal has provided the interim/construction financing for some of these CHDO's for the remaining costs of constructing these affordable homes as well as the permanent financing for some of the buyers. First Federal has partnered with Whitney Community Development Corp. and Christus Health Fund on several occasions to help make some of these affordable housing construction projects a reality. First Federal also informs qualified clients of the availability of the down payment assistance through the City of Lake Charles and utilizes these funds for down payment assistance with several of the loan programs offered by First Federal."*

3. Lending institution programs.

**Excerpt from local bank's memo regarding their housing programs -**

**Programs, Lending Products, Grant Opportunities & Partnerships**

- *First Federal offers many programs and loan products for first-time and/or low-to moderate-income persons. First Federal also participates in many other programs, as they are available, offering down payment/closing cost assistance including:*
  - *Calcasieu Parish Public Trust Authority (CPPTA) Housing Bond Programs*
  - *Louisiana Housing Finance Agency (LHFA) Housing Bond Programs*
  - *American Dream Down payment Initiative (ADDI) – LHFA*
  - *Federal Home Loan Bank of Dallas – HELP program*

- *As a member of the Federal Home Loan Bank of Dallas, First Federal has used the* ***Affordable Housing Grant program*** *to assist with obtaining grants for housing programs for the Calcasieu Parish Housing Department, Community Housing Development Organizations, Community Housing Resource Board of SWLA, the City of Lake Charles Housing Department and others.*

- ***Loan products*** *to assist first-time low- to-moderate homebuyers with the permanent financing of a home. Loan programs include:*
  - *FHA*
  - *VA*
  - *USDA Rural Housing Guaranteed Loans*
  - *Conventional*
  - *MyCommunity*
  - *Various in-house loan programs*

- ***Grants***

*Bank has partnered with other lenders, CHDO's and Community Development Organizations, obtained and sponsored grants from the FHLB, participated in various assistance programs in our efforts to help further affordable housing and homeownership. So you can see, First Federal works diligently to leverage all available options when it comes to affordable housing and down payment/closing costs assistance for first-time and/or low- to-moderate income borrowers and we welcome the chance to continue to do the same.*

**4. Lending Options -**

**Excerpt from local bank's memo regarding their housing programs -**

The current housing market and mortgage repayment issues nationwide is having a huge impact on financial institutions being able to provide affordable housing financing options for first-time and/or low- to-moderate income homebuyers. Even though the assistance

programs may still be available, some of the same programs that were available to us just months ago are no longer an option.

**Sub-prime lending**. When administered properly with logic and practicality, sub-prime lending probably does have its place. However, the impact of what many unregulated mortgage lenders have done in regards to sub-prime lending has affected all lenders. Many homebuyers were placed into mortgages that they should not have been. These homebuyers were simply unprepared for and unaware of the actual terms of the loan and their affect on their ability to repay.

- **Housing Bond Assistance Program**
    - Local housing bond programs are also feeling the repercussions of these loans and the foreclosure rate. There may be funds to issue a housing bond assistance program, but the rate that can be obtained in the bond market for these types of bonds, means the interest rate on the mortgage would be higher than current market rates. This prices the bond assistance program out of the market. The goal of most local housing bond programs is to get a market rate with assistance for down payment and closing costs. With the interest rate much higher than the market, what is the point of the assistance if the borrower now might not qualify for the payment at the higher interest rate? This would also cause the buyer who needs the assistance from the bond program for down payment and closing costs to pay a higher interest rate than someone who doesn't need the assistance.

- **Credit rehabilitation and Credit score requirements** - Due to many of the major players taking or expecting to take huge losses and the rate of foreclosures rising, many loan programs have also become more restrictive. Many are requiring credit scores of the applicants be higher and higher in order to get the best rate possible, if approved at all, based on the loan-to-value.

- **100% lending programs** - The only **100% lending programs** now available to us are a VA loan, if the borrower is a Veteran or USDA Rural Housing Guaranteed loans, which requires the home to be outside the City limits of Lake Charles. Both have government guarantees, but they both have their limits as to who can use them or where they can be used.
    - Companies won't even **consider underwriting a 100% loan**. For example, the FannieMae MyCommunity 100% loan is no longer an option because of this. This fixed rate loan was used by many first-time homebuyers who could afford the payments and had the willingness and ability to repay the loan, but lacked the down payment.

- This loan option could be used with assistance programs to help the buyer with the closing costs, making homeownership a reality for a lot of people who would otherwise not been able to come up with the funds for down payment and closing.
- Stricter regulations and oversight are needed for the unregulated mortgage lenders in the nation and an overhaul of the FHA program to allow 100% financing with assistance programs, including assistance from CHDO's and other non-profits, is necessary.

- **Private Mortgage Insurance (PMI)**
  - The inability to obtain Private Mortgage Insurance on some loan programs is making it harder to make loans for some that a few short months ago would have been a possibility.

- **Low Income Housing Tax Credit programs – Maintain the housing credit allocations, Go Zone and Per Capita credits**

*"As such, the LHFA is struggling to help projects with 9% housing tax credit awards move forward after the dramatic fall in equity pricing over the last few months.*

*There are somewhere in the area of 70+ 9% credit projects that have awards of housing credits but have not closed on construction. From the time these projects received awards to now,* ***the price for equity has dropped*** *from the high 90s to the low 80s..... ..... Until the extent of the need and possible options for maintaining the viability of existing 9% credit deals is known, we will not know if the LHFA will proceed to use some of the LHTF to assist these projects. This is a tough situation for everyone, and LHFA has indicated it will pursue all other options first before looking to the LHTF. It is important to note that if LHFA's housing credits are not all used, it is likely that the IRS will reduce LHFA's future housing credit allocations, potentially jeopardizing not only the GO Zone and per capita credits already awarded but not under construction, but also future affordable housing resources in the State."*

# City of Lake Charles AHPP Proposal to LRA April 2008

**Background:**

Shortly after Hurricane Rita the City Administration initiated a proposal to address the housing shortage created as a result of the storm. The intent was to fund a housing program that would promote homeownership and make quality housing available at an "affordable" price.

The existing housing market in Southwest Louisiana is very limited when it comes to homes in the $100,000 range. Young families and persons earning $25,000 - $50,000 have limited opportunities to own their own home. Therefore the City Administration concluded that a government effort would be required to help meet the market demand for these homes.

It also believed that smaller, affordable homes could be designed and built according to modern building codes in subdivisions that included the same amenities found in quality subdivisions: concrete curb and gutter streets, underground utilities, ornamental street lighting, sidewalks and properly maintained and landscaped common areas.

Homeowners would qualify based on earned income and would have to complete a homebuyer's education program. Houses would be sold on a bond for deed basis. This is a specialized contract to sell.

In a Bond for Deed transaction, title to the house does not transfer until the homebuyer satisfies certain conditions – the primary condition being payment of the monthly installments and proper maintenance of the home for a stipulated period of time. Louisiana law changed in 2004 (Act 929 of 2004), and a purchaser of a home pursuant to a bond for deed contract no longer can qualify for the $75,000 homestead exemption which currently applies to parish property taxes. Property taxes would still be imposed on the property and paid pursuant to the agreement between the buyer and seller.

The sales price of the home would be subsidized to make the home affordable. The amount of the subsidy would be based on income of the prospective

purchaser. The amount of the subsidy would be applied as a lien against the property and would be amortized on a "straight-line" basis to prevent homebuyers from profiting from the sale of the home if sold within a specified period of time.

To promote a high level of maintenance and care, the subdivision would be subject to certain building/use restrictions and would be managed by a Homeowners Association that would levy and collect fees for maintenance of the common areas.

Louisiana law (RS 9:1141.5) provides that Building restrictions affecting the building standards, uses, or improvements of common areas within a subdivision may include the obligation to pay monthly assessments for the maintenance of such property. These restrictions may also include to the regulation of access to common areas, streets, and related rights-of- way.

Louisiana law (RS 9:1145) also provides that a homeowners association shall have a privilege upon the lot of an owner in the subdivision who fails to pay charges or dues imposed in accordance with recorded subdivision building restrictions. The privilege shall secure unpaid charges, expenses or dues imposed by the association together with legal interest from the date due and reasonable attorney's fees.

**General Outline** (NOTE: All amounts are subject to verification and are included for discussion purposes only.)

1. City Contribution: $525,000 to LRA or its designee agency to be used for land acquisition costs

2. Number of Units -- 85 single family residential units

3. Estimated Construction Cost (including infrastructure) $10.5 million

4. Infrastructure includes: streets, underground utilities, sidewalks, common areas, community center, playground, landscaping, ornamental street lights etc.

5. Each Unit – 2-3 bedroom, 1000 square feet living area (est.) plus carport/garage

6. "Louisiana House" building specifications

7. Elevation/Exterior design of home based on Louisiana Pattern Book

8. Terms of Sale ( For Discussion Purposes Only – Actual Amounts TBD):

   - Sales Price -- $110,000
   - Bond For Deed – Initial 24 months
   - Actual title transfer in 25th month if payments current and homeowner in compliance with building restrictions and other terms and conditions of sale
   - Amortization based on adjusted sales price and 30 years at fixed interest rate of 4.5% (Or 90% of prime interest rate)
   - Soft Second Mortgage equal to total Down Payment Assistance – annual reduction based on a 10 year credit of 10% per year

9. Down Payment Assistance (DPA) – based on earned income formula

   - Based on FMI for family of Four -- $50,280
   - Minimum Earned Income (EI)

| Minimum Earned Income (EI) | | DPA |
|---|---|---|
| $30,168 - $ 37,710 | (60-75% of FMI) | $65,000 |
| $37,710 - $ 45,252 | (75-90% of FMI) | $45,000 |
| $45,252 - $ 55,308 | (90-110% of FMI) | $25,000 |
| OVER $55,308 | (110% of FMI) | $10,000 |

   - Example – EI - $37,500

| | |
|---|---|
| Adjusted Sales Price | $65,000 |
| Monthly PITI | $440 |
| Vendor's Lien (Year 3) | $62,855 |
| Soft Second Mortgage | $45,000 |

10. Net proceeds from Sales – to be reinvested in AHPP -- $6.0 Million (est.).

11. Site Selection - LRA/City to select additional sites in Calcasieu Parish for development. If no satisfactory site approved, LRA may develop other projects in any other Rita Parish.

12. Homeowner/ Buyer Selection Criteria – 80% residents of Calcasieu and Cameron Parishes displaced by Hurricane Rita; 20% other displaced residents of Rita/Katrina Parishes.

13. Five percent (5%) of the total available homes allocated to families/persons who qualify as elderly or disabled. LRA to supply the criteria to use to qualify the Buyer.

14. LRA will qualify and select homebuyers and administer education program. (Verify that the LFRC has been contracted for this service)

15. All Homebuyers must complete Homebuyer's Assistance Education Program

16. All homeowners will be assessed a monthly fee for maintenance of common areas (Landscaping, etc.). Assessment may be charged as a lien on property as authorized by law. For example: Initial Fee -- $25 per month.

17. All homes will be subject to standard set of building restrictions that regulate use and maintenance of property.

18. Enforcement of Building Restrictions, maintenance of subdivision, levy and collection of assessment subject to management by Homeowner's Association comprised of 7 members – 5 appointed by the City/CPTA and 2 appointed by LRA. City/CPTA appointees shall be resident owners in the subdivision. LRA appointees shall be selected from adjacent residential area.

19. Calcasieu Public Trust Authority (CPTA)
    Contact Information
    Tim Castle, Chairman
    P.O.Box1425
    LakeCharles,LA70602
    337-437-3520

    - ◊ Will serve as the Local Agency to acquire title and contract with Developer for construction of subdivision.
    - ◊ Will also act as Seller to convey title to qualified Buyers.
    - ◊ May be in a position to finance the sale of the home depending on market conditions and other factors
    - ◊ LRA/Developer to qualify applicants for the program according to the criteria outlined above.

**Questions for the Record from**
**Senator Mary L. Landrieu**
**for the Small Business Committee Field Hearing on**
**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

**Hazard Mitigation Funding (John T. Landry, LRA)**

Mr. Landry, in November, working with Congressional leaders I was able to secure $3 billion to address the Road Home shortfall. However, despite this major accomplishment there is still $1.2 billion in FEMA Hazard Mitigation Grant Program funding stuck in bureaucracy and red tape.

To address this issue, I currently have legislation pending in the Senate which would free up this $1.2 billion for the Road Home Program. It is currently being blocked from passage by a Republican senator and DHS Secretary Chertoff in a letter to the Homeland Security Committee said he would recommend President Bush veto this legislation if passed.

- As a lifelong resident of southwest Louisiana, could you tell us how important these mitigation/elevation funds are for impacted homeowners and the local economy here in southwest Louisiana?

    - What is the current status of LRA cooperation with the Federal Emergency Management Agency (FEMA) on getting these funds to homeowners?

**LRA Business Recovery Efforts (John T. Landry, LRA)**

As a native of southwest Louisiana and a successful business owner, I am interested to get your perspective on business recovery in southwest Louisiana.

- What are some of the unique challenges for businesses here in southwest Louisiana?

- In terms of the major industries in the area, what is the Louisiana Recovery Authority doing to target programs for southwest Louisiana?

    - Are there any particular programs that have been effective here in Calcasieu Parish?

- From the LRA's experience, can you explain why short-term, bridge loan financing was so essential for businesses impacted by Katrina/Rita?

**BOBBY JINDAL**
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REP. JIM TUCKER
SPEAKER

REP. KAREN CARTER PETERSON
SPEAKER PRO TEM

**EXECUTIVE DIRECTOR**
PAUL W. RAINWATER

LOUISIANA RECOVERY AUTHORITY
150 NORTH 3RD STREET, STE 200
BATON ROUGE, LOUISIANA 70801
(225) 342-1700
(225) 342-1726 FAX
www.lra.louisiana.gov

April 28, 2008

John F. Kerry, Chairman
U.S. Senate Committee on Small Business and Entrepreneurship
428A Russell Senate Office Building
Washington, DC 20510

Dear Congressman Kerry:

Thank you again for your committee's continued commitment to the recovery of South Louisiana and the Gulf Coast. We are particularly grateful for your commitment to Southwest Louisiana's rebuilding and recovery. We have made great progress in our rebuilding, but major hurdles still exist in building back a stronger economy and communities.

Mitigation and elevations are a critical step to rebuilding Southwest Louisiana safer, stronger, smarter in keeping with the Louisiana's mission for rebuilding. As you know, the Louisiana Recovery Authority, early in its existence asked each parish impacted by the storms to adopt the available Advisory Based Flood Elevations (ABFEs) released by the Corps of Engineers.

As concerns cooperation from FEMA on moving these funds to homeowners, it is still true that HMGP is difficult to spend. Despite this reality the LRA is working closely with FEMA to streamline its processes to help move this program. FEMA is working with the LRA to qualify applications and has streamlined environmental review allowing retroactivity back to March 16th. Although these efforts are underway, it will not address all the issues of elevation without a change in the Stafford Act which your office is working diligently on.

On the business side, the rebound of Southwest Louisiana's businesses from Hurricane Rita is a tale of two recoveries. It is clear that while there is growth to be seen in many of the recovery parishes, there continues to be serious losses to the economies of the most affected regions. Parishes like Calcasieu have experienced the typical hurricane recovery "V" curve – an extreme downturn in the weeks immediately following the storms and then an economic bounce as construction and other rebuilding commences. There is great opportunity for entrepreneurs and growth in major industries like oil and gas and obviously in construction. But Cameron, on the other hand, which experienced storm surges

of 18' and more is, not surprisingly, still experiencing significant struggles in reviving and growing its economy.

All businesses are suffering from skyrocketing costs of insurance, utilities, labor and a lack of stable infrastructure. Additionally, there are few sources of low cost financing available for small businesses under 20 people which make up more than 80% of the businesses community. Compounding the challenges of rebuilding for most businesses – large and small - is a shortage in qualified labor. Not only does the state anticipate a need for 90,000 new construction workers in Louisiana alone in next 5 years. Right now, there are more than 95,000 job vacancies in the state; a third of these jobs are in the Southeast region. Employers not only cannot find enough workers to do the work at hand, they are hindered by taking on new projects because of the lack of a workforce.

The state has taken an aggressive and strategic approach to economic recovery despite a lack of adequate funding to recover from the extreme losses. Immediately following the storms, the state allocated $10 million in state funds to a Bridge Loan program to provide gap financing for more than 370 impacted small businesses as they waited for SBA loans or insurance proceeds to kick in. The state also developed a Business Grant and Loan program and a concurrent Technical Assistance program that has to date helped about 4,000 small businesses across South Louisiana. While this program has provided important low-cost financing for the small businesses of Louisiana, there remains a great need for both financing and technical assistance to help our businesses to recover and to take advantage of new opportunities.

We sincerely appreciate the continued commitment of this committee to the state of Louisiana and our neighboring Gulf Coast states as we rebuild and recover from two of the largest natural disasters in our nation's history. Please let me know if I can be of further assistance.

Sincerely,

John T. Landry
LRA Board Member

**APPENDIX A:**

**Louisiana Recovery Authority Economic Development Programs**

The state has taken an aggressive and strategic approach to economic recovery despite a lack of adequate funding to recover from the extreme losses. Immediately following the storms, the state allocated $10 million in state funds to a Bridge Loan program to provide gap financing for more than 370 impacted small businesses as they waited for SBA loans or insurance proceeds to kick in.

The State then received a generous allocation of approximately $13.4 billion in federal disaster recovery funds. Unfortunately, none of these funds were targeted specifically to economic recovery at the federal level. In fact, during negotiations between the LRA Board and Chairman Powell for the additional $4.2 billion in disaster recovery funds that the President ultimately recommended to Congress in February, 2006, Chairman Powell asked that the additional funding requested be based on using the entire $10.4 billion to meet housing and infrastructure repair estimates and required that requests for economic development not be included at that time.

Because of Louisiana's overwhelming devastation, it was clear to the state and the LRA Board that rebuilding levees, housing, and public infrastructure as well as investing in economic development were all critical priorities and each needed assistance. The lack of federal funding for our small businesses and workers stands in stark contrast to the emphasis on economic recovery following the attacks of September 11. Because housing and infrastructure damage were comparably smaller in that disaster, approximately $2.7 billion in federal funding was spent to restart New York's economy and officials there were able to set aside $1.2 billion to be spent solely on grants to help businesses recover and workers get back to work.

Despite this oversight, the state stepped in to help support small businesses, assist workers, and invest in our future economy. Governor Blanco requested that the LRA Board carve out $350 million from much-needed infrastructure repair funds to assist in the recovery of the State's damaged businesses and workforce. While these funds are not nearly enough funding to address the significant challenges to the State's economic recovery, the LRA with its state agency partners developed a strategic approach to addressing the retention and stabilization of the business community and workforce, and to catalyze recovery in key economic sectors.

**Business Recovery**

The state first added another $35 million into the existing Bridge Loan program which provided loans up to $100,000 to another 380 businesses. Again, the Bridge Loan was intended as gap financing for eventual SBA loans or insurance payouts. As it became clear in the fall of 2006 that SBA loans and insurance were both taking longer than expected to payout, the state set aside more than $200 million for a grant and loan program for small businesses. The first phase of the Business Recovery Grant and Loan program, which was developed by the LRA and is administered by Louisiana Economic Development, launched in January of 2007 and has made possible nearly 3,500 grants of up to $20,000 to small businesses and loans of up to $250,000 to more than 350 businesses. A second phase of this program to be launched in April 2008 will help an additional 1,500 small businesses.

These funds are not just being used as emergency funding but are being reinvested into innovative, hard-working businesses. They are being used to pay critical operating expenses, diversify business offerings and provide critical services to communities. More than 12 percent of the grants under this first round went to businesses in the Southwest. The funds support the rebuilding of the fishing

industries in Plaquemines and Cameron as well as operating capital for cultural businesses that retain the culture and soul of our state.

The state is utilizing our federal funding to create innovative, long-term investments in our communities. As part of this program, LED and the LRA established a revolving loan fund to create a long term investment in these communities. An estimated $90 million in repaid loan funds from this program will be recycled as new loans within the impacted communities of South Louisiana. This is a way that we are ensuring that the federal dollars we receive not only have impact today, but into the future, as well.

Additionally, the LRA and LED designed a Technical Assistance Program to provide technical assistance to these and other small businesses eager to contribute to the recovery of the State's economy.

**Workforce Recovery**
In order to address the shortage of labor faced by the state's employers, the LRA established the Recovery Workforce Training Program. Administered by the Workforce Commission, the $38 million program addresses the recruitment and training of workers needed by employers in six key recovery sectors -- construction, healthcare, oil & gas, transportation, cultural economy and advanced manufacturing. Since June 2007, more than 1,500 people have signed up to be trained in all occupations from entry level construction worker to registered nurses. The program's main focus is on ensuring job placement. To date, approximately 500 trainees have been placed in employment.

Additionally, the state received an initial federal allocation of more than $10 million from the U.S. Department of Labor for the Pathways to Construction program. The state put an additional $5 million into this program. To date the program has trained approximately 10,000 entry-level construction workers.

**Other Sector Initiatives**
The LRA also designed programs to focus federal funds not just on immediate recovery priorities, but to invest in growth sectors to serve as a catalyst to the future economy.

The Recovery Tourism and Marketing program, developed in conjunction with the Department of Culture, Recreation and Tourism, placed $28.5 million in local tourism and marketing to organizations to stem the decline in tourist markets that are having a negative ripple effect on the entire State's bottom line.

The LRA and the Louisiana Board of Regents used $28.5M to develop the Research Commercialization and Educational Enhancement program. This program has given more than $27M to rebuild the science and technology related research programs and related workforce development programs at 11 severely damaged universities that can lead to economic development outcomes. Additionally, the program funds a strategic planning process to help the state focus on systems to enhance the commercial potential of these activities for the long-term.

The LRA also set aside $19 million under the Fisheries Infrastructure Program to rebuild and repair the infrastructure critical to this much damaged industry.

**Senator David Vitter's Questions for the Record**
**Field Hearing on "Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**
**U.S. Senate Committee on Small Business and Entrepreneurship**
**February 20, 2008**

**Ms. Donna Little, Director**
**McNeese State University Small Business Development Center**

1) The work and technical assistance you provided after Rita was courageous and selfless, and I want to thank you for your service to help so many in Southwest Louisiana who desperately needed help.

In the SBA's new Disaster Recovery Plan, SBA personnel from around the country would be deployed to assist SBDC's and other technical assistance programs such as Women's Business Centers and SCORE with educating disaster victims and assisting with applications to SBA programs.

However, SBDC representatives know their regions because they specialize in serving their communities, and it makes more sense to me that they should be the people who help and assist business owners after a disaster. For instance, someone from New York has little idea where to seek those who need counsel in Abbeville or Cameron. That's why I think the SBA should inject more resources into local technical assistance programs located in disaster regions so that SBDC's and other technical assistance personnel in the area act as first responders to help victims.

Although SBA personnel employed in various parts of the country such as New York and California have knowledge of the SBA programs and procedures, do you think it would be more beneficial to equip SBDC's and other small business technical assistance programs with more resources after a disaster, such as additional funding for traveling and increasing staff, so they can cover disaster areas instead of SBA employees from Buffalo or Sacramento?

2) I am also disappointed that the SBA budget request for SBDC's in 2009 is $87 million, the same as their request in 2008. I believe this is not sufficient funding to provide enough resources to SBDC's.

SBDC's encourage and promote entrepreneurship, and allow many Americans to follow their ambition of starting and growing their own business. SBDC's can allow many Americans to create their path to ownership, of both a business and their futures.

Also, the state government matches about sixty cents to the dollar of federal funds for SBDC's. Most states match dollar for dollar so their state economies can grow through the expansion of small business ownership.

Has the Louisiana SBDC network engaged the state government for their new budget so they may provide a more adequate match? According to the latest data compiled by the SBA, Louisiana small businesses employ over fifty-five percent of the state's non-farm private workforce, and I think it is extremely beneficial to allow SBDC's to continue and expand their work growing entrepreneurship.

**U. S. Senate Committee on Small Business and Entrepreneurship**
**Field Hearing on "Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

Comments in response to request from Senator David Vitter

SBDC counselors and staff are already trained to deal with business issues and challenges. While many of the SBDC counselors in New Orleans were also disaster victims, there were a couple of SBDC counselors along with contract business professionals in the disaster centers in 30-60 days ready to assist. However, SBDC received no monies from the SBA to hire the counseling staff needed. The volume of business clients was overwhelming.

**Point 1 Include SBDC's as first responders in disasters.**
It is critical for a business owner to be provided good advice and counseling on rebuilding, relocating, in some cases revising the business model, especially when "getting back to where they were" is not practical. Portability grants need to have the cap lifted and should be one project. The LSBDC had to apply for 6 different grants and did not receive the Notice of Award until August of 2006 – almost one year later. These must be processed and awarded with 60 days of application or some shorter time frame.

- Include the SBDC's in supplemental funding for disaster planning, making sure that each specific disaster has a formula for enough funds for hiring additional contract counselors in proportion to the disaster. It may not work just to have one set amount in the disaster budget for counselors, because you need more counselors for bigger disasters. Funding could be provided on a percentage of how many loan applications may be needed for each disaster. Contract counselors must be business professionals, local if possible. Other states used consultants from a variety of states but that was not practical or advisable in Louisiana. Having local professionals who suffered loss of income work as consultants made sense for two reasons. They were more in tune to the needs of the Louisiana businesses and the professionals needed the contracts the LSBDC provided.
- Funds finally became available to hire trained and ready contract counselors six months after the disaster and they were from another EDA, not the SBA.
- The LSBDC has funds through the CDBG block grant money that came to Louisiana and was programmed for technical assistance for small businesses. That money was $9.5 million and the LSBDC was awarded $1.25 million over FY 08 and 09.

As discussed above, we found that businesses made decisions after the hurricanes based on little or no information, not realizing that some of these decisions would affect their ability to obtain SBA disaster loans. Business owners do not understand the disaster loan process or how to recover from a disaster. Much frustration and negative publicity could have been prevented if businesses had accurate information as soon as possible from

trained business professionals. They needed time to talk to a business counselor and needed time to understand the process, understand the consequences of their choices, the decisions and timetables. They needed good information to make decisions. They needed more time. We found many people still very traumatized and unable to make business decisions even 90-180 days after the disaster. Clients were still in survival mode.

The biggest problem for the SBDC has been not being able to find enough funding for additional business counselors. Even after two years, if the LSBDC had the funding, the demand is still enough to hire three to four more full time counselors. Technical assistance is urgently still needed to assist businesses. The SBDC has increased the client base of businesses that have been in business 20-50 years, needing technical assistance. The LSBDC had an average wait time of 2-3 weeks after a year and we are finding that each business requires an increased amount of counseling time.

**Point 2 Funding**

The Louisiana SBDC received approximately $130,000 in additional funds from the federal fiscal budget for FY08; however, we still do not have a notice of award for this funding and we cannot provide it to the centers because of the proposed decrease in budget for FY 09. However, the SBA continues to request increased services and reporting from the SBDC program. They are proposing that SBDC's seek a technology designation for the next accreditation cycle and technology consultants cost (with fringe, professional development and travel) approximately $100,000 each. This would erode the ability of the LSBDC to have as many consultants on the ground and would impede our ability to serve the general populations of entrepreneurs and small businesses.

The proposed budget for the SBDC program FY 09 is unacceptable since we will be going backwards – we will lose the first increase the LSBDC has had in a number of years. At FY 09 funding, the LSBDC would receive funding levels equal to the mid 1990's without an inflation factor. In FY 09 the LSBDC consolidated and closed centers because of funding issues, and now has nine centers versus fourteen in FY 2001.

The LSBDC has been meeting with Louisiana Department of Economic Development officials (Secretary Stephen Moret, Deputy Secretary Steve Grissom and legislators) to inform them of our current funding levels and capacity to provide services. There is a very small window of opportunity to be included in this year's state budget, but to date the LSBDC has no increase. The LSBDC state director has been advised that LED will be developing a comprehensive plan for small business over the summer and that the LSBDC would be included in a request for FY 10.

Undersecretary Fran Gladden requested the LSBDC State Director develop a proposal for an additional $350,000 in case LED has any surplus funds they can award to the LSBDC for the FY 09 year. This is not definite, but it is the first time such a request has been made. The LSBDC service centers have been meeting with legislators to advise of the current situation, but any new funding is a long shot for the program. Any assistance would be welcome.

*Comments from Donna Little, Louisiana Small Business Development Center, McNeese State University*
*337-475-5945 dlittle@lsbdc.org*

Questions for the Record from
Senator Mary L. Landrieu
for the Small Business Committee Field Hearing on
"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"

**Women's Business Center Programs in Acadiana (Sheri Lazare, Women's Business Center)**

Along with Senator Vitter and Rep. Boustany, I was pleased to support the initiative to open a Women's Business Center in Acadiana. I have been a strong supporter of this program over the years, and have fought for increased funding for our New Orleans Women's Business Center.

1. Since you opened in Fall 2007 and are somewhat the "new kid on the block," could you describe some of the programs offered by your center?

Senator Landrieu, I thank you again for your assistance in obtaining the initial grant funding from the Office of Women's Business Ownership within the SBA. In order to properly answer your question, I must inform you that I am answering based on all we intend to provide and serve as well as what we have actually provided. We have not yet had to opportunity to enact all we hope, nor have we obtained all the necessary external resources needed for all the planned services as well.
For the big picture description, the WBC serves as a one stop business resource shop for individuals in the Acadiana area. We provide pre-business plan workshops, concept assessments, business plan preparations, comprehensive feasibility analysis, entrepreneurial training and counseling, marketing analysis, mentorship, and additional business developmental related services as needed. The additional services can range from customer service, tax assistance, legal assistance, employee training and retention, business consultation and more.

2. What have been some of your key successes since opening your doors last year?

Though our grant was awarded in the Fall of 2007, I was not hired until the end of November, and our ribbon cutting and Grand Opening was held on January 9, 2008; in turn, it is better to say since opening our doors at the first of the year. Additionally, you are well aware of the Mardi Gras celebrations in our state and that the festivities were very early this year, February 5, 2008, so it may even be safer to say our doors opened the first of February.
With semantics and housekeeping taken care of, the successes we have achieved and witnessed so far may seem menial to some, though we are very proud. To date, we have seen 170 clients for an initial meeting, and 1/3 of those to ½ have been repeat meetings with the same client. In addition to the 170 that we have seen in the office, we have assisted an additional 43 in obtaining information of varying topics and industries. We have also referred 48 individuals that have contacted us for assistance that reside outside of the geographical area we are permitted to serve. Of the 170, 18 are male and the remaining are female. Sixty are start up businesses; 45 are preexisting businesses; 18 are home based business; 3 are nonprofits; 28 are nascent businesses; the remaining are individuals trying to determine their best move to make next.

Questions to Sheri Lazare, Director of ECGC Women's Business Center in Lafayette, LA:

Senator Vitter, I would like to begin by thanking you for joining us for the small business impact testimony held in Lake Charles in February 2008.

I know that was a busy day for you, as I went to your "town-hall" meeting that morning in Abbeville.

Your support of the state and its citizens is very much appreciated and we are grateful for all you do for Louisiana's citizens.

In response to your questions sent as a follow up, they are addressed below.

Question 1:

Are there any onerous federal regulations hindering small business recovery and growth?

Without being able to specifically cite the actual federal regulations, there are many business owners that are continually denied in qualifying for assistance of any kind, disaster recovery or simply small business capital assistance. The hardship felt by a business is not always reflected in the "paperwork" of the business; however, we are all aware how written documentation can offer a different reality than that that is actually occurring.

Additionally, restricting the parishes that receive recovery assistance is not actually helping the majority of business affected. As a result, those most desperately needing assistance are being denied, forced to use a commercial bank/lender who is only offering variable rate loans. This becomes the avenue that the owner is forced to travel which is keeping them in a constant state of hardship rather than alleviating the financial stress and maintaining the "rob Peter to pay Paul" mentality to stay afloat.

These continued roadblocks are keeping businesses struggling and forcing the use of, and often times depleting, of personal saving, 401(k)s, and maxing out multiple credit cards, both personal and business.

I currently have one client that is tens of thousands of dollars in debt as a result of the storms, and the debt is spread across 12 credit cards, both business and personal. If there was something to assist the small business owner with debt consolidation with low interest rates, this would be the ideal in what small businesses are and have been requesting for some time, a hand up. They are struggling to meet payments monthly only because of the added expenses of the storms in which the federal and state governments will not help in reducing.

Small businesses are in great need of untraditional capital and loans with few if any strings attached. This will assist the majority in being able to pull their legs underneath them and stand up, where as since the hurricanes, business owners have been treading water.

Question 2:

Do Louisiana women businesses have adequate access to federal government contracts?

Women and minorities do not have equal access to government contracts nor to the information concerning them. Way too many of the business owners have little to no knowledge of what contacts exist in addition to the lack of knowledge in working with the government. Most small business owners cannot afford to wait for the government reimbursements nor address all the paperwork involved with the contract that they just avoid getting involved with the contracts. Additionally, so many of the small business owners that did entertain government contracts at the time of the hurricanes in 2005 have since ceased because of the difficulty involved in securing and providing to government contracts.

Additionally, the knowledge a small business owner would like to have, and currently requests, prior to submerging herself and her businesses into the process and the world of federal and state government contracts is vast, however greatly lacking. I must say, I agree with the notion because a business owner should not undertake such risks without previous knowledge or some training to help guide through the uncharted waters. The various offices offering contracts to small businesses do not do much to alert the community to the bid process nor to the specifics with the various contracts. Finally, the bid process and again the reimbursement process is so lengthy at this point, again, most small businesses do not see the benefit in the added risk.

**Questions for the Record from**
**Senator Mary L. Landrieu**
**for the Small Business Committee Field Hearing on**
**"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**

**Export Promotion Service Fee Reductions (Donald van de Werken, Department of Commerce**

In your testimony, you mention Department of Commerce fee reductions on export promotion services for impacted Gulf Coast businesses. I believe that these fee reductions have been extremely helpful in allowing small-and-medium sized businesses to better promote their products overseas. During 2006, I worked closely with Chairman Kerry and Senator Thad Cochran to encourage the agency to implement this program. I would like to take this opportunity to again thank Secretary Gutierrez for his attention to Gulf Coast recovery, particularly his efforts through our New Orleans U.S. Export Assistance Center.

As I mentioned, these fee reductions were first announced in Spring 2006 and were recently extended through through Fiscal Year 2008 by Secretary Gutierrez.

- Could you describe this program in greater detail and how these reduced fees have helped promote exports from our Louisiana small businesses?
    - At this time, does the Department of Commerce anticipate needing additional funding in the FY09 Appropriations bill to extend this program through FY 2009?
- Are there are any other International Trade Administration programs which are helping to spur recovery efforts in south Louisiana?

**New Orleans Trade and Investment (Donald van de Werken, Department of Commerce)**

Post-Katrina/Rita, as you know we have lost several consulates in New Orleans - including Costa Rica and Japan. These consulate closures were not directly a result of the storms but highlight the need to keep Louisiana competitive in the global economy.

I was pleased to see Mexico announce they are opening a full consulate in New Orleans later this year, and last year Australia opened a Trade Office in the city. I will continue to work with Governor Jindal and local leaders to reach out to our international partners interested in doing business in LA.

- What else can the Louisiana delegation do to encourage trade/investment in south Louisiana?
- As you know, last year I extended an invitation for Dr. Abdul Falah Hassan Al-Sudani, the Trade Minister for the Republic of Iraq, to visit Louisiana. In the coming months, I would like to work with the Department of Commerce, the State Department, and the Department of Agriculture to bring this minister to Louisiana.
    - Are there any particular expos or conferences in Louisiana in the coming months that would be of interest to Minister Al-Sudani?

**Response:**
**Questions for the Small Business Committee Field Hearing on**
***"Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"***

**Senator Mary L. Landrieu:**

**Could you describe this program in greater detail and how these reduced fees have helped promote exports from our Louisiana small businesses?**

In the Spring of 2006, funding was provided to allow hurricane-affected companies to obtain key export promotion services at half the standard cost. At the time of the field hearing, 39 Louisiana companies had taken advantage of our reduced-price services. This is an important population of exporters who otherwise, with the tight budgets common to post-hurricane small businesses, may not have been able to explore new international markets, make sales, and retain and/or rehire staff.

The reduced fees are available on U.S. and Foreign Commercial Service's (CS) three most popular services – the Gold Key Service, the International Partner Search, and the International Company Profile. A brief description of these services follows:

- Gold Key Service – CS's most popular service, which helps small companies make the most of overseas travel and find the right people with whom to do business. Industry experts overseas research potential distributors or agents and arrange face-to-face appointments with the best prospects, which are vetted and prescreened.

- International Partner Search – For companies not yet ready to visit a new market in person, our industry experts overseas research potential distributors or agents and provide clients with a list of best prospects.

- International Company Profile – CS industry experts conduct interviews and other background research on a potential business partner in order to produce a thorough due diligence report.

This program also enabled us to organize larger-scale trade programs, such as CS's recent trade missions to Costa Rica, Honduras, and Panama. During these missions, small- and medium-sized enterprise (SME) exporters took advantage of the discounted price on our Gold Key Service in each country – a key part of trade missions that help stimulate new sales.

**At this time, does the Department of Commerce anticipate needing additional funding in the FY09 Appropriations bill to extend this program through FY 2009?**

No, we do not need additional funding to extend this program through FY 2009.

**Are there any other International Trade Administration programs which are helping to spur recovery efforts in south Louisiana?**

In support of the Congressionally-created Gulf Opportunity (GO) Zone and related incentives, ITA assigned a Commercial Officer to promote the GO Zone as an investment destination to potential investors. The work includes:

- Leading investment, trade, and tourism missions overseas, such as an April, 2008 New Orleans delegation to China.
- Recruiting and hosting foreign businesspeople by arranging one-on-one meetings with Louisiana companies and project stakeholders seeking investment.
- Working with embassies overseas to plan events to promote Louisiana as a destination for investment, trade, and tourism. Often, as in the case of recent events in Bangkok and Hong Kong, these are linked with cultural events such as concerts to highlight the state's unique attributes.
- Highlighting the benefits of using Louisiana's ports with specialized overseas programs and events. These events include Gold Key Services for port representatives, port participation in trade missions, visits by foreign businesspeople to Louisiana ports. This June, the U.S. Export Assistance Center (USEAC) will lead a Louisiana delegation to the Posidonia trade show in Athens, which convenes shippers from around the world.
- Facilitating and promoting individual foreign investments, such as the joint venture being considered between the New Orleans Regional Transit Authority and a Czech manufacturer to produce historic streetcars in New Orleans for other U.S. cities.
- Providing discounts of CS export assistance services totaling $63,000 for firms located in 2005-declared hurricane disaster areas.
- Providing discounts of ads totaling $30,000 in Commercial News USA for firms located in 2005-declared hurricane disaster areas.
- Participating in conferences and events such as:
    - The Offshore Tech Conference –Houston. Each year the New Orleans USEAC spends a great deal of time working with Louisiana oil and gas firms looking for overseas firms interested in purchasing equipment and services.
    - Louisiana Gulf Coast Oil Exposition (LAGCOE) - This biannual oil and gas show held in Lafayette, Louisiana, is a key event to highlight local oil and gas service companies. Since 2003, LAGCOE has been an International Buyer Program (IBP) event. LAGCOE was again approved to be an IBP event in 2009.
    - In April 2009, The Gulf Coast Trade Alliance will hold its 13th annual World Trade Conference in Lake Charles, Louisiana. The Alliance is a four state partnership including cities, counties and state economic groups

to promote trade. The four states are Florida, Alabama, Mississippi and Louisiana.

In addition, the New Orleans USEAC cooperates with partners such as the World Trade Center to host foreign ambassadors, trade missions, and other key international visitors who carry our message back to their home countries.

**What else can the Louisiana delegation do to encourage trade/investment in south Louisiana?**

Louisiana's ongoing commitment to international trade & investment is incredibly valuable to Commerce Department trade promotion efforts, and is appreciated by the local business community. We would request that delegation members consider the following activities as ways to encourage trade and investment in Louisiana:

- Lead trade/investment missions to targeted international markets.
- Encourage the over 32 Louisiana ports authorities (deep water, river and small) to develop a state marketing program to help Louisiana small- and medium-sized exporters use local facilities.
- Encourage the various economic groups within the state to include international trade as part of each group's strategy plan.
- Participate in public events honoring local exporters and foreign investors. These can include award presentations (E-Award, Certificate of Appreciation for Achievement in Trade) and visits to international companies that have located in Louisiana.
- Continue to support Free Trade Agreements that help to open foreign markets to Louisiana products and services.

**Are there any particular expos or conferences in Louisiana in the coming months that would be of interest to Minister al-Sudani?**

Possibilities include the following:

- Offshore Tech Conference –Houston. Each year in May, the New Orleans USEAC spends a great deal of time working with Louisiana oil and gas firms looking for overseas firms interested in purchasing equipment.
- LAGCOE - This Louisiana biannual oil and gas show held in Lafayette is a key event to highlight local oil and gas service companies. Since 2003, LACOE has been an International Buyer Program (IBP) event. LAGCOE was again approved to be an IBP event in 2009.
- In April 2009, The Gulf Coast Trade Alliance will hold its 13th annual World Trade Conference in Lake Charles, Louisiana. The Alliance is a four state partnership including cities, counties and state economic groups to promote trade. The four states are Florida, Alabama, Mississippi and Louisiana.
- APWA Public Works, August 2008 – Infrastructure and public works.

**Senator David Vitter's Question for the Record**
**Field Hearing on "Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana"**
**U.S. Senate Committee on Small Business and Entrepreneurship**
**February 20, 2008**

**Mr. Donald van de Werken, Director**
**New Orleans U.S. Export Assistance Center**

I applaud your organization's success both before and after Hurricanes Katrina and Rita. As you know increasing Louisiana's small business export capability was an essential factor in promoting business growth following that difficult period.

It is important that you were able to shift products intended for local markets to overseas markets following the Hurricanes. This quick thinking probably saved many jobs and not a few companies as well.

Expanding Louisiana's export potential is a vital part of ensuring the state's future economic stability, especially in light of another disaster on the level of Hurricanes Katrina and Rita.

How does the New Orleans U.S. Export Assistance Center intend to continue aiding Louisiana businesses affected by the hurricanes and do you have a plan in place in anticipation of a future disaster?

**Senator David Vitter:**

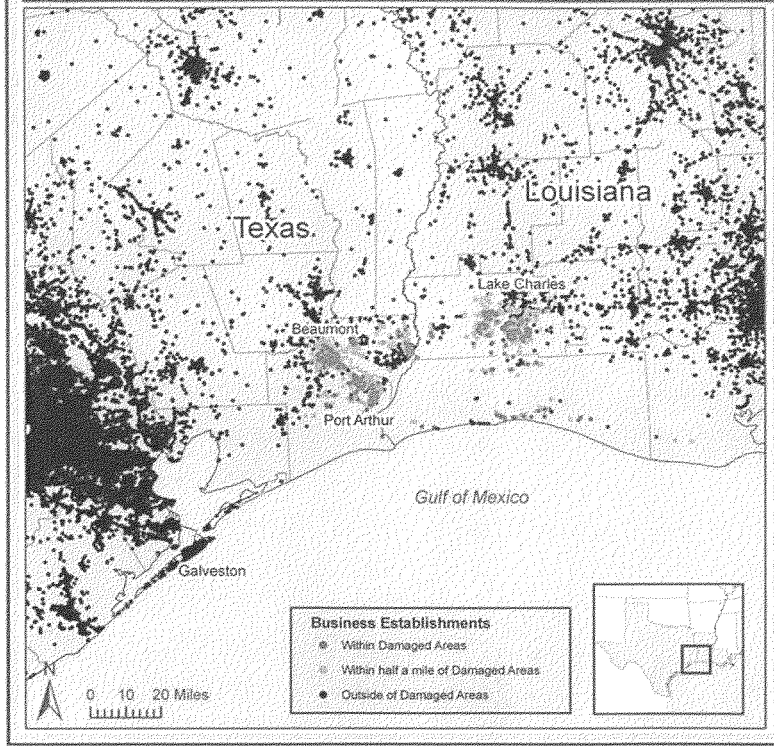
**How does the New Orleans U.S. Export Assistance Center intend to continue aiding Louisiana businesses affected by the hurricanes and do you have a plan in place in anticipation of a future disaster?**

The New Orleans U.S. Export Assistance Center (USEAC) maintains an aggressive outreach calendar to bring the message of the benefits of exporting to the local business community. This includes individual calls on present and prospective business clients, outreach events and seminars, mass mailing campaigns, and regular follow-up with currently exporting companies. The goal of this outreach is to educate Louisiana companies on the latest opportunities in international markets, as well as to continuously remind them of the support available to them through federal export assistance programs, such as the 50 percent discount for hurricane-affected companies.

In the aftermath of Hurricane Katrina, many local residents and businesses have moved north to the capital of Louisiana, Baton Rouge. The Commercial Service is working towards better coordination between our Louisiana USEAC staff offices and the Louisiana Economic Development Corporation, which is located in Baton Rouge. By partnering with the Louisiana Economic Development Corporation, the Commercial Service will ensure seamless support and communication during the aftermath of any future disasters for the business community by offering both federal and state resource support.

The USEAC focuses on export capacity building as a key way to strengthen the local business community in anticipation of a future disaster. Hurricanes Katrina and Rita showed us the importance of exporting to creating healthy, resilient companies – especially small companies. Companies that were already exporting and had an international business plan were able to react quickly to diminished local demand and redirect their products and services to international markets. We found that they survived and even rebounded far more quickly than those companies that were not export ready, that did not have a good understanding of international logistics, or did not have a business plan that included international sales.

# Business Establishments within Rita-Damaged Areas as Identified by FEMA Texas and Louisiana




**Texas**
0.1% of Texas' employment was within the FEMA Identified Damage Areas

| Business Establishments | Employees | Quarterly Wages |
|---|---|---|
| 565 | 9,540 | $86,449,504 |

1.2% was inside or within half a mile of the FEMA Identified Damage Areas

| Business Establishments | Employees | Quarterly Wages |
|---|---|---|
| 6,342 | 110,894 | $1,083,940,055 |

**Louisiana**
0.2% of Louisiana's employment was within the FEMA Identified Damage Areas

| Business Establishments | Employees | Quarterly Wages |
|---|---|---|
| 233 | 3,066 | $28,784,962 |

2.1% was inside or within half a mile of the FEMA Identified Damage Areas

| Business Establishments | Employees | Quarterly Wages |
|---|---|---|
| 2,369 | 38,457 | $322,014,376 |

Data source:
Quarterly Census of Employment and Wages (QCEW)
developed through a cooperative program between the states and the U.S. Bureau of Labor Statistics
FEMA Remote Sensing Damage Areas
1800 September 26, 2005 www.gamaps.fema.gov

Data notes:
Employment is from December 2004. Quarterly Wages are the total paid for the Fourth Quarter of 2004
Data are adjusted to include business establishments for whom accurate addresses are not available.

Cartography by:
State of California
Employment Development Department
www.labormarketinfo.edd.ca.gov
September 2005

APPENDIX A: LRA ECONOMIC AND WORKFORCE DEVELOPMENT PROGRAMS

# *Moving Beyond Katrina and Rita:* Economic and Workforce Development Programs

*Under the Economic Development category, $332.5 million of Community Development Block Grant (CDBG) funding is being utilized to stimulate the short-term and long-term economic recovery of Louisiana.*

Immediately following the storms, Governor Blanco requested that the LRA Board carve out $350 million from much-needed infrastructure repair funds to assist in the recovery of the State's damaged businesses and workforce. While not nearly enough funding to address the significant challenges to the State's economic recovery, the State has used this first phase of funding to develop a number of innovative programs to retain and stabilize the business community and workforce, and to catalyze recovery in key economic sectors.

**PRINCIPLES OF ECONOMIC DEVELOPMENT RECOVERY**

- Target investment in small businesses as the backbone of our economy
- Address severe workforce shortages in critical recovery sectors
- Assist neighborhood & local economic development priorities by investing in commercial corridor revitalization and supporting high growth sectors.
- Invest in higher education institutions as economic generators.
- Reposition image of Louisiana and New Orleans as open for business.

Below is an overview of the Economic and Workforce Recovery programs designed by the LRA and its state partners.

## Program Allocations:

| Program | CDBG Allocation ($MM) |
|---|---|
| Tourism & Marketing Program | $28.5 |
| Recovery Workforce Training Program | $38.0 |
| Research Commercialization & Education Program | $28.5 |
| Business Recovery Assistance | |
| Bridge Loan Program | $43.0 |
| Small Firm Grant and Loan Program | $211.0 |
| Technical Assistance Program | $9.5 |
| Administrative costs | $17.5 |
| TOTAL | $350 |

# Tourism and Marketing Program

*The Tourism and Marketing program has been established by the Louisiana Recovery Authority (LRA) in cooperation with the Department of Culture, Recreation & Tourism to boost tourism in areas of Louisiana impacted by the 2005 storms.*

## Program Purpose

- The primary objective of the $28.5M Louisiana Tourism Marketing Program is to increase the number of visitors to the impacted areas in order to:
  - Save many small businesses that cater to convention attendees and tourists that have been without customers since the storms;
  - Retain the businesses that are part of the charm and character of New Orleans and South Louisiana and are such an important part of its appeal to tourists and residents alike;
  - Increase the number of available jobs and increase wages; and
  - Increase tax revenues for the communities in which the businesses reside.

- The program will also strengthen consumer confidence, which helps encourage conventions to return and citizens to return and rebuild, and which sustains small businesses that rely on tourism. The State's image after the hurricanes has weakened investor confidence with regards to spending money in Louisiana. This has affected convention planners or businesses seeking to invest resources to create jobs.

- The Louisiana Tourism Marketing Program will target leisure travelers as well as convention and business travelers. This initiative will include, but is not limited to:
  - Convention and interactive marketing, promotions to travel agents, and related activities.
  - An awareness campaign focusing on New Orleans, Southeast Louisiana, and Southwest Louisiana. This campaign will target drive-in and national travelers as well as international travelers.
  - Niche marketing programs designed to promote family activities and festivals and cultural attractions unique to the areas most affected by the storms.
  - Coordinated marketing efforts between the Department of Culture, Recreation, and Tourism (CRT) and the Louisiana Department of Economic Development (LED) to regain investor confidence for spending money and creating jobs in Louisiana.

- The initiative will reach travelers and businesses through television and print advertising, direct sales, special promotions, communications, and media.

- Participating programs include government and non-profit entities involved in promoting the tourism and convention industry in the parishes in southeast and southwest Louisiana most affected by Katrina and Rita, including but not limited to those areas with substantial infrastructure damage.

## Snapshot of Programs Funded

| Organization | Parish | Program | Program Details | Allocation |
|---|---|---|---|---|
| Jefferson Convention & Visitors Bureau | Jefferson | Family Attractions Marketing | Increase existing multi-media consumer marketing programs nationwide of family events and attractions and to increase the visitors to the New Orleans metropolitan region, affecting tourist-related tax revenue, jobs, and overall economic development of both Jefferson and Orleans parishes. | $750,000 |
| Lafourche Parish Tourist Commission | Lafourche | The Heart & Soul of America's WETLAND Tourism Recovery Partnership | Actively solicit positive editorial stories in major outdoor and travel print venues via FAM tours and supplemental family and outdoor "experiences" print advertising for the Heart & Soul of America's WETLAND Tourism Recovery Partnership including Lafourche and Terrebonne parishes. | $60,000 |
| Louisiana Office of Tourism | All | Post Katrina Domestic Consumer Advertising Campaign; Post Katrina Public Relations Image Rebuilding Campaign | Provide a comprehensive marketing program designed to improve perceptions, attitudes and overall intent to visit within our key visitor markets, achieving economic recovery through increased visitation and visitor spending statewide. | $5,500,000 |
| Louisiana Stadium & Exposition District | Orleans | Annual Special Events<br><br>2008 NBA All-Star Weekend<br><br>Concert Promoter Incentives<br><br>Essence Festival (2007 and 2008) | Provide direct marketing, promotional, and production support to special events in an effort to attract visitors and maximize attendance at each event.<br><br>The National Basketball Association's (NBA) premier event, All-Star weekend, is a major city-wide attraction featuring activity at venues throughout New Orleans area, including the New Orleans Arena, Superdome and Ernest N. Morial Convention Center.<br><br>To increase the number and attendance of musical concerts presented at the New Orleans Arena.<br><br>The Essence Festival is an annual event hosted over a three-day period in July at the Louisiana Superdome and Ernest N. Morial Convention Center. The festival is the largest African American event of its kind attracting over 100,000 in attendance and generating an economic impact of over $100,000 million to the area. | $1,000,000 |
| New Orleans Metropolitan Convention & Visitors Bureau | Orleans | New Orleans Tourism Recovery Program | The New Orleans CVB will expand its direct sales and marketing efforts in order to drive increased growth and economic impact generated by the city's tourism industry. | $8,500,000 |
| New Orleans Public Facility Management, Inc. (Morial Convention Center) | Orleans | New Orleans Morial Convention Center Marketing | Market the Ernest N. Morial Convention Center aggressively as a premier venue for conventions, tradeshows, and meetings to association/corporate meeting planners, exhibitors and trade | $2,000,000 |

| | | | | |
|---|---|---|---|---|
| New Orleans Tourism Marketing Corporation | Orleans | New Orleans Post Katrina Domestic Consumer Marketing | A comprehensive marketing program designed to influence domestic leisure travelers to visit New Orleans and drive visitor spending to increase City's tourism-related tax base, employment and revenue. | $8,500,000 |
| River Parishes Tourist Commission | St. Charles, St. James, St. John | New Orleans River Region<br><br>Branding Study and Advertising/ Marketing Campaign | Implement a multi-pronged marketing initiative that will identify visitor and potential visitor perceptions of the region to develop a cost-effective marketing campaign that targets and delivers a strong consumer and trade marketing and advertising message.<br><br>Conduct research on how destination is perceived and if our advertising campaign is relating that message. Develop ad/marketing campaign from results of study. | $150,000 |
| St. Bernard Parish Office of Tourism | St. Bernard | St. Bernard Parish Domestic Consumer Marketing | Implement an aggressive, multi-faceted marketing and public relations program including but not limited to group tours, sporting events, trade shows, website development, print ads in order to increase the economic impact of tourism in St. Bernard Parish. | $200,000 |
| St. Tammany Parish Tourist Commission | St. Tammany | Enable St. Tammany Tourism and Attraction Recovery<br><br>Northshore Harbor Center Marketing | Implement a multi-phased marketing strategy to increase tourism expenditures and drive attendance to attractions in St. Tammany Parish and speed the economic recovery from Hurricane Katrina. An aggressive marketing campaign will be utilized to battle negative perceptions of St. Tammany and position The Northshore Harbor Center (NHC), which was damaged by Hurricane Katrina just 3 months after opening, as a regional meeting site.<br><br>The Northshore Harbor Center was damaged by Hurricane Katrina just 3 months after opening. An aggressive marketing campaign will be utilized to battle negative perceptions of the region and position NHC as a regional meeting site. | $600,000 |
| Tangipahoa Parish Convention and Visitors Bureau | Tangipahoa | Amtrack Louisiana Roadshow Partnership | Implement an aggressive, multi-faceted marketing program targeting travel writers, meeting planners, group tours, student travel, and athletic events in order to positively increase the economic impact of tourism on Tangipahoa Parish, Louisiana. | $75,000 |
| Vermilion Parish Tourist Commission | Vermilion | Vermilion Parish Regional Tourism Enhancement | To market Vermilion Parish to state, national and international visitors by increased awareness in what our parish has to offer visitors. | $50,000 |
| Washington Parish Tourism Commission | Washington | Strategic Marketing Plan for Washington Parish | Market and promote Washington Parish in the regional drive market through identifying specific and realistic visitor markets and implementing an effective and compelling advertising message. | $50,000 |
| Administration Costs | | | Reserve monies | $115,000 |
| **TOTAL** | | | | **$28,500,000** |

# Recovery Workforce Training Program (RWTP)

*The $38 million Recovery Workforce Training Program (RWTP) has been established by the Louisiana Recovery Authority (LRA) and the Louisiana Workforce Commission in cooperation with the State Office of Community Development's (OCD) Disaster Recovery Unit to create workforce training & placement programs that meet the needs of businesses in sectors critical to the recovery and rebuilding of the areas affected by hurricanes Katrina and Rita.*

**Program Purpose**

- The current recovery economy requires a highly skilled and well-trained workforce to meet the immediate needs of sectors critical to the physical rebuilding and economic recovery of the regions impacted by the hurricanes. The six sectors identified as critical are: Advanced Manufacturing, Construction, Cultural Economy, Healthcare, Oil and Gas, and Transportation.
- The RWTP program provides funding to create *sector strategies*, or *sector-based initiatives* to address the need for trained workers, to support recovery and rebuilding of areas impacted by the 2005 storms, and to promote the long-term recovery of the State's overall economy.
- The program is centered on realizing three inter-related factors:
  - The return of the displaced workforce;
  - The retention of the existing workforce; and
  - The concerted effort to increase the development of skills for new jobs in sectors related to recovery efforts and a future growth economy.

**Program Implementation**

- Among the six critical sectors, eighteen programs were selected through a competitive Request for Proposals (RFP) process overseen by the Louisiana Workforce Commission.
- These programs provide services throughout regions impacted by both hurricanes Katrina and Rita.
  - $20.3M (53%) has been allocated for projects in parishes impacted by Katrina;
  - $6.2M (16%) has been allocated for projects in parishes impacted by Rita; and
  - $11.5M (30%) has been allocated for projects covering areas impacted by both Katrina and Rita.
- Estimated Projections:
  - Projected Completers: 7,368
  - Projected Placements: 5,918
- This program is being funded through a grant from the U.S. Department of Housing and Urban Development as eligible under Section 105(a)8 of the Housing and Community Development Act of 1974. The activities implemented through this program will meet the national objective of benefiting persons of low to moderate income.

**Contact Information**

For further information on the overall RWTP contact Cynthia Douglas and John Stewart of the Workforce Commission at 225-342-1205.

## Snapshot of Programs Funded

**ADVANCED MANUFACTURING**

| Workforce Intermediary/ Fiscal Agent | Occupation | Projected Completers | Projected Placements | Parishes |
|---|---|---|---|---|
| Greater New Orleans, Inc. | Entry level (work ready, employer will train), welder, pipefitter, shipfitter, machinist, electrical technician, industrial maintenance, instrumentation technician, process operator/technician, production operator, mechanic, and designer (CAD/CAM) | 1,000 | 900 | **Jefferson, Lafourch Orleans, Plaquemines, St. Bernard, St. Tammany, St. Charles, St. John, Tangipahoa, Washington** |
| Louisiana Technical College Region IV/LEDA | Welders, Machinists, production helpers, electricians; accelerated welding | 105 | 84 | **Iberia, Vermilion, Acadia, Cameron, Calcasieu, St. Mary, Lafourche** |
| **Advanced Manufacturing Total** | | 1,105 | 984 | |

**CONSTRUCTION**

| Workforce Intermediary/ Fiscal Agent | Occupation | Projected Completers | Projected Placements | Parishes |
|---|---|---|---|---|
| Associated Builders & Contractors – Pelican Chapter | Welding, Pipefitting, Electrical, Carpentry | 181 | 152 | **Calcasieu, Camero Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Vermilic Acadia, Allen, Beauregard, Iberia, Jefferson Davis, Lafourche, St. Charles, St. John tl Baptist, St. Mary, Tangipahoa, Terrebonne, Washington** |
| Gulf Coast Construction Career Center/Center to Protect Worker's Rights | Electricians, plumbers, pipefitters, plasters, cement masons, painters, roofers, waterproofers, insulators, sheetmetal workers, truck drivers, | 507 | 405 | **Greater New Orlear** |

| | | | | |
|---|---|---|---|---|
| | laborers, carpenters, millwrights, piledrivers | | | |
| Louisiana Department of Corrections | Carpenters, masons and cement finishers, HVAC installers, welders, plumbers and plumbers helpers, upholsteries and upholstery repairers, pile drivers, electricians | 960 | 672 | **All Parishes** |
| Louisiana Technical College - Region IV | Carpenters, welders, industrial mechanics, electricians, construction laborers, truck drivers, clerical, AC repairers | 215 | 171 | **Iberia, Vermilion, Acadia, Cameron, S Mary, Lafourche, Calcasieu** |
| Louisiana Technical College - Region IX | Electricians, carpenters, plumbers, HVAC technicians, general maintenance | 330 | 281 | **St. Tammany, Tangipahoa, Washington** |
| New Orleans Worker Resource Center/South Central Laborers Training and Apprenticeship Fund | Construction labor, residential construction helpers (plumber/pipelayer, painter, electrician, roofer, drywall, brickmason, carpenter), environmental cleanup | 631 | 462 | **Orleans, Jefferson, Bernard, St. Tammany, Plaquemines, St. Charles, St. James, St. John** |
| **Construction Total** | | 2824 | 2143 | |

**CULTURAL ECONOMY**

| Workforce Intermediary/ Fiscal Agent | Occupation | Projected Completers | Projected Placements | Parishes |
|---|---|---|---|---|
| Jefferson Parish Chamber of Commerce/Delgado | Restaurant cooks, bartenders, chef/head cook, food batchmakers, bakers, and food service entrepreneurs | 596 | 559 | **Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, St. Charles, Tangipaho** |
| New Orleans Video Access Center, Inc. | Production, planning and expediting clerks; General Office clerks; Electrician's helpers; Riggers; Installation, maintenance, and repair workers; Freight, stock, and material movers | 228 | 122 | **Orleans, Jefferson, Tammany** |
| **Cultural Economy Total** | | 824 | 681 | |

**HEALTHCARE**

| Workforce Intermediary/ Fiscal Agent | Occupation | Projected Completers | Projected Placements | Parishes |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Greater New Orleans, Inc./Delgado | Nurses (RN, C.N.A, License Nurse practioners), Surgical & Pharmacy Techs, EMTs, Paramedics, Respiratory Therapists, Medical Coders & Billing and Collection Staff | 810 | 648 | **Orleans, Plaquemines, St. Bernard, Lafourche, St. Charles, Washington, Tangipahoa, St. John St. Tammany** |
| Louisiana Public Health Institute | Emergency medical technicians, geriatric nurses, certified nursing assistants, registered nurses, nurse practitioners, licensed social workers, licensed practical nurses, substance abuse counselors and technicians (lab, phychiatric, radiology) | 82 | 82 | **All Tier 1 and Tier 2 parishes** |
| Southwest Louisiana Area Health Education Center | All Occupations: Healthcare, Nurses, CNAs, Med Techs, Therapists, EMTs; | 1080 | 1080 | **All Tier 1 and Tier 2 parishes** |
| **Healthcare Total** | | 1972 | 1810 | |

**OIL AND GAS**

| Workforce Intermediary/ Fiscal Agent | Occupation | Projected Completers | Projected Placements | Parishes |
|---|---|---|---|---|
| Acadiana Regional Development District | Safety, technologists and engineers, welders, technicians, machinists, land exploration and research | 344 | 224 | **Calcasieu, Cameron, Vermilion, Acadia, Allen, Beauregard, Iberia, Jefferson Dav St. Mary** |
| Career Builders of Louisiana/Louisiana Foundation of Excellence in Science | Welding, machinists, diesel technician, HVAC/Plumbing, instrumentation technician, clerical, accounting, catering | 187 | 139 | **Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, St. Charles, Tangipahoa Lafourche, St. John, St. Mary, Terrebonne Washington** |
| **Oil and Gas Total** | | 531 | 363 | |

**TRANSPORTATION**

| Workforce Intermediary/ Fiscal Agent | Occupation | Projected Completers | Projected Placements | Parishes |
|---|---|---|---|---|
| Delgado Community College | Maritime, Deckhand & Roustabout, Tankermen, Steersmen | 300 | 300 | **Orleans, Jefferson, St. Tammany, Lafourche, St. Charles, St. John** |

| | | | | |
|---|---|---|---|---|
| Louisiana Technical College -Region IV | Truck Drivers, Heavy & Tractor Trailer; Mechanics, Aircraft Repair & Pilots & etc | 136 | 122 | **Iberia, Vermilion, Acadia, Cameron, St. Mary, Lafourche, Calcasieu** |
| South Louisiana Economic Council/Fletcher Technical Community College | Sailors and marine oilers, ship/boat captains and operators, captains, mates and pilots, ship engineers, all other vessel transportation workers, heavy and tractor trailer truck driver, diesel motorboat mechanics | 375 | 300 | **Lafourche, Terrebonne, St. Mary** |
| **Transportation Total** | | 811 | 722 | |

# Research Commercialization and Educational Enhancement Program

*The Research Commercialization and Educational Enhancement Program (RC/EEP) is intended to restore the economic impact of scientific and technology research facilities within higher education institutions in the most severely affected areas.*

## Program History

The hurricanes of 2005 had a pervasive, destructive impact on scientific research and education in the impacted areas. Decades of research, encompassing hundreds of millions of dollars in federal research grants to some of American's top scientists, were wiped out virtually overnight, along with much of the infrastructure that made them possible.

The $28.5 million Research Commercialization and Educational Enhancement program designed by the Louisiana Board of Regents and Louisiana Recovery Authority provides a two-pronged approach to invest in this long-term economic engine. Under the program, universities in Southeast and Southwest Louisiana received grants in the summer of 2007 to invest in the research capacity of universities directly impacted by the hurricanes. Additionally, the RC/EEP provides funds to develop a statewide assessment of university research commercialization opportunities and recommend systems for commercialization throughout Louisiana which will culminate in the fall. The statewide initiative is based on a model pioneered by the Georgia Research Alliance (GRA), a highly-successful collaboration of research universities, business, and state government, to increase the economic impact of university-led science and technology research.

Funding for the projects comes from Community Development Block Grant (CDBG) funding, provided by the U.S. Department of Housing and Urban Development, for investment in research institutions impacted by Hurricanes Katrina and Rita.

These funds, appropriated as a result of a joint effort by Regents and the Louisiana Recovery Authority (LRA), are earmarked to help rebuild the storm-damaged university campuses in ways that help Louisiana develop and grow a technology- and innovation-driven economy.

## RC/EEP Strategic Plan

Part of the overall RC/EEP is to design a new statewide system to boost the research and commercialization capabilities of Louisiana's academic institutions. This statewide strategic plan, which runs from March through August, includes conducting a comprehensive statewide assessment of the state's university, private research and educational assets as they relate to their capacity to foster technology development and technology commercialization. As part of this, we are looking at research niches the state might focus on, approaches to improving technology transfer, ways of recruiting top-flight faculty, developing a more highly skilled workforce and attracting both private and federal funds to support these initiatives.

The final report was released in January 2008.

## RC/EEP Campus Programs

Proposals were solicited from campuses in eight parishes designated by HUD as most severely impacted by the 2005 hurricanes. Nineteen proposals requesting a total of $88,612,446 were submitted for multi-year funding consideration. Eleven programs were selected.

Funds will be used to support research, facilitate commercialization of university-developed products and processes in Louisiana, and support educational activities that will build a trained workforce for technology-based companies. Public and private colleges and universities in the eight parishes hardest hit by Hurricanes Katrina and Rita were eligible to apply for the funds.

**Snapshots of the RC/EEP Campus Projects**

| Lead Institution | Principal Investigator | Project Description | Total Amount Recommended |
|---|---|---|---|
| Dillard | Kevin McLin | Multi-Media Intercollegiate, Interdisciplinary Technological Research | $1,500,000 |
| Loyola | Patricia L. Dorn | Chagas Disease in Southeastern Louisiana | $498,000 |
| Loyola | Maureen Shuh | Enhancement of Undergraduate Research in Cancer Biology | $500,000 |
| Loyola | John Snyder | New Orleans Music, Entertainment and Educational Consortium | $992,278 |
| LSU Ag Center | Stephen A. Harrison | Coastal Area Research Enhancement in Support of Genetic Improvement of Native Coastal Wetlands Creation and Restoration | $915,146 |
| LSUHSC-NO | Paul L. Fidel, Jr. | South Louisiana Institute for Infectious Diseases Research | $3,350,000 |
| McNeese | Nikos Kiritsis | Support for Educational and Economic Development in Southwest Louisiana (SEEDS-LA) | $2,700,000 |
| TUHSC | Robert F. Garry | Design, Delivery and Development of Therapeutic Peptides | $5,800,000 |
| TUHSC/LSUHSCNO | Alan M. Miller | Clinical and Translational Research Education and Commercialization Program | $5,950,000 |
| Tulane | Vijay T. John | Development of a Nationally Recognized Model in Research Commercialization, Education and Workforce Development in Chemical Engineering and the Chemical Sciences through University and Community College Collaborations | $3,900,000 |
| Xavier | Tarun K. Mandal | Center for Nanomedicine and Drug Delivery | $1,500,000 |
| **TOTAL** | | | **$27,605,424** |

Additional information on the programs and the strategic planning process can be found at www.laregents.org.

## Business Recovery Assistance: Bridge Loan Program

*Immediately following the hurricanes of 2005, the state instituted a Disaster Bridge Loan Program for small businesses to bridge the gap that exists from the time need arises until the time insurance pays off a claim or an SBA Disaster Loan is funded.*

**Program History**

- The program initially began with $10 million of state funds, followed by an additional $30 million of CDBG funding.
- Approximately $14 million in Bridge Loans were funded to Orleans Parish businesses
- Round I – 370 loans were closed for a total of $88 million with 99 of those loans going to businesses in Orleans Parish
- Round II – 322 loans were closed totaling more than $28 million.
- Round III – Terminated in December 2006 to make possible the Business Recovery Grant and Loan program.

## Business Recovery Assistance: Small Firm Grant and Loan Program

*The Business Recovery Grant and Loan Program, designed by the LRA and implemented by the LED, was announced by Governor Blanco in December 2006 and launched in January 2007. The Louisiana Business Recovery Grant and Loan Program was established with a two-fold purpose:*

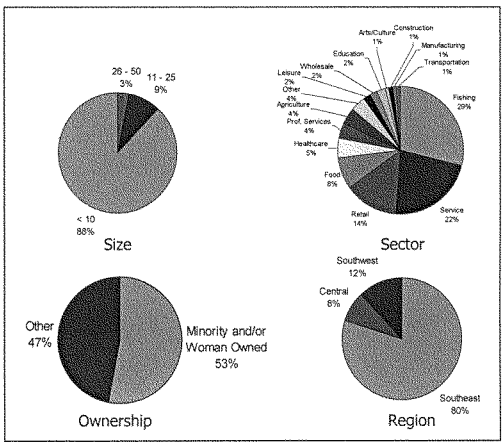
- *To provide immediate financial – and emotional – relief to business owners*
- *To help business owners and their businesses adapt in a changed market*

**Program Results**

- The Louisiana Business Recovery Grant and Loan Program was established with a two-fold purpose:
  - To provide immediate financial – and emotional – relief to business owners
  - To help business owners and their businesses adapt in a changed marketplace
- Round I
  - Included funding of $100 million in grants of $20,000 each
  - $38 million provided for no-interest loans up to $250,000
  - $63M in grant funds = 3,500 grant awards ($18,100 average award)

- $33M in loan funds = 400 – 500 loans (with 0% interest)
- Orleans Parish got more than 50% of the damage and 43% of the money
- 88% of funding went to firms with less than ten employees
- First grants were delivered to small business owners in April 2007

- Round II
  - Currently working to secure an additional $68 million dollars funding
  - Criteria and Timeline for Round II, coming in late spring 2008




## Business Recovery Assistance: Technical Assistance to Small Firms

*The LRA and LED developed the Technical Assistance (TA) program to support a variety of groups that provide technical assistance to our small businesses through $9.5 million of CDBG funds.*

**Program Purpose**

- The program is designed to work with community-based organization and other service providers to deliver technical assistance to small businesses and nonprofits in the areas affected by Hurricanes Katrina and Rita.
- The TA program is intended to be implemented in coordination with other LRA designed programs including the Small Firm Recovery Loan and Grant Program (SFLG) and the Long Term Recovery Loan Guarantee Program (LTRLP).
- The model is to provide this program as a nexus of small business assistance and leverage the strengths of each group in order to provide a support network of businesses in segments including:
  - Financing
  - Incentives
  - Contracting/Procurement
  - Business Planning
  - Marketing

- Technology
- Legal
- Accounting
- Regulatory
- Workforce
- Industry specific issues

**Program Implementers**

- LA SBDC
- SLEC & Partners
- LA Association of Nonprofits
- Operation Hope
- UEP Gulf Coast
- Idea Village
- Acadiana Regional Development
- New Corp
- Good Work Network
- Women's Business Resource Center
- LA Technology Council
- LA Business and Technology Center
- Mary Queen of Vietnam CDC
- Microbiz Enterprise Corporation of Ascension
- Southern University New Orleans
- Fast Forward Restart
- N.O. Regional Business Park
- Seedco Financial Services
- Terrebonne EDA

## APPENDIX B: DISASTER FUNDS ALLOCATED AND NEW REQUESTS

**TABLE 1: Economic Recovery Funds Allocated to Date**

| | Allocated | IMPACT |
|---|---|---|
| **Disaster Relief** | | |
| National Emergency Grant (Provided temporary jobs for LA workers) | $ 62,100,000 | Provided training and temporary jobs to ~17,000 people in humanitarian relief positions. |
| SBA Loans (Business Only, not EIDL) | $ 878,270 | Will provide loans to 7,961 businesses. |
| **Rebuilding** | | |
| Go Zone Bonds | $4,602,400,000 | Tax exempt bonds for stimulating investment in impacted parishes. |
| Recovery Workforce Training Program | $ 38,000,000 | Will train & place 7,500 people in critical recovery sectors. |
| Bridge Loans | $ 45,500,000 | Provided loans to more than 700 businesses |
| Louisiana Tourism Recovery Program | $ 28,500,000 | Provided grants to tourism and marketing organizations to tell the nation and world that Louisiana is open for business & to promote Louisiana's cultural and natural assets. |
| Small Business Grant and Loans | $ 200,000,000 | Round I: $62M in grants up to $20K to ~3400 businesses; loans up to $250K to ~400 businesses. (Average grant $18,100; average loan $80,000.) Round II: ~$80M in late fall 2007. Will invest in ~2,000 businesses. |
| Research Commercialization + Educational Enhancement | $ 28,500,000 | Investment in strategic research commercialization and educational pipeline at damaged universities. Funds used for faculty retention, graduate stipends, science & technology research. |
| Technical Assistance | $ 9,500,000 | Provide technical assistance to reposition companies to take advantage of new markets. |
| **Economic Development Programs Total** | **$ 350,000,000** | |

| Funds to be distributed throughout the Gulf Coast for Rebuilding LATER (recent supplemental) | TO BE ALLOCATED: |
|---|---|
| Higher Education Assistance | $ 30,000,000 |
| Fisheries Disaster Assistance Program | $ 85,000,000 |
| SBA Economic Injury Disaster Loans | $ 25,000,000 |
| TOTAL GULF COAST FUNDS TO BE ALLOCATED | $ 140,000,000 |

**TABLE 2 LOUISIANA'S ECONOMIC & WORKFORCE RECOVERY INVESTMENT PRIORITIES**

| Business Recovery Investments | # of | Average Award | Amount |
|---|---|---|---|

| | Businesses | | | |
|---|---|---|---|---|
| Small Business Retention Grants | 15,000 | $20,000 | $300,000,000 | *To invest in pre-storm impacted businesses. (20,000 businesses severely damaged or closed as result of storms; 5,000 to be served currently; gap 15,000.)* |
| Large Employer Retention & Attraction Grants | 200 | $1,000,000 | $200,000,000 | *Provide funding to attract large corporations to relocate to recovery areas.* |
| Start Up Grants | 2,000 | $20,000 | $40,000,000 | *Provide seed fund for growth oriented entrepreneurs, including those reforming business model to meet new market demands.* |
| Business Rebuilding Loans | 1,000 | $80,000 | $80,000,000 | *Provide critical long term, low cost capital* |
| Neighborhood Commercial Corridor Revitalization | 1,500 | $30,000 | $45,000,000 | *Provide incentives for businesses to reinvest in targeted neighborhood commercial corridors.* |
| High Growth Sector Incubators | 500 | $100,000 | $50,000,000 | *Provide seed funding growth sector initiatives, including biomedical research, digital media production, technology applications, and incubators.* |
| Technical Assistance | 3,500 | $3,000 | $10,500,000 | *Technical assistance in strengthening business practices to take advantage of new market opportunities.* |
| **Workforce Recovery** | # of Trainees/ Employees | Average Award | | |
| Wage subsidies | 10,000 | $3,000 | $30,000,000 | *Mitigate rise in labor costs for employers* |
| Employee Recruitment, Relocation & Training and Placement Assistance | 10,000 | $6,000 | $60,000,000 | *Funds to recruit, relocate, train & place workers in high demand recovery sectors to offset labor shortage. (Demand for workforce in recovery sectors between 90,000 and 250,000. Current program train & place approx 7,500; additional 10,000 recruited, relocate train and place.)* |
| Business Relocation Employment Incentive | 2,500 | $5,000 | $12,500,000 | *$5,000 per employee grant for businesses that (re)locate to the impacted parishes from the outside. Must keep employee count for 3 years.* |
| Gulf Coast H2B Visa Program | | | | *Temporarily increasing the quota from the current 66,000 to 250,000 or 300,000 while guaranteeing a certain percentage to the GO Zone.* |
| **Tax Incentives** | | | | |
| GO Zone Bond Allocation | | | $5,000,000,000 | *Additional tax incentives for four most damaged parishes: Cameron, St. Bernard, Orleans, Plaquemines.* |
| GO Zone New Markets Tax Credits | | | $600,000,000 | |
| **Recovery Marketing & Tourism Attraction** | | | | |
| Recovery Awareness and Marketing Campaign | | | $50,000,000 | *Awareness and marketing campaign to correct misperceptions about Louisiana and promote it as a tourist destination. The funds would be used to increase national advertising and marketing initiatives to help designed to promote our destination, attract new conventions, corporate meetings, group leisure visitors, travel writers, media and special events.* |
| **Higher Education** | Students | Average Award | | |
| Tuition Recovery Stipends | 20,000 | $1,000 | $20,000,000 | *Student tuition stipends for storm-affected students.* |
| | | | **$6,498,000,000** | |

# COMMENTS FOR THE RECORD

Questions and Comments from the Audience

With the shortage of workforce, particularly in Louisiana, has the Federal Government considered making Louisiana exempted from the H-1B quota, giving Louisiana enough time to recover? Skilled and non-skilled labor force are very limited to meet the needs of small businesses as we all experienced.

Will there be relaxation in immigration laws to allow an increase in the foreign workforce?
Many opportunities arise everyday. Many national, international, state, regional, and local businesses opportunities are available but the workforce shortage continues to stand in our way. The National Nursing and other healthcare worker shortage will and is affecting everyone in one way or another. It is leading to a health care crisis. Filipino and other nurses and therapists are available to help alleviate this shortage and this crisis, but the cost, expense and limits of getting these workers here limits us. We need governmental assistance.

Can you help to expedite and increase the chance of approval for foreign workers to come to Lake Charles?

Go-Zone
Stuart Weatherford
Lake Charles City Council

In addition to the extension of time for the Go-Zone it would be very helpful to our recovery to make more Go-Zone bonding available to the area. We currently have more requests for this tax preferred financing than current availability. There is not real cost to the federal treasury, in fact the increased economic activity will generate significant tax revenues.

Cathy Denison, PhD and Associates, Inc. has the subcontract for the SWLA Small Business Grant and Loan Program. We serve over 500 small businesses and are interested in letting you know many of the issues and problems that the small businesses are facing, even with the Small Business Grant and Loan Program. We agree with collaboration and partnership of government, educational institutions, and chambers/economic development agencies but it is critical to include small businesses, especially minority and women businesses, and those that have been impacted by the storms.

While the Gulf Coast is being restored, it would help to utilize the windmill technology for electrical savings.

Rapid response – How do you provide immediate response to the shortage of skilled and non-skilled workforce? Would Louisiana be open to employing skilled and non-skilled workers to meet the needs immediately, recruiting from foreign countries.

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